



The Update Report

The Aviation Suppliers Association

Volume 11, Issue 6

June 2003

YOUR ASSOCIATION IN ACTION

2003 Conference a Success!

ASA Conference Offers Valuable Information and Training

ASA strives to ensure that its annual conference is an informative and enjoyable event. Our goal each year is to ensure that the conference offers ASA members the opportunity to come together, renew existing business contacts, make new contacts, learn what is going on in the industry and in Washington, learn about ways to improve their businesses, and not least, to have a good time doing it all. This year's conference was no exception. ASA offered a variety of informational and training sessions addressing topics that its members have requested through direct requests and through the feedback forms provided at last year's conference. This issue of the Update Report presents an overview of what the conference offered this year.

General Sessions

Commercial airlines represent the core of the aviation industry and remain a key customer base for parts distributors. The economic health of the airline sector determines the health of the aviation industry as a whole. For that reason, ASA asked several airline executives to present their views of the state of the industry and the ways that distributors can best compete in providing parts to the airlines. Attendees also heard about the state of the commercial maintenance, repair, and overhaul market, as well as an overview of how op-

erators structure their maintenance activities and the implications those schemes have for parts suppliers.

Keynote Address – The State of the Industry

This year's keynote speaker was James Hlavacek, Executive Vice President and COO of America Trans Air, the tenth largest scheduled airline in the United States and the largest U.S. charter carrier. Hlavacek presented an overview of an aviation industry that is facing some of its greatest challenges in history. Many of the industry's problems are well known: a drop in revenues from \$3 billion in profits in 2000 to a \$6.2 billion loss in 2001, followed by an additional 25% decline in 2002; layoffs of one hundred thousand aerospace workers (20% of the work force); 2000 aircraft grounded; huge debts and massive restructuring; a rise in fuel prices from 59 cents per gallon in 1999 to 79 cents per gallon today, with added costs to the airlines of some \$150 million per one cent increase in fuel costs; regulations and taxes that strangle businesses; and recurring problems with overcapacity. Hlavacek offered his views on how ATA and other airlines will respond to these challenges.

Hlavacek predicted that many carriers will make greater efforts to move some of their fixed costs into variable costs. One way to do this will be to shorten

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Look for the July issue soon, with stories about:

- The 2003 Edward J Glueckler Award winner, John Butler
- Quality assurance initiatives and projects from ASA's QA Committee
- The future of the European aviation market as EASA becomes operational
- Status on Congressional Bills that could impact or businesses



A Message from ASA's President

If you haven't yet responded to the FAA's fraud and misleading rule — proposed FAR 3 — then you really should make your voice heard. This rule has its good points but it also has significant bad points. By commenting, we hope that the industry will help to move the FAA to eliminate the bad, leaving us with a rule that genuinely assists in preventing parts fraud.

One 'bad' point of the rule is a clause that would permit the FAA to enter any facility and inspect parts and records. The FAA is allowed to do this for certificated entities like repair stations—but the law only permits this because the FAA provides privileges in return. Without correlative privileges, this is simply a violation of the fourth amendment. Aside from the fact that violating the Constitution is simply bad policy, rules that violate the Constitution on their face will be struck down—and a real safety problem could be permitted to flourish in the case when the rule is struck!

Some of the other 'bad' points of the rule include clauses that make it a violation to imply certain things. The rule does not set any standards for implication. This can only lead to a highly subjective standards as the rule is enforced.

What this means to the industry is that for a long time to come, no one will know what is permissible and what is not permissible in traceability documentation. This could actually have a detrimental effect on safety if companies decide not to pass on information that could be valuable, for fear that it might imply something that cannot be 100% proven.

One of the worst things about this proposed rule is that it imposes a *de facto* requirement for traceability without giving the industry any clear standards for what sort of traceability is acceptable. We would welcome FAA assistance in

arbitrating what sort of traceability is acceptable and what sort is not, but the FAA should not get involved in the traceability fray unless the FAA is prepared to lead. Leadership, in the case of traceability, would have to mean 1) establish reasonable *objective* standards that everyone can follow, 2) consider the special needs of such diverse sectors as general aviation, distribution, aftermarket repair, and the commercial air transport community, 3) provide a simple mechanism by which demonstrably airworthy parts can obtain the standardized documentation—because there is a huge inventory of new and overhauled parts that are perfectly safe, but that could be marginalized by efforts to standardize new part traceability without addressing the needs of existing inventory.

Best Regards
Michele Dickstein

Board Nominations and Election

Nominations for the Aviation Suppliers Association Board of Director elections are being accepted now.

The deadline for submitting nominations is August 7, 2003 by 5:00 p.m. at the ASA office. Nominations should be faxed to (202) 347-6894.

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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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WTO Sanctions Will NOT be Applied Against Aviation!

The aviation industry appears to have escaped the threat of potential European Union trade sanctions, according to a revised list of targeted products and commodities recently released by the EU. Aircraft and aircraft parts were originally listed among the products potentially subject to sanctions arising from a long-running trade dispute with the EU over the tax laws applicable to U.S. exporters. If no resolution to the dispute is found in the next few months, the United States could face as much as \$4 billion in retaliatory trade sanctions starting as soon as January 2004.

The revised list must still be approved by all 15 EU member states, but the removal of aircraft and aircraft parts from the list is a significant development and a welcome reprieve for the aviation industry. Although the EU would have had complete discretion as to which products on the list it actually wanted to subject to sanctions, the very fact that aircraft parts were on the list at all added an additional layer of uncertainty to business planning. The revised list of target products focuses primarily on consumer products such as agricultural goods, processed foods, sporting equipment, textiles, leather goods, precious stones and metals, and a broad range of steel products.

The Background

The move comes as part of a trade dispute between the U.S. and the EU that dates back to the 1970s concerning the U.S. "foreign sales corporations," a system of tax breaks for U.S. exporters that the EU regards as illegal trade subsidies. The EU has prevailed in several rounds of complaints against the U.S. brought through the World Trade Organization. The U.S. has put up a spirited resistance at the WTO and even enacted legislation in 2000 changing the tax laws applicable to exporters.

The FSC Repeal and Extraterritorial Income (ETI) Exclusion Act of 2000 eliminated foreign sales corporations and introduced tax exclusions for income U.S. companies earn abroad, in an effort to replicate aspects of the tax policies employed by European governments. The WTO, however, found that the new measures still failed to eliminate the subsidies adequately, and the dispute continues. The U.S. has exhausted its available appeals through the WTO.

Under WTO rules, parties may only impose retaliatory sanctions – referred to as "countermeasures" – once the WTO dispute resolution procedures have run their course. As part of this process, the WTO must authorize the specific monetary amount of countermeasures that will be allowed and expressly authorize their use. The party requesting authority to impose countermeasures must also provide a list of products that would be affected. In this case, the WTO authorized the EU in August 2002 to impose a record \$4.043 billion in countermeasures, an amount the EU argued represents the amount of business EU companies have lost as a result of the improper U.S. subsidies. The sanctions would take the form of tariffs of up to 100 percent on hundreds of U.S. imports. The EU published a preliminary list of 2,781 products that would be subject to sanctions. As reported in previous issues of the Update Report, the earlier list included aircraft and aircraft parts, a move that could have had a significant effect on ASA members who do business in Europe.

Although armed with the necessary WTO authority, the EU has refrained so far from actually imposing the sanctions, preferring to continue working with the U.S. to find a less disruptive solution. The United States is currently examining ways it can comply with the WTO rulings, with both a Senate Finance Panel and the House Ways and

Means Committee working on possible legislative solutions. Progress was slowed by the fight in Congress over the final size of the \$750 billion tax cut proposed by President Bush. One recent proposal in the House called for a gradual, five-year phase-out of the offending FSC-ETI regime.

EU officials are urging a quicker resolution to the problem. European Trade Commissioner Pascal Lamy commented that while the EU was encouraged by Congress' resolve to comply with the WTO ruling, the patience of the EU is not infinite. Lamy declared that if there are no signs of U.S. steps towards compliance with several WTO decisions in the dispute by autumn, the EU will "start the legislative procedure for the adoption of countermeasures by January 1, 2004."

Richard Mills, spokesperson for the U.S. Trade Representative's office, said he could not comment on whether the U.S. would meet the autumn deadline. He did state that that the United States "intends to comply with our international obligations." Mills indicated that Congress considered the issue an important one. As a caveat, Mills warned that sanctions could harm EU consumers and European firms in the U.S. as much as it would U.S. companies.

The Advantages of Being Indispensable

The products the EU selects for potential sanctions are carefully chosen for maximum political impact in the U.S. and minimum inconvenience to European consumers. The European Commission has stated that the product listing is limited to goods for which less than 20 percent of total EU imports originate in the U.S. This makes it unlikely that aircraft or aircraft parts would be placed back on the list, since the U.S. is the predominant source for

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ASA Conference Offers Regulatory Updates

One of the most valuable aspects of the annual ASA conference is the opportunity to get up-to-date on the latest legal and regulatory developments in Washington and elsewhere that affect members' businesses. One regular feature of the conference is ASA General Counsel Jason Dickstein's annual "Government Affairs Round-Up" describing the association's activities on its members' behalf over the preceding year. In addition, the conference always features presentations by FAA officials with opportunities to ask them questions and discuss issues face to face.

ASA Government Affairs

Dickstein covered a range of topics from the realm of aviation regulation and legislation. This year he addressed the appointment of Marion Blakey as the new FAA Administrator and some of her stated priorities, such as harmonizing the agency's often widely varying interpretations of policy from office to office, and improving customer service generally. He also discussed the extension of Designated Airworthiness Representatives' authority to sign 8130-3s for domestic transactions, which is being incorporated in Appendix C of Order 8130.21C Change 2. He followed with an overview of some of the provisions of H.R. 2115, the FAA reauthorization bill that has been passed by both houses of Congress. The bill will soon be the subject of conference negotiations to resolve differences in the House and Senate versions before sending the bill to the president.



FAA's Bruce Kaplan discusses the finer points of PMA with ASA's Jason Dickstein and Boeing's Bruce Sechler

Finally, Dickstein presented the key points of the proposed rule concerning false or misleading statements with regard to aircraft parts (FAR 3). All of these issues have been discussed at some length in recent issues of the Update Report.

FAA Initiatives

One of the many workshops at this year's conference was a presentation by two FAA representatives well known to ASA members: Al Michaels, the National Resource Specialist for Rotorcraft and Aircraft Parts Airworthiness at the FAA Flight Standards Service, and Bruce Kaplan, PMA Program Manager in the Certification Procedures Branch, Aircraft Engineering Division of the FAA Aircraft Certification Service.

Michaels, the 1999 recipient of the Edward J. Glueckler Award (and who has the additional distinction of having attended every ASA Conference to date), offered an overview of several regulatory issues and initiatives. Starting with a quick overview of FAR 3, Michaels went on to discuss the status of FAA/DOD harmonization efforts. The DOD is increasingly buying civil aircraft "off the shelf" for use as VIP aircraft and other purposes, for example the Boeing 757 (dubbed the C-32 by the Air Force) and the Boeing 737 (C-40). The Air Force is also acquiring substantial numbers of KC-767A tanker aircraft, a modification of the civilian 767. The FAA is working closely with DOD to ensure that military maintenance procedures and documentation for these aircraft are compatible with civilian practices. These developments are likely to create significant business opportunities for suppliers.

Michaels also discussed the status of the draft Advisory Circular concerning

the fabrication of aircraft parts by maintenance personnel. The AC is currently in FAA coordination and is expected to be published later this year. Michaels provided an overview of the FAA's Suspected Unapproved Parts (SUP) program, which is starting to attract interest abroad as a model for similar programs in other countries. For example, Italy's civil aviation authority, ENAC, which last year was rocked by the Panavia scandal, recently invited Michaels to Rome to give a briefing on the U.S. SUPs program. Finally, Michaels announced the availability of the latest change to the Airworthiness Inspectors Handbook, Order 8300.10, and described plans to move to a system of web-based updates that would eliminate the need to publish handbook bulletins.

Bruce Kaplan offered an update on the status of the proposed revision to Part 21 (manufacturing rules). The first phase of the revision is nearing completion and although it is not officially on the FAA's "A list," senior FAA management has nevertheless pledged to provide the necessary resources and emphasis to publish the proposed rule before the end of 2003. Kaplan also discussed FAA scrutiny of fasteners, touching on the recent DOT and FAA audits, the DOD's cancellation of MIL-S-8879, and the work of the Screw Thread Conformity Task Force. Other initiatives currently in the works include technical standards orders (TSOs) for clamps and electrical connectors, and a proposal to classify pressure vessels as standard parts. Kaplan described the FAA's efforts to cooperate with both the DOD and the Coast Guard regarding aircraft certification and maintenance procedures. On the PMA front, Kaplan announced that a draft of the latest revision to the PMA Procedures Order, FAA Order 8110.42B, would be ready for coordi-

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2003 Conference Examined Where the Market is Going

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their supply chains. ATA is moving toward a policy of “strategic sourcing,” dealing primarily with suppliers who are willing to give up some of their margins in return for orders. Hlavacek said that ATA and other carriers would ultimately like to move toward a system similar to that employed by large retailers such as WalMart, in which suppliers front the costs for goods they provide and get paid as the goods are consumed.

Looking at the structure of the airline industry as a whole, Hlavacek foresees that only four or five large network carriers will survive the next few years, as “value,” or low-fare, airlines (such as ATA) win greater market share. The reigning hub-and-spoke system will begin to decline as value airlines such as ATA, Air Tran, and JetBlue start to draw business away from weaker hubs and start to establish networks of their own, much as Southwest is doing now. Single-class service will become the norm, he predicted. Hlavacek also foresees a growth in value service in transatlantic markets in the next few years, to be followed in time by similar developments in transpacific markets. In sum, Hlavacek noted that the changes in the airline industry are some of the most fundamental the industry has ever faced, and only innovators (like Hlavacek himself) will survive and prosper.

The State Of The MRO Market

Hal Chrisman, the Senior Vice President for Corporate Development of the consulting firm PEMCO Aviation Group, Inc. presented an overview of the state of the maintenance, repair, and overhaul, or MRO business.

Beginning with a look at the aviation industry as a whole, Chrisman reinforced many of the points James Hlavacek made in his keynote address.

Chrisman described the drop in air carrier revenues, the cuts in capacity, the grounding of aircraft, the painfully renegotiated labor agreements, and the cuts in maintenance expenditures.

Unlike many statistical studies of the aviation market, Chrisman’s targeted an important customer base that often does not receive the high-profile analytical treatment that other sectors receive—the MRO market.



FAA’s Al Michaels, ASA’s Jeanne Pearsall, TSA’s Harry Schaefer, Northwest’s Ashlyn Tipton and ASA Volunteer Nancy Michaels enjoying the Sunday evening dinner function at the ASA Annual Conference

Chrisman noted that the MRO market has declined significantly since 2000, with a drop of 8 – 12% in North America. Although warning that factors such as SARS, the war in Iraq, and major carrier bankruptcies have complicated the analysis, Chrisman offered an assessment of the current state of the market and some projections concerning its likely development in the foreseeable future. Chrisman estimated the total commercial MRO market to be approximately \$34 billion, with the largest single portion – about 30% – consisting of engine overhauls. The United States accounts for some 40% of the overall global MRO market. The heavy maintenance and component maintenance markets are dominated by the maintenance of Boeing aircraft and components, although Chrisman predicted that this can be expected to

change as Airbus gains market share and the fleet mix begins to change.

Looking deeper into his crystal ball, Chrisman cited estimates that worldwide airline traffic is expected to grow at nearly 5% annually over the next several years, and that growth in the commercial MRO market is expected to grow at 4% annually over the next ten years. Chrisman noted that one of the most significant variables that could potentially affect the market is outsourcing by major carriers. United, US Airways, and Northwest have closed maintenance facilities, and American and Delta may be forced by competitive pressures to reconsider their options as well. Low-fare carriers can be expected to continue to outsource a significant portion of their maintenance needs as well. The implication for suppliers is that the MRO market is likely to provide opportunities, despite growth well below the projections made several years ago.

Doing Business With Value Carriers: JetBlue

As Hlavacek indicated in his keynote address, JetBlue Airways is one of the success stories of the airline business. Terry Inglis of JetBlue Airways offered conference goers an introduction to the airline and its business philosophy, as well as insights on how JetBlue selects its business partners.

JetBlue is one of the more successful recent entrants into the low-fare, value segment of the airline industry, Inglis explained. The carrier started operations in October 2000 out of JFK airport in New York City and has grown rapidly, currently serving 21 cities. JetBlue’s strong startup capitalization of \$130 million enabled it to make its mark with a fleet of new A320 aircraft powered by fuel-efficient V2527-A5

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How to Meet the Coming Needs of the Marketplace

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IAE engines. All of its aircraft feature leather seats and up to 24 channels of live satellite TV. JetBlue recently underscored its commitment to top-notch in-flight entertainment by purchasing LiveTV, which provides the carrier's in-flight programming.

Ingliss pointed out that JetBlue's fleet is expanding rapidly. The current fleet of 42 aircraft is due to grow to 53 by the end of 2003, with a total fleet plan of 202 aircraft by 2011. Ingliss announced that JetBlue plans to diversify its fleet starting in 2005 with the addition of the 100-seat EMBRAER 190 aircraft, as a hedge against sole reliance on one manufacturer. Annual deliveries are expected to consist of 17 A320s and 18 EMBRAER 190s as the fleet expands.

Ingliss described JetBlue's business philosophy as being defined by five values: safety, caring, integrity, passion, and fun. The company, he explained, refers to all of its employees, from the CEO on down, as "crewmembers," and prefers the term "business partners" to describe its vendors. When selecting its business partners, Ingliss said, JetBlue looks at a number of factors. A key consideration is whether the company's values parallel JetBlue's, especially in terms of maintaining the highest quality standards and a focus on hiring and keeping the best employees. Ingliss said that JetBlue also looks to see if the potential business partner is financed appropriately to provide the desired products and services, and whether the company's operations are likely to be sufficiently scalable to keep pace with JetBlue's projected growth.

Turning to JetBlue's current materiel support requirements, Ingliss explained that the carrier so far has relied little on the aftermarket, owing to the youth of the JetBlue fleet. Most of JetBlue's

procurement and maintenance needs are currently being met by the manufacturers themselves under contracts for discounted spares and extended warranties. As the years go on, however, Ingliss said that JetBlue fully anticipates making greater use of the aftermarket in order to control costs.

Aircraft Maintenance Fundamentals

Aircraft maintenance is an activity that underlies much of what ASA members do—ASA members provide the necessary parts and components that maintenance providers require to keep aircraft flying safely. Indeed, a sizable number of ASA members have maintenance facilities of their own that operate under part 145 or other rules. Roy Resto of Tracer Corporation provided an overview of common aircraft maintenance



Roy Resto shares a laugh with ASA Accreditation Auditor Richard Smith

practices and explained how those practices drive purchases of parts. Resto outlined the basic maintenance schemes used in various sectors of the aviation world. He compared the Department of Defense categories of maintenance (divided into organizational-level maintenance, intermediate-level maintenance, and the more extensive depot-level maintenance) to a variety of civil aviation maintenance schedules. For those who might only be familiar with one aspect of the market, he explained that the general aviation sector employs various combinations of 100-hour inspections, annual inspections, progressive inspections, and inspection programs for certain types of large and/or multiengine airplanes. He contrasted this with the typical air carrier scheme based in vari-

ous levels of scheduled maintenance checks, ranging from overnight or periodic service checks to progressively more involved "A," "B," "C," and "D" checks.

Resto's research demonstrates that a significant portion of all the maintenance work performed by air carriers (and others) arises from unscheduled maintenance, triggered by reports of maintenance issues by pilots or flight crews, from discrepancies found during scheduled maintenance, or as the result of "events" such as hail, bird strikes, ground equipment impacts, hard landings, etc. Resto cited the example of Delta Airlines, whose managing director recently estimated that 60% of all the maintenance work Delta performs falls in the "unscheduled" category. Unscheduled maintenance can generate short-notice and urgent demands for parts, and all distributors benefit from being able to respond to such demands. Resto also outlined a number of more specialized maintenance programs applicable to particular categories of aircraft or operations, many of which generate additional demand for parts.

Conclusion

The airlines and their maintenance needs determine a large portion of the market for ASA members' products and services. The strength of distributors' businesses relies on the state of the aviation industry as a whole. ASA continues to strive to keep its members informed of important developments and trends affecting the industry, and the annual conference is an excellent place to hear about what is happening first hand. If you were not able to attend this year's conference, ASA strongly encourages you to come out next year!

Russell Chew Named as FAA Chief Operating Officer

The long search for a Chief Operating Officer (COO) for the FAA has finally come to an end. U.S. Transportation Secretary Norman Y. Mineta has announced that Russell G. Chew has been selected for the post.

Chew will play a key role in Secretary Mineta and FAA Administrator Marion Blakey's plans to shape the FAA into a more business-like organization that operates to strict performance measures. As COO, Chew will oversee the operational and financial performance of the air traffic control system and the FAA's research and acquisition programs. Chew is scheduled to start his new position on Aug. 1, 2003.

"Establishing the COO position is an important step forward in managing an air traffic control system that is not only the safest, but is also a model of efficiency and cost effectiveness," said Secretary Mineta. "Taxpayers rightly expect results and accountability in operating our nation's transportation infrastructure, and I am confident that Russ is the right person to help accomplish this in aviation."

Chew comes to the FAA with nearly two decades of broad aviation industry experience at American Airlines, where he served as a line-qualified captain, managing director of the airline's strategic operations planning, and as manager of technical flight operations and systems support technologies. In his

latest position as managing director of system operations control, Chew has been responsible for directing the airline's day-to-day operations at American's central control center.

"Filling the COO position has been one of my top priorities, and we're pleased to have a person of Russ' caliber join the FAA," said Administrator Blakey. "His strong experience at the strategic and operations level will help advance our performance within the air traffic control system."

The COO position has its roots in Secretary Mineta's leadership of the National Civil Aviation Review Commission of 1997. Among the Commission's recommendations was the creation of a performance-based organization for the nation's air traffic control system, with operational and financial issues managed by a COO. The Commission's recommendation was further advanced in the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) enacted in 2000.

The search for a suitable candidate proved to be difficult, however. Part of the problem was that the precise authority and responsibilities of the COO remained somewhat unclear. Adding to the problem was the salary the FAA was able to offer. These factors, together with the large and potentially difficult task facing any potential COO, made it difficult to attract the kind of

top-level talent the position requires. Several potential candidates made it known they would not accept an offer if one were made. In an effort to redress the problem, the FAA and Congress worked to refine the position's job description and authorize funds for a more attractive compensation package. The Flight 100 Century of Aviation Reauthorization Act recently passed in both the House and Senate, for example, includes additional clarifications of the COO's role. These efforts ultimately paid off.

"This is an exciting opportunity to work with the FAA team and industry to bring even greater benefits to the flying public," said Chew. "I'm honored by Secretary Mineta and Administrator Blakey's confidence and I look forward to taking on this important role."

Chew has served on many aviation industry committees in support of national airspace modernization and is currently vice chairman of the Radio Technical Commission for Aeronautics' Free Flight Steering Committee. He also serves on the board of directors of Aeronautical Radio Incorporated (ARINC,) and is chairman of ATN Systems, Inc. He attended Stanford University for his undergraduate studies and completed his doctoral studies at USC.

ASA wishes Mr. Chew every success in his new position.

ASA Annual Conference 2003: A Great Place to Do Business



Fabrication of Parts During Maintenance

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nation next year.

FAA Management Priorities

As in previous years, one of the conference's general sessions featured a presentation by senior FAA managers, who provided an overview of the major projects and priorities at the agency. This year, ASA invited David Cann, the manager of the Aircraft Maintenance Division at the Flight Standards Service (AFS-300), and Juanita Young, a manager from the Production and Airworthiness Division at the Aircraft Certification Service. Mr. Cann, unfortunately, was stopped cold by the needs of Congress as the House and Senate begin to debate the new FAA Reauthorization Bill (for details on this bill, see last month's issue of the Update Report). Luckily, Al Michaels was available to give the presentation Cann had prepared, as well as to add some insights of his own.

Michaels outlined some of the goals and standards of the Aircraft Maintenance Division, which include a commitment to safety; to considerate, respectful and professional service; to timely responses; to clear guidance and clear explanations of decisions. He passed on Cann's request that members of the industry always strive to resolve problems with the FAA in a professional manner and using the established chain of command. He provided a brief overview of the scope of the FAA's oversight responsibilities: 6,823 air operator certificates; 5,995 air agency certificates, 331,497 aircraft; over 10,000 designees; 18,924 mechanics; 633,173 pilots; and 1, 647 approved manufacturers.

Michaels described some of the priority projects currently on the FAA's plate. On the rulemaking front, they include re-writes of parts 121 and 135, rules for

Extended-range Twin-engine Operations (ETOPS) for part 121 and 135 operators, aging aircraft, and revising FAR 43.17 governing maintenance performed in Canada. Another recent priority has been the revision to FAA Order 8300.10 (Change 16) governing cargo loading, field approvals, and oversight of bankrupt or financially distressed operators. The Continuing Analysis and Surveillance System (CASS) employed by scheduled air carriers is also undergoing a revision. A more recent hot topic, coming in the wake of the tragic crash of a commuter airliner, is a survey on aircraft weight and balance requirements, and a revision to AC 120-27, Weight and Balance Control. Cargo safety is another area of focus, with ongoing work to clarify the responsibilities of maintenance inspectors and the development of an Air Cargo safety Implementation Plan (ACIP). In the international arena, the FAA is closely following the establishment of the European Aviation Safety Agency, or EASA, which will eventually lead to a complete revision of the Bilateral Aviation Agreements currently in place between the U.S. and several EU member states. Work is also continuing on AC 145-7A, governing repair station certificates and JAA Approved Maintenance Organizations.

Aircraft Certification and the 8130

Juanita Young presented an update on some of the recent revisions to Order 8130.21 and described the FAA's role in the Global Manufacturing Initiative, or GMI. Order 8130.21 governs the completion and use of the Authorized Release Certificate, FAA Form 8130-3, Airworthiness Approval Tag. The FAA published Change 2 to revision 8130.21C on June 10, 2003 as an interim measure pending the publication of revision 8130.21D later this year, probably in November. One of the key

features of Change 2, Young noted, was the incorporation of the DAR domestic signature authority from Notice 8130.71. This policy will be carried over into 8130.21D as well. Other changes proposed for version D include clarification on dual release authority, clarification of how production approval holders should complete the form with regard to rebuilt products & parts, clarification of procedures for dealing with lost, replacement, or corrected 8130-3s, and a new policy on the use of 8130-3s for kits with PMA parts.

Young described the results of the most recent meeting of the Common Release Certificate Working Group, which consists of representatives from the FAA, Transport Canada, and several European civil aviation authorities and manufacturers. The working group discussed in particular Block 9 – Eligibility on the 8130-3 and its counterpart forms. No agreement was reached between the JAA and the FAA concerning the manner in which installation eligibility should be reflected on the forms, so the two sides agreed to disagree.

Young also provided an overview of the Global Manufacturing Initiative. GMI is a collaborative effort involving regulatory authorities and industry representatives in numerous countries. Its aim, Young explained, is to establish a system where aircraft products and parts could be manufactured anywhere, moved quickly and seamlessly to the end user, supported by electronic documentation, all with only one authority action for each counterpart industry action. Three international conferences have already been held to define this "GMI Vision" and clarify the various parties' objectives. For civil aviation authorities, the main GMI objectives are to develop a common surveillance process for production approval holders

(Continued on page 70)

Paris Air Show Sees Diminished Participation

While spectators enjoyed the sight of fighter planes zooming overhead at the Paris Air Show, Airbus announced a \$12.5 billion dollar order for 41 wide-body jets from the Dubai based airline Emirates. This sale brings Airbus' delivery record up to 300 aircraft, 20 more than Boeing's 280. This is the first time Airbus has ever delivered more aircraft than Boeing. This deal with Emirates, which is the fastest growing airline in the Middle East, included 21 double-decker, 555 seat A380s. However, these 21 are not the only A380s Airbus says it has managed to sell. Airbus claims that once pending contracts with Malaysia Airline System and Qatar Airways are signed, Airbus' order backlog will grow to 124 for the A380 superjumbos. The air show itself was a bit smaller

than usual. Exhibit space was down by 5 percent and the number of aircraft on static display was down from 226 to 206. There was an assortment of vintage aircraft on display, but the World War II Flying Fortress was the only US aircraft that actually took to the air, and only six military aircraft were on the field. Russia showed only a Yak-130, as the MiG and Sukhoi fighter jet designers stayed away, after the Swiss company, Noga, tried to seize Russian planes at last year's show. Noga claims that Russia is over \$60 million in debt to them from business deals from the early '90s. The declining participation in the show is being attributed to the economic stress on the airline industry. Boeing spokesman Jean-Marc Fron told reporters that "This is the worst economic crisis this sector

has ever know...we hope that in the next two or three years, the airlines will recover and start ordering new aircraft – and that we've positioned ourselves to supply what they need."

In spite of the smaller size, the inter-company disputes, and continuing strain on the industry, the show organizers optimistic. The first day news release was positive, saying, "At the end of the day, the number of visitors was similar to 2001. The Paris Show organizers are pleased with this result, which confirms public interest in vintage planes and current aircraft.... This level of attendance is quite good, considering this was a hot day and transport was difficult."

REGULATORY UPDATE

Changes Foreseen in the 8130-3 Tag

(Continued from page 69)
(PAHs) and production organization approvals (POAs); common supplier surveillance processes; and common airworthiness certification requirements and processes. The industry's GMI objectives are to standardize PAH / POA quality control systems and procedures; to standardize how PAHs and POAs approve and control their suppliers; to maintain high standards and levels of performance; and to develop and maintain an integrated e-commerce documentation system.

Young emphasized the importance of industry participation in the GMI process, since past efforts along the lines of GMI failed owing to poor communication between the public and private sectors and a fragmented and incomplete response from the industry. She stressed the need for a shared vision,

joint planning, industry-wide acceptance and implementation of agreed measures, and careful monitoring of overall progress.

Keeping ASA Members Informed

One good indication of the relevance and importance of these issues and developments to ASA members was the number of questions conference attendees asked at these presentations. Regulatory presentations at the conferences have traditionally been well attended and generally receive good reviews. These detailed updates represent one of the best reasons to attend the annual conference. In any event, ASA will continue to follow these developments at home and abroad and keep its members up to date on the legislative and regulatory issues that affect their businesses.

INTL UPDATE

WTO Sanctions

U.S.-manufactured aircraft and the parts that keep them flying. ASA will continue to monitor developments in the dispute and report any developments affecting the aviation industry, particularly distributors.

The revised list of target products:
<http://waysandmeans.house.gov/media/pdf/fsc/FSC%20Retal%20List.pdf>



Jim Sdoia of ILS presented a special award to Michele Dickstein for her service to the industry on the occasion of the Association's 10-year anniversary (Mrs. Dickstein was not present so her husband accepted the award for her).

UNAPPROVED PARTS NOTIFICATION

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

SUSPECTED UNAPPROVED PARTS PROGRAM OFFICE, AVR-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. 2001-00274
June 17, 2003

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

AFFECTED PARTS

Turbochargers.

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, parts suppliers, and distributors regarding improper maintenance performed on Garrett and RayJay/Roto-Master turbochargers.

BACKGROUND

A joint suspected unapproved parts investigation conducted by the Federal Aviation Administration (FAA), Department of Transportation – Office of Inspector General, and the Federal Bureau of Investigation revealed that Thunderbird Accessories, Inc. (Thunderbird), improperly maintained and approved for return to service Garrett and RayJay/Roto-Master turbochargers. Thunderbird, located at 5406 N. Rockwell, Bethany, OK 73008, previously held Air Agency Certificate No. IC2R893K.

Evidence revealed that Thunderbird had failed to accomplish maintenance in accordance with the manufacturers' maintenance manuals; Instructions for Continued Airworthiness; or other methods, techniques, and practices acceptable to the FAA. Discrepancies noted included stop-drilling beyond allowable limits on exhaust housings, and the installation of unapproved bolts and bearings that were not designed for extreme heat applications. The FAA has been unable to determine all models and serial numbers affected; therefore, all turbochargers approved for return to service by Thunderbird should be considered suspect.

RECOMMENDATIONS

Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, maintenance organizations, parts suppliers, and distributors should inspect their aircraft, aircraft records, and/or parts inventories for turbochargers approved for return to service by Thunderbird. Suspect turbochargers installed on aircraft should be inspected for conformity to type design. If any are found in existing stock, it is recommended that the turbochargers be quarantined to prevent installation until a determination can be made regarding each part's eligibility for installation.

FURTHER INFORMATION

Further information concerning this investigation and guidance regarding the above-referenced turbochargers may be obtained from the FAA Flight Standards District Office (FSDO) given below. In addition to the above recommendations, the FAA would appreciate any information concerning the discovery of the turbochargers, the means used to identify the source, and the action taken to remove any turbocharger from service.

This notice originated from the Oklahoma City FSDO, 1300 S. Meridian Blvd., 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, AVR-20, telephone (703) 668-3720, fax (703) 481-3002.

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 on the speaking program or on the Trade Floor*

2003

- Aug. 23-26** ACPC, Wardman Park Marriott, Washington, DC. See <http://www.acpc.com> for details.
Sept. 22-24 Speednews Aviation Industry Suppliers Conf in Europe, Toulouse, France. Call (310) 203-9603.
Oct. 21 * ASA Regulatory Workshop, Dallas, TX. Call (202) 347-6899 for details.
Oct. 23 * ASA Regulatory Workshop, Chicago, IL. Call (202) 347-6899 for details.
Nov. 2-4 Speednews Reg'l & Corp. Aviation Industry Suppliers Conf., Rancho Mirage, CA. (310) 203-9603.
Nov. 11 * ASA Regulatory Workshop, Seattle, WA. Call (202) 347-6899 for details.
Nov. 13 * ASA Regulatory Workshop, Los Angeles, CA. Call (202) 347-6899 for details.
Nov. 20 * ASA Regulatory Workshop, Miramar, FL. Call (202) 347-6899 for details.
Dec. 2 * ASA Regulatory Workshop, NY/NJ/DE Area. Call (202) 347-6899 for details.

Congratulations to ASA on the occasion of its 10th year as the number one trade association representing the interests of the aviation industry distribution community

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Post-Conference 2003