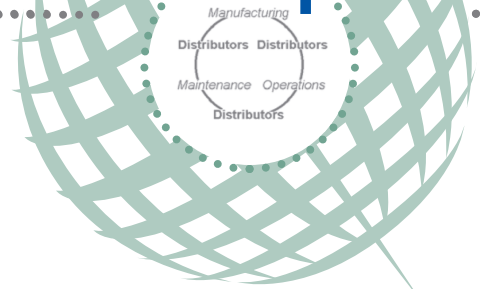


The UPDATE Report



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REGULATORY UPDATE

Northwest, Delta Declare Bankruptcy: Restructuring Agreements Still Awaiting Claim Provisions

Delta Air Lines and Northwest Airlines, the nation's third and fourth largest air carriers, each filed for Chapter 11 bankruptcy protection on September 14 in the Southern District of New York, citing sharp increases in fuel costs. The reorganization proceedings for both airlines are still in the early stages, meaning that many significant milestones in the process have not yet been reached.

Although many of our members seem to have questions about these bankruptcies, it also appears that many of our members implemented various aspects of our past advice about credit management and were able to limit their exposure.

Both airlines have been arranging post-petition financing – Delta has received court approval for \$2.2 billion in outside financing, while Northwest has \$1.5 billion on hand in cash and short-term investments. In addition, both Northwest and Delta are trying to increase profitability by turning more attention to international flights, with Northwest increasing international capacity 5.1 percent in September while keeping domestic capacity constant, and Delta planning a more dramatic shift in which it will expand its international flights by 25 percent while trimming domestic flights by as much as 20 percent.

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THE UPDATE REPORT

is a monthly newsletter of the Aviation Suppliers Association. Questions and/or comments should be addressed to:

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THE UPDATE REPORT

provides timely information to help Association members and readers keep abreast of the changes within the aviation supply industry.

THE UPDATE REPORT

is just one of the many benefits that the Aviation Suppliers Association offers members. For information on ASA-100, the ASA Accreditation Program, Conferences, Workshops, FAA guidance like Advisory Circulars, Industry Memos, or services and benefits, contact the Association.

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MESSAGE FROM ASA'S PRESIDENT

It saddens me to report that we recently lost a friend and supporter of the association. William W. Brown of Soundair Aviation Services passed away November 26, 2005. Our sincere condolences go out to Bill's family, friends and colleagues. Additional details may be found on page 105.

A primary focus of this issue is 'doing business with bankrupt companies.' Many of our members have been calling us about the September bankruptcy filings of Northwest and Delta, and subsequent bankruptcy filings are already increasing the importance of a sound understanding of how to do business with a bankrupt company.

We also report this month on the Organization Designation Authorization. This new rule consolidates all of the existing FAA-delegated privileges issued to organizations under one harmonized set of rules. We believe that the long-term affects of this new rule will be to permit certain qualified distributors to seek delegated privileges that will be managed in a controlled environment that reduces the FAA's designee management burden.

This month's issue also includes the rules and nomination form for the 2006 Edward J. Glueckler Award. Nominations are due early this year - December 30, 2006 - so be sure to get your nomination forms completed and submitted in December!

In our next issue you can expect to see a continuation of this month's discussion of bankruptcy law, with a particular focus on the issue of preferences (an issue we expect to be important to distributors in 2006 as the Delta, Independence and Northwest bankruptcy estates seek recovery of preferences). You can also expect to see a discussion of standard parts, and the way that the definitions of 'standard parts' differ among various nations (and the way that these differences can cause problems when importing or exporting standard parts).

Best Regards,
Michele Dickstein

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Soundair Inc. Mourns Passing of Friend and Co-founder

William W. Brown passed away suddenly on Saturday morning, November 26, 2005 at age 55.

Robert J. Klem, Bill's close friend and business partner had the following heartfelt words to share; "Bill was co-founder of Soundair Aviation Services and his presence and contribution to our success will be greatly missed. We each hold our own fond memories of accomplishments shared together over the years, both in his personal and business life." Soundair will honor Bill's passing by closing at 12 noon on Thursday, December 1, 2005.

Viewings are scheduled for Wednesday, November 30, 2005 from 4:00pm until 8:00pm; and on Thursday, December 1st. between 9:00am and 11:00am. At: Acacia Funeral Home, 14951 Bothell Way NE, Shoreline, (Seattle) Wa. 206-364-7100. Church services will be held on Thursday, December 1st. starting at 1:00pm @ Our Savior Lutheran Church, 12509 27th Ave., NE, Lake City (Seattle) 98125.

On behalf of the membership, ASA extends our deepest sympathy to Bill's family and friends.



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Many crucial details of both reorganization plans have yet to be worked out. Perhaps most importantly to distributors, neither airline currently has a process in place for making claims regarding goods or services filed prior to the petition date or a deadline by which such claims must be filed. In a telephone conversation, an attorney for Delta was unable to give information about when details of its pre-petition claims process might be determined, while a call to Northwest attorneys has not yet been returned.

Both airlines state that particulars regarding the process for filing proof of pre-petition claims, as well as other information about the proceedings, will be posted on their restructuring websites, <http://www.nwarestructuring.com> and <http://www.deltadocket.com>, as they become available.

Doing Business After a Bankruptcy Petition

Most people in the aviation industry have been through enough customer bankruptcies to know that it is often better to do business with a company *after* they file for bankruptcy than immediately before they make such a filing. Unfortunately it can be difficult to time your transactions to avoid the immediate pre-filing period. For this reason, it is important to understand your rights and how they are affected by a customer's bankruptcy petition.

Fundamentally, a company's petition for bankruptcy is a request for the bankruptcy courts to 'protect' the company while it either reorganizes or else ties up its affairs and liquidates. The protection consists of a prohibition against the filing of causes of action for pre-petition debts (all-pre-petition causes of action are consolidated and addressed under the bankruptcy). This allows the bankrupt company to sort through its debts in a fair and reasonable manner and make sure that all of its creditors are paid fairly. Bear in mind that in this context, fair does not mean full payment - rather, it means that similarly situated creditors are paid in a similar manner ... which can (and often does) mean that most of the unsecured creditors will see little or nothing in the way of payment for the debts that they are owed.

Administrative Priority

While unsecured creditors often see little or no payment for their pre-petition debts, it is normal for post-petition debts to be given an "administrative priority." This means that they will be paid 'first' - debts that enjoy an administrative priority are generally paid from the company's cash flow. This is the reason that it is often better to business with a bankrupt company than with a company approaching bankruptcy.

The policy reason for the administrative priority is because the courts want to encourage other companies to do business with the bankrupt company. If the bankrupt company is reorganizing, then the goal of reorganization cannot be met if no one will do business with the bankrupt company. Even in a liquidation, there is some advantage to doing a proper job in 'tying-up' the affairs of the bankrupt company in order to extract maximum value from the company's assets.

Of course, the administrative priority enjoyed by post-petition creditors is only valuable so long as

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there is cash flow to pay those priorities. Once the assets and cash flow are gone, administrative priority means that you are first paid out of the empty trough, so it is important to carefully watch the financial status of your bankrupt business partners.

Existing Contracts

Generally speaking, if you have a contract with a bankrupt company that was valid at the time of the petition for bankruptcy, you must complete the terms of the contract without regard to the bankruptcy. Failure to meet the terms of the contract without a legally valid excuse will give the bankruptcy estate a cause of action against you for breach of contract.

Contracts that have remaining duties to be fulfilled after the petition for bankruptcy are called 'executory contracts.' An example of an executory contract would be a contract for the lease of an engine or an aircraft component.

Let's assume that our hypothetical distributor, "Joe Schelebotnick's Aircraft Parts" [hereinafter "Joe's"], has leased an engine to Northwest Airlines about a year before Northwest filed its petition for bankruptcy. Let's assume further that there were four years remaining on that engine lease at the time of the bankruptcy petition. The lease agreement represents an executory contract. Northwest Airlines is acting as a debtor-in-possession, which means that the court does not assign a trustee to the estate; instead, Northwest serves in the role of trustee (normally, they would hire turn-around experts to assist them in this regard). As debtor-in-possession, Northwest would make the decisions about what to do with the executory contracts; these decisions would be guided by the same basic tenets that guide such a decision if made by a trustee: what decision best serves the core interests of Northwest's reorganization? Ultimately, Northwest must either accept or reject each executory contract.

By law, the accept/reject decision must be made within 60 days of the bankruptcy petition. As with most great laws, there are exceptions to this rule. It is normal in significant bankruptcy cases (like those of air carriers) for the court to delay the deadline for decisions on executory contracts until the reorganization plan is submitted. That way, executory contract decisions can become a properly integrated element of the reorganization plan. This can be mildly frustrating for business partners, who are waiting for the decision on executory contracts.

If an executory contract is rejected then the rejection is considered to be valid as of the filing of the bankruptcy petition. This means that all pre-petition debts accrued as a consequence of the contract are treated as normal pre-petition debt. Post-petition debts accrued as a consequence of the business relationship are treated as post-petition debts subject to administrative priority for payment purposes. Returning to our example, if the engine lease agreement with Joe's is rejected, then Joe's is entitled to an administrative priority for payments associated with the use of the engine after the petition. Upon rejection of the contract, Northwest has no further right to the leased engine and it must be returned to Joe's. If it is not promptly returned upon rejection of the lease, then Joe's may need to file a motion with the bankruptcy court for the return of the engine.

The other option is for Northwest to accept the contract (this is known as "assumption" of the contract). An important issue in assumption of contracts is that a contract cannot be assumed if it

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is in default (unless the bankrupt company makes appropriate assurances of imminent payment). This usually means that pre-petition debts owed on the contract will be paid if the contract is being assumed! Thus, assumption of a contract can be the best of all possible worlds for the bankrupt company's business partner. If Northwest was to assume the contract with Joe's, they would need to cure the existing contractual defaults, which means paying Joe for pre-petition debts related to the contract.

If the same service can be obtained from someone else less expensively, then the executory contract is likely to be rejected (sometimes, an alternative service that is slightly more expensive will also lead to a rejection and replacement of the contractor, because it means that the prepetition debt need not be paid). One important twist to assumptions is that if the contract is likely to be rejected as it stands, or if it is significant, and worth negotiating, then the parties may negotiate a "work-out" in which some or all of the prepetition debt may be waived as a condition of assumption. If the President of Joe's knows that Northwest can get a better deal on an engine lease from an alternative vendor (one that covers the direct and indirect costs of replacing the engine), then he may wish to approach Northwest directly about negotiating a work-out that leaves both parties satisfied.

Beware! Some contracts have clauses that are triggered by the bankruptcy of one party. These clauses are not always enforceable! The bankruptcy court has the power to nullify clauses that are designed to defeat the equity authority of the court. Thus, a contract clause that states that it will be assumed in the event of a bankruptcy would probably be unenforceable.

In 2006, we should expect to see preference letters go out from the estates of Northwest Airlines, Delta Airlines, and Independence Airlines. In next month's issue, we will return to the subject of preferences, and discuss some of the normal defenses to a preference claim that might be available to distributors.

2006 Edward J Glueckler Award Nominations

It is time once again to submit your nominations for the Edward J Glueckler award. The Edward J Glueckler award is given each year to an individual who exemplifies the ideals of the Association. Past recipients have been chosen for their service to the Association and to the aviation parts industry.

Nominations for the 2006 Edward J Glueckler award are being accepted through the December 31, 2005. The ASA Board of Directors will be examining the nominations and taking them under consideration at the January Board Meeting.

The Nominating Process

Any ASA member company may nominate a person to receive the Edward J. Glueckler Award. This privilege is reserved solely to members, and ASA will not accept nominations submitted by non-members. The submitter must be a member on the day that the nomination is received and processed by ASA or the nomination will be rejected. Because ASA must be able to confirm that the nominating party is an ASA member, anonymous nominations will not be accepted. Each ASA member company may nominate as many persons for this honor as that company deems appropriate, with no limit.

The nomination should include the nominee's full name, and a brief biographical statement describing the nominee's qualifications that make him or her worthy of the Edward J. Glueckler Award. The brief biographical statement shall not exceed 300 words in length. The nominating member's complete corporate name, address, telephone number, and ASA contact person should be listed on the nomination form. Contact information for the nominee is appreciated. ASA reserves the right to reject nominations that are incomplete.

Eligibility

Anyone whose efforts have contributed to the Aviation Suppliers Association and to the aviation industry is eligible to be nominated. The individual does not have to be an ASA member, nor an employee of an ASA member, to be nominated. For example, a retired person who used to work for an ASA member might be nominated in recognition of his or her lifetime of contribution to the industry.

Formal Selection Criteria

The Edward J. Glueckler Award will be presented annually in recognition of outstanding commitment, dedication and contribution to the Aviation Suppliers Association and to the aviation industry. Nominees should be persons who have made significant contributions to the Association and its members. Examples may include persons who have devoted significant time as volunteers on Association committees, or persons who have made considerable efforts to increase or enrich the membership of the Association.

Collection and Dissemination of Nominations

Nominations for the 2006 Award will be accepted until close of business at the ASA office on Friday, December 30, 2005.

The ASA President shall be responsible for distributing copies of all nominations to each of the ASA Directors. These nominations shall be transmitted to each Director with the normal package of materials sent to the each Director prior to the January Board meeting at which the nominations will be discussed.

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The Edward J. Glueckler Award shall be awarded to the recipient at the 2006 ASA Annual Conference, which will be held at the Four Seasons Las Vegas Hotel on July 8-11.

The Edward J. Glueckler Award Nomination Form

Information on the Nominating Party

Company: _____ (the corporate name of the nominating ASA member)

Address: _____

Telephone: _____

Contact: _____ (this is the person at the ASA member facility who is making the decision to nominate this person, whom ASA can contact if ASA needs more information on the Nominee)

Nominee's Name: _____

Nominee's Company: _____

Nominee's Address: _____

Nominee's Telephone: _____

A brief biographical statement explaining why the nominee is qualified for the Edward J. Glueckler Award. Please do not exceed 300 words in length.

The Edward J. Glueckler Award is presented annually in recognition of outstanding commitment, dedication and contribution to the Airline Suppliers Association and to the aviation industry. Nominees should be persons who have made significant contributions to the Association and its members.

History of the Edward J Glueckler Award

Edward J. Glueckler was the founder and first President of the Aviation Suppliers Association. He started the Association in 1993 and watched it grow to 180 members. He left the Association in August 1997 to pursue a career as an attorney and consultant.

During his tenure, he served as the Chairman of the Industry Suspected Unapproved Parts Steering Committee, a group that develops and implements strategies for preventing unsafe parts from being installed on aircraft. This group works closely with the FAA to promote aviation safety.

He was also instrumental in the development of the FAA's Voluntary Industry Distributor Accreditation Program. The Program permits aircraft parts distributors to seek third-party accreditation to a standard that the FAA has found acceptable. It allows distributors with robust quality systems to receive FAA acknowledgement of their efforts to promote safe aircraft parts.

In special recognition of Mr. Glueckler's efforts, the Association named its annual award after him. The Edward J. Glueckler Award is presented annually in recognition of outstanding commitment, dedication and contribution to the Aviation Suppliers Association and to the aviation industry.

The Aviation Suppliers Association presented its first achievement award to Edward Glueckler at its 1998 annual conference in Dana Point, California.

Past Edward J. Glueckler Award Recipients

- 2005 Bill Cote, Volvo Aero Services, LLP
- 2004 Bruce Langsen, Inventory Locator Service and, Jim Sdoia, Inventory Locator Service
- 2003 John Butler, formerly of Time Aviation Services
- 2002 Peter Galimore, Retired from Boeing Commercial Airplanes and, Bill 'Tip' Tipton, Retired from Northwest Airlines
- 2001 Kenneth J. Reilly, Federal Aviation Administration
- 2000 Jay Rosenberg, AMTEC
- 1999 Albert Michaels, Federal Aviation Administration
- 1998 Edward J. Glueckler, founder ASA

FAA Consolidates Delegation Programs

The current patchwork of programs delegating aircraft certification tasks to private organizations is about to be replaced by something more efficient. The Federal Aviation Administration (FAA) recently unveiled an ambitious program to consolidate and expand these programs. The new system, called the Organization Designation Authorization (ODA) program, will merge its existing delegation initiatives and widen the scope of organizations and tasks that can fall under their purview.

The federal government has relied on private parties to examine, test, and inspect aircraft to ensure that they meet safety standards since at least 1927. Over the years, the government has created a number of programs designating individuals or organizations to perform certain FAA certification/approval functions. These programs have been a success in that they result in approvals of the same quality as those completed by the FAA while allowing the FAA itself to focus on more critical areas.

However, the growth of the aviation industry and with it the need for certifications has led the FAA to issue a final rule creating the ODA. By combining the existing certification delegation programs into one system with a single management and set of procedures, the FAA hopes to provide more effective oversight into this area. The expansion of the scope of delegation also will allow the FAA to place even more of its resources elsewhere.

Under the reorganization plan, any organization to which the FAA delegates certification duties will receive an ODA. The designation will identify both an ODA Holder and an ODA Unit. The ODA Holder is the parent organization to which the FAA will grant an ODA Letter of Designation, while the ODA Unit is a unit of two or more individuals within the ODA Holder that will perform the authorized functions. To facilitate the consolidation of existing programs, the ODA rule also includes provisions issuing a standardized set of procedures to be followed by organizations designated to perform any certification task.

The ODA program widens the scope of private party certification in a number of ways. One major change from previous programs is an expansion of the pool of organizations eligible for delegated privileges. Under existing programs the FAA can only delegate organizational privileges to certificated entities like manufacturers, air carriers, commercial operators, and repair stations. The new ODA program will allow any organization qualified on the basis of knowledge, competence, and integrity to participate. This means that a properly qualified distributor should be able to apply for privileges like issuance of an 8130-3 tag. Proper qualifications for such a privilege would probably include personnel who had significant experience issuing 8130-3 tags in the past on behalf of the FAA, as well as a documented system for processing such tags.

The FAA plans a three-year transition period beginning on November 14, 2006 during which it will phase out existing certification designations. It will not accept ODA applications until this date. The goal of this period is to shift existing organizations with certification tasks to ODA status. During this period, ASA hopes to work with the FAA to develop parameters for how an ASA members with multiple DARs would be able to establish an ODA to streamline their interaction with the FAA.

This rule becomes effective on November 14, 2005. Forthcoming FAA orders will establish more specific details of the ODA and provide guidance for both FAA personnel and organizations that receive an ODA.

Investing in IT for a Competitive Edge

Technology investments can produce competitive advantages, if you spend wisely.

Last Modified 11/11/2005 Posted 11/10/2005

By Erik Sherman

Technology is supposed to help businesses, but even big companies can find themselves spending money without a return. There are competitive advantages waiting for you, if you spend wisely. Some up-front analysis with an eye to your industry, competitors and business processes will make your investments pay off and help you avoid those that won't.

"The amount a company spends on IT is a poor indicator of IT functionality and business impact," says a recent report on midsize company spending by Keystone Strategy Inc., a market research firm with offices in South San Francisco and Waltham, Massachusetts. After interviewing 600 companies, Keystone concluded that organizations with IT strategies tightly integrated with key business processes typically grow faster, with more profit, than those lacking real technical savvy. "This enables them to grow their revenues and their profits faster than competitors," the report says.

Several executives interviewed for this story offered their own insight into how to make IT investments pay off. Robert Tuchman, CEO of New York-based sports marketing company TSE Sports & Entertainment, says, "You must have the technologies that are going to impact your business the most." That means identifying where your business really needs the help.

Know your business. Find the potential critical intersections of technology and processes that will impact your operations. And be willing to research and learn more. Tuchman is considering specialized purchasing software that costs between \$30,000 and \$50,000. The company needs services and supplies for events it runs and also carries sports merchandise for incentive programs it runs for some clients. But he noticed that inventories sometimes ran high. After examining the purchasing history, Tuchman found that some purchases were happening more than once, and the existing software didn't alert managers to the potentially unnecessary spending that was running between \$30,000 and \$60,000 annually. That justified acquiring a more sophisticated purchasing system that would produce a 100 percent return on investment in a year.

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Focus on hard benefits. Soft benefits like generalized promises of freeing time for more productive uses can sound good but may not add much to the bottom line. Consider a sales order entry system that saves five minutes per sale. “If you were able to process 500 more transactions [because of the savings], that would be great,” says Barry Steinberg, CEO of Direct Tire & Auto Service, headquartered in Watertown, Massachusetts, with three other locations. But that won’t excite yacht dealers who make their money not by shoehorning more transactions into a single day, but by guiding customers through an extensive sales cycle for incredibly expensive items. Recommendation: Cast a skeptical eye to soft benefits, and try to find enough hard benefits to at least justify the cost a new system. If you get unexpected, additional benefits, consider them a happy surprise.

It may seem obvious, but many managers fail to take this step. Rather than analyzing the upside in quantifiable data, “too many decisions are made on look and feel, sometimes gut feel,” says Gerard J. Presepe, vice president of ComputerCare Inc., a Cranbury, New Jersey, vendor of manufacturing software for the apparel industry. But go with the wrong gut feel and the waste of money could leave you nauseous.

Tap into the expertise at hand. Getting to the specific bottom line can be difficult and require more than one set of eyes to challenge assumptions and find places to apply technology. Luckily, managers have many allies in identifying waste and areas of improvement. Employees handling specific functions are often the first to see wastes of time and money. A more encompassing look at their observations can offer clues as to the systems most in need of a change. The head of IT is one employee in particular who should be able to blend company mission and values with technology, according to Brian Young, vice president of information technology at Creighton University in Omaha, Nebraska, and a consultant. For example, the CIO of a company doing significant overseas business might look at easing communications expenses. “You can see the return on investment that voice over IP would offer vs. paying the phone bill each month,” he says.

Look for opportunities based on your own experience. Rely on your understanding of the business, your industry and your customers. At a trade show about five years ago, Steinberg saw a system that could display an image of the model of someone’s car, in the correct color, and add custom wheels. “I didn’t spend more than three minutes with the guy before I made an order,” he says. “I knew this would excite my guys and make it easier to sell wheels to people.” Steinberg didn’t need the long analysis because the price was so low—under \$700 for all four stores at the time—that recouping the investment would be a matter of a few sales. Yet he still counsels taking as much time as necessary to make a decision. “Business changes more slowly than technology,” he says.

Think outside the box. Managers must also think beyond what happens within the four walls of the company, considering customers and their perceptions. ComputerCare had to update its Web site, which lacked such features as product demos and company background. “It [became] painfully obvious that what we had was very outdated, and we needed to make a change,” Presepe says. Prospects comparing the Web site with those of competitors might have concluded that

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ComputerCare and its products were behind the times.

Look outside the mainstream. Once you decide that software will help you gain a particular advantage, don't be too swayed by mainstream press accounts of products in that category, which often focus on market leaders catering to big corporations. In virtually every category of product, there are vendors that focus on midsize companies and that emphasize the practices of specific industries with their software. Application service providers that essentially host their applications and rent out the capabilities to clients can also offer technology at prices that work for midsize firms.

Don't overlook hidden costs. You might have to pay additional software licensing fees to cover all employees who must use a particular product. Some companies charge an annual maintenance fee that may or may not include the cost of a future upgrade, and you might need some consulting time to tailor the application for your particular business requirements. Other costs to consider include training programs and the loss of productivity that could occur as you transition from one way of doing business to another. All factor into this complex weighing of benefits against costs.

Get ready to do it again. Once you have found and implemented an IT investment that makes sense, congratulate yourself and get ready to start all over again. Every time you improve your processes and systems, you open the door for potential new investments, because the shortcomings of other areas of your business become clearer compared with the newly improved parts. And that means the chance to earn more profits.

Erik Sherman is a contributing writer for Insights, the Microsoft® newsletter for midsize U.S. businesses. He writes about business and technology from western Massachusetts.

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August 29, 2005

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AFFECTED PRODUCTS

Aircraft and engines approved for return to service by Robert Bryan Gould.

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors regarding aircraft and engines approved for return to service by Robert Gould.

BACKGROUND

Information received during a Federal Aviation Administration (FAA) suspected unapproved parts investigation revealed that between June 1998 and March 2005, Robert Gould -- who did not hold a valid inspection authorization -- approved for return to service aircraft following annual inspections and engines following major alterations. Evidence also revealed that Robert Gould falsified maintenance record entries by using the inspection authorization numbers of other mechanics.

Robert Gould previously worked at Aviation Services, located at Clinton Municipal Airport, Clinton, OK 73601, and held Airman Mechanic Certificate No. 444562662 with Airframe and Powerplant Ratings. The FAA has been unable to determine all makes and models of affected aircraft and engines; therefore, all aircraft and engines approved for return to service by Robert Gould should be considered suspect.

RECOMMENDATIONS

Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors should inspect their aircraft, aircraft records, and/or parts inventories for aircraft and engines approved for return to service by Robert Gould. If any of these aircraft or engines are found, you should:

- Submit for reinspection all major repairs, major alterations, and annual inspections to an FAA-certificated mechanic with a valid inspection authorization.
- Inspect the validity of engine logbook entries, return-to-service tags, invoices, and other documentation associated with the referenced aircraft or engines.

FURTHER INFORMATION

Further information concerning this investigation and guidance regarding the above-referenced aircraft and engines may be obtained from the Flight Standards District Office (FSDO) shown below. In addition to the above recommendations, the FAA would appreciate any information

UNAPPROVED PARTS NOTIFICATION

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concerning the discovery of the aircraft or engine, the means used to identify the source, and the action taken to reinspect the aircraft or engine.

This notice originated from the Oklahoma City FSDO, 1300 S. Meridian, Suite 601, Oklahoma City, OK 73108, telephone (405) 951-4200, fax (405) 951-4282; and was published through the FAA Suspected Unapproved Parts Program Office, AVS-20, telephone (703) 668- 3720, fax (703) 481-3002.

UNAPPROVED PARTS NOTIFICATION



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

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

UPNs are posted on the Internet at <http://www.faa.gov/avr/sups/upn.cfm>

No. 2004-00036
September 28, 2005

Mailed by: FAA, AIR-140, P.O. Box 26460, Oklahoma City, OK 73125

AFFECTED PARTS

Cargo unit load devices (ULDs) contoured to fit Boeing 707, 727, and DC-8 aircraft.

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors regarding ULDs misrepresented as having been produced under Federal Aviation Administration (FAA) Technical Standard Order (TSO) C90 and in compliance with National Aerospace Standard (NAS) 3610.

BACKGROUND

Information received during an FAA suspected unapproved parts investigation revealed the sale of unapproved ULDs with falsified data tags. The ULDs originated from IDF, S.A., a company located in Guatemala, and were distributed by Apparel Transportation, Inc., a subsidiary of Crowley Logistics, Inc (Crowley). Crowley is located in Jacksonville, FL 32203-2110. The source of the falsified data tags is unknown. Of the 202 ULDs discovered through the investigation, all but 19 have been located.

The falsified data tags identified the ULDs as manufactured by C&J Enterprises, 4086 Limaburg Road, Hebron, "JY" (rather than "KY") 41048 and identified the part number as "CJE" (rather than "CJE-90"). Some tags also lacked the date of manufacture and burn rate information that TSO-C90 and NAS 3610 require to be displayed. (See Figures 1 and 2 for falsified and authentic data tags.)

Figure 1. Falsified Data Tag



Figure 2. Authentic Data Tag



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Additionally, ULDs that have been manufactured to meet TSO-C90 and NAS 3610 specifications have the fiberglass shell attached to the aluminum pallet with an aluminum shell assembly attaching strip. Use of aluminum strips eliminates the possibility of dissimilar metal corrosion between the attaching assembly strip and the pallet. Many of the unapproved ULDs revealed steel shell attaching strips that caused extensive corrosion on the containers.

RECOMMENDATIONS

Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, maintenance organizations, and parts distributors should inspect their aircraft, aircraft records, and/or part inventories for fiberglass ULDs that have been sold by IDF, S.A. or distributed by Apparel Transportation, Inc. Referenced ULDs installed on aircraft should be inspected for conformity to type design. If any are found in existing stock, it is recommended that the ULD be quarantined to prevent installation until a determination can be made regarding each ULD's eligibility for installation.

FURTHER INFORMATION

Further information concerning this investigation may be obtained from the FAA International Field Office (IFO) given below. The FAA would appreciate any information concerning the discovery of the above-referenced ULDs from any source, the means used to identify the source, and the actions taken to remove the containers from service.

This notice originated from the FAA Miami IFO, 8600 NW 36th Street, Miami, FL 33166, telephone (305) 716-3500, fax (305) 716-3515; and was published through the FAA Suspected Unapproved Parts Program Office, AVS-20, telephone (703) 668-3720, fax (703) 481-3002.

ISSUES OF THE UPDATE REPORT ARE NOW ONLINE!

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Back issues of the Update Report are now on-line! Missing a prior issue? Issues of the Update Report are being added to the ASA web site about one month after they are published. Complete sets of volumes six through 12 are now on-line!

2005 CALENDAR OF EVENTS!

*** = Look for Jason, Michele or Jeanne on the speaking program or on the Trade Floor. For additional information click on the link below**

2005

December 6 *ASA Regulatory Workshop, Elizabeth, NJ. <http://www.aviationsuppliers.org/training>

2006

TBA *ASA Regulatory Workshop, Miramar, FL. <http://www.aviationsuppliers.org/training>

TBA *ASA European Regulatory Workshop, <http://www.aviationsuppliers.org/training>

March 28-29 AS³ Las Vegas Convention Center, <http://www.aviationindustryweek.com>

April 19-22 *AEA Annual Convention, <http://www.aea.net>

April 25-27 *MRO 2006 Annual Conference & Exhibition, Phoenix Civic Plaza, Phoenix, AZ,
<http://www.aviationnow.com/conferences/mromain.htm>

July 8-11 *ASA ANNUAL CONFERENCE, Four Seasons Hotel Las Vegas, NV.
http://www.aviationsuppliers.org/training/Conference_06.htm

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