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# The UPDATE Report

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ASA
AVIATION SUPPLIERS ASSOCIATION

## REGULATORY UPDATE

## Repair Station Rules

The FAA has proposed some changes to the rules that govern repair stations. Comments on these rules are due April 16, 2007 (this is an extension from the original due date of March 1). ASA has already filed one set of comments – this article is based on those comments. ASA plans to file a second set of comments addressing the costs of that rulemaking activity – please see the end of this article for more information on how you can support our efforts by helping us with information about the costs of quality systems.

Although ASA primarily represents parts distributors, ASA nonetheless has an important interest in repair station regulation. About one quarter of ASA's members hold Part 145 repair station certificates issued by the FAA. Practically all of the ones that do not hold Part 145 certificates still find themselves interacting on a regular basis with repair stations. Distributors sell aircraft parts to repair stations, and they also buy aircraft parts from repair stations. Surplus parts distributors often find themselves in possession of aircraft parts that need maintenance or alteration, so distributors are also customers of repair stations.

### *The Proposal Unnecessarily Eliminates Hazardous Materials Training Certification Requirement*

The proposed regulation appears to have mistakenly neglected and overwritten the hazardous materials training provisions of Part 145.

Under the existing regulations, repair station applicants are required to verify that their employees have received appropriate hazardous materials training. When a Part 145 certificate is amended or transferred, the repair station must repeat the certification required by the application rules.

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## MESSAGE FROM ASA'S PRESIDENT

### THE UPDATE Report

is the monthly newsletter of the Aviation Suppliers Association.

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Dear Members,

This issue briefly reviews some of the comments submitted by ASA regarding proposed 145 rules. ASA is planning on filing additional comments and we need your help. Page 16 details questions that we need answered in order to provide to comments regarding costs. Caroline has created an online survey to more easily complete the questions. Please feel free to use the survey or communicate the answers by fax, mail or email.

ASA is aware of the value associated with membership. One such value is the use of the exemption regarding issuance of FAA 8130-3. Years ago ASA developed a member logo. ASA's logo is trademarked. ASA's logo is limited to members in good standing that have agreed to the ASA logo license terms. ASA supports the trademark of its logo and shall enforce its rights under law regarding any unauthorized use of its logo. Please see the notice of infringement of Aviation Suppliers Association's Logo Trademark.

If anyone has any question regarding ASA's logo or membership, please feel free to contact me or any Director.

Take care,
Michele Dickstein

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Under the proposed regulation, the subsections requiring hazmat certification would be overwritten with unrelated requirements. This would eliminate the requirement to verify hazmat training compliance. The proposal would not change the other related regulation (14 C.F.R. § 145.57(a)), though, which means that there would still be a requirement in 14 C.F.R. § 145.57(a) to certify compliance with the requirements found in the application rules, despite the fact that the particular regulatory citations would no longer reflect issues to which a certification was appropriate.

This change is not discussed in the preamble, so it is likely that it reflects a mere mistake. ASA has made recommendations that would return the regulations to their proper state.

### *Inspector Experience Criteria*

Proposed section 145.155(d) states that

> *(d) Personnel designated as chief inspectors for certificated repair stations within and outside the United States must have at least three years experience using the various types of inspection equipment and techniques appropriate for the article being inspected.*

This is an unworkable standard when it comes to new inspection equipment that has not been around or available for three years. It would have the de facto effect of limiting the introduction of new technologies. In light of the fact that inspection personnel may not have had the opportunity to acquire three years of previous experience on newly-developed test equipment or techniques, ASA recommended that the provision be revised as follows (addition is underlined):

> *(d) Personnel designated as chief inspectors for certificated repair stations within and outside the United States must have at least three years experience using the various types of inspection equipment and techniques appropriate for the article being inspected, or must have received training on the use of such equipment and techniques.*

This focus on training for new equipment and techniques is also consistent with the FAA's new focus on training for repair station personnel.

### *FAA Response to Application for Ministerial Changes Should be Rapid or Should be Deemed Waived*

There are several places under the regulations that require a repair station to apply to the FAA in order to make changes in its business operations. For example, a repair station that is using all of its capacity may make a business decision to expand its facilities by purchasing or leasing the building next door; however it cannot use this facility until the FAA has approved it.

The industry is replete with anecdotal tales of the FAA's failure to act in a timely manner on applications of this sort. The FAA's approval of an additional facility that falls under the same quality system is essentially a ministerial function. Most of these other 'day-to-day' approvals are ministerial in nature.

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The failure to act in a timely fashion on such a ministerial function presents a special problem for repair stations. It inhibits their business because of FAA failure under circumstances that could not possibly jeopardize safety. In such cases, the FAA is negatively affecting the competitiveness of American small businesses without a correlative positive effect on safety. This has a secondary effect on the distributors that rely on repair stations. For example, it limits competition because of administrative burdens, which in turn raises the prices for these services.

ASA has recommended that the FAA impose on its inspectors a five business day response time for all approvals of a ministerial nature. Unless an approval is denied within this time period, it should be considered to be approved. There is precedent for this sort of approach in other agencies. For example, the Labor Department's Administrative Review Board (ARB) must act within a certain time period or the decision on which it was to pass review is considered to be a final act of the Secretary that may be directly appealed.

This would also reduce FAA staff time that is spent on responding to requests for ministerial approvals, since the FAA could simply approve by forbearing to act. This would allow the FAA to focus its energies on endeavors that more directly impact safety.

We recommended that the following language be inserted into a new 145.102:

> *145.102* ***Response Time.*** *Any application for an approval that is submitted under subpart C or subpart D of this Part that is not approved or denied by the Administrator within five days of receipt by the Administrator, shall be deemed orally approved by the Administrator as of close-of-business on the fifth day after receipt.*

Note that under this proposed language, anything that explicitly requires written approval would not be covered by the implicit oral approval. For example, a change of facilities requires written approval under 145.105(a) – so oral approval would be insufficient.

The FAA could (obviously) avoid the penalties of missing the five-day deadline by simply denying an application within the five day limit. This sort of turn-around for administrative changes would help the industry focus on efficiencies, and it would force the FAA employees to turn-around such administrative matters in an objectively reasonable time period. This in turn would limit the amount of review that FAA employees spend on oversight of administrative matters under subparts C and D and, so that inspectors could refocus their attentions on true safety concerns.

### *Ban from the Industry Seems Overly Harsh as a General Punishment*

The FAA has proposed language – at section 145.53 – that would effectively ban from the industry anyone who previously owned or held a key position in a repair station that had its certificate revoked. For those who previously have been part of a revocation, this represents an additional punishment for those who have already been punished for their deeds. Generally, past revocations explicitly permit a reapplication after a period of time – this would contravene the clear implication that a person who has served his or her punishment may reapply for a certificate.

The rule limits the revocation to management persons who materially contributed to the event that lead to the revocation; but this is not as much of a limitation on the FAA's power as it may seem. In the real world, it would be practically impossible for one of the management officials named in this proposed regulation to escape being described as someone who "materially contributed" to the offense because these persons are held responsible for the workings of the repair station, and any revocation offense may be imputed to their management failures. Thus, mere past association (as management personnel) with a repair station subject to revocation could be sufficient to remove someone from the industry.

No repair station applicant will hire someone previously associated with a revocation because it would afford the FAA the power to deny the applicant at will. Because of the requirement to maintain the conditions of application, no existing repair station will be able to hire a person previously

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As the voice of aviation distributors, ASA works with regulators both in the U.S. and abroad to improve the regulatory environment for distributors while promoting aviation safety to the highest level. ASA has strong ties with the Federal Aviation Administration (FAA), U.S. Congress and the European Aviation Safety Agency (EASA).

In addition, ASA works to create critical mass with industry segments and regulatory bodies in order to provide universal standards and cooperation in aviation worldwide.

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***Member Alerts*** - periodic notices that provide immediate updates on industry news as it happens

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associated with a revocation because it would afford the FAA the power to revoke the certificate for failure to meet the terms of its original certification. As a practical matter, previous association with a revocation would reflect a de facto ban from the repair station industry. This might be the case even if the associated person was never directly accused of a violation!

Further, the proposal allows the FAA discretion – they 'may' deny a certificate but the FAA need not necessarily deny one. This provides a tableau for inconsistent rulings by the FAA in which certain parts of the country may enforce these bans more strictly than others. Since there is no objective standard for distinguishing when one may be banned (it is left entirely to the FAA's discretion), it is likely that one deciding factor will be personal relationships, which will lead to an appearance of favoritism by the FAA. Such an appearance should be avoided.

The implementing statutes do not give the FAA the power to refuse a certificate to a person who meets the appropriate criteria, merely because of an employee's past association with a revoked certificate. Under 49 U.S.C. § 44707, the Administrator is allowed to consider personnel competency, but not past association with a revoked certificate, in considering certification. The FAA's proposed rule would allow the FAA to arbitrarily deny certificates to otherwise qualified applicants based on a past association.

### *Avionics and Component Ratings Need Additional Privileges*

The avionics rating permits a repair station to install an article covered under their ratings/capabilities list. However, an installation often requires far more than simply clamping a box into an aircraft.

There are many possible additional features of an installation. For example: An avionics installation may require the repair station to upgrade the aircraft's electrical system. It may require changes to the electrical system if the existing system is inadequate. It may require the installation of an antenna on the outside of the fuselage (with associated puncturing of the airframe for bolt-holes if there is a new footprint for the antenna; or possibly with no effect on the airframe if the existing bolt-holes can be used).

The work of repair stations that perform installations of avionics often involves replacing an older model of equipment with a newer model (it may be reinstalling the same unit, but the unit has received a new designation following an upgrade, such as a software upgrade). This is technically an alteration. The regulations should reflect the fact that a minor alteration (like a software upgrade, replacing an outdated model of avionics with a later model that does not affect the aircraft sufficiently to constitute a major alteration, cleaning up the wiring, etc) is acceptable as a part of the installation process.

ASA recommended the following changes to the language of 145.59 in order to permit repair stations to perform the real-world steps necessary to complete an installation (additions underlined):

> *(d) Avionics rating.*
> *(1) A certificated repair station with an Avionics rating listed on its operations specifications may perform maintenance, preventive maintenance, and alterations on aircraft electrical and electronic systems and components, instruments, radios, integrated modular systems, in-flight entertainment units, or other electrical and electronic articles that are listed on the repair station's capability list required by § 145.215.*
> *(2) A certificated repair station with an Avionics rating may remove and reinstall access panels, brackets, or clamps in accordance with the applicable maintenance instructions on aircraft, powerplants, or propellers, as needed, to gain access to those articles authorized in § 145.59 (d)(1).*
> *(3) A certificated repair station with an Avionics rating may remove, replace, install, and test the avionics equipment on an aircraft, and may take such additional steps as may be incidental to the completion of the removal, replacement, installation or testing.*
> *(4) A certificated repair station with an Avionics rating must have a limitation in accordance with § 145.61 to an Aircraft, Powerplant, or Propeller rating to perform a major or minor*

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> *alteration; except that a certificated repair station with an Avionics rating may perform any minor alteration necessary to complete an installation permitted under subsection (d)(3) of this section.*

The other alternative would be to do what is often done today – require the avionics repair stations to have aircraft ratings for all installations. This however, is not a very good practice, and it becomes an even more unworkable practice under the new proposed regulations.

First, the tooling and manuals for an airframe rating are generally superfluous to the operations of a facility that focuses on installation of avionics or components. Very little of the airframe manual is used because the installation instructions are generally found in the component manuals. While the airframe manual technically includes wiring diagrams, in the real world those wiring diagrams are generally useless because they bear no resemblance to the actual wiring configuration of the aircraft. The wiring configuration is changed with each successive modification to the aircraft, so in the real world, repair stations rely on the actual wiring configuration and not on the hypothetical configuration shown in the manual.

Second, the new proposed regulations make it difficult to add new aircraft to an aircraft rating (see discussion on capabilities lists, page 8). For most avionics shops, this would be a severe impediment on their ability to perform installations in older aircraft and rarer aircraft. The repair station may not have that aircraft in its capabilities list already. But the installation process for many avionics items is usually fairly standard and does not vary much from one type to the next. The repair station relies on the owner's set of aircraft manuals for anything that needs to be gleaned from those manuals. But the process for installing avionics in one general aviation (GA) aircraft is not so different from installing the same avionics in the next GA aircraft. So there really is no need to have the tooling and equipment associated with a full-blown aircraft rating. It should be adequate that the repair station have an avionics rating in order to install avionics, especially where there is no major affect on airworthiness qualities (e.g. it is a minor alteration).

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### *"Applicable Parts" Under Proposed Section 145.205*

Proposed section 145.205 states that repair stations doing work for certain certificated operators "must comply with the applicable parts of this chapter." See Proposed 145.205(a, b, and c).

There is no statement in the regulations about which sections are meant by the phrase "the applicable parts of this chapter." There is no indication about which sections are applicable. This regulation, as written, would be considered constitutionally void for vagueness.

As a consequence, to make the regulation enforceable, the FAA should either (1) drop the references to "the applicable parts of this chapter" in proposed subsections 145.205(a, b, and c) or else the FAA should (2) list which sections are considered to be "the applicable parts of this chapter."

### *Capabilities Lists*

Under the current regulations, a capabilities list is an option but it is not a requirement. The proposed rule would require that a repair station adopt a capabilities list.

Under the proposal, a repair station will be able to amend its capabilities list in accordance with an FAA-approved amendment procedure. The FAA will approve this procedure in conjunction with the repair station manual, but the changes to the capabilities list will not be subject to FAA approval.

In theory, this should allow a repair station to develop a procedure under which it performs a reasonable self-evaluation to assure that it is capable of performing the work, and then upon a successful conclusion of the self-evaluation, the repair station would amend its capabilities list.

Unfortunately, past experience in regulatory practice has shown that many things that repair stations should be able to do without FAA approval, become (as a matter of practice) subject to explicit FAA approval and intervention, which has a tendency to inhibit business. For example, a prior version of the repair station regulations permitted a repair station to amend its own Inspection Procedures Manual (IPM). Nonetheless, it became common practice for repair stations to write a clause into their own manual that prohibited the repair station from amending the manual without FAA approval of the amendment. This clause was largely prompted by the fact that the sample manual language found in the IPM advisory circular had such a clause.

Under the capabilities list proposal, it will take a great deal of care and effort by the FAA to avoid the command-and-control mentality that causes some FAA inspectors to require that the repair stations under their oversight adopt restrictive clauses that are not sanctioned by either FAA regulations or FAA policy (or else the inspector will refuse to approve the manual) and that effectively require the inspector's approval of decisions that are outside the FAA's normal regulatory scope. Unfortunately, the FAA has had problems with regulating its own employees in a manner that restricts them from imposing requirements that fall outside of their regulatory and statutory limits

The capabilities list will need to be quite specific – it must be delineated by manufacturer, type, make and model. In addition, an avionics repair station or component repair station must also group items on its capability list by category. Officially, this is supposed to be for the convenience of the customer, but really it is only for the convenience of the FAA inspector, because customers typically do not review capabilities lists.

If the FAA really wants to see the capabilities lists organized in a manner that is 'for the convenience of the customer," then the FAA should not specify the order in which the capabilities lists are listed. The FAA should allow commercial practice and customer needs to guide the order in which the capabilities list is provided.

It would also be highly useful if the FAA allowed repair stations to maintain their capabilities lists in computerized databases, which would permit them to truly make the lists available to the customers in a manner that is for the customers' convenience. Such lists could be printable for FAA review; but in today's world, it is not unusual to see repair stations making their capabilities list available in a

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commercially-convenient manner on their Web sites, so that the customer can match the capabilities to the customer's needs. The manner in which this information is listed today (in commercial listings) varies based on a number of factors, including the nature of the customers (fixed wing v. rotorcraft; commercial airline v. general aviation, etc.) and the nature of the repairs (may be listed by component, by type, by process, etc., depending on the norms of the community being serviced).

### *Capabilities Lists for Aircraft Ratings*

One of the problems with the capabilities list is the limits associated with the aircraft rating capabilities list.

A repair station with an aircraft rating may not perform a self-evaluation to add a different type of aircraft to its aircraft rating. There is, in fact, no process specified in the regulations for adding a new aircraft (or powerplant) to capabilities list of a repair station with an aircraft (or powerplant) class rating.

If the FAA intends that an aircraft-rated or powerplant-rated repair station can only change its capabilities list by changing its ratings/operations specifications with the approval of the administrator, then this should be stated explicitly, and the cost of compliance should be considered.

This could be particularly onerous for avionics repair stations that need the aircraft rating only for their installations (especially in the general aviation community). It means that when a customer shows up with an unusual aircraft, a mere self-evaluation will not permit the repair station to amend its capabilities list – no matter how similar the installation on that aircraft is to installations on other aircraft.

Many repair stations specialize in work on particular components, like avionics or instruments. When such equipment is installed, the installation often reflects an upgrade so it is often technically an alteration, albeit a minor one.

Obviously, one solution to this for this community is to provide broader installation capabilities for avionics and component ratings.

### *The Proposal Fails to Provide a Distinct Process for Updating Aircraft and Engine Capabilities Lists*

Perhaps the most significant difficulty is that there is no specific enumerated method for how an aircraft repair station will add new types to its aircraft rating. Although the regulations specify what amendment methods are forbidden (self-evaluation is not permitted) they do not provide a specific way to amend the aircraft-rated repair station's capabilities list; there is NO procedure in the proposed regulation for adding a new type to one's aircraft rating.

Because there is no specific regulatory mechanism for amending the aircraft capability list to include a new type, the question of whether to grant the additional type will become a matter of pure discretion for the aviation safety inspector (ASI), and the ASI will be able to withhold such amendment privileges on a whim. This is exactly what the capabilities list provisions were meant to avoid!

The only guidance on how to amend your aircraft capability list comes in the preamble, which states "The Aircraft rating, along with the types of aircraft the repair station may maintain, constitutes its rating." Thus, it would appear that the FAA intends that the repair station will apply for a new rating each time it intends to work on a new type. In the general aviation community, with the myriad of types that a repair station may find itself encountering, this application process will be very onerous and truly unnecessary in most general aviation business models.

Please note that this interpretation is based on the preamble and not on the rule – it is also possible that an inspector reading only the rule might be inclined to deny an application for a new rating (that includes the additional type) on the grounds that the existing ratings already cover the additional

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type – it is only the capability list that is deficient. Thus, there would be no practical way to amend the list. This is a potential symptom of the vagaries of this rule.

It is also important to recognize that this proposed regulation has the effect of turning all existing airframe class ratings into limited aircraft ratings, since it will no longer be possible to have a class rating without the capability list limitation. This reflects an amendment to the certificates. There is a specific process for amending certificates. 49 U.S.C. § 44709. Amendment of certificates should be performed through the statutory process.

### *Regulating Removal is an Unnecessary Addition to the Rules*

Under the current regulations, removal of parts (alone) is not regulated by the FAA. Thus, a company that 'parts-out' an aircraft is not specifically regulated in the removal functions. A number of ASA's member companies 'part-out' aircraft, and the requirement to perform the function under a certificate would unnecessarily increase the cost of this exercise.

The United States government currently does not prevent unregulated persons from removing aircraft parts during parting-out operations, and currently does not treat removal (taken alone, with no intent to replace or reinstall) as a maintenance activity.

Under the proposed regulations, though, when a repair station removes a component, it will need to be appropriately rated to remove it (e.g. Proposed Rule at sections 145.59(d)(2), (d)(3), and (e)(2). Avionics-rated and Component-rated repair stations will need limited airframe and/or powerplant and/or propeller ratings to perform removals.).

Thus, even if other parties are not regulated when they remove parts from aircraft, a repair station will be regulated when it performs such an activity. It does not make sense that an unregulated person can perform a removal, but that a repair station that performed an otherwise unregulated function must be appropriately rated to perform the function. Thus, these proposed regulations should be amended so that they do not regulate removal that is performed independent of regulated functions.

ASA pointed out to the FAA that if these proposed regulations are not amended, then the FAA's cost-benefit analysis must address the costs that this proposal would impose on the many disassembly facilities that are not certificated and that do not use certificated persons for parts removal. This is an industry that could be affected by the proposed rule as it is drafted, because the language making removal a rated function could be used as justification for the proposition that this language makes parts removal a species of maintenance, and therefore the unregulated persons who perform removal would be in violation of the rules.

### *An End to Independence Means Trouble for Manufacturers*

The preamble to this proposed rule states in several places that "the rule requires repair stations to use the data, tools, test apparatus, and equipment recommended by the manufacturer."

This policy statement appears to misstate the state of the law. For example, 14 CFR 43.13(a) requires the use of acceptable methods, techniques and practices, and it defines the manufacturer's manuals as sources of acceptable methods, techniques and practices. But it never limits the repair station to only those methods, techniques and practices – anything else that is acceptable to the FAA is permitted under today's rules, and this has led the FAA to publish advisory circulars with acceptable methods, techniques and practices. The FAA has also issued documentation accepting and/or approving process specifications, field-approvable-data, etc in order to provide adequate FAA-indicia of acceptability.

It is difficult to see where (exactly) that requirement is imposed by the new part 145, but if the FAA intends to implement this limitation as a new policy, then it will mean an end to independent DER-

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approved repairs and alterations, independent tooling manufacturing, and independent test equipment manufacturing. It will provide manufacturers with a great deal of power over the aftermarket but it will also provide them with significant (and unwanted) potential for antitrust liability under the doctrine established by the Ninth Circuit in the Kodak v. Imaging Technical Services case. That case held that a manufacturer does not necessarily control the maintenance aftermarket, and that attempts to control the maintenance aftermarket by restricting essential items for work (and FAA-required data, tools, etc would be essential tools) could be considered violations of the Sherman Act.

In the long run, this sort of legal structure will work to the disadvantage of aviation industry manufacturers because it will actually diminish their ability to control certain aspects of service quality. For example, this interpretation by the FAA will make it very difficult for manufacturers to restrict their sales of data and tooling to only authorized repair stations (part of the current philosophy that prevents these items from being deemed 'essential facilities' under the antirust laws is the fact that competitive alternatives may be developed in the aftermarket). Manufacturers will need to make essential facilities available to their competitors if FAA policy makes these items truly essential.

Destroying the marketplace for alternatives by enforcing a policy that requires repair stations to use the data, tools, test apparatus, and equipment recommended by the manufacturer will provide a long-term disincentive to independent innovation that will result in a negative safety impact on the aviation industry.

### *FAA SUP Program Mandate*

The FAA has proposed that all repair station quality systems include a SUP Program. The preamble explains that this would include a mandate to make reports under AC 21.29.

AC 21.29 was not written so that it encompasses all parts that are necessary to the system today. It does not match the regulations. For example, parts that are not manufactured with the intention that they be offered for sale for installation on a type certificate product (so-called "commercial parts") are often installed on aircraft. These include parts that were manufactured generally for all industries (like light bulbs, curtain rings and electrical connectors). Under today's rules, a repair station may purchase such parts, inspect them to determine their airworthiness, and if they meet the requirements of 14 C.F.R. § 43.13 (e.g. they are airworthy), then they may be installed on an aircraft.

Under AC 21.29B, "commercial parts" are not addressed. In fact, such parts would generally be considered unapproved parts that are unacceptable for installation. Unapproved parts are specifically described in the advisory circular as being unacceptable.

Strict adherence to the recommendations of AC 21.29B would lead to a grounding of the entire U.S. aviation fleet in a short time, as replacement parts became unavailable for installation under the strict terms of the advisory circular.

AC 21.29B admits that its definition of 'approved parts' is a colloquial one. One does not match the scope and breadth of the regulations. Until and unless the SUPs Advisory Circular can be modified to match the scope and breadth of the regulations, it should not be implemented as a mandate.

### *Problems with the Cost-Benefit Analysis*

The FAA is required to provide an Initial Regulatory Flexibility Analysis (IRFA) in the proposed rule. There are significant problems with the IRFA that the FAA provided. Particularly, the FAA failed to accurately report the costs of a quality system, and the FAA cited non-quantifiable benefits of a quality system, instead of focusing on the real benefits of a quality system.

The FAA uses the value of all repair station-related accidents and incidents as the "benefit" in its

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Documentation ~ Approved & Un-approved Parts

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analysis, but the FAA admits that not all repair station-related accidents and incidents would be prevented by this proposed rule. Thus, it is illegitimate for the FAA to rely on this number as a proposed benefit. In fact, the FAA has failed to describe a single scenario in which a repair station-related accident or incident would have been prevented by the rules that are being proposed in this Notice of Proposed Rulemaking (NPRM). Without some sort of distinguishable causal relationship between the proposed rules and actual diminution in accidents or incidents, this rule has no appreciable benefit under this hypothesis.

This is a problem because when the FAA fails to address the real benefits of a quality system, it lays a foundation for the system that becomes impossible to improve. Because the FAA has not cited the real benefits of a quality system, future improvements to the regulations will be measured up to the direct effect on accident prevention (the original standard), and they may be rejected on this basis, even if they would support the real benefits of the repair station quality system.

The FAA also cites prevention of issuance of an Airworthiness Directive (AD) against a maintenance activity as a potential benefit. The FAA's own guidance suggests that the FAA should not issue an AD against a maintenance-related problem. Thus, the ADs issued to correct maintenance-related problems were issued contrary to FAA policy, and prevention of them therefore should not be considered a benefit of the proposed rule. Furthermore, the FAA admits that while adoption of a quality system may have prevented the incidents in question, the FAA does not really know if a quality system would have prevented them. Thus, the FAA has failed to provide a true quantifiable benefit to the proposed rule.

ASA agrees that quality systems have a benefit; however the FAA should not be picking numbers out of the air in order to perform its cost-benefit analysis. Playing fast-and-loose with the cost-benefit analysis is inappropriate, and it can only lead to problems later when inappropriate baselines have been established.

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# 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

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The FAA also significantly underestimates the costs of a quality assurance system. The FAA claim that the system will cost $34,500 over ten years is probably off by almost a factor of ten. One of the reasons that this is off is because the FAA must account for the time spent by personnel on the regulatory mandate, and the time was not adequately accounted for.

ASA provided a proposed budget for a small repair station quality assurance system. ASA relied on the FAA's own assumptions regarding staff cost and assumed a 20-employee size for a small repair station for illustration purposes. Note that the largest costs are the costs in staff-time to implement the program.

| TASK | TIME | FIRST YEAR COST | 10 YEARS COST |
|---|---|---|---|
| Time spent by repair station senior management personnel learning about quality assurance systems | 80 hours * $38.96 | $3,116.80 | $3,116.80 |
| Costs of a consultant to help implement the quality assurance system | Fee-based | $30,000 | $30,000 |
| Costs in personnel-time to draft and implement the quality assurance system | 160 hours * $38.96 | $6,233.60 | $6,233.60 |
| Costs of a Trainer to train the employees in the quality assurance system | Trainer – five days at $700/day | $3,500 | $3,500 |
| Costs in personnel-time to train the employees in the quality assurance system | 40 hours * 20.25 * 17<br>40 hours * 25.56 * 2<br>40 hours * 38.96 * 1 | $17,373.20 | $17,373.20 |
| Annual costs in personnel-time to perform periodic self-auditing under the quality assurance system | 96 hours * 25.56<br>24 hours * 20.25 | $2,939.76 | $29,397.60 |
| Annual costs in personnel-time to update the quality assurance system | 40 hours * 38.96 * 1 | $1,558.40 | $15,584.00 |
| Annual costs for periodic training to assure that staff continue to comply with the quality assurance system | 24 hours * 20.25 * 17<br>24 hours * 25.56 * 2<br>24 hours * 38.96 * 1 | $10,493.22 | $104,932.20 |
| Annual costs in personnel-time to perform corrective action following periodic self-auditing under the quality assurance system | 24 hours * 25.56 * 2<br>24 hours * 38.96 * 1 | $2,161.92 | $21,619.20 |
| | | **TOTAL:** | $231,756.60 |

Bear in mind that even repair stations with existing quality assurance systems will need to invest these funds to modify their systems to meet FAA requirements, and then to maintain them according to FAA regulatory requirements.

Using these more reasonable figures (which are extremely conservative estimates based on actual experience with industry quality assurance systems – note that these figures do not anticipate the

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sort of additional costs that would be incurred by events like significant changes in the business structure, significant growth in the business or significant changes in the FAA regulations that would necessitate a change in the quality assurance system), it appears that the actual cost to the repair station industry of the quality assurance systems (over the first ten years) should exceed (5000 repair stations * $231,756.60 =) $1,158,783,000.

This suggests that the annual cost to the economy (based on the quality systems element alone) will exceed $100,000,000. Under 5 USC § 804(2)(A), this means that the proposed rule is a major rule, and should be processed as such. The FAA is required to justify major rule changes before the Office of Management and Budget (OMB), something that the FAA has not done with this proposed rule.

### *Looking for ASA Member Help*

ASA is always interested in its members' opinions about rulemaking activities but in this case, there is a special need for member input. Most ASA members have implemented significant quality assurance systems, and ASA would like to know what they cost to establish and to maintain.

Figures that would be useful include

1) How much did you spend on outside consultants to help establish your quality system?
2) How much time (in person-hours) did it take your business to set up the quality system? What level of personnel were needed (e.g. divide the time among your administrative staff, senior management staff, etc).
3) How much time (in person-hours) does it take your business to oversee and manage the quality system?
4) How much time (in person-hours) does your business devote to improving the quality system?
5) How much time (in person-hours) does it take your business to perform corrective actions related to the findings of the quality system?
6) What other significant costs, in terms of manpower, fees, expenses or other costs, go into the establishment and maintenance of a quality assurance system?

ASA would prefer estimates of annual resources spent on your quality system. These numbers do not have to be exact, but they should accurately reflect the real costs of a quality assurance system.

Information may be submitted online: http://www.surveymonkey.com/s.asp?u=495723471391, via email: info@aviationsuppliers.org or fax (202) 347-6894. ASA hopes to file supplemental comments based on your input in order to help the FAA plug in the right numbers into its cost-benefit analyses.

ASA's comments are available on the ASA Web site.

## What Would Regulating Distribution Cost?

As discussed in several previous issues of The UPDATE Report, the FAA has proposed changes to the manufacturing rules that would have the effect of making independent distribution of aircraft parts, as we know it today, illegal. The FAA continues to fail to address the costs of such a move on the distribution community. ASA needs your help in providing the FAA with data that demonstrates the effect that the distribution aspects of the proposed rule would have.

ASA filed comments on the FAA's failure to consider the economic effect on distributors. ASA also brought this point to the attention of others through several conversations with the Small Business Administration and the Commerce Department. The Small Business Administration specifically asked the FAA to publish its initial cost-benefit analysis (known as an IRFA, or Initial Regulatory Flexibility Analysis) and to reopen the comment period to permit meaningful comment on this point. The FAA has acquiesced to this request.

The FAA published the IRFA in the Federal Register on February 14 and reopened the comment period to accept additional comments on the costs and benefits of the proposed rule.

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There is a problem. Despite the comments addressing the effect on other segments of the industry, including distribution, the FAA's February 14th cost-benefit analysis still ignores most of the economic effects of its proposed rule. The IRFA specifically limits its analysis to the effects on small manufacturers.

Issues on which ASA members may wish to comment include the FAA's failure to account for the direct economic effects of the proposed rule on distributors. It would be useful for the FAA to have some estimates on the value of the businesses – and on the amount of business – that would be affected by their proposed rule if it were implemented as written.

Written comments from ASA members on the variety of parts that are manufactured without FAA production approval that are used on aircraft would also be helpful. The FAA has failed to consider the tremendous impact of the proposal to curtail trade in so-called commercial parts (meaning parts manufactured without a specific intent that the part be installed on an aircraft).

ASA members are encouraged to file comments with the FAA. Comments are due to April 2, 2007. Comments should reference Docket Number FAA-2006-26408. Please send copies to ASA as well.

Comments sent by mail should be addressed to:
Docket Management Facility;
U.S. Department of Transportation, 400
Seventh Street, SW., Nassif Building,
Room PL–401, Washington, DC 20590–001.

They may also be sent by fax to (202) 493-2251, or submitted online at http://dms.dot.gov.

## Hazmat Training In the Works

ASA has received a number of requests from members for hazmat training. ASA staff is still negotiating hotel contracts, but hazmat training will likely be offered in June in South Florida and in St Louis in mid-September. ASA is also moving to a new office space, which that will have space to host periodic hazmat training in Washington, D.C. Additional classes may be added based on expressions of member interest.

The rise in hazmat civil penalties is probably one reason for the increased interest in hazmat training. A single errant shipment can cost almost half a million dollars in fines. But it also appears that many of ASA members are realizing just how many aircraft parts are considered hazmat when they are shipped.

ASA is always happy to work with members to put on training in your area. If you are interested in setting up a hazmat class in your area, please contact ASA discuss options on how to best deliver training to you and your employees.

Feel free to contact us at any time : (202) 347-6899 or info@aviationsuppliers.org.

## FAA's Change One to 8130.21E

Be on the look-out for change one to FAA Order 8130.21E. The FAA hopes to have this change out soon. It should correct some of the issues that have been bothering ASA members. Hopefully ASA will be able to give a full review of this change in the next issue of The UPDATE Report.

## Tax day is April 17th!

Taxpayers will have extra time to file and pay because April 15 falls on a Sunday in 2007, and the following day, Monday, April 16, is Emancipation Day, a legal holiday in the District of Columbia.

By law, filing and payment deadlines that fall on a Saturday, Sunday or legal holiday are timely satisfied if met on the next business day. Under a federal statute enacted decades ago, holidays observed in the District of Columbia have an impact nationwide, not just in D.C. Under recently enacted city legislation, April 16 is a holiday in the District of Columbia.

The IRS did not become aware of this issue until after many of its forms and publications had already gone to print, so much of the IRS' printed guidance incorrectly lists the deadline as April 16th. Thus, any IRS form, instruction or publication that currently shows an "April 16, 2007" due date should now be read as "April 17, 2007."

If you need last-minute tax advice, the IRS will be available April 16th. Emancipation Day is a DC holiday – not a federal holiday – so IRS offices will be open, as usual, on April 16.

Anyone who previously qualified for the April 16, 2007 deadline for filing a return, making a payment or deposit, requesting an extension or performing an act provided for under the Internal Revenue Code can take advantage of the extension and file on the 17th.

The next year in which D.C.'s Emancipation Day holiday could affect IRS filing deadlines is 2011.

# Membership Application Form

ASA
AVIATION SUPPLIERS ASSOCIATION

☐ Please process this application for **Regular Membership**. We are a supplier, distributor, manufacturer, or surplus sales organization that is involved in the sale of aircraft parts. As a **Regular Member**, we will be entitled to all benefits, participation in committees (see below), ASA's technical library, meeting discounts, nomination and voting rights of the Board of Directors, The Update Report monthly newsletter, and more. See below for payment method to the **Aviation Suppliers Association** in the annual dues amount as indicated.

☐ 1 to 19 employees ..... $1,200.00
☐ 20 to 59 employees ..... $1,800.00
☐ 60 to 99 employees ..... $2,400.00
☐ 100 or more employees ..... $3,000.00

☐ Please process this application for **Associate Membership**. We do not meet the Regular Member criteria; however, we wish to support the activities of the Association. As an **Associate Member**, we will receive benefits similar to those listed above for annual dues in the amount of **$600**. See below for payment method.

## Application Information

(All ASA communication is conducted via e-mail, therefore it is essential that you provide an active e-mail address to receive important ASA information.)

Company Name: _____

Street Address: _____

Mailing Address: (if different from above) _____

Principal Location of Business: _____

Telephone Number: _____ Fax Number: _____

Name/Title of Representative to ASA: _____

E-mail of Rep to ASA: _____ Web site: _____

Our Type of Business: _____

Officers and/or Key Management: _____

_____

How did you hear about ASA? _____

We are interested in the following committee(s): ☐ Quality Assurance

Payment method? ☐ Mastercard/Visa ☐ American Express ☐ Company Check # _____
(Be sure to enclose check with form.)

Credit Card Number _____ Exp. Date _____

Credit Card Holder Name _____ Card Holder Signature _____
(please print)

The undersigned hereby applies for membership in the *Aviation Suppliers Association* and agrees to abide by the rules and regulations adopted by the Association and to support its activities. I attest that all of the information provided on this application is true to the best of my knowledge. I agree that membership is subject to approval. Additionally, as noted above and by my signature below, I acknowledge and authorize ASA to charge my credit card for membership payment. Regardless of payment method, I understand Membership payments are non-refundable.

Signature _____ Date _____

**AVIATION SUPPLIERS ASSOCIATION** • 734 15th Street, NW, Suite 620 • Washington, DC 20005 • Phone: (202) 347-6899 • Fax: (202) 347-6894 • www.aviationsuppliers.org

## CONTACT US!

ASA Staff is always interested in your feedback. Please contact us with any comments or suggestions.


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## CALENDAR OF EVENTS!

### ASA Events

**ASA 2007 Annual Conference.....July 14-17, 2007**

Four Seasons Hotel, Miami, FL — Reservations: 305-358-3535

**Regulatory Workshop Series**

May 8 .....London, UK

Renaissance London Heathrow Hotel — Reservations: 44 208 564 6166

### Other Industry Events

**March 19-21**.....SpeedNews 21st Annual Aviation Industry Suppliers Conference
Beverly Wilshire, Beverly Hills, California

**March 28-31**.....AEA, Grand Sierra Resort *(formerly Reno Hilton)*, Reno, NV

**April 17-19**.....MRO 2007 Conference & Exhibition, Cobb Galleria Centre, Atlanta, GA

**May 7-9**.....SpeedNews 5th Annual Aerospace & Defense Industry Suppliers Conference
The Jonathan Town Club, Los Angeles, California

**May 9-10**.....Airline Purchasing Expo, Olympia Exhibition Centre, London, UK

**September 17-19**.....SpeedNews 8th Annual Aviation Industry Suppliers Conference
Toulouse (AISCT), Hotel Palladia, Toulouse, France

**November 4-6**.....SpeedNews 12th Annual Regional & Business Aviation
Industry Suppliers Conference, Location TBA