



The Update Report

The Aviation Suppliers Association

Volume 10, Issue 3

March 2002

PARTS SAFETY UPDATE

Panaviation Investigation Continues

ASA continues to monitor developments in the case of Panaviation, an Italian parts distributor based in Rome that was raided by Italian criminal authorities on or about January 25, 2002. The company has been accused of selling parts removed from Airbus A300 aircraft with fraudulent airworthiness documentation. This issue of the Update Report contains the Unapproved Parts Notification issued by the FAA SUPs Program Office on February 4, 2002. ASA has also obtained copies of the notices issued by the Italian and Dutch civil aviation authority. These documents are posted on the ASA web site at:

http://www.aviationsuppliers.org/news_docs/European_UPNs.pdf.

Coverage of the scandal in the European press appears to have subsided following the initial wave of stories. A search of U.S. media sources has found little mention of the incident in the U.S. press. All concerned seem to be waiting for further information from the investigation.

The Italian Notice

The Italian civil aviation authority, known as *Ente Nazionale per l'Aviazione Civile*, or ENAC, published its Notice of Unapproved Parts on January 31, 2002, addressing it to all national aviation authorities.

The notice is fairly general in nature and reflects the preliminary state of

the investigation at the time it was published. The notice relates a number of "technical findings" from the initial investigations that suggest improper or illegal activity on the part of Panaviation. For example, Panaviation is accused of shipping parts from aircraft involved in accidents to repair facilities or other customers without revealing the true condition or history of the parts, and there other references to "evidence of falsification of release documents."

Other findings, however, suggest that the investigators, at least some of whom were from the criminal authorities, may have misunderstood the nature of the practices in which distributors engage quite legally. One such finding states that "[c]ritical parts previously deemed unairworthy by aviation organizations and sold as scrap have been prepared for shipment with documentation indicating 'overhauled.'" As every surplus distributor knows, one person's 'scrap' can be another person's gold. A part that is beyond economic repair for an air carrier with high labor costs may still be profitably sold by a distributor who buys that part at a significant discount and has it overhauled by a properly certificated repair station with lower fixed costs. It is not clear from the notice whether the parts that investigators found were properly overhauled by a certificated entity.

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A Message from ASA's President

ASA is always looking for new ways to advance the industry. Two of the projects on our agenda for this year represent issues on which we are asking the membership for help.

The first is an opportunity to correct an oversight before it becomes a problem. The Department of Transportation updated the hazmat regulations last summer, but in doing so they dropped the special requirements that apply to certain types of batteries. This would mean a significant shipping burden on distributors who notice the regulatory change, and a regulatory violation for those who fail to notice it. ASA is asking members to let us know what sort of aircraft batteries you ship. This survey is on page 32.

The second issue concerns DAR-issuance of 8130-3 tags for demonstrably airworthy inventory held by a distributor. When this privilege was suspended by FAA memo, ASA fought to have the privilege reissued to confirm that this was a legitimate DAR function. The FAA Notice that recognized this privilege expires in June, so ASA is collecting data to support extension of the privilege. We need the help of anyone who obtains 8130-3 tags from DARs. The 8130-3 survey is on page 35.

Plans for the 2002 Annual Conference are well underway, and you should see the conference brochure in your mailbox this month. While ASA will always continue to focus on material management and quality assurance issues in its conferences, this year's conference will include a special emphasis on business issues designed to help ASA's members thrive—not just survive—as our economy recovers. You may register for the conference immediately by going to ASA's new website:

<http://www.aviationsuppliers.org>.

Best Wishes

Michele Dickstein

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The Edward J. Glueckler Award is presented annually in recognition of outstanding commitment, dedication and contribution to ASA and to the aviation industry.

ASA is currently seeking nominations for this year's recipient. Complete information is available on the internet at:

http://www.aviationsuppliers.org/membership/Glueckler_Award.htm

Nominations are due to ASA by March 6, 2002.

The Update Report

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

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The Update Report

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

The Update Report

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

The Update Report

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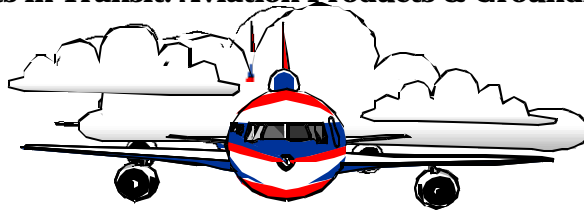
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INTERNATIONAL UPDATE

Introduction of the Euro to Affect U.S. Distributors

On January 1, 2002, the Euro became the official currency for twelve of the fifteen member countries of the European Union. The move marks an historic leap forward towards greater European integration. A single currency will allow participating countries to significantly reduce their transaction costs when trading within the Euro area, often informally referred to as "Euroland," by eliminating the costs associated with exchanging currencies. As a result, it is expected to spur European economic growth significantly.

Introduction of the Euro is likely to affect U.S. businesses in many ways. Companies that do business with more than one Euroland country may enjoy reduced transaction costs overall. Such companies will find their

accounting simplified by the reduction in the number of foreign currencies they must convert in their transactions. Some may even briefly enjoy slightly more favorable exchange rates when trading in Euros, compared to the rates for some national currencies.

Prior to the transition, exchange rates between the Euro and national currencies were fixed for several years. At the same time there was independent in exchange rates between the dollar and national currencies, and between the dollar and the Euro. These fluctuations permitted companies to choose the currency in which they wish to do business based on relative strengths of the currencies. These differences, and the resulting financial strategies, will be short lived as

greater intra-European competition levels prices throughout Euroland.

The dollar-Euro exchange rate will henceforth be one of the more significant factors affecting the overall U.S.-EU trade balance. A strong Euro will make U.S. products more attractive throughout Euroland, while a strong dollar will make U.S. products more expensive throughout that region.

Over time, the Euro is likely to make the EU more competitive on world markets as its companies are able to cut costs and easily expand within Europe. As the world's second largest currency, the Euro may eventually begin to function as an alternative reserve currency. The Euro's effects upon U.S. businesses and the rest of the world are likely to be profound.

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Protect Yourself Against C.O.D. Scams

A customer orders a part by phone and asks to have it delivered by FedEx, C.O.D. When the FedEx delivery arrives at the indicated address, there is a note stating that the recipient is out, and will pick up the package at the FedEx office. The recipient later picks up the package at the FedEx office and pays with a check. If that check turns out to be counterfeit, can the seller recover the price of the part from FedEx?

This question has arisen a number of times in recent months, as several aviation businesses have reported falling victim to this scam. Unfortunately, those companies have done so to their cost, since the risk of fraud generally falls on the shipper, not on the delivery company that accepts the check.

Most common carriers are careful to specify in their tariffs the types of payment they will accept in a C.O.D. delivery. Often, even the term "cash only" is defined to include instruments such as cashier's checks, certified checks, and money orders. Carriers are also usually careful to state that any risk of fraud lies with the shipper. Where that is the case, unless the instrument is so obvious a forgery that it should catch the eye even of the delivery person, the terms of the tariff will generally protect the carrier from liability arising from bad checks.

The news media reports that aviation is not the only industry being victimized by counterfeit checks. Many thieves are finding it far easier to counterfeit a check than to counterfeit cash, and in fact checks may be preferred over cash in many transactions.

Scams like the one described above are a crime and should be treated as one. While there is often no way to

absolutely prevent being victimized, there are certainly measures that can be taken to minimize the potential for becoming a victim. Here are a few steps you can take when you feel that the circumstances warrant a little extra due diligence:

- Confirm that the shipping address actually exists (consult a local chamber of commerce or ask another business that you trust to help you out by checking into it before you ship the part).

Carriers are generally careful to specify in their tariffs that shippers bear the risk of fraud

- Ask the customer to fax you a copy of the check to be used. This allows you to confirm with the bank that the account exists. Once you are satisfied that the check and account appear valid, you can direct the delivery service to accept only the check that you have confirmed (by account number, bank routing number, and check number).
- Ask for secured payment using an institutionally guaranteed instrument like a cashier's check or money order (this is a check-off option on shipping papers for FedEx and other delivery services). Bear in mind, however, that a determined

thief can still counterfeit even these instruments, so you should take steps to verify their authenticity as well if something about the transaction seems out of place.

- If the customer is paying with a certified check, ask for a faxed copy and contact the bank to confirm that this amount has been certified on this check. You can then direct the delivery service to accept only the check that you have confirmed.
- Consider asking your customer to sign a security agreement giving you a security interest in the goods. This is not directly related to protection against fraud, but rather it helps protect against a customer's bankruptcy or other economic disaster (bankruptcy courts can void certain past transactions and force you to pay the money you received for the goods back to the court!).
- Insist on cash only. This can be cumbersome and create additional liabilities, but cash is becoming more and more difficult to counterfeit.

While measures like these may or may not be appropriate in every case, or acceptable to every customer, they represent a few ways that your business can limit its vulnerability to scams.

ASA plans to address more protective measures like these in a workshop at the ASA Annual Conference in June.

Trade Dispute Threatens European Transactions

A long-running trade dispute between the United States and the European Union [EU] may result in the imposition of punitive sanctions against U.S. aircraft and aircraft parts imported into the EU.

The World Trade Organization (WTO) has found that the United States illegally maintained tax-related export subsidies, and that U.S. attempts to remedy this situation were inadequate to meet treaty obligations.

The ruling authorizes the EU to impose a record \$4 billion in sanctions against a wide range of U.S. imports. The list of affected products is expected to include aircraft and aircraft parts. The sanctions could take the form of a 100% tariff against the designated goods—effectively doubling the price of every part sold to a European customer (there is currently no tariff on most aircraft parts).

The Origins of the Dispute

The origins of the dispute lie with tax measures the United States introduced in the 1970s to level the playing field between U.S. and foreign businesses engaged in international trade. The United States has a “worldwide” taxation system, under which American companies are liable for U.S. taxes on income they receive anywhere in the world. Most other countries, by contrast, have “territorial” taxation systems, under which their companies are only liable for tax on income received domestically. Thus a U.S. company selling goods in France owes U.S. taxes on the proceeds of its sales, while a French company selling goods in the United States owes no French taxes on its earnings.

To compensate for this competitive imbalance, the United States, in the 1970s, instituted a system of tax cred-

its for U.S. companies engaged in export sales. The original system allowed U.S. companies to establish subsidiaries called Domestic International Sales Corporations, or DISCs, whose export earnings were largely exempt from U.S. taxes. The EU challenged DISCs under the General Agreement on Tariffs and Trade, or GATT (the predecessor to the WTO), arguing that the DISC law constituted an export subsidy because exports were taxed more favorably than comparable domestic transactions. The GATT trade agreement forbids export subsidies as a means of unfair competition. In 1976, GATT officials ruled that DISCs did indeed constitute forbidden subsidies (and found as well, based on a U.S. complaint, that several European countries engaged in similar behavior). Because GATT rulings were not binding on member countries, however, no sanctions or other measures resulted.

In 1984, the U.S. revamped the DISC system and introduced Foreign Sales Corporations, or FSCs, in their place. The EU objected to FSCs on the same grounds as it had opposed DISCs. Following the establishment of the WTO, with its binding dispute resolution system, the EU challenged FSCs as illegal export subsidies in 1997. The WTO ruled in favor of the EU in October 1998, and upheld that decision over a U.S. appeal in February 2000. The WTO found that the U.S. was in violation of its WTO obligations and “recommended” that the U.S. change its tax laws by October 1, 2000 to resolve the problem.

The U.S. Tries Unsuccessfully to Comply

In November 2000, the United States duly enacted the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, or ETI Act. The ETI Act amended U.S. tax laws to make them

more like the territorial system found in other countries. It eliminated FSCs and introduced instead a system under which foreign export income would be exempt from U.S. taxes, the same approach used in EU countries. The EU, however, did not believe that the ETI Act went far enough in eliminating subsidies.

Under the terms of an agreement reached while the ETI Act was still making its way through Congress, the U.S. and the EU agreed to have the WTO rule whether the new law complied with the requirements of the previous ruling. At the same time, the EU requested authorization to impose \$4 billion in “countermeasures,” or sanctions, should the WTO rule against the U.S. and the U.S. fail to comply.

In August 2001, the WTO issued its finding that the ETI Act still constituted an illegal subsidy and that the U.S. was still in violation of its obligations to the WTO. This decision was upheld on appeal on January 14, 2002. Unless the U.S. and EU are successful in reaching a negotiated solution as Zoellick has proposed, the EU will in all likelihood receive final WTO authorization to impose sanctions on products identified by the arbitrators. That authorization could be granted as early as the end of March.

The Stakes

The products potentially subject to EU sanctions run the gamut from live animals, meat, and various agricultural products to books, carpets, yarns made of horsehair, “miscellaneous articles of base metal,” and nuclear reactors. One category that may be singled out for particular attention, though, is aircraft and aircraft parts.

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EU Sanctions Possible

(Continued from page 30)

Boeing and other U.S. manufacturers will find it impossible to compete with Airbus and other European competitors if subjected to 100% tariffs on their products. A 100% mark-up on parts would also make aircraft parts transactions between U.S. distributors and European repair stations and air carriers quite difficult.

Sanctions that affect companies like Boeing, G.E., and Pratt & Whitney are certain to get the attention of the Bush Administration. Some commentators speculate that this is precisely what the EU has in mind. Looking at the larger picture, some see the EU's aggressive stance toward FSCs and their associated sanctions as an effort to secure a high-stakes bargaining chip to fend off a United States WTO challenge to the EU's

system of agricultural subsidies, which are considered quite important in Europe.

What's Next?

The WTO confirmed the ruling against the U.S. on January 29, 2002, leaving it to a panel of arbitrators to determine the details of the specific products subject to the sanctions. The arbitrators are expected to report their decision by the end of March.

U.S. Trade Representative Robert Zoellick and his European counterpart Pascal Lamy announced that the U.S. and the EU would continue to work toward a negotiated solution short of sanctions. Lamy has agreed to give the U.S. some time before actually imposing sanctions. This means there is still a possibility that political dis-

cussions could still prevent the imposition of these sanctions.

The specific threat to the aviation industry will become clearer once the arbitrators announce a final list of potential sanctions. In the meantime, distributors may wish to conclude any European sales as quickly as possible, before sanctions become effective. If sanctions become imminent, American distributors with European subsidiaries may wish to consider staging parts into their European facilities before the sanctions become effective, in order to complete the European import portion of the parts sale transaction before the tariff. With a significant number of U.S. distributors relying on European customers in the current times of economic trouble, ASA intends to keep a close eye on these developments.



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ASA Pledges to Remedy Hazmat Rule

Ni-Cad Batteries

In the January issue of The Update Report, we described a recent change in the Hazardous Materials Table, or HMT, that raised some questions about the labeling requirements for nickel-cadmium, or ni-cad, batteries. The entry for "Batteries, wet, filled with alkali, UN 2795" was omitted in the June 2001 revision of the HMT. ASA is seeking your input to support a petition for rulemaking requesting that the Department of Transportation restore UN 2795 to the table.

Left uncorrected, the omission of UN 2795 could put shippers in a regulatory "Catch-22" once compliance with the revised HMT becomes mandatory on October 1, 2002. A person wishing to ship ni-cad batteries would have two options. The first would be to come up with an alternative proper shipping name under which to ship the batteries. The most likely choice would probably be "battery fluid, alkali UN 2797." This is a problematic solution because there are special packaging exceptions for batteries (49 C.F.R. 173.159) that would no longer be available if the batteries were shipped under UN 2797. In particular, such batteries would have to be shipped in UN specification packaging (among other requirements).

The other equally unattractive option would be to continue using the proper shipping name "Batteries, wet, filled with alkali, UN 2795" even though it no longer appears in the HMT. This would still be acceptable for shipment by air (and related ground shipment before and after the air shipment), because UN 2795 is

still a valid ICAO/IATA proper shipping name. Shipping the batteries under UN 2795 by any other mode of transportation, however, would constitute a violation of the Hazardous Materials Regulations, because shippers are prohibited from using any proper shipping name that does not appear in the HMT. Penalties for knowing or willful violations of the regulations are severe.

The omission of UN 2795 from the HMT appears to have been a mistake. ASA has spoken to the Research and Special Programs Administration at DOT and there appears to have been no policy reason for this omission. It represents a significant divergence from IATA/ICAO provisions. To correct this problem, ASA intends to file a petition for rulemaking to amend the HMT and reintroduce UN 2795.

ASA is asking for your help in developing the background for this petition for rulemaking. Petitions of this nature are always most effective when backed up by specific examples and hard data. You can help by answering the three questions on the next page by printing this page, filling in your responses, and faxing it to ASA at (202) 730-0274. Please feel free to use additional sheets as necessary. Please send your responses by **March 15, 2002**. Thanks for your help!!

- 1) *In your experience, what aviation batteries have you seen that fall under UN 2795 (including ni-cad batteries)? Think about all of the battery powered equipment you've run across in your work. We're interested in the full range of applications – on the aircraft, on the ramp, and in distribution and maintenance facilities. Please be as specific as possible – we'd like to know installations if possible.*
- 2) *Based on your experience and knowledge, can you think of any reason that these batteries should be treated differently under the hazmat transportation regulations than other batteries?*
- 3) *Based on your experience and knowledge, are there any special safety concerns applicable to these batteries that have not previously been addressed in the regulations?*

Please complete and fax this page to ASA at (202) 730-0274

OIG on the Prowl

The Department of Transportation's Office of the Inspector General, or OIG, recently announced several enforcement actions against aviation businesses.

The U.S. District Court in Dallas, Texas sentenced the president and owner of Dallas-based 3D Industries to 56 months in prison and ordered him to pay \$198,268 in restitution for misrepresenting counterfeit aircraft parts as approved parts. 3D Industries originally told the FAA that inner combustion shells for Lear Jets were shipped directly to 3D by the authorized manufacturer, General Electric Engine Services. This was not true – they were counterfeit. 3D's president pleaded guilty in August 1999. A second defendant is also scheduled for sentencing.

The owner of Mohawk Aviation in Ft. Lauderdale, Florida, pleaded guilty in U.S. District Court in West Palm Beach, FL, to charges of falsifying documents involving repairs to military aircraft. Falsely portraying Mohawk as an FAA-certified repair station, the owner completed repairs to FMS 800 switching units on military aircraft. In fact, Mohawk was not a certified repair station and was not authorized to do the repairs. Sentencing has not been scheduled. OIG investigated this case with Defense Criminal Investigative Service.

Unapproved Parts Notice, Special Airworthiness Information Bulletins, and other FAA documents are often issued before sufficient evidence has been collected. Criminal convictions, on the other hand, are generally based on a finding "beyond a reasonable doubt" that the respondent has committed a criminal activity. Therefore, criminal convictions carry much more weight than informal FAA findings.

(Continued from page 25)

The facts underlying the allegations are still under investigation and have yet to be made public. Until that happens, it is impossible to determine whether Panaviation was indeed engaged in a massive fraud, as has been alleged, or whether the truth is less sinister.

Nevertheless, in the meantime, the industry must take appropriate precautions. The Italian notice states that no list of affected parts is available, and suggests treating as suspect all parts supplied by Panaviation. It recommends that aircraft owners, operators, maintenance organizations, manufacturers, and distributors check their inventories for parts acquired from Panaviation and quarantine them until their airworthiness can be confirmed. The notice also recommends that "appropriate action" be taken if it is determined that parts supplied by Panaviation are installed on aircraft—it does not say what that appropriate action is.

The Dutch Notices

The Civil Aviation Authority Netherlands (CAA-NL) issued an initial notice on February 1st addressed to all foreign operators of Dutch-registered aircraft and foreign maintenance companies known to perform maintenance on Dutch-registered aircraft. The notice points out that two other Italian companies, New Tech Italia and New Tech Aerospace, were also raided by Italian investigators, and warns that other companies may be involved as well. It notes that affected parts may not be exclusively A300 parts, and confirms that the FAA and the NTSB have not found any connection between the companies under investigation and the crash of an American Airlines Airbus A300 (Flight 587) in

Panaviation

Queens, New York. The Dutch authorities recommend that all companies who receive the notice check their parts inventories to see if they have any parts supplied by Panaviation since January 1, 2000, and report their findings – whether or not they found affected parts – to CAA-NL.

A follow-up letter dated February 14, 2002 reports that 90% of CAA-NL approved operators and maintenance organizations had responded to the request for information. Nine companies in the Netherlands identified a total of 39 parts obtained from Panaviation. The generally good level of traceability led CAA-NL to conclude that the problem appeared to be manageable. Nevertheless, based on the FAA and Italian unapproved parts notices, CAA-NL recommended that all parts supplied by Panaviation since "the late 1980s" be regarded as non-airworthy. The authorities recommended quarantining any Panaviation parts found in inventory and taking "adequate measures" to ensure the airworthiness of parts found installed on aircraft.

NTSB Findings

The NTSB has also issued a statement, dated February 25, 2002, that disclaims any connection between the A300 that crashed in Queens, New York and Panaviation. In particular, Safety Board investigators have traced the source of all major components associated with flight 587's tail assembly and have found that they had either been on the plane since its manufacture or came from the original equipment manufacturers; there is no indication that any of the components came from secondary sources.

ASA will continue to follow the investigation as it develops.

UPNs are published by the FAA's SUPs Program Office. They are republished here as a service to our readers. The Association is not responsible for claims made by the Notification. All questions should be directed to the FAA contact office listed in the Notification.

UNAPPROVED PARTS NOTIFICATION



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

SUSPECTED UNAPPROVED PARTS PROGRAM OFFICE, AVR-20
45005 AVIATION DRIVE, SUITE 214
DULLES, VA 20166-7541

No. 2001-00209
February 4, 2002

UPNs are posted on the internet at <http://www.faa.gov/avr/sups.htm>

Published by: FAA, AFS-610, P.O. Box 26460, Oklahoma City, OK 73125

AFFECTED AIRCRAFT

All aircraft.

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, maintenance organizations, and parts suppliers and distributors regarding aircraft parts supplied by Panaviation, S.r.l., an aircraft parts distributor/reseller located in Italy.

BACKGROUND

Information received during a Federal Aviation Administration (FAA) suspected unapproved parts (SUP) investigation revealed that from the late 1980's to April 2001, Panaviation, S.r.l., Aeroporto Ciampino, Hangar 126B, 00040, Rome, Italy, may have shipped aircraft parts with improper documentation, documents with false and misleading statements, and parts with misrepresented histories. At various times, Panaviation purchased surplus new and used aircraft parts from Meridiana Airlines, Adria Airways, and other sources. The parts were sent for repair and/or sold by Panaviation to various entities in the United States and Europe. Panaviation holds no Joint Aviation Authority (JAA) or FAA certification.

During a visit to the Panaviation warehouse facility at Ciampino Airport, Rome, Italy, the following were found:

- A JAA Form One on which "white-out" had been used to erase pertinent part information; however, previously filled-in organization and signature blocks were left untouched.
- Numerous JAA Form One and FAA Form 8130-3 documents with identical signatures.
- A template created from a Meridiana Airlines invoice. Documents could have been inserted behind the template and copied, falsely indicating parts traceability to Meridiana even though the parts had not originally been purchased from them.
- Improper storage of critical aircraft electronic parts, tires, and other items.
- A small workshop area where minor modifications and cleaning had apparently been performed.
- A number of blank serviceable parts tags and manufacturers' data plates.
- Hydraulic actuators with altered data plates.

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 aircraft parts inventories for any parts purchased from or through Panaviation of Rome, Italy. You should take appropriate action if any of these parts have been installed on an aircraft. If any existing inventory includes these parts, the FAA recommends that you quarantine the parts to prevent installation on an aircraft until a determination can be made regarding each part's eligibility for installation.

FURTHER INFORMATION

Further information may be obtained from the FAA Flight Standards International Field Office (IFO) given below. The FAA would appreciate any information concerning parts purchased from Panaviation, S.r.l., through any source, the means used to identify the source, and the action taken to remove the parts from service.

This notice originated from the Frankfurt IFO, telephone 011-49-69-69705-0, fax 011-496-969-705-150; and was published through the FAA Suspected Unapproved Parts Program Office, AVR-20, telephone (703) 661-0581, fax (703) 661-0113.

ASA Needs Your Help To Continue 8130-3 Tag Availability

On June 15, 2002, Designated Airworthiness Representatives (DARs) will lose the temporary authority they were granted last year to issue the FAA Form 8130-3 to identify the airworthiness status of parts sold by AC 00-56-accredited distributors in domestic transactions. ASA is seeking your support in our efforts to make that authority permanent. Given the increasing use of the 8130-3 as a domestic airworthiness approval tag, every accredited distributor will benefit from ensuring that DARs can continue to exercise this authority.

Background

In 1999, the FAA issued a policy memorandum declaring that DARs are prohibited from signing 8130-3s to identify the airworthiness approval status of domestic parts held by a parts broker or distributor. This policy change brought a halt to a practice recognized in other FAA guidance. Previously, distributors had been able to obtain 8130-3 tags from maintenance DARs for demonstrably airworthy parts.

ASA immediately began working to overturn this policy change. ASA began lobbying the FAA's Aircraft Certification Service, making three main arguments:

1. Since DARs were still allowed to sign the 8130-3 to identify the airworthiness status of distributors' parts destined for export, it made no sense to prohibit the practice in domestic transactions – airworthiness is airworthiness
2. DARs had in fact been signing 8130-3s in connection with domestic distributor transactions for some time, without any problems arising, and

3. Given the FAA's increasing promotion of the 8130-3 as a domestic airworthiness tag, banning its use by the distributor community placed a significant segment of the industry at a competitive disadvantage with a negative safety impact.

On June 15, 2001, the FAA issued Notice 8130.70, granting DARs the authority to once again sign 8130-3s in connection with domestic transactions involving parts held by distributors.

Yet this victory was only temporary. Notice 8130.70 is only valid for one year from its date of issue. That means that DARs will have to discontinue issuing domestic 8130-3s in June, with all the attendant disruptions that brings for distributors and their customers.

What You Can Do

ASA wants to extend the policy confirmed in Notice 8130.70, and needs your help in doing it. The three basic arguments ASA used in its original campaign are still valid today. Indeed, they are in many respects even stronger, considering that the policy now has a longer track record of trouble-free functioning, and the fact that use of the 8130-3 in domestic transactions continues to increase.

ASA is collecting information that will demonstrate in concrete terms how important the continuation of this policy is for distributors. You can help by answering this short survey and faxing your response to ASA at (202) 730-0274. ASA will share the results of this survey with the FAA. Your responses will be compiled and incorporated without information identifying your company—**your response will remain confidential.**

Distributor 8130-3 Survey

1. Please estimate the proportions of your inventory (by number of parts) that bear these types of documentation:

____% bear 8130-3 tags

____% bear airworthiness approval tags from other aviation authorities (e.g. JAA-1 or TC 24-0078

____% do not bear 8130-3 tags or other airworthiness approval tag from a national aviation authority (includes parts that bear only a packing slip, SPEC 106 tag, parts or material certification, etc.). What is the approximate value of the inventory in this third category? \$_____

2. Approximately what percentage of your customers (by volume of business) currently require you to provide an 8130-3 for the parts they buy? _____%
3. Approximately what percentage of the parts you received during the past six months included 8130-3 tags? _____%
4. Do you receive new parts from U.S. manufacturers that do not provide 8130-3 tags with the new parts? ____Yes ____No
5. Do you expect to use a DAR to issue an 8130-3 tag for one or more demonstrably airworthy parts in 2002 or 2003?
____Yes ____No .
6. How would your business be affected if DARs lost the authority to issue 8130-3s for domestic transactions? Use additional sheets of paper for this question.

Please fax to (202) 730-0274
Please respond by **March 15, 2002**

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) 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.*

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| Mar. 12-13 | FAA Forecast Conference “Planning for the Future in an Uncertain Environment,” Washington, DC. Call Helen Kish at (202) 267-9943. |
| Mar. 16-18 | * PMAs & Spare Parts for Aircraft & Aircraft Engines, Miami, FL. Call (207) 892-5445 |
| Mar. 18-20 | Commercial Aviation Industry Suppliers Conference, Los Angeles, CA. Call (310) 203-9603. |
| Mar. 26-28 | * PAMA/NATA Aviation Services & Suppliers Supershow, Indianapolis, IN. Call (202) 730-0260. |
| Apr. 9-11 | MRO Conference & Exhibition, Phoenix, AZ. Call (800) 240-7645. |
| Apr. 19-20 | Aeronautical Repair Station Association, Ritz-Carlton Hotel, Alexandria, VA. Call (703) 739-9485. |
| Apr. 25-27 | * Aircraft Electronics Association, Palm Springs, CA. Call (816) 373-6565. |
| June 23-25 | * ASA 2002 Annual Conference, Four Seasons Hotel, Las Vegas, NV. Call (202) 730-0271 for details. |
| Aug. 24-27 | * Air Carrier Purchasing Conference, Wyndham Anatole, Dallas, TX. See www.acpc.com on the web. |
| Sept. 10-12 | NBAA Convention, Orlando, FL. See www.nbaa.org on the web. |
| Sept. 23-25 | European Aviation Industry Suppliers Conference, Toulouse, France. Call (310) 203-9603. |
| Nov. 3-5 | Regional & Corp. Aviation Industry Suppliers Conf., 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! You can register on-line now or wait for the conference brochure—conference registration packages should be mailed out later this month. Watch your mailbox!

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Aviation Suppliers Association

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