Manufacturing Distributors Distributors Maintenance Operations Distributors

The Update Report

The Aviation Suppliers Association

Volume 11, Issue 7 July 2003

REGULATORY UPDATE

FAA Issues Part 145 Guidance

The FAA has issued some significant new guidance recently for repair stations. This guidance is critical for ASA members with repair station certificates but it also can be quite useful to distributors that find themselves doing business with repair stations. In addition, it provides some insight into the FAA's current views on what constitutes an adequate quality system manual so in this respect it can be valuable to any aviation parts distributor with a quality system

On July 3, the FAA released the long-awaited advisory circular on manuals for repair stations.

Since the publication of the voluntary accreditation program advisory circular (AC 00-56), many in the industry have noted that the manual and quality system requirements for distributors greatly exceed the regulatory requirements for manuals and quality systems for certificated entities, like repair stations. This can be attributed to long-out-of date regulations that were badly in need of updating.

The new repair station regulations are scheduled to become effective on October 3, 2003—although a petition for a short extension to that time frame might be granted—and they require repair stations to develop new types of manuals that had not previously been required. This requirement represents a tremendous increase in the regulatorily required manuals for repair stations. This increase is meant to take advantage of modern theories on quality systems.

The July 3 guidance explains how to compile the Repair Station Manual and the Quality Control Manual required under the new rules. It will be an invaluable reference for repair stations but it can also be a useful reference for distributors. Not only does it explain how our repair station business partners comply with the regulations, it also has some useful tips for developing a quality system manual.

There are always aspects of this sort of guidance that are not legal requirements, but their mere inclusion in the guidance means that they are likely to become *de facto* requirements. In the previous advisory guidance on repair station inspection procedures manuals (AC 145-3), there was a sample clause that dictated that no manual revision would be adopted until accepted by the FAA. Although there was never a regulatory requirement for this sort of acceptance, it nonetheless became common practice for repair stations to bind themselves to this process by writing it into their manuals (copying from the sample manual found in AC 145-3).

In AC 145-9, there is also reference to non-mandatory items that are likely to gain greater acceptance as a conse-

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Inside this Issue:

Congratulations to the following companies:

Newly Accredited:

Century Recycling Co.
Gardena, CA

Re-Accreditation

Eriks Aerospace
Miramar, FL

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

ASA AVIATION SUPPLIERS ASSOCIATION

A Message from ASA's President

There are right ways and there are wrong ways to help prevent harmful activities in our industry.

ASA's Jason Dickstein chairs the FAA-Industry Suspected Unapproved Parts Task Group. His committee is working on developing a stolen parts database that industry parties can review in order to determine if a part with suspect paperwork has been reported as stolen. ASA member Roy Resto has been very active in this project, as have a number of other people in the aviation industry (see the story on page 77). One of the challenges of the project is developing rules to prevent misuse of the database and promote fairness. This is a challenge that the participants are addressing head-on.

The FAA proposed a rule to penalize false and misleading statements. While ASA is the first organization to fight for truth in documentation, the FAA's proposal missed the mark, and instead would have established a subjective standard that would have been nearly impossible for even the most honest of distributors to meet.

ASA filed comments this month on the FAR 3 Notice of Proposed Rulemaking. We explained to the FAA that while we support actions designed to address fraud and misrepresentation, the proposed rules went too far by establishing standards that would lead even innocent distributors into likely violation of the proposed law. We were quite concerned about FAA's attempt to penalize implicit misleading statements, since this would have the effect of requiring companies to describe a part in one line, and then use another 200 lines to describe what the part is not (in order to avoid implying any fact that could mislead)! ASA's comments are available on-line.

In other news affecting the membership, there is a proposed FAA rule that greatly expands the requirements for hazmat training (story on page 81). Based on the theory that everyone in the industry should obtain hazmat training to prevent inadvertent shipment of hazmats, it includes training for some companies that do business with air carriers even if the companies do not normally ship hazmat. Distributors with air carrier customers should pay attention and may want to file their own comments. Repair stations, air carriers and air operators should *definitely* read this proposal as they will all be affected.

Keep safe!

Best Regards

Michele Dickstein

Board Election

Don't forget to cast your vote for the Aviation Suppliers Association Board of Director. The election ballot should have been distributed by fax by August 11, 2003—if you are a voting member of the Association and you did not receive your ballot, please contact the Association immediately at (202) 347-6899.

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.

EASA in Europe

Regulatory developments outside the U.S. are assuming greater importance as international sales become increasingly significant for many aviation businesses. Customers in the European Union in particular represent some of American companies' main overseas trading partners. A new EU-level regulatory authority, the European Aviation Safety Agency, or EASA, is due to start operations in September, with wide-ranging implications for ASA members who do business in Europe. Barry Valentine, Senior Vice President of International Affairs of the General Aviation Manufacturers Association (and a former Assistant Administrator of the FAA), presented a first-hand look at the status of the new agency and the changes on the horizon.

EASA, Valentine explained, is an aviation safety oversight agency that will represent all EU member states plus three countries – Switzerland, Norway, and Iceland – that have chosen to participate in the common regulatory scheme. Its purpose is to serve as a European FAA that will administer and enforce common rules and standards for all member countries. As such, it will assume many of the functions currently carried out by national civil aviation authorities in the member states. As an official EU body, EASA will have legal authority that will give it the "teeth" that the voluntary Joint Aviation Authorities, or JAA, always lacked. Valentine noted that EASA initially will be responsible for certification and maintenance activities, but will expand its competencies over time to encompass all areas of safety oversight.

Valentine announced that EASA will formally commence operations on September 28, 2003. Its staff will be modest at first, consisting of little more than an Executive Director, a Management Board, and a small number of staff. Its interim offices will be located in Brussels, with a permanent location to be decided later. During the initial period, much of the agency's work load will be handled by JAA or member country CAA personnel acting as agents of EASA.

Valentine briefly outlined the EASA transition policy. Starting September 28th, all applications for type certificates must be made directly to EASA. New regulations governing repair stations, Implementing Regulation 145 (IR 145) will go into effect on the same date. In a deliberate attempt to build on the many years of FAA-JAA harmonization work, IR 145 is a virtually wholesale adoption of Joint Aviation Requirement (JAR) 145. Indeed, all of the EASA IRs circulated for comment so far are closely modeled on the corresponding JARs. Perhaps most significantly, the current system of bilateral agreements between the U.S. and various EU member countries will ultimately be replaced by a single bilateral agreement between the U.S. and the EU itself.

The biggest advantage of EASA for U.S. businesses, Valentine predicted, will be having a single set of rules and standards applicable throughout the EU, with no significant national variations. Products approved by EASA must be accepted by all member countries. The bad news, at this point, is the considerable uncertainty that still surrounds all the details of how EASA is going to work in reality.

2003 Award to Butler

Each year, one of the highlights of the ASA Annual Conference is the presentation of the Edward J. Glueckler Award, named for the founder and first president of ASA. The Glueckler Award recognizes individuals who has made an outstanding contribution to ASA, its members, and the aircraft parts distribution industry as a whole.

ASA presented the 2003 Glueckler Award to John Butler, the recently retired President of Time Aviation Services.

Butler served on the ASA Board of Directors from 1995 until 2002. As a Board member, he made himself available to the ASA staff whenever they needed him. He was a constant source of networking—bringing new members to ASA and introducing ASA to new partners in ASA's government affairs campaigns.

Butler was frequently a source of business advice and was always a pragmatic voice on the Board of Directors—seeking to not only expand ASA's services, but to also do so in a manner that preserved ASA's resources so that it was always able to meet its core membership duties. Butler's energy and business acumen were important qualities during a time when the Association was growing.

ASA extends its sincere congratulations to John Butler for all he has done to make our industry safer, more professional, and a source of confidence to the flying public. ASA extends its sincere thanks to John Butler for all that he has done to enrich our Association and our lives.

Parts Tracking Initiatives Update

2D Marking

For the past seven years, the Coast Guard has been working on a system to improve traceability in parts, namely a 2D barcoding system. Terry Boyce, of the Coast Guard has been working closely with Boeing to conduct a pilot project for implementing a 2D symbology based program within the Coast Guard. It is this program that the Army said saved them 65% of their maintenance costs over the course of a year.

The Coast Guard Program features the integration of three separate technological advances. The 2-D symbology is really the most 'low-tech' of the three advances. It consists on marks in a two dimensional matrix—sort of like a bar code made up of dots that align up and down as well as left and right. The second technological advance featured in this program is a set of new ways to mark parts, ranging from permanent inks to laser ablation. The third feature—which gets so little of the credit—is the recent technological advances in lens and camera technology (as well as image interpretation software) that makes it possible to read marks that can be small enough to fit on the head of the smallest fastener.

The two-dimensional symbology that is being used to mark parts has been developed and refined through this program and has many advantages. The markings themselves can be detected through eight coats of paint at this point. They are very resistant to tampering and make duplication more difficult—partly because they feature redundant data (so a part of the mark can be destroyed and the remainder will still convey all of the original information. Even if up to ninety percent of the marking is lost or damaged, there may be enough remaining to determine the entire original data set. This related

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Spec 2000

Spec 2000 is an established standard published by the Air Transport Association; but the SPEC 2000 people are analyzing some innovative concept designed to use SPEC 2000 as a foundation to revolutionize traceability in the industry. The ideas are catchy, and seem like they could establish the foundation for the traceability system that many in the industry have demanded, but there are a few key flaws that have yet to be resolved.

The concept is a simple one; in fact, SPEC 2000 expert Jon Andresen says even a small company could employ the proposal using just a simple spreadsheet. The system begins with giving each part a number, which Andresen calls a social security number (SSN), made up of the cage code and an original code number that is unique to the company that assigns the number.

This SSN can be assigned by a company other than the original manufacturer, so it can often differ from the traditional serial number associated with the part. Some ways the proposed SSN can be different from existing manufacturer's serial numbers include the fact that the cage code belongs to the assigner of the number and not the manufacturer, and serial numbers are often unique within a part number but not necessarily within a company's entire line of parts.

A SSN could be assigned by a distributor for a part that did not previously have a tracking number—it is unknown whether a part's SSN could be changed by a subsequent user after it has already been assigned (particularly if that subsequent user did not know of the prior assignment). Such a midstream change could be used to hide past adverse data, and it might be indistin-

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Stolen Parts

Soon, there will a central government website to which you can refer when you suspect a part has been stolen. The stolen parts database will represent a single point at which stolen aircraft parts may be logged in an effort to stop their proliferation throughout the United States. This is a joint FAA / DOTOIG / Industry project initiated within the Suspected Unapproved Parts Task Group.

The project has only been in the works for a few short months, and already the United States Government has lent its full support. The DOT Office of the Inspector General (DOT OIG) has spearheaded the project. The Justice Department is developing a memorandum of understanding to record everyone's roles in this project. The parties are not waiting for this MOU, though—DOT OIG's SUPs Coordinator Carlos Vazquez has already secured permission to place the stolen parts database on a ".gov" website.

Embry-Riddle Aeronautical University is ironing out the technical difficulties and they plan to lend programming and other technical support to the database (as well as website hosting) in the database's early years. Embry Riddle's involvement in this project is unprecedented—when this database is operational, it will mark the first time that a non-governmental entity has received permission to run a " .gov" website.

The stolen aviation parts database itself is not a novel concept—several such databases can now be found on the internet—but the SUPs Task Group hopes that government support and endorsement of the database will make it successful by encouraging a greater volume of reporting by the private sector. This will also represent a more

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2-D Matrices

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computer system automatically captures and updates historical data for any given part, and eliminates human error in this process.

However, this is just Phase I of the project. In Phase II, NASA performed the premarking engineering, following which the Coast Guard attempted the "permanent direct part marking" of an additional five hundred aircraft parts. Depending on the individual characteristics of the part, the type of marking was laser etching, laser bonding, dot peen, or one of several other types of methods.

At the moment, the Data Acquisition and Interface studies are progressing, in an attempt to ensure that the 2-D matrix software will be able to call up the AMMIS and ACMS databases and update the Coast Guard logistics systems, in addition to simply gathering the required data. This system represents a number of technological milestones, including the first fully integrated mobile marking cart in the field, the first hand held laser to mark products in the field, the first use of the laser bonding process to mark FSCAPs, and the first read through paint markings applied to commercial products. This program, when completed, could be a major step towards drastically improving traceability of parts in the industry.

There are some problems remaining to work out along the way, such as who will keep the central or national database of part history. But the Coast Guard is confident that these issues will be solved, and that their 2-D matrix system will eventually be the predominant system for cataloguing aircraft part histories and identifying them to particular parts.

SPEC 2000 Parts Traceability

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guishable from parts that did not receive an original SSN but subsequently received one from a distributor or other SPEC 2000 user.

Once the SSN is assigned, the part is tracked within the system. Whenever the part is affected by any function for which tracking is desirable, like overhauled, maintenance, alteration, sale, or installation, that information is entered into its part history, using the part social security number.

After that it is a seemingly simple matter of sharing this information with other companies. One proposed idea is that the company that manufactures the part will keep a database that other companies can access and check the history of a particular part, after gaining access through a firewall. This program could improve traceability of parts and eliminate much of the doubt surrounding suspected parts.

There are a number of unresolved issues in this plan, which have to be addressed before this program can be successful. First of all, there are certain problems with who holds the databases of parts. Some companies may be willing to maintain computer databases of information, but they most likely will want to charge for access. The government could maintain the database, but anything set up by the government will take years to establish and even longer before it runs smoothly (and that assumes that the money for the program could be appropriated in the first place). One idea would be a distributed network in which companies with permanent internet links made their databases available so that the data for the part would be a concatenation of its entries in all relevant company databases. This solution presents both security problems and resource problems (since it would require companies to have internet accessible computer systems that anyone could access).

A second issue is part "identity theft." If a part's social security number and part history is assigned to another part (accidentally or through fraud), then how does one determine which is the real part? If the SPEC 2000 system replaced paper records, there might be no way to distinguish two parts bearing identical electronic records. At the moment, the only answer—and the answer suggested by law enforcement—is to scrap both parts. This works an economic disadvantage on the victimized party that could be devastating, particularly if a criminal were to copy the electronic history of a company's entire inventory, and then to use that information create bogus electronic histories for otherwise unapproved parts (thus clouding the title to an innocent company's entire inventory).

Homeland Security has taken over the US Coast Guard cases, formerly handled by the DOT/OIG. As a result, DOT/OIG has lost about forty staff positions. Nearly all forty of these were removed from the audits section of the agency, and the DOT/OIG remains committed to prosecuting non-USCG criminal cases and promoting safety and security.

Capital Depreciation and Expensing Changes for Distributors

Congress has passed new tax laws designed to stimulate business purchasing, in an effort to stimulate the economy. If the tax changes are successful they will reflect a long-term benefit to our industry, because greater prosperity means more traveling and more traveling means more need for active aircraft, and greater usage of aircraft means more need for replacement and modification parts.

Only time will tell if the tax provisions are successful in affecting the economy, however there are some advantages to the new tax provisions that will affect ASA members today. For example, there are significant tax advantages to investing in new tangible property, for distributors that have the resources to make use of the tax changes.

Increased Deduction for New Equipment

No matter how bad the economy is, there are always expenses for any distributor. Has your forklift finally died? Do you need to upgrade the environmental system (HVAC) in your warehouse? Do you need to replace your racking system? All of these are depreciable items, which means that even though you pay for them this year, you must depreciate them over time – this means you only get to deduct a portion of your business investment this year (with the remainder being deducted in future years).

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 distributor buys a $90,000 lift truck, 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 is an obvious benefit for ASA members that wish to invest in new equipment – it accelerates depreciation so that it is treated as single year expenses.

Let's say a distributor wants to purchase a new machine for blowing foam into packages (much cleaner than using packing peanuts). He has no other capital expenditures in 2003. Under the old law, if the new equipment would have cost $85,000 then the operator would have been able to expense $24,000 this year and the remaining $61,000 would have to be depreciated over a period of years. Under the new law, the operator can deduct the entire cost of the equipment *on his 2003 taxes* as section 179 property.

There is a cap to this 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 2003, then its section 179 deduction drops to only $75,000 ($100,000 – ($425,000 – $400,000)).

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. If you have any doubts about whether your software qualifies, you should consult your tax advisor.

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 distributor buys $100,000 in computer equipment (five year property) and $100,000 in office furniture (seven year property), it 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, 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

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Tax Breaks

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provision helps to front-load as much of the deduction as possible in the first year, thus increasing the value of the deductions.

This provision also increases 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.

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.

Estate Tax Update

The estate tax was not addressed in the most recent tax changes but it is being considered in other legislation. The estate tax is particularly important to ASA members that are family businesses. ASA's family business members tend to have more value in land and facilities than in cash on hand. Estate tax liability can force a family to sell a family business just to be able to pay the taxes. ASA's goal is to alleviate family businesses from this sort of unfair taxation.

The estate tax, also known as the "death tax," is imposed on property and assets that are passed on after (or in some cases before) a death. There is a substantial exemption – the first 1.2 million dollars of estate value are exempt from the tax. When a business is involved, though, this is often not enough. Things like appreciation in the value of land and structures, the value of inventory, or the value of tooling and equipment can add up to a business that is rich in assets but not sufficiently cash-rich to permit the family to pay the estate taxes on the business when a business principal dies. This can make it difficult to keep the family business in the family. Financial strategies such as life insurance policies can help make sure that the family has the money to pay the estate taxes, but these strategies can be expensive. When a family business has not done the right planning – or if it cannot *afford* to implement the right financial strategies - the death of the business principal can mean the death of the business as assets and entire businesses are sold to cover the estate taxes.

The estate tax is being slowly phased out until it reaches zero in the year 2010. In 2011, though, it reverts to its original form with a maximum tax rate of 55%. The reason for this reversion is that budget rules limit tax changes implemented through a budget rule (such as this one) to only ten years. The original tax change was implemented through a budget rule because budget rules are not allowed to be filibustered in the Senate.

The House of Representatives has taken a significant step toward permanent repeal of the estate tax. By an impressive vote of 264 to 163, the House passed H.R. 8, the Death Tax Repeal Permanency Act. Forty-one Democrats and 223 Republicans voted for the legislation (only 4 Republicans voted no), giving the legislation a great boost of momentum as it moves to the Senate. Successful passage in the Senate is still far from certain. This sort of legislation has passed the House before, only to be bogged down in the procedural mire of the Senate. Senate rules permit most measures to be filibustered, which would mean a 60 vote supermajority (instead of the normal 51 vote majority) would be needed just to get the matter to a formal vote. The measure still has a long way to go before the Senate votes to fully rescind the death tax, although the Senate may choose to offer a compromise that would extend the benefits of the estate tax sunset for several additional years.

There are enough changes in the tax code either recently passed or in the works to make your head spin even if you're a tax attorney, so be sure to get the advice of a competent tax accountant on how the new changes in the tax laws will affect your business, and how you can structure your transactions to best take advantage of the new laws.

New Hazmat Training Affects Repair Stations, Distributors

The industry has until September 5 to comment on a proposed hazmat rule that would expand the hazmat training requirements for many certificate holders. Generally, this proposal would require Part 121, 135 and 145 certificate holders to train all of their employees in hazmat recognition even if they are not 'hazmat employees' under the DOT definitions.

Under the current rules, any person who makes decisions concerning the transportation of hazardous materials is required to be trained in hazmat topics. The rules covering the curriculum for this training are fairly comprehensive. Hazmats arise in situations that can surprise you—for example, in an engine facility, any part that has residual fuel in it is considered to contain hazmat.

The hazmat employer is responsible for obtaining training for the hazmat employee personnel. The hazmat employer is also responsible for keeping records of the training.

Many aviation industry companies have failed to obtain training on the grounds that they do not consider themselves hazmat employers. The FAA has published guidance suggesting that the term 'hazmat employer' is interpreted to be quite broad indeed but still, some aviation industry companies remain untrained.

The lack of hazmat training is a matter of particular concern—it is believed that the 1996 ValuJet crash would not have occurred if the personnel involved in that situation had been adequately trained in hazmat issues (ValuJet was a do-not-carry carrier)—the NTSB recommended that it could have benefited from a policy of training its repair station contractors in hazmat recognition.

The proposed rule would expand the training requirements to require training of all air carriers (part 121 and 135) as well as all repair stations. This is a significant change, because under DOT's regulations, there is no training requirement placed upon employers or employees who are not ''hazmat employers'' or ''hazmat employees.'' Thus, there are no hazmat recognition training requirements in DOT's Hazardous Materials Regulations for the employees of companies that do not expect to handle or transport hazmat—but the FAA and the NTSB believe that there is still a dangerous possibility of hazmat entering the facilities of even non-hazmat companies in the aviation industry.

Repair stations and even distributors with 121/135 air carrier customers will be affected by the new hazmat training rules

The FAA in this proposal recognizes that employees who are not supposed to accept, handle, or carry hazmat need adequate training to recognize and reject hazmat that is not supposed to enter the facility. Further, when hazmat arrives unexpected and uninvited, it takes a hazmat-trained person to properly package it and send it back to where it belongs (returning it is still shipping it for legal purposes).

Distributors Affected

The proposed rule expands the scope of who is required to be hazmat-trained. Some of the most significant additions include anyone who handles or carries hazardous materials for a 121 or 135 carrier. This is likely to be interpreted to mean distributors who sell parts to or buy parts from a 121 air carrier or a 135 air operator. Under current regulations, distributor personnel are required to be trained once every three years—this would increase the frequency to once a year for most distributors doing business with 121/135 carriers.

Repair Stations Affected

The proposed regulation requires repair stations to be notified of the carrier's hazmat policies and requires the repair stations to train their personnel on the hazmat policies of their air carrier business partners. Personnel will also have to be trained according to the repair station's own program.

There is also an employee notification requirement for repair stations that requires employers to tell *all* of their employees (not just hazmat employees) about carrier hazmat op specs – this particular section remains ambiguous – it is not limited to carriers that are customers of the repair station – so it could be enforced to include carriers used for transportation of parts, as well. Obtaining these operations specifications could be a problem for some repair stations.

The proposed rule would also require all new repair stations to certify that their personnel are in compliance with the hazmat training requirements as a condition of certification.

The proposed rule is open to comment until September 5, 2003.

Watch next month for an appraisal of the new hazmat regulations addressing various issues designed to harmonize US and international standard—including the initiation of air-eligible stickers on hazmat packages!

INDUSTRY UPDATE

Stolen Parts Initiatives

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uniform reporting of stolen parts to a recognized, centralized database, which should help establish the reliability of this database.

Now that the website itself is on the verge of completion, the SUPs group is working with the government to establish effective rules that will ensure the reliability and security of this database. One concern is that the parts listed as stolen are, in fact, stolen parts, and not simply parts embroiled in a commercial dispute. Those working on the site believe this can be accomplished smoothly and seamlessly through close contact with and reliance on law enforcement. This could be a major accomplishment in the battle against suspected unapproved parts.

The stolen parts database will soon be fully accessible—when it is, ASA will let the membership know how to access it and how best to use it.

REGULATORY UPDATE

FAA Issues Part 145 Guidance

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quence of this publication. In this case, the increasingly popular 8130-3 tag is mentioned as a common method of recording approval for return to service. While the 8130-3 is practically a requirement for recording repairs on parts destined for transport category aircraft, the general Aviation community has resisted this form. The inclusion in AC 145-9 is likely to reinforce the popularity of the 8130-3 tag and help proliferate its use through the general aviation community.

Copies of this new advisory guidance can be found on the FAA's website at:

http://www.airweb.faa.gov/Regulatory_and_Guidance_Library/rgAdvisoryCircular.nsf/0/70a2370d88e1e36486256d5d00659fa3/$FILE/AC145-9.pdf

UNAPPROVED PARTS NOTIFICATION

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

U.S. Department
of Transportation
Federal Aviation Administration

No. 1999-00274
July 28, 2003

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

AFFECTED PRODUCTS

Generator diode (part numbers 938D679-11 and 938D679-12) installed in DC-10 aircraft generator (part numbers 977J150-1, 977J150-2, 977J150-3, and 977J150-4).

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors regarding nonconforming diodes sold by TIC Electro, Ltd., located at 540 Nepperhan Ave., Yonkers, NY 10701; and Gateway International Group, Inc., located at 2881 NE 32nd Street, Unit 321, Fort Lauderdale, FL 33306.

BACKGROUND

Information received during a Federal Aviation Administration (FAA) suspected unapproved parts (SUP) investigation revealed that TIC Electro, Ltd., and Gateway International Group, Inc., sold nonconforming diodes, part numbers 938D679-11 and 938679-12. These diodes were not produced by an approved source and do not conform to the specified Hamilton Sundstrand drawings. The diodes are not marked with the manufacturer's identifiers and lack the required symbol for the polarity code. The unapproved diodes can be identified by the following markings (see attached photograph [to the left]):

938D679-11 9322	938D679-12 9322
938D679-11 9422	938D679-12 9422

RECOMMENDATION

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 the above-referenced diodes. If an above-referenced diode is installed in an aircraft, contact the FAA Flight Standards District Office (FSDO) listed below for guidance regarding the appropriate action to be taken. If any of the referenced diodes are found in existing parts inventory, it is recommended that the diodes be quarantined to prevent installation until a determination can be made regarding each part's eligibility for installation.

FURTHER INFORMATION

The FAA would appreciate any information concerning the discovery of the above-referenced part from any source, the means used to identify the source, and the action taken to remove the part from service. This notice originated from the Fort Lauderdale FSDO, 1050 Lee Wagener Blvd., Suite 201, Fort Lauderdale, FL 33315, telephone (954) 356-7520; and was published through the FAA SUP Program Office, AVR-20, telephone (703) 668-3720.

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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.

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