



# The Update Report

The Aviation Suppliers Association

Volume 10, Issue 2

February 2002

## PARTS SAFETY UPDATE

### Italian Parts Issue Rocks the World

There is something going on in Italy. Many allegations have been raised about aircraft parts – if they are all true then there has been a massive conspiracy involving fraudulent documentation that mislabels parts as new when they are not. This article addresses the allegations and facts as we know them, describes some of the actions that ASA has taken, and explains ASA’s plans for providing advice and remedies to its members and to the industry.

#### ASA Research

ASA first heard about this issue on January 25, and we have been tracking it closely ever since. We have also been working with the media both to gather information ourselves and to spread our own useful information about issues like how existing quality systems and standard industry practices can help to prevent unsafe parts from being installed on aircraft. We did a radio interview with BBC News and we have also spoken with television reporters and print reporters to assist them in accurately reporting the state of the industry.

Our early research showed that there were many discrepancies in the reporting of this case. This led ASA to perform further research to identify the facts. In ASA’s pursuit of the facts in this case, ASA spoke with several FAA offices and also spoke

with Americans who had done business with Panaviation. ASA was not able to reach any of the Italian parties – neither law enforcement nor the accused – so all we know of their positions is what has been reported in the European and American Press.

#### The Situation

For those members of the ASA community who have not heard, many of the major news sources began to report in late January about companies in Italy accused of fraudulently misrepresenting the state of the aircraft parts that they were selling. Taken at face value, the reports suggest a massive conspiracy involving American and Italian companies.

The reports suggest that used parts were being subject to cosmetic improvements and then tagged and sold as new parts. The police have allegedly seized thousands of parts in warehouses and shipping containers (although one report limits the number of parts seized to only 800). Although one company, Panaviation, is mentioned in all of the reports, two other Italian companies are also mentioned: New Tech and New Aerospace.

Two American companies – both FAA 00-56 accredited ASA members, one to ASA-100 and one to ISO

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*Do you ship aircraft batteries? If you do, then send ASA an email about what sort of batteries you handle, because we are putting together a petition for rulemaking to correct mistakes in the latest hazmat rules.*

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## A Message from ASA's President

Our lead story this month concerns allegations made against a company in Italy. While the company is not a member, several of ASA's members have called with their concerns. Two of our members, Mitchell Aircraft and Danbee, are familiar with Panaviation and each has written a Letter to the Editor providing their insights. You'll find these letters on page 23.

The media has had a field day with Panaviation, and it is difficult to know which accusations are true and which are unfounded. Our lead story provides some of the details, but you can expect to see much more in next month's issue.

With all of the focus on the Panaviation allegations, it might be easy to forget that the FAA has published new life-limited parts rules. You'll find an initial compliance guide in this month's issue that should help the industry figure out what to do with this new rule.

For those of you who thought about applying for SBA loans but didn't make the deadline, we have good news! The deadline has been extended. Also, our repair station members will be pleased to learn that the small business qualification threshold has been

changed so more repair stations now qualify. You'll find these details starting on page 17.

The Panaviation issue occupies a great deal of space in this issue—so much so that we had to defer several articles until next month. Articles you should expect to see in the March 1st issue include:

- a review of some of the DOT OIG investigations in the news in January;
- A discussion of the positive affects that conversion to the Euro could have for business relationships with Europe;
- an analysis of possible European trade sanctions against aircraft parts which could result in a restrictive tariff against aircraft parts coming from the United States; and
- a Panaviation Unapproved Parts Notice, which ASA expects to be published in February.

Best regards,

Michele Dickstein

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

### The Update Report

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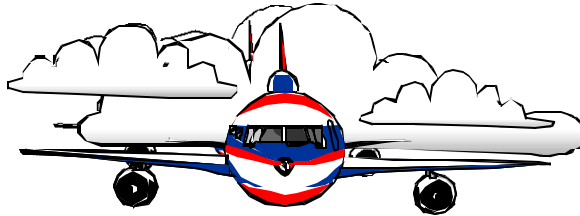
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### *REGULATORY UPDATE*

## **New Life-Limited Parts Rule Requires “Safe Disposition”**

New rules concerning life-limited parts could help improve safety with respect to these parts.

New regulations affecting life-limited parts were promulgated on January 15, 2002. These regulations become effective on April 15, 2002. The new regulations impose new requirements on anyone who removes a life-limited part from an aircraft, aircraft engine, or propeller.

To assist members in complying with the new regulations, ASA has prepared the following compliance guide. This compliance guide is meant to serve as an initial guide to persons wishing to assure that their current practices meet the requirements of the regulations.

The FAA has pledged to issue an interpretive advisory circular drafted to foster understanding and facilitate compliance with the new regulations. It is important to note that the advisory circular (when it is published) may provide different guidance than this compliance guide. ASA plans to update the compliance guide to the extent necessary when the advisory circular is published.

### **Compliance Guide**

Who is directly affected by this new rule?

Any person who removes a life-limited part from a type-certificated product must comply with the new

rule. The term “person” may apply to a natural person who removes a part, or it may also apply to an air carrier, repair station, manufacturer, or any other corporate entity that ‘removes’ a part through the efforts of one or more of its employees or agents. Thus, if a distributor receives an engine, and uses its own personnel to part-out the engine (disassemble the engine), the distributor as a corporate entity is responsible for complying with the regulation. The personnel who perform the removal are also responsible for compliance. In the event of a non-compliance, it is possible that the FAA could hold both the corporation and the employees responsible for the regulatory violation.

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## Small Business Administration Changes Benefit ASA Members

Two recent developments at the Small Business Administration are likely to benefit ASA members. Businesses facing insolvency as a result of the September 11 terrorist attacks now have additional time to take advantage of SBA emergency assistance, and repair stations in particular will find it easier to qualify for SBA programs thanks to an increase in the threshold for determining who qualifies as a “small” business.

### *Application Deadline Extended for SBA Loans*

The SBA has extended the application deadline for Economic Injury Disaster Loans until April 22, 2002.

The SBA Economic Injury Disaster Loan (EIDL) program, initiated partly in response to ASA lobbying, provides low-interest loans of up to \$1.5 million to qualifying small businesses that have suffered “substantial economic injury” as a result of September 11. Aviation-related businesses can qualify for the loans by demonstrating that they “supplied or provided services to a business or industry adversely affected by the terrorist attacks or Federal action.” A number of ASA members have taken advantage of the assistance, many of them explaining that the loss of business was due to the down-turn in the aviation industry caused by public fear of flying as well as the FAA’s temporary grounding of the civil aviation fleet – both caused by the terrorist attacks of September 11, 2001.

The EIDL program was described in greater detail in the October 2001 edition of the Update Report, and more information is also available on ASA’s website at: [http://www.aviationsuppliers.org/news\\_docs/loans.htm](http://www.aviationsuppliers.org/news_docs/loans.htm).

The SBA also publishes a Fact Sheet describing the program at: <http://www.sba.gov/news/current01/economicinjuryfactsheet.html>.

### *Small Business Size Benchmarks Adjusted for Inflation*

The SBA has also announced changes to some of the standards it uses to determine whether a business qualifies for “small business” assistance. Repair stations are among the businesses affected.

*The deadline for disaster loan applications has been extended, and SBA has made it easier for repair stations to qualify*

The SBA uses a number of criteria to determine whether a given company qualifies as a small business. The criteria include the number of employees, annual receipts, affiliates, or other applicable factors. These specific criteria are set forth in the SBA Small Business Size Regulations, Title 13, Part 121 of the Code of Federal Regulations.

The SBA uses the North American Industry Classification System, or NAICS, to categorize businesses according to the products or services they offer. The NAICS system replaced the Standard Industrial Classification system with which many people are familiar. There are different definitions of what constitutes a “small business” based on which NAICS classification applies to the company in question. A complete listing of NAICS codes and the applicable small-business size limits can be found at 13 C.F.R. section 121.201, which is available on-line at

<http://www.sba.gov/size/Table-of-Small-Business-Size-Standards-from-final-rule.html>. Depending on the classification, the limits are expressed either in terms of the number of employees or the dollar amount of annual receipts.

Repair stations fall under NAICS code 488190, “Other Support Activities for Air Transportation.” The applicable standard for this category until now has been annual receipts of five million dollars or less.

The SBA is adjusting its monetary-based size standards (e.g., receipts, net income, net worth, and assets) for the effects of inflation. This action is intended to maintain the value of size standards in inflation-adjusted terms. From 1994 to the third quarter of 2001 the general level of prices in the United States increased approximately 15.8% as measured by the chain-type price index for gross domestic product. This change will restore eligibility to firms that may have lost small business status solely due to the effect of inflation.

Effective February 22, 2002, the adjusted standard for NAICS code 488190 businesses is annual receipts of six million dollars or less. This is likely to allow at least some repair stations that narrowly missed eligibility under the old standard to qualify for SBA programs.

Most distributors will not be affected by the changes—our industry usually falls under NAICS code 421860, “Transportation Equipment and Supplies (except Motor Vehicle) Wholesalers.” The size standard for this category is based on the number of employees, and is 100 employees for most purposes, and 500 employees for purposes of Government procurement of supplies.

## Italian Parts Issue: Potential Safety Nightmare

*(Continued from page 13)*

9002 – were also linked to the scheme by virtue of having purchased parts from Panaviation (not an FAA accredited company).

Early reports linked these parts to five aircraft crashes and later reports claimed that ten crashes could be linked to the parts. The newspaper reports also suggest that as many as 1200 aircraft will have to be grounded in the safety inspections likely to ensue. If all of the reports are true, then this could be one of the worst frauds to hit the industry ever.

### *The Inaccuracies*

The question is, can we believe the reports that we are hearing? There is a significant amount of information in these reports that appears to be faulty.

First, the Panaviation parts were linked to a variety of aircraft crashes, and some of the links appear quite improbable. The original list of five “linked” aircraft crashes was published by Italian newspaper *Il Messaggero*. One of them was the May 1996 Valujet crash attributed to a fire in the cargo hold that had been caused by improperly packaged chemical oxygen generators. Linking a hazmat disaster to the alleged parts scheme was the first clue to ASA that the media might be overplaying this issue.

Second, many of the newspaper allegations demonstrate a misunderstanding of our industry. Panaviation has been vilified for stripping parts from “redundant planes.” Such parting-out of aircraft is commonplace in the industry. Some articles accused Panaviation of using “unqualified people” to part-out the aircraft, but at least one article reports that Panaviation used ex-Alitalia mechanics. Because parting-out of an aircraft does not require

a certificate, practically anyone is legally qualified to do the work – it seems likely that ex-Alitalia mechanics are qualified in a practical sense as well. One article accuses Panaviation of reconditioning parts. The regulations call this “overhaul” and again it is both permitted and common in the industry (as long as it is performed according to regulatory standards).

There are some reported “facts” alleged to untrue. While the media claims that the documentation certified the parts as new, one of Panaviation’s American business associates claims that the traceability documentation consisted of material certification tags that claimed that the parts were in “as removed” condition. This is a significant difference and the entire case could turn on which of these statements is correct.

Finally, there are facts alleged that are clearly untrue. The newspapers claim that the FAA issued a warning to 167 countries over the potential danger caused by this situation. The FAA denies this. The FAA is currently investigating the facts and plans to take action only when they understand what actually happened, and are prepared to provide the industry with appropriate advice. It is likely that the first action of the FAA will be to issue an Unapproved Parts Notice (in fact, we expect the FAA to publish such a notice between the time this edition is printed and the time you receive it in the mail).

### *What Do These Inaccuracies Mean?*

Clearly, the vilification of Panaviation for common industry activities like parting-out of aircraft is inappropriate and represents either inadequate research or deceitful journalism. The inaccuracies call into doubt the entire set of allegations against Panaviation,

but it is important for the industry as a whole to remember that the newspaper articles only represent the journalists’ views of the incident and do not necessarily represent a true statement of the facts of the case.

American and Italian law enforcement are working together to piece together the true facts in this case. Because this is a law enforcement investigation, it may be a long time before the entire range of facts discovered by law enforcement is available. Until a true statement of the facts can be obtained, it is quite difficult for any of us in the industry to know what really happened.

It is possible that Panaviation is being persecuted unfairly. ASA has spoken with a number of people to accumulate information about this issue and at least one of the parties involved (other than Panaviation itself) states that this is the case – Panaviation’s supporter claims that the reports of fraud are inaccurate. Government sources suggest that Panaviation has committed clear fraud, so there is a distinct possibility that the media is correct in its fraud allegations. If the fraud allegations are true, then this represents a criminal activity that could have a significant effect on aviation safety.

### *Industry Repercussions*

Many ASA members have contacted the Association to ask what this will mean for the industry. At this time it is hard to say what repercussions this may have. There are many accusations flying around in the press and there are still many facts yet to be uncovered.

Once the facts become more clear, this could turn out to reflect a major

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## But Can We Be Sure the Allegations Are True?

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systemic failure in the aviation parts safety system that must be addressed through additional regulation or through new industry standards. It could turn out to be an isolated criminal activity that unfortunately was significant enough to have affected a considerable portion of the aviation system. Or it could turn out that Panavia followed normal industry practice and the Italian Finance Police (the law enforcement body that performed the arrests) simply misinterpreted the information presented to them because of a lack of understanding of the aviation parts system. Depending on how the facts come out, the Italian Finance Police could come out looking like heroes or they could come out looking like fools.

So what does ASA expect? Let us assume for a moment that the newspaper reports are accurate concerning the illegal activity (fraudulent misrepresentation). In that case, whether this is a systemic problem or an isolated one, ASA thinks it likely that at the very least the industry will have to examine its inventories to determine the extent of business done, directly or indirectly, with the guilty parties.

There is also a possibility that the FAA may insist on new regulations or wish to work with accreditation companies on developing additional standards and policies. This possibility becomes much more likely if the American media continues to follow this case closely, because of the need to appear to be responding to public concern.

The European media has followed this case much more actively than the American media, though – Americans outside the aviation industry seem to have little idea about what is going on in this case. NBC is investigating this

situation, though and would like to develop a story (we hope that the fact they have not yet aired a report indicates that they, too, are waiting for the facts to develop in order to make an educated assessment of whether this is newsworthy for most Americans). Some American newspapers including the Wall Street Journal have addressed the situation. So significant media coverage in the United States is still a real possibility, and that means it is important to contribute to this media coverage in a positive way that helps to assure accuracy in the way the story is reported.

### *What Should We Do in the Short Term?*

Many ASA members have asked ASA's advice on how to address parts that could have come from parties under investigation in this case. Because the facts are in dispute, there is no clear legal path that must be followed.

Some members are checking their records to determine whether they've done business with the investigation targets. It is important in such a records check to remember that it is possible for a part to go through several owners and therefore a full audit trail may be unavailable.

Some members appear to be quarantining questionable parts pending disposition of the case. This is a wise move because it protects the parts from dissemination while permitting final decisions on the parts to be reserved until more information is known. In light of the fact that a FAA Unapproved Parts Notice is expected shortly in this case, quarantine pending FAA advice is a particularly wise move.

If you are able to determine airworthi-

ness of a part notwithstanding the documentation, then this may permit you to resolve airworthiness issues. Ultimately, though, each distributor should permit their own common business practices to decide their response, because there is no strict legal standard that applies to a part in your own inventory if that part appears to honestly meet the standards described in its documentation.

### *ASA Follow-Up*

ASA intends to continue to follow this issue closely because if there is a systemic problem that permitted the perpetration of a significant fraud on the industry then ASA wants to address this problem as quickly as possible to prevent it. ASA has already contacted the FAA's National Resource Specialist for Parts and also the FAA's Suspected Unapproved Parts Program Office to volunteer to support the effort to develop remedies in the event that fraud occurred and was permitted to occur through systemic problems in the aviation parts system. ASA intends to take a leadership role in addressing and remedying any systemic problems identified through the investigation.

In the event that this was a scheme of fraudulent activity that does not reflect a systemic failure in our system, then ASA supports full use of the existing American criminal laws to punish any persons who knowingly jeopardized aviation safety in the United States. It is unfortunate but true that there will always be lawbreakers. There is no amount of regulation or legislation that will deter those who are absolutely intent on breaking the law; however, the new criminal laws enacted almost two years ago affecting aircraft parts fraud should be a reasonable deterrent to many, though,

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## New Life-Limited Parts Rule Compliance Guide

*(Continued from page 15)*

### When does this rule go into effect?

The rule is effective on Monday, April 15, 2002. A provision in the implementing legislation states that the regulations are not allowed to forbid the installation of an otherwise airworthy part removed before the implementation date. Distributors with life-limited parts in their inventory as of Friday, April 12, 2002 may wish to produce and sign records that state that each such part was at the distributor's facility before April 15, 2002 and was therefore removed prior to that date, so it is exempt from the life-limited parts regulations. Note that if such a part is installed in a type-certificated product and the removed again, it loses this exemption.

### What is a life-limited part?

A life-limited part is any part for which a mandatory replacement limit is specified in the type design, the Instructions for Continued Airworthiness, or the maintenance manual. Such mandatory replacement limits are usually found in the Airworthiness Limitations section of the Instructions for Continued Airworthiness.

### What is a type-certificated product?

The FAA issues type-certificates for aircraft, aircraft engines and propellers. A type-certificated product is therefore an aircraft, aircraft engines and propellers for which the FAA has issued design approval in the form of a type certificate. This definition is important because

### What if I remove a life-limited part from a component that is not a type-certificated product?

The regulation only applies to the removal of life-limited parts from a

type-certificated product, and not to removal of life-limited parts from lower-level assemblies. Therefore, a person who removes a life-limited part from a lower-level assembly but was not involved in removing the lower-level assembly from the type-certificated product should not be responsible for compliance with the new regulation.

Nonetheless, in many cases the assembly (or an even higher level assembly of which this assembly was a sub-component) has been removed from a type-certificated product. The party who removed the assembly containing life-limited parts from the type-certificated product remains responsible for compliance with the regulations. This means that the party performing removals from the type-certificated product is responsible for the safe disposition of the life-limited parts associated with that removed assembly.

### Under what circumstances does the regulation affect my efforts?

The new regulation applies whenever a life-limited part is removed from a type-certificated product. The person who removes the part is also subject to the regulations during subsequent segregated and control of the part, as well as transfer of the part to another party. Although this could have an indirect effect on those who purchase a life-limited part, there is no direct regulatory effect on a distributor who purchases a part that he or she has not caused to be removed from a type-certificated product.

### What must I do to comply with the regulation?

Any person who removes a life-limited part from a type-certificate

product must ensure

that the part is controlled using a FAA-acceptable method. The FAA has listed six acceptable methods, and additionally any person can apply to the FAA for approval of an alternate method of compliance, which could be issued under 14 C.F.R. § 21.305 (which permits the FAA to approve any process). The six pre-approved disposition methods are:

(1) Record keeping system. The part may be controlled using a record keeping system that substantiates the part number, serial number, and current life status of the part. Each time the part is removed from a type-certificated product, the record must be updated with the current life status. This system may include electronic, paper, or other means of record keeping. In the event that the information is retained electronically or through some other mechanism that does not lend itself well to transfer, a wise seller should attach a tag that lists the information found in the record held on this part.

(2) Tag or record attached to part. A tag or other record may be attached to the part. The tag or record must include the part number, serial number, and current life status of the part. Each time the part is removed from a type-certificated product, either a new tag or record must be created, or the existing tag or record must be updated with the current life status.

(3) Non-permanent marking. The part may be legibly marked using a non-permanent method showing its current life status. The life status must be updated each time the part is removed from a type-certificated product, or if the mark is removed, another method in this section may be used. The mark

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must be accomplished in accordance with the manufacturers instructions in order to maintain the integrity of the part.

(4) Permanent marking. The part may be legibly marked using a permanent method showing its current life status. This is particularly useful for parts intended to be marked as “scrap – life-limits reached.” If the part is not being removed from aviation service than the life status must be updated each time the part is removed from a type-certificated product. If the part is to be permanently removed from service, then it may be marked in any manner reasonably calculated to be permanent and to provide the information about current life status. If the part is intended to be used again in aviation, then this permanent mark must be accomplished in accordance with the manufacturers instructions in order to maintain the integrity of the part.

(5) Segregation. The part may be segregated using methods that deter its installation on a type-certificated product. These methods must include, at least—

- (i) Maintaining a record of the part number, serial number, and current life status, and
- (ii) Ensuring the part is physically stored separately from parts that are currently eligible for installation.

(6) Mutilation. The part may be mutilated to deter its installation in a type-certificated produce. The mutilation must render the part beyond repair and incapable of being reworked to appear to be airworthy. Some limited advice on mutilation can be found in Disposition Of Unsalvageable Aircraft Parts And Materials, FAA Advisory Circular 21-38.

In addition to safe disposition of the part, each person who removes a life-limited part from a type-certificated

product and later sells or otherwise transfers that part must transfer with the part the mark, tag, or other record used to comply with this section, unless the part is mutilated before it is sold or transferred.

What if I remove the life-limited part temporarily in order to perform maintenance?

You are permitted to remove a life-limited part for the purpose of performing maintenance. If you do this, then you are exempt from the proper disposition rule as long as you :

- (1) Do not change the life status of the part;
- (2) Be certain that you reinstall the life-limited part on the same serial-numbered product as that from which it was removed (and on nothing else); and
- (3) Do not permit the type certificated product to accumulate time in service while the part is removed.

If I install a life-limited part, then am I under any special obligations?

Installers of all aircraft parts, whether life-limited or not, are required to meet the performance standards of the aviation regulations, which specify that work must be performed according to acceptable methods, techniques and practices, and also that it must be performed in a way that yields a result at least equal to original or properly-altered condition (with respect to airworthiness conditions). For this reason, it will be important for the installer to use acceptable installation practices such as those found in the manufacturer’s manual. Because the operator is required to keep current records of life status, the installer should also make sure that the operator receives the appropriate life-status information.

How can I get information on proper mechanisms for marking parts?

Ask the manufacturer! Anyone who removes life-limited parts from type-certificated products may ask the design approval holder to provide marking instructions. This is because certain types of marking can cause damage to a part if done improperly.

When the design approval holder receives such a request, the design approval holder is required to either provide marking instructions, or it must state that the part cannot be practically marked without compromising its integrity. The design approval holder is permitted to publish the marking instructions in readily available documents, such as the maintenance manual or the Instructions for Continued Airworthiness.

If I do not remove the part from a type-certificated product, then what is my obligation?

Distributors, air carriers, and other parties who receive life-limited parts that they have not removed from a type-certificate product are under no legal obligation under the new life-limited part rules. Nonetheless, it is likely that the new regulations will focus additional attention on life-limited parts recordkeeping provisions. For this reason, distributors, air carriers, and other parties may wish to establish quality systems that ensure the proper disposition of life status records received with life-limited parts. In keeping with the spirit of AC 00-56, ASA recommends that distributors who receive life status information upon the purchase of a part should provide copies of that documentation to any subsequent purchaser in accordance with the recommendations of the AC 00-56 documentation matrix.

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Pratt & Whitney JT8D engine.

## PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, parts distributors, and maintenance entities of the above-named engine regarding maintenance performed on number 6 bearing struts (part number 767475), which had been approved for return to service by Cadmar Aerospace, Inc., from November 1997 through September 1998. Cadmar Aerospace, Inc., a Federal Aviation Administration (FAA)-certificated repair station located at 1927 Pine Island Road, Cape Coral, FL 33991, was previously located at 1234 Viscaya Parkway, Cape Coral, FL 33990.

## BACKGROUND

Information received during a suspected unapproved parts (SUP) investigation revealed that Cadmar Aerospace, Inc. (Air Agency Certificate number C6DR663J) overhauled and approved for return to service number 6 bearing struts (part number 767475) that were not overhauled in accordance with the methods, techniques, and practices prescribed in the manufacturer's manual. Irregularities included: accomplishing overhaul tasks out of sequence; not performing heat-treat and fluorescent penetrant inspections after weld repairs; and not properly blending grinding marks and impact damage.

Cadmar Aerospace, Inc., has attempted to notify its customers through recall letters; however, some of the companies notified are no longer in business. Records indicate that approximately 275 bearing struts were approved for return to service during the period of November 1997 to September 1998. Cadmar Aerospace, Inc., customers have returned approximately 20 of the bearing struts for re-inspection and/or rework.

## RECOMMENDATIONS

Aircraft owners, operators, distributors, and maintenance entities should inspect all Pratt & Whitney JT8D engines, records, and spare parts for the referenced part number overhauled by Cadmar Aerospace, Inc. An electro-etched marking on the barrel of the struts identifying the part number, date, and Cadmar Aero indicates that the part should be inspected.

## FURTHER INFORMATION

The FAA Flight Standards District Office (FSDO) listed below would appreciate any information that you could provide concerning the discovery of these parts from any source and the actions taken to remove them from engines and/or stock. This notice originated from the FAA Tampa FSDO, 5601 Mariner Street, Suite 310, Tampa, FL 33609-3413, telephone (813) 639-1540, fax (813) 639-1551; and was published through the FAA Suspected Unapproved Parts Program Office, AVR-20, telephone (703) 661-0581, fax (703) 661-0113.

## Letters to the Editor

Letter to the Editor:

On Monday, January 28, 2002, Mitchell Aircraft first became aware of various allegations in the press surrounding Panaviation (an Italian company doing business with Mitchell and scores of other companies in the aircraft surplus parts industry) and parts that they were redistributing to airlines and others. Unfortunately, these allegations have been irresponsibly linked to Mitchell Aircraft.

Mitchell's owners/management immediately contacted the FAA to express its concern and offered its complete cooperation. We are scheduled to meet with them on February 12. To the best of its knowledge, Mitchell is NOT under any investigation relative to the Panaviation parts, or any others.

In October 2000, Mitchell became the consignee of a parts inventory from Panaviation. Unfortunately, Mitchell and the rest of the industry were unaware of the ongoing three-year Italian investigation when the consignment was initiated. The existing consignment agreement is NOT related in any way to the A300's presently being disassembled by Panaviation or other parties. Further, we do not believe that this agreement is, in any way, related to any of the allegations in the various press releases.

Any inventory in our stores from Panaviation was immediately quarantined. We also initiated a record search of all material sourced via Panaviation and to whom it was sold. This review will identify which customers acquired such material from Mitchell and, when possible, its aircraft application.

Prior to the allegations surrounding Panaviation, all material accepted into our active stores was received with proper documentation. This documentation, provided by Panaviation, supported traceability back to a regulated source. This is in accordance with the requirements of ASA-100 and Mitchell's Quality Manual. Any material that does not pass incoming inspection is quarantined for eventual return to Panaviation, or for destruction in accordance with FAA regulations.

Quality control of parts and the associated documentation is a primary function and responsibility of all firms in the aircraft parts redistribution business. Mitchell is proud of the quality systems that it has developed—under guidance from its many airline customers, the Aviation Suppliers Association, and the FAA—to make this process work. We are confident that we properly process all materials received into our stores.

We will cooperate fully with regulatory and

law enforcement authorities until resolution occurs.

Some of our more aggressive competitors are choosing to use these unsubstantiated events to further their marketing programs. These companies are not only attempting to tarnish the Mitchell reputation for their own gains, but they also damaging the integrity of the entire surplus parts process.

- The Ownership and Management of the Mitchell Aircraft Companies

To the Editor:

Well, I guess most people in our industry have been reading about Danbee Aerospace Inc. in several publications both domestically and abroad. We have been fielding calls from news stations and news publications all week. I have been involved in aviation my entire life and I never dreamed I could be associated with such horrific disasters and claims of wrong-doing.

We at Danbee Aerospace are shocked by the recent allegations the Italian Fiscal Police have levied against Panaviation, Mitchell Aircraft Spares, and most of all, ourselves. Maj. Anselmi Mocchi of the Fiscal Police appears to be linking us with any "unusual" aviation incident which happened in the last ten years. He is trying to link us with the AA587 crash in Queens, NY. With the Dornier 328 crash which ran off the runway several years ago (the cause of which was a truck crossing the runway when they were landing, causing the pilot to veer off into the Mediterranean). With my deepest sympathy to all those involved in both those accidents, I fail to make the connection.

Mr. Mocchi, it seems, has a real hard time telling the difference between an FAA 8130-3 and a Spec 106 Material Certification form. This, everyone will soon find out, is at the heart of his investigation of Panaviation. He has suggested that we are "cannibalizing" these aircraft with unqualified persons. Contrary to this irresponsible press release, we had in fact contracted this work to a local company, ASA (not the trade Association), who is run by a retired licensed Alitalia mechanic, who in turn hired several Alitalia mechanics, as well as others working under their supervision and with the blessing of ENAC, Italy's counterpart to our FAA, and under the supervision of an Alitalia representative. We worked for nearly 14 months on purchasing these aircraft and getting all of the required permits and approvals for the disassembly. These are very hard times for both the aviation industry and well as the white-knuckled flying public. If Mr. Mocchi

## Italian Parts Issue

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and they should also see to it that those caught will not have an opportunity to repeat their crimes.

In the event that no crime was committed, though, the industry faces a problem because the media has puffed-up this issue to the point where government failure to take swift and visible action could be viewed as weakness or inefficiency. Newspapers are unlikely to print retractions if it turns out that there was no fraud in this case. ASA will continue to explain to the media that there are many elements in the aviation system that promote aircraft parts safety, including existing safety laws and regulations, frequently-used industry standards like ASA-100 that help protect against unsafe parts, and an unusual safety culture that promotes safety to a much higher degree than in nearly any other industry.

had requested help from either ENAC or the FAA, his investigation would have been done many months ago with no wrongdoing found.

Before forming Danbee Aerospace, I had worked for several "parts broker" companies. I had the advantage of seeing the way others within our industry run their respective companies. Two of the most important things that I had learned was to hire good people and don't compromise quality. Within the last several years Danbee Aerospace has acquired ISO 9002 and FAA 00-56 accreditation. With ten plus years in business and constant growth throughout those years, most within our industry know if it is not done right then it cannot be done!

Dan Batchelor  
President  
Danbee Aerospace, Inc.

*These two letters to the editor are printed in their entirety, as received. ASA publishes letters from readers where ASA believes that the information provided could be useful to the ASA membership in their business practices. ASA reserves the right to publish or not publish any letter received, and ASA also reserves the right to edit such published letters for space.*

# 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@airlinesuppliers.com](mailto:info@airlinesuppliers.com) and our fax number is (202) 730-0274.

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

## UPCOMING EVENTS

\* = *Look for ASA personnel on the speaking program*

*ASA is currently working on the 2002 workshop and training schedule. More information will be available soon.  
Keep checking our website for the latest updates.*

<b>Feb. 14-16</b>	<b>Heli-Expo</b> , Orlando, FL. Register on-line at <a href="http://www.heliexpo.com">http://www.heliexpo.com</a> .
<b>Mar. 12-13</b>	<b>FAA Forecast Conference "Planning for the Future in an Uncertain Environment,"</b> Washington, DC. Call Helen Kish at (202) 267-9943.
<b>Mar. 16-18</b>	* <b>PMAs &amp; Spare Parts for Aircraft &amp; Aircraft Engines</b> , Miami, FL. Call (207) 892-5445
<b>Mar. 18-20</b>	<b>Commercial Aviation Industry Suppliers Conference</b> , Los Angeles, CA. Call (310) 203-9603.
<b>Mar. 26-28</b>	* <b>PAMA/NATA Aviation Services &amp; Suppliers Supershow</b> , Indianapolis, IN. Call (202) 730-0260.
<b>Apr. 9-11</b>	<b>MRO Conference &amp; Exhibition</b> , Phoenix, AZ. Call (800) 240-7645.
<b>Apr. 19-20</b>	<b>Aeronautical Repair Station Association</b> , Ritz-Carlton Hotel, Alexandria, VA. Call (703) 739-9485.
<b>Apr. 25-27</b>	* <b>Aircraft Electronics Association</b> , Palm Springs, CA. Call (816) 373-6565.
<b>June 23-25</b>	* <b>ASA 2002 Annual Conference</b> , Four Seasons Hotel, Las Vegas, NV. Call (202) 730-0271 for details.
<b>Aug. 24-27</b>	* <b>Air Carrier Purchasing Conference</b> , Wyndham Anatole, Dallas, TX. See <a href="http://www.acpc.com">www.acpc.com</a> on the web.
<b>Sept. 23-25</b>	<b>European Aviation Industry Suppliers Conference</b> , Toulouse, France. Call (310) 203-9603.
<b>Nov. 3-5</b>	<b>Regional &amp; Corp. Aviation Industry Suppliers Conf.</b> , Rancho Mirage, CA. Call (310) 203-9603.

*Start making plans: the ASA 2002 Annual Conference will be at the Las Vegas Four Seasons again. The hotel sells out every time we hold the meeting there so be sure to register early! This year, you will have to complete a conference registration package to register for the hotel. Conference registration packages should be mailed out in March. Watch your mailbox!*

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