



The Update Report

The Airline Suppliers Association

Volume 8, Issue 2

February 2000

DOCUMENTATION

One Form to Bring Us Closer

Imagine a world where the certification form you got from a European manufacturer was the same form you got from an American source. Imagine a world where you did not have to find a way to swap your JAA One forms for FAA 8130-3 forms just because your customer preferred one form over the other. Don't waste too much time imagining, though, or you'll miss the dawn of this brave new world.

The FAA, Transport Canada and the Joint Aviation Authorities have agreed in principle to merge their airworthiness certification forms. This will yield a single airworthiness form used by the aviation authorities in 21 nations throughout North America and Europe (this does not count the ten candidate nations awaiting admission to the JAA).

by the forms. While some of the discussions were relatively minor (like whether to call it an authorization or an authorisation), other had an important impact on the meaning of the form (like what language to use for certification purposes). The FAA had to make its own compromises: Americans wanted to drop the eligibility block (block nine) because it has caused more trouble than it was worth, and many people today complete that block as either "not applicable" or "to be determined by installer." Europeans felt that there was continued value to block nine so they insisted that it remain.

Airworthiness Approval/Authorization Forms	
United States	8130-3 Tag
Canada	TC 24-0078
JAA Nations	JAA Form One

"How hard can it be to merge three little forms," you might ask? "Anyone can do that!"

Ah, but try merging three forms based on three different sets of laws from three totally different jurisdictions.

There were many compromises that had to be made in order to make form harmonization work. The forms represent only the physical manifestations of the legal systems and the technical findings that are represented

This uniform form will be especially useful to distributors, as it will permit easier passage of parts across international borders. It should permit receiving inspectors in any nation to more easily identify the part and its airworthiness approval characteristics because they will have only one form to learn to read.

Back in the USA

How will distributors get the form?
(Continued on page 19)

Inside this Issue:

One Form (Harmonization)..... 13
 Manufacturers Issue 8130-3 19
 DARs Issue 8130-3..... 19
 Secretary Slater Speaks Out..... 15
 New Drug Test Standards 15
 US Budget and Aviation 16
 Where Does Aviation Fit? 17
 User Fees 22
 Use of Designees 23
 What is the JAA? 21

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**AIRLINE SUPPLIERS
ASSOCIATION**

A Message from ASA's President

This month you will be receiving the registration packet for the 2000 annual conference. The conference will be held June 25-27, 2000 at the Four Seasons Hotel in Las Vegas, Nevada. The hotel is taking reservations (877) 632-5000 and they will definitely sell-out; in fact, the room block is already 30% full on word-of-mouth and Update Report advertising! In order to get the \$130 per night room rate, you need to let the reservation agent know that you are with the Airline Suppliers Association.

The Four Seasons is located on the Las Vegas strip. The hotel is physically connected to the Mandalay Bay Resort, but has its own lobby, pools, spa, meeting space and restaurants. Four Seasons' guests have access to the Mandalay Bay water park, restaurants, nightclubs and casino; however Mandalay Bay guests can not use the Four Season's facilities. The Four Seasons is really a spectacular hotel.

The agenda has been set and with the mixture of government representatives, industry specialists, consultants, and of course lawyers, the meeting will offer an insight to the present and future of the aircraft parts distribution marketplace.

The first event is the golf tournament at the Paiute Golf Resort on Sunday morning. Paiute is the number one ranked semi-private course in Las Vegas. It is also a Pete Dye course.

The formal meeting begins on Monday morning with a general session and workshops in the afternoon. ASA is proud to announce that for the first time the JAA will send a representative to speak at our conference. Harry Jones will be speaking Monday morning on

parts procurement and documentation requirements under the JAA system.

Tuesday's schedule begins with a members-only meeting at 8:00 am and is followed by workshops in the morning and a general session in the afternoon. The conference will conclude by 5:00 pm. So members can catch evening flights home (unless you want to enjoy the sights and lights of Vegas before you go).

As usual, there will be social/dinner functions on Sunday and Monday evening.

We are anticipating a full house. If you would like to volunteer at the golf tournament or with registration, please let me know. I look forward to seeing you there.

Best regards

Michele Schweitzer

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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 Airline 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) 730-0270. Subscription cost is \$120.00 US per year.

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Secretary Slater Speaks Out

Wherein lies the future of aviation? Transportation Secretary Rodney Slater spoke to the Aero Club on February 2 and prophesied a rosy future for the United States aviation industry.

He explained that the Clinton Administration plans to invest in the capital items that the industry will need to remain safe in the coming decade. He explained that our current load of 650 million airline passengers per year will exceed one billion by the year 2010. To avoid "gridlock in our skies," the Administration plan focusses on badly needed upgrades to the air traffic control system.

With 2 million employees, aerospace manufacturing is America's largest manufacturing export industry. The Secretary did not say what America would do to help support American manufacturing exports (or whether the Administration even intends to do so) but he did predict that aerospace manufacturing would be directly responsible for 2 trillion dollars in exports by the end of the decade.

The Secretary raised some interesting points about the growing need for aviation cargo services as e-commerce and the internet make products that were once only regionally available now available worldwide.

The Secretary explained that aviation is helping to advance developing nations - nations that the United States needs as trading partners. He said that "Aviation can even help newly emerging countries to "leapfrog" decades - perhaps centuries - of traditional infrastructure development."

The Secretary spoke rosily of the future of aviation; but he said very little about what the Clinton Administration is doing to specifically support

aviation today. Instead, he explained that the Administration is increasing federal funding for facilities and equipment by 22 percent (at the expense of other FAA funding priorities). He called for a "true international aviation network capable of fully supporting the emerging global economy." Yet FAA rules still preclude non-manufacturer exporters from obtaining FAA export airworthiness approval forms for class III parts (which represent a significant amount of US exports).

"The growth of e-commerce is one of the reasons why we expect the value of cargo shipped by air to triple in value by 2015. You can order 'Steaks from Omaha' on line, but you can't download them to your plate. Overnight delivery still requires planes, as well as trucks and highways, to move a product from the warehouse to your house."

Secretary Rodney Slater
February 2, 2000

The FAA has addressed a lot of important issues during the Clinton Administration. The FAA has made some significant strides in diverse subject areas like parts approval, land-and-hold short operations, and uniform certification requirements for part 135 and part 121 operations. The Secretary should focus on these triumphs, and he should use these as a springboard to get the funding the FAA needs to meet its future goals. However, the current practice of diverting money from FAA operational budgets to spend it on aviation facilities and equipment is just robbing Peter to pay Paul.

Drug Tests Gone Mad

Repair Station / Air Carrier A&P Alert!

If your business performs safety sensitive work that requires you to engage in random drug tests, then you should pay attention to the most recent proposed changes in the drug testing rules

The Department of Transportation maintains aviation drug testing rules that provide drug-testing guidance for employers of safety-sensitive employees (121s, 135s, and their contractors), but there are separate regulations for drug testing laboratories.

Under the current rules, adulterated samples are treated as "failure to provide a sample." This comes out of the laboratory rules, not the air carrier rules. This treatment means that an adulterated sample represents grounds for revocation of A&P certificate regardless of the source of the adulterant.

Adulterants can be anything unusual in the sample, including soap (which could come from washed laboratory equipment) or high levels of nitrites (which occur naturally in some medical conditions).

Under the current rules, samples are split so that if the laboratory mishandles the sample and it incorrectly tests positive for drugs, you can have the "split" retested. Under these same rules, if your sample tests as "adulterated" then you have no right to re-test the "split."

A new proposal would change the drug testing rules to make them more stringent, including a new battery of tests for adulterants. Now, a confirmed negative test may no longer be good enough if a foreign substance has been introduced through mishandling.

The complete drug-testing proposal is available on ASA's website. Comments are due to the DOT by April 7.

The US Budget, and Its Effect on the Future of Aviation

Republicans criticized President Clinton's \$1.84 trillion budget as a "roadmap for doing nothing" on tax cuts. Republicans claim that it anticipates politically unrealistic progress on the long-term problems associated with Social Security and Medicare.

Treasury Secretary Lawrence Summers testified about the President's Budget proposal at a hearing February 8. While Members of Congress expressed an interest in tax cuts, Summers explained that the President's three priorities were debt reduction, solvency of Social Security and Medicare, and ensuring adequate government spending levels on social programs. Summers explained that modest tax cuts should fit into a larger framework that first uses projected budget surpluses to address the President's three priorities.

Senator William Roth, (R-DE), chairman of the Senate Finance Committee, told Summers, "In effect, you're sort of ruling out a tax cut." He explained that the Administration was "laying down conditions that you have to recognize are not going to be realized."

"It can be done," Summers said. "It needs to be done in the right way, at the right time."

Both sides agree that they are fighting over the use of the budget surplus anticipated over the next ten years. Republicans would like to focus more of this surplus on tax cuts. The President's budget proposed dozens of new government programs.

House Budget Committee Chairman John Kasich (R-OH) is one of the most fiscally conservative men on Capitol Hill. Kasich was the true leader of the debt reduction fight that Bill Clinton signed onto when he became President in 1992. While Kasich has appreciated Presidential support of his debt reduction initiatives, even he took issue with the new budget proposal. "You have distributed money to virtually every sector," Kasich told White House officials. "This is a Santa Claus approach."

Senator Slade Gorton (R-WA) said if Congress gave Clinton all of his requests, "then the succession of presidents won't get anything at all."

Republicans complained that this would shower largesse on favored political constituencies, although independent analysts said the budget's growth as a share of the economy would be the lowest in 50 years.

What Effect Does the President's Budget Have?

The power to tax and spend lies with Congress. Therefore, the budget that really matters to the American people is the budget developed by the House of Representatives in conjunction with the Senate. Nonetheless, the President's budget traditionally represents a starting point for budget negotiations. This is partly because the President has the power to veto any spending bills that fail to meet his expectations (remember the government shut-downs from a few years ago).

The President's budget does not get into specifics – it is meant to serve as a blueprint for the House of Representatives when the House develops its own budget. It provides a broad overview of spending expectations over the coming years based on past legis-

(Continued on page 17)

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Where Does Aviation Fit Into the US Budget?

(Continued from page 16)

lation and future anticipated legislation.

Where Does Aviation Fit Into This Picture?

The budget is hundreds of pages long, but it only devotes about half a page to aviation. Nonetheless, the budgetary treatment of aviation sheds some light on the future of the aviation industry.

The budget provides general numbers for the entire Department of Transportation. These numbers are found in Table One on this page. Note that Table One represents the budgetary projection for the entire range of projects falling within the jurisdiction of the Department of Transportation.

Examining Table One, the Discretionary Budget Authority is most impor-

tant to the aviation industry because it is out of these funds that FAA salaries, training, travel, investigation and enforcement expenses, etc. shall be drawn. While it is impossible to tell exactly how much money from this budgetary projection will be attributable to aviation purposes, it is reasonable to believe that the decreases and increases will be attributable to the FAA in a proportional manner.

The proposed discretionary spending actually decreases by 2.8 % from FY 1999 to FY 2000 (the Federal fiscal year, or FY, begins October 1 of the year before the calendar year, so FY 2000 ends on September 30, 2000). While most of this money is made up in the mandatory spending category (earmarked funds, like demonstration projects and specific capital outlays like bridges and air traffic control towers), mandatory spending items don't pay the FAA's operating bills.

The 2.8% decrease, coupled with unplanned increases in FAA expenditures for items like air traffic control salaries (the expenditure increases were not planned in the original Congressional budgeting process), has lead the FAA to cut back on a variety of programs that the industry has come to take for granted. Cuts in training and travel budgets have a direct and adverse impact on the FAA's long-term ability to support safety initiatives in the aviation industry.

One of the obvious effects of these cuts is that FAA personnel are unable to attend industry conferences to share ideas with the public and learn about the ways that the industry is changing. This is just the tip of the iceberg. Cuts in FAA items like training and travel affect the way that FAA employees do their job. Companies in the industry will recognize the effect on standardization when the FAA is unable to provide the educational support necessary to ensure that decisions and interpretations in one FAA region are substantially the same as those in another.

Standardization through education and communication is one of the first casualties of budget cutbacks, and it is one of the most important issues facing distributors. Lack of FAA standardization is one of the reasons that documentation that is acceptable for one customer's principal inspector is not acceptable to another. Lack of standardization is one of the reasons that overhauls in one region may be documented (and even performed) differently. Lack of standardization among FAA personnel has a direct impact on commercial transactions.

When lack of standardization among state commercial laws began to have an adverse effect on commerce in the

(Continued on page 22)

FEDERAL TRANSPORTATION BUDGET

Table One: Federal Resources in Support of Transportation

(In millions of dollars)

N/A = Not available.

	Actual 1999	Projected in the Federal Budget					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority	13,673	13,286	14,525	14,464	14,952	15,581	16,344
Mandatory Outlays:							
Existing law	1,945	2,362	2,061	1,630	1,954	1,885	1,858
Proposed legislation	13	14	15	15
Credit Activity:							
Direct Loan Disbursements	159	1,002	868	N/A	N/A	N/A	N/A
Guaranteed loans	1,767	2,825	927	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,870	1,970	2,080	2,200	2,330	2,460	2,605

ASA Continuing Education Series
ASA 2000 Training Workshop

**The Glueckler Award
 Call for Nominations**

The Edward J. Glueckler Award is presented annually in recognition of outstanding commitment, dedication and contribution to the Airline Suppliers Association 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.airlinesuppliers.com/
 glueckler.html](http://www.airlinesuppliers.com/glueckler.html)

**Nominations are due to ASA
 by March 24, 2000.**

_____ Januar
 Seattle,
 Wyn
 (206)

Jan 20 Sold Out!

_____ January 25
 Los Angele
 Doublet
 (310)

Jan 25 Sold Out!

_____ March 27
 Dallas, TX
 Hosted by Dallas Aerospace
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_____ March 29
 Chicago, IL
 Hosted by AirLiance Materials
 Contact ASA for more info

_____ May 4
 Tempe, AZ
 Sumner Suites
 (480) 804-9544

_____ Sept. 25
 Ft. Lauderdale, FL
 Riverside Hotel
 (954) 467-0671

_____ Sept. 26
 Miami, FL
 Embassy Suites Hotel
 (305) 634-5000

_____ Sept. 28
 Atlanta, GA
 Location TBA
 Contact ASA!

_____ November 6
 Newark, NJ
 Location TBA
 Contact ASA!

How do you register?

1. Download the ASA Workshop Registration form from the internet at <http://www.airlinesuppliers.com>
2. Complete the form.
3. Read and sign the attestation box at the bottom of the page.
4. Fax the form to ASA at (202) 730-0274 to reserve your spaces in the Workshop of your choice.
5. Mail a check for the registration fee to ASA.

Registration fee is \$50 per person. The fee includes all workshop materials, snack breaks, lunch and a certificate of participation. Workshops will run from 8:30 am – 4:30 pm.

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Harmonization: One Form to Bring Us Closer

(Continued from page 13)

This is the question on everyone's lips, as a new and improved airworthiness form is useless if the people selling the parts cannot obtain it for their demonstrably airworthy parts.

The FAA has developed a long-term plan and short term "bridge" plan to help the industry obtain the documentation it needs to prove that the parts it sells are safe.

Long Term: All Manufacturers Issue 8130-3s

The long-term plan was developed through a negotiated rulemaking procedure with ARAC. The FAA's regulatory advisory committee is known as ARAC – the Aviation Rulemaking Advisory Committee. ARAC is made up of many working groups assigned to different tasks. The completed tasks are submitted to the entire ARAC, and the entire ARAC is then responsible for making a decision on whether to submit the proposal to the FAA or to send it back to the working group for further revision (a third option, revision by the full ARAC, is rarely exercised).

ARAC's Joint Parts and Production Certification Working Group is better known as the Part 21 Group. The Part 21 Group has been chaired by Boeing's Peter Gallimore since its inception in 1993 (he co-chaired with Cessna's Don Van Burkleo until Van Burkleo's recent retirement). ASA has worked as a part of the Working Group since 1993. The Part 21 group has developed a complete overhaul of the rules for obtaining manufacturing certificates from the FAA. One aspect of this proposal would change the way that airworthiness approval certificates are issued.

Today, the FAA-approved manufac-

turer approves the airworthiness of the newly-manufactured part. This is a prerequisite to shipping the part. Parts shipped by production approval holders are considered to be airworthy at the time of shipping because the rules say that the manufacturer has to make a determination of airworthiness.

The form that is commonly used to denote airworthiness today is the 8130-3 tag. Manufacturers, however, are not allowed to issue this form.

Instead, the form is only issued by the FAA or an FAA designee. The FAA representative signs the left side of the form to indicate that the manufacturer has made a finding of airworthiness with respect to the part (note that right-side signatures for approval for return to service are a totally different issue).

The ARAC proposal would require that manufacturers issue the 8130-3 form for all approved parts they sell.

Often, manufacturers will have FAA designees stationed in their facilities to issue airworthiness approval forms. The designees may even be employees of the manufacturer. Nonetheless, when they sign the 8130-3 as an airworthiness approval, they are acting as designees of the FAA.

In Europe, JAR-21 manufacturers (those approved by their respective civil aeronautical authorities) have the authority to sign the airworthiness approval form (JAA One) themselves. The FAA's long term goal is to harmonize the rules so that this is done in the United States as well. This authority to sign the airworthiness approval form makes sense, because

manufacturers are already required by the regulations to make a finding of airworthiness for all parts manufactured under an FAA production approval.

The ARAC proposal would delegate authority to approved manufacturers to issue the 8130-3 form. It would also require that manufacturers issue this form for all approved parts they sell.

Where would distributors obtain 8130-3 forms for the parts they received? Directly from the manufacturers themselves! Distributors voluntarily complying with the recommendations of AC 00-56 would then pass along a certified true copy of the 8130-3 to the next party in the chain of commerce. Customer demand is already forcing distributors to obtain and pass-along the form so this would not be a significant change in the way that companies in the industry do business.

Short Term: Obtain 8130-3 Forms from DARs

The Part 21 proposal would promote use of the 8130-3 by the customers. Even without this source of 8130-3 forms, many customers are already requiring the 8130-3 as a document that supports the airworthiness contentions concerning the part.

The dual problem that distributors already face, though, is how to obtain the 8130-3 form for the billions of parts already in the system that do not bear the form, and how to obtain the 8130-3 until the Part 21 proposal becomes a regulation several years in the future?

Until September of 1999, the answer was to hire a DAR to review the

(Continued on page 20)

Harmonization: FAA to revisit DAR 8130-3 Issuance

(Continued from page 19)

documentation and inspect the part to: 1) assure it was an approved, airworthy part, and then 2) issue an 8130-3 form for the part. In September of 1999, though, the FAA issued a policy memo precluding DARs from issuing 8130-3 forms for parts in the inventory of a distributor.

When that guidance was issued, ASA immediately began a campaign to renew the DAR-issuance policy. ASA did this because a survey of ASA's membership indicated that while some distributors did not feel the 8130-3 was necessary, others disclosed that nearly 100% of their customer base required the 8130-3 as a condition of sale.

ASA also pursued access for distributors to FAA-issued 8130-3 forms because it helped to promote quality systems that keep the industry safe. By issuing the form through designees, the FAA permitted access to forms the industry was making a de facto requirement to support safety. FAA-issued 8130-3 forms supported airworthiness findings. FAA-issued 8130-3 forms just made sense. ASA wrote letters and met with FAA officials to try to reinstate this beneficial program.

One of the individuals with whom ASA met on several occasions was Frank Paskiewicz. Paskiewicz is the Manager of the FAA's Production and Airworthiness Certification Division. As such, he is primarily responsible for FAA policy concerning the 8130-3 form. On February 22, he announced to ASA that he intends to modify FAA policy concerning DAR-issuance of the 8130-3 form. The FAA plans to once again permit DARs to issue the form for parts in inventories held by distributors. Paskiewicz indicated that the FAA

plans to establish guidelines for when a DAR may issue an 8130-3 form for an aftermarket part. These guidelines will be designed to prevent the issuance of an 8130-3 form except where a part can be shown to 1) have been manufactured by a production approval holder and 2) be in an airworthy condition.

The applicant for the 8130-3 form shall remain responsible for providing evidence that the part in question is an airworthy part - this remains unchanged.

Frank Paskiewicz has announced that the FAA plans to once again permit DARs to issue 8130-3 tags for new, approved parts held by distributors

Paskiewicz also plans to impose a date limit on the parts eligible for DAR 8130-3 forms. He anticipates that parts made after a date to be established by the FAA will not be eligible for the 8130-3, because these parts will have been issued an original 8130-3 form by the manufacturer. The date will probably be set about 18 months after the policy is formally announced. Procedures for replacing lost forms will likely be refined in the future, as well.

The date limit will be a manufacturing date limit, which means that prior-manufactured parts (like those in your inventory today) will still be eligible for DAR-issuance of an 8130-3 on the date on which they are sold, even if that date does not come until many years in the future.

To the extent that manufacturers have not yet begun issuing 8130-3 forms as of the date on which DARS are pre-

cluded, ASA has promised to provide Paskiewicz with a report from the field (ASA will rely on your difficulty reports so be ready to monitor your business partners).

For distributors whose customers insist on the 8130-3, this is excellent news. It will once again provide a mechanism for obtaining from the FAA (or its designee) a document indicating that the part is, indeed, an airworthy part. This is exactly what the customers have been wanting from the industry.

There are still further actions that must take place to make this plan a reality, but the pre-publication announcement from Frank Paskiewicz represents an important first step toward creating a standardized paper trail that every distributor can participate in, and that every customer can endorse.

The short term plan of permitting DARs to issue 8130-3 forms for new parts is meant to be a bridge to a time when all FAA-approved manufacturers issue the forms with their new parts. Because it is part of larger plan, the parameters of this program may change when they are announced in writing. ASA will publish the official parameters as soon as they are available. ASA expects the policy to be announced later this year.

SPECIAL NOTICE

ASA will hold a Special Meeting for the purpose of passing bylaws on April 6, 2000. ASA Members will be able to cast their votes by fax before March 31. Full details are in the statement being mailed to each member on March 3. If you are an ASA member and did not receive your information about the bylaw vote, please call the Association at (202) 730-0270.

What is the JAA?

The Joint Aviation Authorities, or JAA, is a non-governmental organization that represents the national aviation authorities of Europe. In many ways, it is like a trade association for governments.

The JAA was founded in 1970 to harmonize airworthiness standards throughout Europe. Right from the start, the JAA recognized that its mission served two important goals. Harmonization supports safety in our global market but the original mandate of the JAA also was meant to make cooperation possible among the European aerospace companies. They wanted to work together in international manufacturing consortia.

Having effectively harmonized the European airworthiness standards used in manufacturing, the JAA turned its attention to other European aviation standards in 1987. JAA activity was extended to operations, maintenance, licensing and certification/design standards for all classes of aircraft.

As of the first of January, 1992, some of the JAA harmonized regulations

began to be adopted as part of the European Community Regulation and Harmonized Technical Standards [ECRHTS]. This made them laws in all of the European Union States. Not all of the JAA harmonized regulations have been made part of the ECRHTS – those that have not are optional but most of the JAA member states adopt them in the name of harmonization anyway.

1992 was an important year for the JAA for another reason as well. In 1992, the JAA expanded its mission once again. In that year, the JAA and the FAA made a commitment to harmonize, to the maximum extent possible, the FAR and JAR requirements concerning:

- ❑ Design, manufacturing, operation and maintenance of civil aircraft and related parts and products;
- ❑ Noise and emissions from aircraft and aircraft engines; and
- ❑ Flightcrew licensing.

Today, the JAA is made up of 19 full members and 10 candidate members.

While the member nations each retain their independent national aeronautics authorities, the certification findings of one full member nation are generally recognized as valid and binding in the others. Thus, a JAR 145 repair station license issued by the United Kingdom bears the same weight and acceptance as a JAR 145 repair station license issued by Germany. For this reason, certificates granted by one of the JAA full member nations are usually called JAA certificates rather than UK or Italian or German certificates.

It is important to recognize that European mutual acceptance is not the same as FAA acceptance of foreign certificates. The United States is not a signatory to the Cyprus Agreement, which reflects the mutual European acceptance through the JAA system. Instead, the United States makes nation-by-nation determinations concerning the foreign country's aviation authority. The FAA has different bilateral agreements with each country and it is important to be familiar with the bilateral agreement between the FAA and each foreign country with which you do business.

JAA Full Members

Austria	Luxembourg
Belgium	Malta
Denmark	Monaco
Finland	Netherlands
France	Norway
Germany	Portugal
Greece	Spain
Iceland	Sweden
Ireland	Switzerland
Italy	United Kingdom

JAA Candidate Members

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Czech Republic
Estonia
Hungary
Latvia
Macedonia (former Yugoslav Republic)
Moldova
Poland
Romania
Slovak Republic
Slovenia
Turkey

Are Users Fees and Trust Funds the Answer?

(Continued from page 17)

United States in the first half of the 20th century, lawyers, academics and judges got together and developed the Uniform Commercial Code [UCC]. The UCC was adopted by the states and permitted the transactional uniformity necessary to do business in all fifty states.

The FAA already has uniform rules for aviation safety—the problem is enforcement. Only the FAA has the power to train its inspectors to understand the uniform interpretation of these rules. But this sort of training costs money.

In the years after 2000, the FAA budget will increase; but this money may not find its way into the divisions of the FAA responsible for overseeing the day-to-day safety issues important to the parts community. The future increases in funding for the FAA are already being earmarked for capital expenses associated with air traffic control equipment, and for increases in air traffic control salaries.

The parts community is most concerned with the Aircraft Certification Service [ACS], which has jurisdiction over the manufacturing of parts (to make sure they are made safe) and with the Flight Standards Service [FSS], which enforces the rules that apply to the installation of parts. Earmarking of increases for capital expenses could mean that ACS and FSS must continue to limp along on insufficient budgets. While the FAA announces that it needs additional inspectors, individual offices are ordered to decrease their headcount through attrition.

The other FAA priorities are important, too. As global aviation increases, a modern air traffic control system becomes increasingly critical.

We should be striving for a zero-accident environment because aviation safety is good for business – even one accident is a blemish the industry can ill afford. Safety breeds confidence in the system

But those who are interested in long-term safety goals have to recognize the importance that safe parts play in the system. Accidents are generally not attributable to the aftermarket parts system (as opposed to manufacturing defects or operational issues like weather or pilot error). This is at least partly because of the quality systems imposed by the industry participants. Because industry safe practices have lead to a standard of aviation safety, though, the need to support the ACS and FSS activities that make the system work is not evident.

Rather than waiting for an accident to make those in Washington take notice, it is important for the industry to remind its representatives in Washington that aviation safety starts with continuous airworthiness.

Are User Fees the Answer?

One way of earmarking funds for specific uses is to establish user fees.

The theory of user fees is that users pay a tax that goes into a special account known as a trust fund. The money in that trust fund may only be spent on the trust fund purposes, which must be related to supporting the users who paid the user fees.

Unfortunately, the theory has not always worked in practice. Since the Johnson Administration in the late sixties, trust fund moneys have been retained, rather than spent, to offset budget deficits. This works because the money in the trust fund is counted as revenue toward the general fund,

even though it cannot be spent on general fund needs.

The Airport and Airway Trust Fund was created by the Airport and Airway Development Act of 1970 to provide user-fee funding for capital improvements to the nation's airport and airway system. Subsequently, authority was provided to cover some FAA operating expenses. This trust fund presently has a surplus of about \$13.3 billion dollars. This is money that should have been spent on aviation infrastructure needs. It should have been spent years ago. By law, it does not even earn interest!

Congressman Bud Schuster (R-PA), the Chairman of the House Transportation and Infrastructure Committee, has worked for several years to bring the transportation trust funds “off-budget.” The only change that this would make is that the funds would be treated as separate for budget purposes, and surpluses would not count against the general fund. By doing this, there would no longer be an incentive for members of Congress to retain the funds in the trust, rather than disbursing them on the capital items the industry needs.

The Clinton Administration has proposed that the FAA impose user fees as a means of generating the money it needs to perform its functions. The aviation trust fund is already funded by a 10% ticket tax. The Administration supports adding additional airport fees associated with take-offs and landings.

The subject of user fees has caused a great deal of discussion, because it is unclear how they would be apportioned. There is a fear that heavy user fees would cripple the general aviation community. A fee that would seem minor to an air carrier might

Use of Designees as an Alternative to Budget Increases

(Continued from page 22)

seem impossibly high to a casual flyer.

The alternative is to structure the users fees so they are imposed more heavily on the commercial transport category aircraft. Alternate proposals that impose the fees primarily on air carriers could cause problems because most air carriers are already raising ticket prices because of the substantial increases in fuel prices.

Many carriers today are heavily leveraged and have little room to increase ticket prices without losing market share. Any way you look at it, this year could be the wrong year to impose new user fees on the aviation industry.

What About Increased Use of Designees?

There are other initiatives that could help the FAA leverage its ability to provide services to the industry. One of these is the increased use of designees to perform services on behalf of the FAA.

Designees are private entities (individuals or organizations) that are granted authority by the FAA to make

certain findings. Designees can witness tests, review data, make airworthiness findings, and in some cases even issue certificates. When manufacturers prepare data packages to prove that a new part or product is airworthy, designees may be used to review data and approve some of the data package submitted to the FAA. Air carriers and repair stations may use designees to approve major repair data, and even to issue supplemental type certificates. In an effort to help identify airworthy parts, the FAA is expected to soon permit designees to issue airworthiness certificates for demonstrably airworthy parts under certain circumstances.

In all cases, designees act on behalf of the FAA using the FAA's rules. They can only perform the tasks specifically delegated to them by the FAA. Those who use designees must pay for the designees services. Nonetheless, designee services are popular with the industry because designees generally are available to perform their review services "on demand." This means that data can be approved in a short time (assuming it is approvable) instead of waiting for months for the FAA office to review it.

FAA Associate Administrator for

Rulemaking and Certification Tom McSweeney has called for a greater use of designees.

McSweeney recognizes that the FAA is falling behind, and that Congress is not providing it with the resources to catch up. Designees may represent the industry's best answer to many of the problems facing ACS and FSS; especially because manpower freed-up from day-to-day data review and approval tasks can be redirected to more proactive auditing and safety assurance tasks.

Look for increased use of FAA designees in the coming years. This will allow the FAA to use high-quality personnel to accomplish FAA certification functions without increasing FAA overhead costs.

The United States aviation industry is one of the safest, best run industries in the world. This is true because the industry demands only the best from itself. Finding ways to leverage an insufficient budget to continue to perform the sort of safety oversight the industry demands from the FAA will take creativity, but it is a surmountable task.

Budget of the United States Government, Fiscal Year 2001, Page 223
(as proposed by the President on February 7, 2000)

Aviation and Airports: *The Federal Government seeks to ensure that the aviation system is safe, reliable, accessible, integrated, and flexible. In 2001, the Administration will continue aggressive modernization of FAA air traffic control equipment*

Personnel reform will result in a new pay-for-performance system that focuses employees on key agency goals. In addition, the FAA will use its existing legislative authorities to create a performance-based organization for air traffic control services to be funded through direct user fees. These combined efforts will allow the FAA to operate more like a business, modernize more quickly, and be more responsive to customers.

The Administration seeks to reduce the rate of air travel delays from the 1998 baseline of 190 delays per 100,000 activities to 171 in 2001. To accomplish this goal, the requested 2001 budget for FAA operations will increase by 12 percent or \$699 million, and the FAA budget for capital modernization for capital acquisition, to upgrade air traffic control, will increase by 22 percent, or \$450 million, compared with the 2000 level.

Find Source Documents on the Internet

Interested in one of the subjects addressed in this issue? Want to find out more? The source documents underlying many of the articles in this issue are available on the internet. Just set your browser for <http://www.airlinesuppliers.com/8tur.html#2>. This address features an index to the articles which will bring you to the original documents on the world wide web just by clicking on the description.

UPCOMING EVENTS

* = *Schweitzer or Dickstein will be speaking there*

- Mar. 21-22** Speednews Aviation Industry Suppliers Conference, Los Angeles, CA. Call (310) 203-9603.
Mar. 27 * ASA Workshop, Dallas, TX . *Sponsored by Dallas Aerospace*. See Page 18 for details!
Mar 27-29 Commercial Aviation Industry Suppliers Conference, Beverly Hills, CA. Call (310) 203-9603.
Mar. 29 * ASA Workshop, Chicago, IL. *Sponsored by AirLiance Materials*. See Page 18 for details!
April 14-17 Symposium 2000: ARSA Annual Repair Symposium, Arlington, VA. Call (703) 739-9543.
April 17-19 MRO 2000, Opryland Hotel Convention Center, Nashville, TN. Fax for details: (212) 904-3334.
May 1-3 RAA 2000 Annual Convention, San Antonio, TX. Send a fax to (202) 429-5112 for details.
May 4 * ASA Workshop, Sumner Suites, Tempe, AZ. See Page 18 for details!
May 7-9 ATA Engineering, Maintenance & Material Forum, Phoenix, AZ. Call (202) 626-4000 for details.
May 7-10 * Aircraft Electronics Ass'n Convention & Trade Show, Reno, NV. Call (816) 373-6565 for details.
May 9-11 * PAMA/NATA Aviation Services & Suppliers Supershow, Tampa, FL. Call (202) 730-0260
June 25-27 ** Airline Suppliers Association, Las Vegas, NV. More details available soon. See our website at <http://www.airlinesuppliers.com>. Call us at (202) 730-0270 to make sure you are on the mailing list.

The ASA 2000 Annual Conference will be held at the Four Seasons Hotel in Las Vegas, June 25 - 27. The ASA-negotiated room rate is attractive (\$130) and hotel space is limited. Reservations can be made NOW by calling (877) 632-5000.

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