

The Update Report

The Aviation Suppliers Association

Volume 12, Issue 5

May 2004

REGULATORY UPDATE

O2 Packaging Changes

Do you ship oxygen cylinders? If so, then you need to pay attention to the proposed changes in the way that they are packaged and shipped!

The Research and Special Programs Administration (RSPA) has proposed heightened standards for outer packaging on compressed oxygen cylinders and chemical oxygen generators that are transported aboard an aircraft. RSPA proposes to raise the standards for outer packaging to meet new flame penetration and thermal resistance requirements. The proposed changes, as summarized below, would change the way oxygen suppliers package their products, and would likely increase suppliers' costs in order to comply with the new standards.

Background

In the August 19, 1999 final rule in Docket No. HM-224A, RSPA amended the HMR to limit the number of oxygen cylinders that may be carried in cargo compartments that lacked a fire suppression system, require that the cylinders be stored horizontally on the floor, and require that each cylinder of compressed oxygen be placed in an overpack or outer packaging that meets the performance criteria of ATA 300. In the preamble to the August 1999 final rule, RSPA included information from FAA testing on packaging that was created according to ATA 300 specifications. The testing proved that the ATA 300 container provides only

an 'incremental' level of thermal protection for the cylinders, and that the risk posed by oxygen cylinders in a cargo compartment could be reduced by requiring more thermal protection and flame resistance. Since the ATA 300 standard does not specifically address thermal protection or flame penetration, RSPA has proposed adding thermal protection and flame penetration standards through this rulemaking.

Purpose

RSPA has proposed both flame penetration and thermal protection standards for outer packaging of oxygen generators and cylinders in order to address the threat of direct exposure to the flames from a fire, as well as indirect exposure to heat from a fire. RSPA reasons that by increasing the protection in the outer packaging, the risk of oxygen venting directly into a fire can be decreased.

Proposal

First, RSPA has proposed requiring that outer packaging for oxygen generators and cylinders meet the same flame penetration resistance standards as required for cargo compartment sidewalls and ceiling panels in transport category airplanes so that cylinders can retain the contents during an otherwise controllable cargo compartment fire. The proposed flame penetration standard, which is contained in

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Congratulations to the following companies:

Aerosphere Aviation Services, Inc.
Greensboro, NC

Flight Support International, Inc.
Glenview, IL

Unglobe Aerospace
Irvine, CA

For their Accreditation, and

Aeromat

Carrieres-Sur-Seine, France

AirGroup America, Inc.
Mars, PA

American Jet Industries
Canoga Park, CA

First Wave, Inc.
Tulsa, OK

Grahmann International Contracting
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Vista, CA

Nordam Repair Division
Tulsa, OK

Pratt & Whitney Services, Inc.
Dallas Aerospace Operations
Carrollton, TX

Professional Aviation Associates
Atlanta, GA



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A Message from ASA's President

This is an exciting time of year to be in Washington. The flowers are blooming, and so are the political agendas. The FAA is working on the 'D' revision to Order 8130.21C, and we once again find ourselves fighting over issues.

One issue is whether a DAR can use function code 23 to issue a domestic 8130-3 for an aircraft part. It seems that the FAA was rescinding DAR privileges for the domestic 8130-3 based on a change to the function code—but the change appears to have been an error. Luckily, the folks at FAA Headquarters have recognized the problem and promised to correct it.

Another issue is the shipping of partial lots. At a recent public meeting, the FAA announced a change that could represent a serious problem for distributors. The change would require distributors shipping partial lots associated with a single 8130-3 tag to obtain fresh 8130-3 tags for each of the new partials lots.

Under current practices, when an accredited distributor receives a lot or batch with a single 8130-3 tag, and needs to send out a portion of that lot to a customer, it is normal practice to send a copy of the tag with a certification statement verifying that the parts came from that lot or batch. The company's internal lot control practices are audited under ASA-100 to confirm that the practices are being followed properly.

ASA has been in to see FAA Manager

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Soundair Aftermarket
Snohomish, WA

**Time Aviation Services, a Unit of
Ameron Global, Inc.**
Valencia, CA

Upsilon International Corporation
Torrance, CA

World Aviation Supply
Edwardsville, IL

*For their re-accreditation to the
ASA 100 standard in accordance
with the FAA's AC 00-56A
Voluntary Industry Distributor
Accreditation Program*

Frank Paskiewicz about this issue and to ask him to change the language that would forbid distributors from engaging in the sort of controlled copying that they have done in the past. There are three good reasons for this—first, the proposal would reflect a unwarranted cost; second, the proposal would attempt to end a practice that is fully sanctioned under commercial law; and third, although there are many suspicions of situations where the change in language would be effective, there appear to be no actual examples of situations where the language change would prevent misfeasance. You can't stop fraud by simply changing a few words in FAA guidance.

On June 26, in conjunction with the Annual Conference, the ASA Quality Assurance Committee will meet. The Quality Assurance Committee discusses issues affecting quality like ASA-100, training and FAA-interaction (government affairs). This is an all day meeting, and all ASA members are welcome. If you would like to attend that meeting, please RSVP to Renni Diez at (202) 628-6777. If you are not an ASA member but would like to attend, please speak with Jason Dickstein about receiving a non-member invitation.

Best regards, Michele Dickstein

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The Update Report

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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.

The Update Report

For information on special package rates for advertising, contact the Association at (202) 347-6899.

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CASA Developments

Australia's agency equivalent to the Federal Aviation Administration, the Civil Aviation Safety Authority, or (CASA), has recently implemented a performance-based agreement with the Minister for Transport and Regional Services.

The performance agreement sets out the actions CASA will take to meet the Minister's goals and strategic directions for aviation safety in Australia. Specifically, the agreement establishes a framework for strategic guidance and financial control by the CEO, and emphasizes individual accountability rather than collective responsibility.

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Aircraft Inventory Management & Services wins Ethics Award

On May 11, Aircraft Inventory Management & Services, Ltd. was awarded, the 2004 Greater Dallas Business Ethics Award by the Dallas Chapter of the Society of Financial Service Professionals.

This award recognize companies that uphold high standards of business ethics in the Greater Dallas Area. It is given to a company that demonstrates a firm commitment to ethical business practices in everyday operations, management philosophies, and responses to crises or challenges. Criteria include a corporate code of ethics, credo, code of

conduct or mission statement that clearly spells out the company's requirement for honesty, integrity, and compliance with the law in all business dealings.

The award was offered in conjunction with the Edwin L. Cox School of Business and Cary M. Maguire Center for Ethics and Public Responsibility, Southern Methodist University, the North Texas Ethics and Character Association and the Financial Planning Association of Dallas/Ft. Worth.

Previous award recipients include companies like EDS, The Container Store, Trammell Crow Company, and TXU

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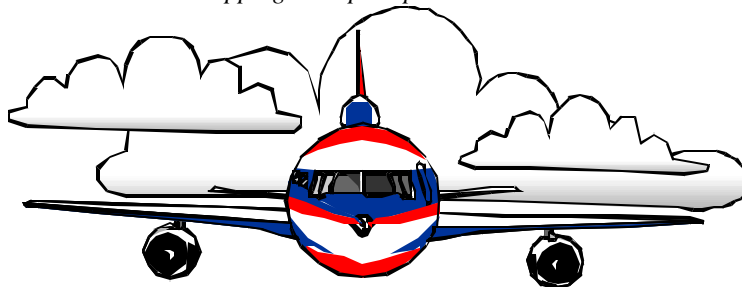
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Limited Time Depreciation Opportunities Save \$\$

There are two tax deductions that every distributor should know about. Both are designed to stimulate business purchasing (in an effort to stimulate the economy) and both provide significant tax advantages to investing in new tangible property in a distributor's facility.

Increased Deduction for New Equipment

One of the great new elements of the new tax bill is that a small business may now expense up to \$100,000 in otherwise depreciable equipment (tangible personal property). Under the old rules, that figure had been steadily climbing from \$10,000 to \$25,000 (it was \$24,000 in 2002), so \$100,000 is a major jump. This means that if a repair station buys \$50,000 in new racking, it can deduct 100% of the value in the tax year in which it was purchased!

The \$100,000 expensing limit is known as a section 179 deduction because that is the section in the tax code where it is found. It is meant to encourage investment in new equipment by small businesses. There are two benefits to ASA members in this clause. The first, obvious benefit is for ASA members that wish to invest in new equipment. The second is that this should encourage our small business customers (e.g. some general aviation and regional operators) to continue to invest in new equipment for their aircraft.

There is a cap to this a section 179 deduction. If a small business invests more than \$400,000 in tangible personal property, the expensing benefit begins to phase out on a dollar for dollar basis. Thus, if a distributor invests \$425,000 in new tangible personal property in 2004 (let's say, two forklifts), then its maximum section 179 deduction drops to only \$75,000 (\$100,000 - (\$425,000 - \$400,000) = \$75,000).

An interesting additional change in the law is that off-the-shelf software now qualifies for this increased expensing provisions of the section 179 deduction. Under prior law, no computer software qualified for the expensing provision because it was not "tangible" personal property. The new provisions are limited to off-the-shelf computer software - and not custom-made software - so if you have any doubts about whether your software qualifies, you should consult your tax advisor.

This increased expensing benefit applies only to small businesses. The following limits apply in defining small businesses in various aspects of our industry.

Under the current law, these increased expensing benefits only apply to tax years 2003, 2004 and 2005, so start buying!

Depreciation of More than \$100,000 in New Equipment

What if you invest more than \$100,000

in new, depreciable equipment? The additional value in assets must be depreciated, which means that instead of getting the deduction immediately, you only get a portion of the deduction this year and the remainder in the years to come. The theory is that a new asset will help to generate revenue over a period of years and therefore the deductions associated with that purchase should be spread out over the (IRS-defined) useful life of the asset, offsetting the income generated by the equipment.

The tax payer gets to list whatever he wants for his a section 179 deduction, so choose your section 179 property wisely. You should select the property with the longest depreciation period as the section 179 property. This is so that the total deductions are accelerated as much as possible.

Thus, if a small distributor buys \$100,000 in computer equipment (five year property) and \$100,000 in office furniture (seven year property), it
(Continued on page 49)

NAICS Codes and Small Business Size Limits for Certain Aviation Businesses		
<u>Category</u>	<u>NAICS Code</u>	<u>Cannot Exceed</u>
Aircraft Engine Overhauling	336412	1,000 Employees
Aircraft Overhauling	336411	1,500 Employees
Aircraft Parts Dealers	423860	100 Employees
Aircraft Propellers & Parts Manuf'g	336413	1,000 Employees
Aircraft Repair and Maintenance	488190	\$6,000,000
Aircraft Upholstery Repair	811420	\$6,000,000

1st Year Depreciation

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would be best to treat the office furniture as the section 179 property, since that would best maximize and accelerate the tax deductions associated with the business' purchases.

Additional Depreciation

For new assets placed in service between May 6, 2003 and December 31, 2004 (the end of this year), taxpayers now can enjoy an additional 50% bonus depreciation as additional first year depreciation. This is an increase from the 30% "bonus" depreciation rules previously in effect. This provision also increased the first year depreciation deduction for new passenger automobiles (vehicles under 6,000 pounds) used in a trade or business. As with the section 179 deduction, planning is advisable to determine if the benefits of the "bonus" depreciation apply when the purchase of the property is financed.

Note that this 50% depreciation rule is instead of the 30% "bonus" depreciation passed in 2002 – it is not in addition to the bonus depreciation.

Assume that a distributor (small business) buys two forklifts for \$200,000, and has no other depreciable investments in 2004. Normally, the business would be entitled to \$40,000 in depreciation in tax year 2004, but section 179 and the bonus depreciation law provide a much greater first-year tax benefit. The distributor is a small business with no other qualifying investments in 2004, so it can deduct \$100,000 under the section 179 expensing provisions. The business is entitled to the 50% bonus depreciation in the first year as well, which accounts for another \$50,000 in first year depreciation. Finally, the remaining \$50,000 is subject to normal depreciation schedule - this is likely to represent another

Australia Updates Regulatory Authority

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Under the structure of the performance-based governance, the Minister provides broad direction for government policy and priorities, and the Chief Executive Officer (CEO) carries out the policies by setting a policy strategy, issuing directives to senior management and exercising financial control. Also, a Chief Operating Officer (COO) position has been created to in conjunction with the CEO position to comprise the core positions in the Office of the CEO. The Board of Directors has been eliminated from CASA, and the CEO holds sole final decision making re-

\$10,000 in first year depreciation. This means that the repair station can deduct \$160,000 of the value of the test equipment in tax year 2004 – an increase of \$120,000 in deductions for the year!

There are limits to this 50% deduction. The property must have a modified accelerated cost recovery (MACRS) period of 20 years or less. This means it does not apply to real estate but it *would* apply to certain leasehold improvements and land improvements. The 50% additional depreciation applies only to new equipment – not to used or refurbished equipment, so bear this in mind when making your purchases. If you acquire used equipment and then incur capital expenditures to have it overhauled, these expenditures should qualify for the 50% deduction, so tax concerns may impact decisions on who is responsible for an overhaul of equipment being purchased. For more details, be sure to discuss this with your tax professional.

There are currently lobbying efforts ongoing aimed at extending these depreciation-related provisions; however Congress has not yet approved any extension of these provisions, so a conservative planner should expect them to expire on their scheduled ending dates

sponsibility

Below the COO position are heads of various operating divisions. The management committees that had produced collective decisions in the past has been replaced by a system under which each senior manager of the division takes individual responsibility for the decisions they make. The CEO will have formal meetings with the Minister every two months to discuss relevant CASA issues, including the direction of the agency. The goal of the performance-based governance structure of CASA is ensure that the organization's performance is measurable in areas such as communication, consistency, flexibility, timeliness, accountability, transparency and independence, as it carries out functions and powers provided by the Civil Aviation Act.

The FAA also has implemented a performance based organization system in order to make the agency more results-oriented and federal managers more accountable for results. The FAA's goal in transitioning into a performance based organization was to facilitate the agency's movement to a more customer-oriented agency. Thus, with a performance based structure and goals similar to the FAA in place at CASA, aviation systems suppliers who do business in Australia can look forward to a more efficiency-minded, results-oriented agency that has an increased emphasis on customer service and individual accountability.

New License for Distributors / Handlers of Explosives

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) has implemented new license and permit requirements for explosives as part of the Safe Explosives Act, which is a component of the Homeland Security Act. The primary purpose of the Safe Explosives Act (the Act) is to provide tighter security for explosive materials and increased security measures for purchasers and possessors of explosives by requiring all persons who wish to obtain explosives, to obtain a Federal license or permit. The new requirements, which went into effect May 24, 2003, include the following provisions:

- requirement that all persons receiving explosives obtain a Federal license or permit; extension of time for ATF to act on an application for license or permit from 45 to 90 days;
- authorization for warrantless inspections of places of storage for

applicants for limited permits and holders of limited permits;

- provision that only licensees and holders of user permits must post their licenses and permits and make them available for inspection; and
- requirement that ATF conduct background checks on responsible persons and employees authorized to possess explosive materials.

Do ASA Members Really Handle Explosives?

Regulated explosives exist in a variety of aircraft parts. Fire suppression systems may have explosive actuators (often attached to the fire extinguisher bottle cartridge). There may be explosive squibs in the door assembly that are activated when the slide is to be extended. It is important to note that these explosives can exist in certain assemblies and to identify them and

ship them properly when identified.

Background

The Safe Explosives Act amended the Federal explosives laws contained in Title 18 Chapter 40 of the U.S. Code, to require that all persons who receive explosives on and after May 24, 2003 obtain a Federal permit. Existing law required only a 'user permit' for persons who transport, ships, or receives explosive materials in interstate or foreign commerce. This user permit authorizes the holder to receive explosive materials in interstate commerce and does not establish a limit on receipt of explosive materials during the three-year term of the permit. The Safe Explosives Act creates an additional type of permit, a 'limited permit', which is designed for the infrequent receipt of explosive materials, and is applied to persons who wish to transport, ship, or

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June 26-29, 2004

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See agenda and registration details on pages 35 & 36 in this issue.
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www.aviationsuppliers.org

East Air Corporation—Reputation is Forever

East Air Corporation has built a successful business on what they “cherish” as a simple but profound truth: *Profit is temporary, but reputation is forever.*

East Air Corporation was founded in 1950 by Gino Nepola by obtaining the authority to be one of the original FAA designated spare parts stocking and overhaul facilities in the USA. It was during 1958 to 1962, while operating a charter airline that East Air observed first-hand the many difficulties and inefficiencies that existed in the aerospace supply chain from an operator's perspective.

As we all know, being successful in today's market can certainly be difficult. John Nepola, East Air's President, CEO and son of Gino Nepola, shared these thoughts with us. “After September 11th, the spare parts market deteriorated so drastically, that many smaller suppliers disappeared. We were able use our financial strength and the relationships we had with some of our larger customers to assist each other through that difficult period. The airlines needed assistance as much as the suppliers. Cash was tight for everyone involved and lines of credit for many airlines and distributors dried up.” As a result, East Air leveraged its strong cash position and its commitment to the industry by providing creative financing options for their best customers.

John also added, “Now that the industry has begun to turn around we are still providing these financial services to our customers in addition to our more typical support services. The tragedy that unfolded on September 11th and the effect it had on the commercial airline market was a watershed period for us. I decided to rededicate the company to our customers and we offered a relatively new service and filled a void in the market. The industry held together and we all supported each other. I am particularly proud of my company

for responding to the challenges of a post 9/11 market in the manner in which we did. While the market is still in some flux, I think we all see the light at the end of the tunnel.”

ASA also caught up with Joe Cosma who is the Vice President of Quality Assurance & Operations. In addition to Joe's everyday responsibilities, he is an active member of the ASA Quality Assurance Committee. We asked Joe for his thoughts on some of the challenges he feels distributors face today.

“Identifying, processing and shipping hazardous material (“Hazmat”) is a considerable dilemma facing our daily business operations. Processing Hazmat shipments are increasing becoming a costly and potentially risky element of the aftermarket spares business,” explained Joe. For these reasons, East Air has declined accepting Hazmat related business except from a core customer base. In Joe's opinion, “It has been our experience with some orders that Hazmat related transactions are simply not worth doing considering the potential liabilities.”

Another considerable dilemma facing distributors according to Joe, is obtaining acceptable trace documentation. He explained that East Air's Quality Inspectors spend an exhaustive amount of time reviewing, reconciling and approving documentation for spares purchased and inventory sold. Several years ago, East Air adopted and implemented a zero tolerance policy for errors in documentation. Every new item purchased from an OEM or from another approved aftermarket supplier is reviewed by two inspectors prior to being shipped to a customer.

Joe believes further industry standardization is required with respect to documentation and that ASA has played and continues to play a crucial role in educating suppliers and customers alike

with respect to documentation. East Air hopes the various sectors of the industry can come together to help further define generally accepted documentation standards. As a member of the ASA's quality committee, East Air hopes to play a key role in the formation of these standards.

To this day, East Air continues to operate on the foundation that Gino Nepola established over forty years ago; that history as an operating airline made East Air aware of the importance of delivering goods and services on time and anticipating our customers' changing needs. They remain mindful of that experience as an airline and continuously strive to provide innovative and cost effective solutions to their customers. Their underlying philosophy; “customer's requirements are treated with the same sense of urgency as if they were our own.”

East Air's customer base spans the Aviation Industry and serves: Scheduled, Charter, Cargo & Regional Airlines; Military/Governments; Engine & Airframe Manufacturers; Primary and Sub Vendors; Repair & Overhaul Agencies; Financial Institutions & International Development Agencies; Leasing Companies; and the Investment Community. East Air supplies aviation equipment from nose to tail through sale, lease or exchange programs. They offer creative financing solutions for outright purchase and can provide flexible and affordable alternatives to assist airline customers in acquiring the equipment that they require. East Air also offers inventory consignments strategies and revenue sharing programs.

East Air's headquarters is located in Hackensack, NJ, with operating companies in Europe and Asia. Their clients include most major OEM's and airlines worldwide. East Air has been a member of the Aviation Suppliers Association since 1994.

Look Who's 25

Look Who Turned 25 -
Inventory Locator Service (ILS)

The year was 1979 and the concept of selling parts via an electronic marketplace was introduced. Within a year ILS had 72 subscribers and by 1982 the number jumped to 500. Today ILS has over 10,000 subscribers in 78 countries. The ILS database is accessed over 45,000 times each day.

ILS, along with the rest of the world, has changed. Now ILS is internet accessible and provides a wide range of services. ILS can support the transaction from initiation to conclusion, and their services range from providing market intelligence to assisting subscribers in developing catalogues and marketplaces.

ILS has developed a government marketplace with more than 3,500 government purchasing agents from 60 agencies who use ILS to locate military and GSA parts and supplies. ILS provides millions of records of MCRL (Master Cross Reference List) or FLIS (Federal Logistics Information System) procurement information to make buying and selling easier.

There is no doubt that ILS will continue to evolve to meet the ever changing needs of the aviation parts marketplace. ASA looks forward to continued partnerships with ILS.

*Congratulations to ILS
on 25 years of
successful service to
the aviation community!*

Remembering a Friend

Aviation Community Loses Alan
Thompson and Robert Powell

Alan Thompson

Alan Thompson died of lung cancer on May 1, 2004 at his home in Claremore, Oklahoma at the age of 66 years old. Alan started his career by supporting his country by enlisting in the Air Force. He went to Tulsa University and graduated with a degree in accounting and business administration. He worked for American Airlines for 17 years and he was the President of Tiger Air in California. Alan founded Air Chariot Aviation in the early 80's. Air Chariot is an accredited distributor.

Alan loved to play golf and played at courses all over the world. Even though he was an avid golfer his favorite past time was spending time with his children and grandchildren. He was an honorable man of character and had the unmistakable gift of

mercy. His family, community and the aviation industry will miss him.

Robert Powell

Robert (Bob) Powell passed away on May 2, 2004 after a long battle with cancer. Bob was instrumental in the development of the Aviation Suppliers Association. He was one of the founding Board Members. He brought a life-time of aviation knowledge and as an Englishman; he added the view from across the Atlantic to ASA's proceedings. He worked with ASA on commercial issues like anti-dumping. Bob felt that ASA would only survive if built on a solid financial foundation and so he worked hard towards that goal.

Bob retired several years ago but continued to maintain his hobby business as a parts distributor for Tiger Moth. Bob and his wife were able to attend the 2003 annual conference. Bob was a consummate professional and we at ASA will miss him.

HAZMAT TRAINING?

The Federal Regulations state that anyone who ever ships hazardous materials is a hazmat employer. The FAA has stated that companies who receive aircraft parts, like repair stations are presumed to be hazmat employers because of the significant number of hazmats used in our industry. Hazmat employers are required by law to train any employee who affects the safe transportation of hazmat.

If you ship used engine components, batteries (including apparatus with primary or back-up battery power), chemical oxygen generators, certain control surface counter-weights (which may have a low-level of radioactivity), paint, or anything with fuel residue remaining in it, then you may be shipping hazmat!!

ASA provides the training that the law says you MUST have. ASA has already held its first 2004 recurrent hazmat training class in Florida, and is continuing to develop its fall training schedule RIGHT NOW.

*If you need recurrent or initial hazmat training,
call ASA at (202) 347-6898 and ask for Jeanne Meade.*

RSPA Proposes Increased Standards for Oxygen Hazmat Packaging

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Part III Appendix F to 14 CFR part 25, specifies that the test specimen be exposed to a flame temperature of 1,700 degrees F for 5 minutes. The proposed thermal protection standards to be added in Appendix D to 49 CFR part 178, would require the cylinder to remain below the temperature pressure relief device (PRD) activation, and the oxygen generator to remain below actuation when both are exposed to a temperature of at least 400 degrees F for 3 hours. If these requirements were adopted, RSPA would remove the present limitation on the number of cylinders of compressed oxygen that may be transported in a cargo compartment that is not equipped with a fire suppression system.

In addition to meeting the flame penetration and thermal resistance protection requirements, RSPA would require that the outer packaging for compressed oxygen cylinders meet certain performance criteria. However, in order to provide more flexibility in the design of the packaging, RSPA pro-

poses to allow the outer packaging to be built either to the ATA Spec 300 or the UN standard at the Packing Group II performance level. RSPA would further only authorize rigid outer packagings.

Secondly, RSPA proposes to a new limit on the PRD settings on cylinders when transported aboard aircraft. The purpose of this limitation would be to ensure that the cylinder contents are not released into an aircraft cargo compartment in the event of a fire. RSPA proposes to limit the PRD to a setting equal to cylinder test pressure with allowable tolerances of 10-plus 0%. Also, in order to maintain conformity among the PRD settings of the different cylinders, RSPA proposes that the cylinders authorized for the transportation of compressed oxygen aboard aircraft be limited to cylinders with DOT specifications 3A, 3AA, 3AL, and 3HT. Further, RSPA proposes to prohibit the transportation of all oxidizing gases except compressed oxygen aboard cargo and passenger aircraft.

Finally, RSPA proposes to limit the approval process for chemical oxygen generators to persons who manufacture oxygen generators and not distributors or persons who re-ship them. Thus, RSPA would be incorporating the aspects of approval that deal with safety controls, packaging, and marking into the HMR. These changes would be added via a new § 173.168. With the elimination of the approval for those other than oxygen generator manufacturers, RSPA has proposed specifying in the HMR that a chemical oxygen generator that is past the manufacturer's expiration date be forbidden for transportation by aircraft.

How to Respond

The proposed additional requirements for thermal and flame protective outer packaging can mean increased costs for oxygen systems suppliers. It is important for the RSPA to hear from companies that will be affected by these proposed rules. RSPA has requested comments in areas including, but not lim-

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SUSPECTED UNAPPROVED PARTS? *It's Everyone's Business!*

To report SUPs, call:

FAA Aviation Safety Hotline - (800) 255-1111

Dept. of Transportation, Inspector General - (800) 424-9071

NASA Office of Inspector General - (800) 424-9183

Dept. of Defense, Inspector General - (800) 424-9098

In Canada, Transport Canada Hotline - (800) 305-2059

Boeing Commercial Airplanes Hotline - (888) 223-PART

Boeing International Hotline - (206) 662-7144

BOEING®



Licensing Your Explosive Situation

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receive explosive materials in intrastate commerce.

New 'Limited Permit'

The limited permit will authorize the holder to receive explosive materials only within his State of residence on no more than six separate occasions during the one-year period of the permit. The limited permit does not allow the holder to transport, ship or receive explosive materials in interstate commerce, which includes contiguous states. The fee for the new limited permit is \$25 and the renewal fee is \$12.

Who is Affected

Generally, the new regulations affect all current Federal explosives licensees and permittees, responsible persons, and employees authorized by those licensees and permittees to possess explosives in the course of their employment.

The rule affects some distributors, because they may no longer distribute explosive materials to persons who do not hold a Federal explosives license or permit. In addition, the new law affects anyone who wishes to receive or possess explosives in interstate or intrastate commerce.

Exemption for Common or Contract Carriers

Common or contract carriers are not required to obtain a Federal explosives license or permit to transport explosive materials. In addition, via an interim rule published September 11, 2003, the ATF removed the requirement that common or contract carriers must fill out an ATF Form 5400.8 (Explosives Delivery Record). Thus, while distributors no longer need to fill ATF Form 5400.8, they still must verify the

identity of the person accepting possession for the common or contract carrier by examining such person's valid unexpired driver's license. Also, distributors must continue to record the name of the common or contract carrier and the full name of the driver for the permanent records pursuant to 27 CFR 555.121.

Applying for the New Limited Permit

In order to apply for a limited permit, you must submit an application package to ATF. The application package includes ATF Form 5400.13 (Application for License or Permit) and ATF Form 5400.28 (Employee Possessor Questionnaire), which requires the names, identifying information, fingerprints, and photographs of all 'responsible persons'.

If you handle explosives in your facility—even small ones—then you should look into the permitting requirements to meet the terms of the ATF rules

Difference Between a 'Responsible Person' and a 'Possessor of Explosives' in New Rule

A 'responsible person' is someone who has the power to direct the management and policies of the applicant pertaining to explosive materials. Responsible persons include sole proprietors and

explosives facility site managers. They also can include corporate officers and directors who direct corporate management and policies as they pertain to explosives. A 'possessor of explosives' is someone who has actual physical possession or constructive possession of the explosives

Permits that have Expired Since May 24, 2003

Persons who have an expired license or permit must submit a revised ATF Form 5400.13 and Form 5400.28. These forms are available on the ATF's website. The ATF will have 90 days to approve the application. Therefore, in order to ensure that your license or permit is issued before the current license or permit expires, it is recommended that the application package be submitted 90 days prior to the license expiration date.

Is That All There Is?

Don't forget that if you are shipping explosive materials, like squibs, then you also need to comply with the DOT/RSPA regulations concerning safe transportation of hazardous materials (Title 49 Part 171 et seq. of the Code of Federal Regulations). These requirements are *in addition* to (and NOT in place of) the ATF licensing provisions.

RSPA Proposes Increased Standards for Oxygen Hazmat Packaging

(Continued from page 53)

ited to the following:

- the estimated cost for outer packaging that meets the proposed thermal and flame penetration requirements, and the average cost of outer packaging currently used;
- whether there are other means of providing an equivalent level of safety that RSPA should consider;
- whether the HMR should incorporate different outer packaging standards based on the type of cargo compartment, or on whether the cylinder is transported on a passenger or cargo aircraft;
- how many cylinders would be affected by the proposal to require pressure relief devices to have a rated burst pressure of the cylinder test pressure minus 10%, plus 0%; and,
- whether the one year implementation date provides sufficient time for development, manufacture, and staging of the proposed outer pack-

aging.

RSPA must receive comments regarding this proposal on or before August 13, 2004.

Include the agency name and docket number: RSPA-04-17664 (HM-224B) or the Regulatory Identification Number (RIN) 2137-AD33 on any comments you submit.

The text of the proposed oxygen packaging rule may be found at
<http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2004/pdf/04-10277.pdf>

MEMBERSHIP UPDATE

ASA Members In the News

(Continued from page 47)

Electric and Gas. The next step (after this Dallas-Chapter award) is for Aircraft Inventory Management & Services to be judged at the National Level.

MBA Certified as IATA IOSA Audit Organization

Morten Beyer and Agnew [MBA] has been accredited as an Audit Organization as part of the International Air Transport Association's (IATA) Operational Safety Audit (IOSA) Program. Günter Matschnigg, Senior Vice President of IATA Safety, Operations & Infrastructure presented the certificate of accreditation to MBA Principals Robert Agnew and Morten S. Beyer at the IATA offices in Washington, D.C. on May 7

MBA is only the fifth Audit Organization in the world to hold this accreditation.

"The leadership of IATA is committed to upgrading airline operational safety on a global level while simultaneously assisting in cost and time saving to an industry that has been drowning in increased costs, which is no small undertaking. MBA is honored to be one of the select few organizations accredited by IATA to implement this vision," Morten S. Beyer, Chairman and CEO.

To become an accredited IATA Audit Organization MBA was required to establish a structured audit process with rigorous quality standards. As a final step in the accreditation process MBA recruited, trained and formally approved experienced auditors in the following operational disciplines – aviation safety, flight operations, operations control, maintenance & engineering, cabin safety, aviation security, cargo/hazmat handling and ramp operations.

"Airlines that take steps to prepare for an IOSA audit will find there are no

unexpected surprises during an actual audit, which is one of the main goals of this program," L. Nick Lacey, Executive Vice President and MBA IOSA Program Director.

"We look forward to participating in this program; as an independent auditor with multiple teams MBA will be able to provide audits rather expeditiously, and without a conflict from parent companies." Robert Agnew, President and COO.

The IOSA program provides a standardized operational audit program based on internationally recognized standards and a structured system for the sharing of audits. It is meant to be applied to those who provide airline operational services. Those familiar with the CASE will note that it bears some similarities to the CASE program – with the notable exception that it is a third party audit rather than a second party audit.

Issues of the Update Report Are Now Online!

Are you reading a borrowed copy of the Update Report? Subscriptions to the Update Report are now FREE to persons in the aviation industry or the government. To receive your free subscription, send your name, title, company, address, phone number, fax number and email address to ASA. Our email address is info@aviationsuppliers.org and our fax number is (202) 347-6894.

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 shortly after they are published.

UPCOMING EVENTS * = Look for ASA Personnel on the speaking program or on the Trade Floor

2004

June 24 USCG Barcoding Symposium, Elizabeth City, NC. Call Terry Boyce at (252) 335-6508 for details

June 27-29 *ASA Annual Conference, Ritz-Carlton Hotel, San Francisco, CA.

See http://www.aviationsuppliers.org/training/Conference_04.htm for details

Aug 21-24 ACPC, Marriott Marquis Hotel, New York, NY. See <http://www.acpc.com> for details.

Sept. 8-9 Commercial Aviation Safety Symposium, Dallas, TX. See <http://www.asdnet.org/cass>

Sept. 14-16 MRO Europe, Copenhagen, Denmark. See <http://www.awgnet.com/conferences/meumain.htm>

Visit www.aviationsuppliers.org for details!

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