Manufacturing
Distributors Distributors
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The Update Report

The Airline Suppliers Association

Volume 6, Issue 6 June 1998

LAW YOU CAN USE

Documentation for Direct Ship Authority

One of ASA's members recently asked the following question:

When a manufacturer of non-standard parts (for sale for installation on a type certified product) does not have PMA (nor TSO) for that part it would require a direct ship authorization from the production approval holder (PAH). Can a manufacturer obtain from the PAH a Direct Ship Authorization generally covering all shipments made by that manufacturer of a specific part number to any aftermarket customer -or- is it always applicable to a specific customer and/or shipment/contract/ packing list/etc?

The short answer to this question is that the regulations permit a production approval holder to issue blanket direct ship authority covering all shipments made to any aftermarket customer. Further, many companies treat their direct ship authority as though it was written to encompass all shipments. Despite these facts, few production approval holders actually grant blanket shipment authority in writing.

As traceability documentation becomes increasingly important in our industry, understanding direct ship authority, and the documentation that can be associated with it, becomes vital to distributors. This article explains what direct ship authority is, why the FAA permits it, and what sort of written documentation should accompany it.

The foundation from which this investigation must begin is the FAA's certification requirements for manufacturing. Anyone that manufactures a replacement or modification part for sale for installation on an aircraft or engine is required to have permission from the FAA for such manufacturing processes. The three most common forms of FAA manufacturing permission are Production Certificate (PC), Parts Manufacturer Approval (PMA), and Technical Standard Order Authorization (TSOA). Collectively, these are called production approvals, and the entities to whom they are issued are called production approval holders (PAHs).

PAHs are entitled to manufacture parts for sale for installation on type certificated products. The PAH is restrained by the terms of the production approval, but may manufacture for sale any part that is described in the approval, including subassemblies. PAH parts that pass all of the tests and inspections associated with the PAH's quality system are assumed to be airworthy at the time of production.

It is not uncommon for a company that holds production approval to subcontract some of the fabrication work. Such manufacturing subcontractors do

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Inside this Issue:

Congratulations to:

Advantage Aircraft Corp.
Fairlawn, NJ

Allied Signal, Burbank
West Valley City, UT

Avatar Alliance
Fairburn, GA

Int'l Technical Consultants, Inc.
Miami, FL

Strider Aviation, Inc.
Fort Lauderdale, FL

Tracer Corp.
Milwaukee, WI

for their accreditation to the Airline Suppliers Association's Accreditation Program.

AIRLINE SUPPLIERS ASSOCIATION

A Message from ASA's President

Once again, its that time of the year to make your plans for the ASA Annual Conference.

ASA has planned two full days of presentations addresses the issues effecting you: the FAA, FAA Form 8130-3, Documentation, SUPs, Fraud, Risk Management, Employer Liability, Shipping / Receiving Inspection, Accreditation, Internal / External Auditing, Bar Coding, Electronic Commerce, Y2K, Documentation Management, FARs, JARs, Accident / Incident Related Material, Haz-Mat and more.

We know how tiring an educational conference can be, so in hope that you will not become to exhausted from the training seminars, we have arranged to have the conference at a full service resort beautifully situated in the cliffs of Dana Point, above the Pacific Ocean. ASA was able to negotiate the unbelievable room rate of $120 USD per night.

The conference date and location is October 11-13, 1998 at Marriott's Laguna Cliffs Resort in Dana Point, CA. Marriott's Laguna Cliffs Resort is twenty minutes from John Wayne/ Orange County Airport and one hour from Los Angeles and San Diego. Of course, this is during non-rush hours times.

For the past two years ASA has sold out the room block and attendees have had to stay at a hotel down the road; therefore make your hotel reservations ASAP: Marriott's Laguna Cliffs Resort, 25135 Park Lantern, Dana Point, CA 92629, Telephone: (714) 661-5000, Facsimile: (714) 661-5358, Room Block: *Airline Suppliers Association*, Room rate: $120 USD
Registration Packets will be sent to members during July. Registration includes: all meal functions beginning on Sunday evening and ending on Tuesday afternoon and conference materials. For those of you who want to begin to make your reservations, an overview of the scheduled times is printed on the next page (page 61):

As always, ASA welcomes any attendee's spouses/companions, that do not work for a distributor, to attend the Sunday and Monday evening functions free of charge. On Monday, there will be a spouse/companion function.

Companies interested in sponsorship or exhibiting should contact ASA.

Look forward to seeing you there.

Best regards,

Michele Schweitzer

The Update Report
is a monthly newsletter of the Airline Suppliers Association. Questions/comments should be addressed to Jason Dickstein, Vice President, Airline Suppliers Association, 636 Eye Street, NW, Suite 301, Washington, DC 20001. Voice: 202-216-9140; Fax: 202-216-9227; email: Jason@airlinesuppliers.com.

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 our members. For information on the Airline Suppliers Association Accreditation Program, ASA-100, Conferences, Workshops, Industry Memos, Advisory Circulars, or services benefits, contact the Association.

The Update Report
For information on special package rates for advertising, contact the Association at 202-216-9140. Subscription cost is $120.00 US per year.

Northwest Airlines Issues New Receiving Guidance

Northwest Airlines has sent a letter to 400 suppliers introducing a new policy for accepting parts. Under the new policy, Northwest will only receive parts that bear certain indicia of approval (not just airworthiness). One important aspect of this new policy is that an ATA Form 106, alone, will no longer be an acceptable document for transferring parts to Northwest. Instead, the FAA Form 8130-3 is the document upon which Northwest will insist.

Northwest has developed categories of acceptable parts, which are summarized in the inset box. This is a summary only, and suppliers should refer directly to Northwest's written policy (available on the ASA web page) for precise category descriptions. Northwest has declared that it will no longer accept parts that do not fall into one of these categories.

Northwest's "approved parts" standard was developed by Bill Tipton, who spoke at the 1997 ASA Annual Conference, and Rolf Onjukka. Although the idea of documentation makes sense, ASA pointed out to them that there were some shortcomings associated with this program as it was drafted: particularly the fact that some airworthy parts are excluded by Northwest's policy. Tipton and Onjukka explained that Northwest is willing to deal with these problems in order to have the added assurance of safety and airworthiness that this policy is expected to provide. When asked about the difficulty in obtaining 8130-3 forms for the vast inventory of parts in this country that do not bear this form, they suggested that suppliers should rely on the services of a DAR to issue 8130-3s. They recognized that some DARs will be unwilling to issue the form for parts that do not bear full traceability to a production approval holder even if airworthiness can be otherwise determined; but Onjukka explained that if a DAR is not willng to issue an 8130-3 for a part, then that is not a part that Northwest wants in its system.

The fact is that there are still airworthy parts that cannot enter Northwest's system under this policy. It may not be economically feasible to have a DAR issue an 8130-3 form for some of these parts. Suppliers with these parts in inventory will have to find other customers. Suppliers that want to continue doing business with Northwest will have to make sure that they have 8130-3 forms or that they have other documentation considered acceptable to Northwest.

Northwest will not accept a part unless it falls into one of these categories:

1. *Parts shipped to NWA directly from the production approval holder.*
2. *PMA or TSOA parts with original packing slip from manufacturer.*
3. *Imported parts from a BAA country with export airworthiness documents.*
4. *NWA owner/operator produced parts.*
5. *Standard parts with Certificate of Conformance.*
6. *Commercial parts with packing slip identifying manufacturer.*
7. *Parts with FAA Form 8130-3, JAA Form One, or other equivalent foreign airworthiness approval.*

Tipton reminded ASA that Northwest is willing to support its own ideals. He announced that Northwest has begun to provide 8130-3 forms for all parts that it sells into the aftermarket. Onjukka added that Northwest is taking a leadership role in promoting a full range of safety documentation throughout the industry, and is therefore willing to issue 8130-3 forms to support this process even if other air carriers are not yet doing this.

Whether Northwest can continue on this leadership track remains to be seen. ASA is particularly interested to see whether Northwest can adhere to this policy in AOG situations. If Northwest fails, they would not be the first to issue a written policy that could not be uniformly implemented.

The new program goes into effect August 1. ASA wants to track the implementation progress, and encourages feedback from its members who do business with Northwest. If Northwest fails to provide the 8130-3 forms that they have pledged to supply, please let ASA know. Similarly, if Northwest refuses to accept an airworthy part with appropriate documentation, this is important information as well. If you have a particular story about how the new policy is helping you to meet Northwest's needs, then let ASA know about this too.

Preliminary Schedule - ASA Annual Conference

Saturday, October 10th	QA Committee & Board of Directors meeting
Sunday, October 11th	Golf Tournament in the morning.
	Welcome Reception in the evening.
Monday, October 12th	Conference begins at 8:00 am and ends at 5:45 PM.
	Evening Banquet at 7:00 PM.
Tuesday, October 13th	Conference reconvenes at 8:00 am and adjourns late afternoon.

FAA Increases Haz Mat Inspection Focus

Since the May 1996 Valujet crash, attributed to oxygen generators, the entire industry has been much more aware of hazardous materials and the regulations that govern them. Many air carriers that did not handle haz mats nonetheless added haz mat directions to their operations specifications and training schemes to assure that they would not fall victim to haz mat related problems.

While the industry developed systems to protect against haz mat tragedies, the National Transportation Safety Board (NTSB) pointed an admonishing finger to its prior haz mat recommendations and issued new ones. FAA Administrator Jane Garvey pledged to more boldly implement NTSB safety recommendations. While ultimately she plans to issue regulations, the interim step in the implementation process is to alert inspectors about things to examine to assure haz mat safety.

The FAA has issued handbook guidance directing aviation safety inspectors to examine the manuals belonging to air carriers and commercial operators to assure that there are procedures for recognizing aircraft components or consumable materials that contain hazardous materials. The procedures should address proper packaging, storage and disposal.

In response to this new inspection initiative, air carriers that do not already have a robust program (and even some of those that do) will probably develop new procedures. These procedures may call for the suppliers to provide a greater range of information. Do not be surprised to find some air carriers asking their suppliers to support their haz mat compliance burden by providing additional paperwork, possibly to include negative certifications that some materials are not haz mats. Certifications should always be approached with a clear notion of the legal ramifications. Every supplier should be certain that a fact is true before signing a document attesting to it!

New Appointments

David F. Traynham is the new Associate Administrator for Policy, Planning and International Aviation. Traynham was a senior staff member of the House Aviation Subcommittee, and served as the staff director to the National Civil Aviation Review Commission. He will be responsible for overseeing the FAA's Office of Aviation Policy and Plans, Office of Environment and Energy, and Office of International Aviation, as well as three international regional offices.

On May 27, the FAA announced the appointment of Chester M. Lewis to FAA's National Resource Specialist (NRS) team. Lewis is the NRS chief scientific and technical advisor for engine system dynamics and safety for the FAA's aircraft certification service. Lewis has 35 years of experience with Boeing in the engine dynamics and safety analysis areas.

Got a question?
Call ASA!
(202) 216-9140

Fastener Quality Act Postponed, Again

NIST has announced that the Fastener Quality Act (FQA) implementation date has once again been postponed. The new implementation date is October 25, 1998.

In 1973, Yogi Berra reminded us that "it ain't over 'til it's over," and he might as well have been talking about implementation of the FQA. The implementation process is going into extra innings, and this time it is Congress stepping up to the plate, questioning the October implementation date before the ink is even dry on the press release.

Both the House of Representatives and the Senate have been hard at work on legislation affecting the FQA. There are two common themes among these bills. First, there is language to exempt fasteners manufactured under FAA approvals. Second, there is discussion about further implementation delay.

The FQA could cause problems where it is applied to parts that are already subject to FAA jurisdiction. There is some worry that the two sets of laws will represent competing quality standards that could wind up being duplicative at best and contradictory at the worst. On June 16, Congressman Cook called this duplication a waste of taxpayer dollars.

Conventional wisdom holds that FAA oversight is sufficient to assure quality among aircraft fasteners; therefore the aircraft fasteners exemption would apply to any fastener manufactured under an FAA approval. Such fasteners would not be subject to any of the requirements of the FQA.

The aircraft fasteners exemption would not apply to fasteners represented by the fastener manufacturer as having been manufactured in conformance with standards or specifications. Arguably, any fastener produced in accordance with the new fastener TSO fits into this category. All such fasteners would continue to be subject to the FQA, and would have to conform to the inspection and documentation required by the Act.

In addition to establishing the aviation exemption, the House bill would delay implementation until next year: June 1, 1999. While the NIST-based delay is meant to provide time to accredit more laboratories, this is not the reason given for this Congressionally-proposed delay. Member of Congress feel that their constituents are not fully versed in the FQA, and they feel that NIST needs to revisit their FQA rules and make sure that the regulations adequately reflect the best available current manufacturing and testing practices. Until NIST is "up to speed," members of Congress worry that their constituents won't be able to figure out how to comply. NIST recently announced that the agency would hold a one-day meeting, and invited questions from industry people. ASA was one of the organizations that submitted questions. When the agency received the questions, it postponed the meeting because it was unable to come up with answers. This sort of regulatory vagueness is not good for any industry.

QA Committee Chairman Jay Rosenberg meets with the NIST FQA Program Administrator, Dr. Subhas Malghan

Although these bills have not yet become law, both the House an the Senate have demonstrated overwhelming support. The House has passed its own "stand-alone" version of the aviation exemption bill, and the Senate has successfully bundled the exemption with the Technology Administration Authorization Bill (TAA Bill).

Because of the bill's small size and technical focus, it runs the risk of being ignored in the Senate while more pressing (and news-worthy) issues get treated. A common maneuver in Washington, DC is to attach such small and unobjectionable measures to larger pieces of legislation so that they don't get lost or forgotten. The TAA Bill is "must-pass" legislation and therefore serves as a "vehicle" to make sure that Congress will pass the FQA amendments.

In summary, the FQA implementation is postponed until October 25. It might be postponed further. We are also quite likely to see an aviation fastener exemption that will exempt some, but not all, aviation fasteners. The FQA grows more complicated with each amendment; however, by the time the Act is finally implemented, ASA will publish a process specification for receiving fasteners that will aid ASA members in understanding and operating under the Act

Understanding Direct Ship Authority

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not need to hold FAA production approval because they are not selling to the aftermarket - instead they are considered to represent a part of the PAH's quality system [manufacturing subcontractors will hereinafter be called subcontractors or suppliers, interchangeably].

In some cases, the subcontracted assembly may represent a commercially viable replacement part that may be sold separately. Such materials are inspected or audited by agents of the PAH who assure that the parts produced continue to meet the requirements of the approved design. This makes the remote production line an element of the PAH's quality system. There is no assurance of airworthiness if the part is not made within a FAA approved fabrication inspection system. Consequently, if the subcontractor does not hold production approval from the FAA, it usually may not sell its parts to the aftermarket (for a list of exceptions to this rule see 14 C.F.R. § 21.303).

One important exception to this rule is found in the concept of "direct ship authority." This is where a production approval holder gives its manufacturing subcontractor permission to ship parts directly to a customer. This delegation of the PAH's authority is predicated on the theory that the PAH's quality system extends to the subcontractor. The PAH must establish procedures to ensure the airworthiness of the parts in question - this will usually mean giving the subcontractor permission to perform final inspections on the parts to assure that they meet the production requirements.

In theory, PAH agents should be present at the manufacturing subcontractor's facility to perform component inspection, statistical sampling of lots, and onsite evaluation of the subcontractor's quality performance. Such agents do not need to be employees of the PAH - they can be employees of the subcontractor company, but they do need to act on behalf of the PAH for purposes of assuring that the parts meet the PAH's quality standards.

In practice, surveillance over subcontractors is not always that comprehensive. A subcontractor with a good track record might be subject only to occasional audits from the PAH - all other functions, including final inspection, are often delegated. Delegation of inspection authority must be disclosed to the FAA under the terms of 14 C.F.R. § 21.143(b) (this means the PAH has to give the FAA a list of companies that can perform direct shipments).

No matter what the level of supplier surveillance, though, there are certain minimal interactions that should be expected when a PAH provides its subcontractor with direct ship authority. The FAA has stated that direct ship authority may only be used when the PAH authorizes the shipment in writing. This means that the PAH must authorize the particular shipment that is the being direct shipped! The PAH does not have to issue a new authorization for each shipment - a single blanket authority is sufficient - but the shipment must fall within the scope of the authority granted by the PAH.

The written direct ship authority represents the PAH's acknowledgement of full responsibility for the conformity of the parts in question to the FAA-approved design. The PAH is also responsible for assuring that suppliers with direct ship authority send each part with a shipping ticket, invoice, or other document that includes a PAH declaration that the individual component is authorized to be direct shipped and was produced under the terms of the production approval. The easiest way for a supplier to do this is to include a copy of the direct ship authority letter with each aftermarket shipment.

Can the PAH issue a blanket direct ship authority? There is no prohibition in the regulations nor in the FAA-issued guidance material that would preclude a PAH from issuing a blanket direct ship authority. Nonetheless, many PAH's are loathe to issue unbounded direct ship authority, and genuine blanket direct ship authority is rare. This is because many PAHs (or their legal departments) are concerned about what could happen in the future. In the event a PAH terminates its business relationship with that subcontractor in the future, the PAH does not want the supplier to hold a document that appears to grant it blanket direct ship authority.

Because of these concerns, most PAH's direct ship authority letters are limited in scope to certain shipments, to certain customers, or to shipments within a particular time frame.

Despite the fact that direct ship letters are often limited in scope, many recipients treat them as unlimited (with tacit PAH approval). Because many aftermarket customers do not ask for the direct ship documentation described in FAA guidance materials, it is not uncommon for direct ship letters to be inaccessibly filed away and never viewed. Since no one ever reads the terms of the letter, no one ever knows when its terms are violated. Sometimes, when the direct ship letter is finally discovered, it turns out that the alleged blanket authority really only extended to a brief series of shipments twenty or more years in the past!

While casual treatment of direct ship authority letters was not a problem in

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Direct Ship Authority

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the past, the enhanced focus on traceability and approval status of parts has brought direct ship authority to center stage in some discussion circles. In theory, direct ship authority represents the PAH's acknowledgement that the supplier-manufacturer falls within the quality system described by the PAH's production certificate. In practice, this has usually worked out fine because of the high standards in our industry. If a manufacturer is not producing good parts then it does not remain on the PAH's list of approved suppliers for long. From a regulatory viewpoint, though, the direct ship authority requires more direct technical and QA oversight than most PAH's seem to provide. It is uncommon for PAH's to generate the direct ship documentation described in the existing guidance published by the FAA. This means that even though the system works, it can lead down the path of regulatory ruin.

Any company that receives "direct-shipped" parts should insist that they be accompanied by a copy of the PAH declaration that the parts were produced under the PAH's production approval. A copy of the direct ship authorization letter is only sufficient if the shipment in question falls within the scope of the letter. Without this documentation, there is no proof that the parts were manufactured under the PAH's production approval, and this may undermine the installer's ability to determine the airworthiness of the parts.

With the current concern over "approved" parts, many customers are asking distributors to certify to the approval status of the part on the material certifications. Parts accepted from a company without production approval may not be "approved" parts if they were not shipped under the authority of the PAH's production certificate. In the absence of reasonable investigation to discover if the allegations of direct ship authority are true, a distributor that makes a subsequent statement concerning the approval status of the parts may be guilty of a fraud. In today's environment, failure to acquire documentation supporting direct ship allegations can be like playing Russian Roulette with your inventory.

Congress Votes to End Taxes

Yes, you read that headline correctly! The United States House of Representatives voted on June 18, 1998 to scrap our current tax code as of December 31, 2002. The bill requires Congress to publish a replacement tax code by July 4, 2002. The replacement code would have to meet certain specifications (see the box below and to the right). Even if Congress misses the 2002 deadline, the bill would nonetheless end the tax code.

Known as the Tax Code Termination Act, this proposal passed in the House by a narrow ten vote margin. Although Democratic Senator Tom Daschle said there is "not a chance of it coming up in the Senate," staffers from the Senate Majority leader's office confirmed that they are looking for an opportunity to have a vote on the issue, possibly as early as July.

Even if the Senate does pass this bill, the President is unlikely to sign it into law. When asked his opinion about the bill, President Clinton stated "You shouldn't get rid of what you have until you know what you're going to replace it with."

Meanwhile, Congress is working hard to improve the current Internal Revenue Code. Assuring that the IRS bears the burden of proof in cases of legitimate disputes and providing protection to innocent spouses are just two of the changes that Americans can expect to see in this fast-tracked legislation. House and Senate versions of reform bills could cost the Federal government billions of dollars in tax revenue, but House Ways and Means Committee Chairman Bill Archer explained that the revenue lost through this reform legislation should never have been collected in the first place.

The Tax Code Termination Act
requires that any new
Federal tax system
be a simple and fair system that:

(1) applies a low rate to all Americans;

(2) provides tax relief for working Americans;

(3) protects the rights of taxpayers and reduces tax collection abuses;

(4) eliminates the bias against savings and investment;

(5) promotes economic growth and job creation; and

(6) does not “penalize” marriage or families.

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FAA Issues Bearing TSO and Seal TSO

Distributors handling bearings or seals will need to train their sales and receiving inspection staffs to recognize a new set of approved parts. The FAA has issued two new Technical Standard Orders (TSOs): one for bearings and for one for seals. They are similar in construction to the fastener TSO that was issued in September.

This article explains the difference between TSOs and TSOAs, describes some special features of these new TSOs, and provides some basic advice for distributorsa handling parts manufactured under the new TSOs.

The first rule to understand is that any part properly manufactured pursuant to one of these TSOs will be considered an "approved part;" however, the approval status for TSOed appliances does not designate installation eligibility. Because of this fact, and because of the special nature of these new TSOs, parts suppliers will have to keep on their toes to assure that their customers get the TSO parts they want.

There are two approvals that people handling TSO parts should understand. First, the FAA issues the TSO. A TSO describes the minimum performance standards for acceptable articles. When the FAA issues a TSO, it means that articles manufactured to meet the TSO criteria will meet airworthiness standards.

To produce TSO parts, a manufacturer must apply for a TSO authorization (TSOA), which is granted if the applicant's fabrication inspection system is adequate to assure that the articles produced will meet the TSO standards and the requirements of the aviation regulations. The TSOA is the approval that is actually granted to a particular company.

Although TSOA issuance is based in part on having a design that meets the standards of the TSO, the TSOA is primarily a production approval, so the focus at the time of issuance is often on the applicant's quality assurance system. Although the FAA approves the design (saying it meets the requirements of the aviation regulations and of the TSO) as an element of TSOA issuance, the TSOA alone does not make the part eligible for installation in any type-certificated product. Installation eligibility must be demonstrated through another document.

Three NEW TSOs from the FAA:

Aircraft Mechanical Fasteners TSO-C148
Aircraft Bearings TSO-C149
Aircraft Seals TSO-C150

The most common way to show that the part is eligible for installation is for the production approval holder for a product (like an aircraft or an engine) to specify replacement parts by TSO number on the drawings. This specification generally indicates that any part manufactured under the TSO in question is acceptable for installation. For example, a type certificate holder could declare in the type design data that it is appropriate to install an inflatable emergency exit ramp that conforms to TSO C-69c, Type III. The production approval holder for the product knows that the TSO articles are airworthy because they meet the minimum performance standards described in the TSO. Anyone who subsequently works on aircraft of this type design knows that articles meeting this type design are generally interchangeable because they all meet the same minimum performance standards.

The new bearing and seal TSOs (as well as the fastener TSO) are different. They specify sources of minimal performance standards but they do not specify the actual minimal performance standards. Therefore, two sets of bearings manufactured in accordance with TSO C-149 might not be interchangeable - in fact, bearings or seals of similar dimensions and appearance could have widely varying performance properties.

Because of this distinction, suppliers should train their personnel to be vigilent for problems associated with these parts. When customers request bearings, seals or fasteners by TSO number, the Sales Department should encourage the customer to indicate a part number as well. The Receiving Department should continue to segregate bearings, seals and fasteners by manufacturer's part number and not by TSO number.

Don't forget

The ASA Annual Conference

is on

October 11-13, 1998

in

Dana Point, California

Make your travel and accomodation arrangements as soon as possible to avoid getting closed out!

For more details, see page 60

Customers Looking to Distributors for Y2K Support

The year 2000 means many things to many people. It is an ever-popular deadline for those who believe in the imminent end of the world. Many look forward to that New Year's Eve as the party of a lifetime. It is the start of the last year of the 20th century.

But any business that relies on computers looks upon the year 2000 with a unique dread, because it is the date on which all of our "19xx" years end and our "20xx" years begin. This issue raises a sufficiently severe threat that FAA Administrator Jane Garvey has pledged to fly cross country to prove that the FAA system is robust.

Many computer programs were written with dates represented by a two-digit number for the year. "3.4.67" would mean March fourth, 1967. These programs relied on an assumption that the year would fall within the 20th century, so the two digit year would be preceded by a "19." The problem is, many of these programs will read "3.4.01" as March fourth, 1901. This has the potential to play havoc with scheduling systems, financial systems, or any other systems that rely on comparisons of two-digit representations of a year to determine when or whether something occurs. This is known as the year 2000 or "Y2K" problem.

As Y2K approaches, businesses and government agencies have scrambled to correct problems associated with the manner in which dates are represented in computer programs. Programmers have reviewed billions of lines of computer code; and the race continues. Consultants are making big money identifying problems that no one else saw; including problems that are designed into hardware and can not easily be corrected, except to replace the hardware with "Y2K compliant" parts.

In the aviation industry, there are two sets of problems on which companies appear to be focussing. First, they are assuring that their computer programs are "Y2K compliant." This means everything from reservations systems to maintenance scheduling programs. Second, they are concerned about parts installed in the aircraft themselves, including programmable discrete electronics.

FAA Y2K Oversight

The FAA, which has recently been chastised for inadequate progress in assuring its own state of Y2K readiness, is focussing attention on air carrier programs for assuring readiness. In a series of recent handbook bulletins, aviation safety inspectors with responsibility for air carriers, air operator and air agencies (including repair stations) are being directed to contact their charges and gauge their progress toward Y2K compliance.

Under this new program, air carriers, air operators, and air agencies will be required to provide FAA with a letter certifying that they have developed and implemented a plan to evaluate their flight and maintenance activities with respect to Y2K readiness. The letters are due to the FAA by September 30, 1998. The letters are justified as a necessary step to help assure that the regulated companies continue to meet the systemic safety requirements of the Federal aviation regulations.

Affected parties are to have a contingency plan to identify and correct any adverse effects of Y2K which might influence the safety of flight. Although these plans are not subject to FAA approval, each regulated company will be expected to provide the local Flight Standards District Offices with a follow-up letter certifying that the Y2K assurance plan has been completed. The deadline for these follow-up letters is January 4, 1999.

Each air carrier's Y2K plan is meant to include oversight of contractors and other business partners, so some suppliers may be asked to provide their customers with assurances that the supplier's computer system is robust and not subject to Y2K problems. The deadline for FAA inspectors to contact the regulated companies (and let them know that the plan must be submitted) is July 1, so fall-out from these contacts can be expected soon. In the mean time, distributors that have not yet done so should investigate whether the important elements of their computer systems will survive the year 2000 (intact and fully functioning).

Y2K Compliant Parts

A robust computer system is not the only thing some suppliers will have to certify. Many suppliers are already receiving requests from their customers to certify that the parts they sell are Y2K compliant. This is not explicitly a part of the memoranda being issued by the FAA, but it is a logical extension of those memoranda.

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The September/January deadlines set by the FAA are quite close to the deadlines that the Office of Management and Budget has set for the United States government to (1) fix and (2) validate its own computer systems. Since the General Accounting Office announced on June 10 that the Department of Transportation is one of five governmental agencies that is unlikely to meet these OMB deadlines, it will be interesting to compare DOT's Y2K compliance progress to that made by the private sector.

FAA Y2K Guidance

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While a few manufacturers, like Sundstrand, have been willing to certify the Y2K compliance of their parts, most manufacturers have been unwilling to verify this compliance. This leaves distributors in a difficult position when the customers are insisting on Y2K certification.

Some distributors have discussed certifying the Y2K compliance of parts without the manufacturer's support. This can be dangerous, as the certification of compliance to a particular standard (in this case ability to withstand the dawn of the new millennium) creates a legal liability. That liability can turn into heavy damages in the event the part is not really Y2K compliant, especially if it is involved in an adverse incident.

Suppliers who are asked to certify to Y2K compliance of a part (particularly those handling avionics and other electronic parts), should rely on manufacturer announcements wherever possible. They should also be wary of the legal hazards associated with such certification.

From the DOT Status Report, responding to the White House Commission on Aviation Safety and Security:

FAA continues to explore new initiatives that will result in better accountability of aircraft parts that are subject to counterfeiting. *Advisory Circular 00-56, Voluntary Industry Distributor Accreditation Program*, published on September 5, 1996 describes a system for the voluntary accreditation of civil aircraft parts distributors on the basis of voluntary industry oversight. The FAA believes such programs will improve traceability of aircraft parts. The FAA is working actively in partnership with the interested parties to develop third party accreditation criteria applicable to non-flight critical parts [italics added].

Broker Fined for Export Violations

On May 12, Marc A. Leveille agreed to pay a $10,000 civil penalty to the Bureau of Export Administration to settle allegations that he violated the export regulations. This followed hot on the heels of two corporate sanctions resulting in fines of three million dollars against BE Aerospace and its PTC Aerospace Division.

The action related to the export of aircraft parts to France for installation on aircraft belonging to Iran Air (Iran is an embargoed country). BE Aerospace plead guilty to the charge. Leveille, a manager of BE Aerospace S.A. in Paris, agreed to pay the civil penalty to settle the case on the condition that he does not have to admit to the allegations.

This recent action underscores the need to have proper protocols in place to assure compliance with the export regulations. Every company that does business internationally should have at least one employee who has read the export rules and understands them. Although many companies use an external export broker, there is no reason that a company's employees cannot be licensed to serve in this role. To acquire such a license, the employee must study for and pass a test on export laws and regulations. Suppliers with a significant export business should consider supporting their employees in acquiring export broker's licenses from the Department of Commerce.

ADs against Lucas Hoists and Honeywell

Although Airworthiness Directives (ADs) apply against aircraft owner / operators and not against those who hold inventory, most distributors like to track ADs in order to provide a value-added service to the customers that do need to comply with the ADs. Most ADs are issued against products (aircraft, engines, and propellers); however, some ADs are issued against parts. Because of the way ADs are catalogued, ADs issued against parts and not products may be overlooked.

The FAA has recently issued two AD documents against parts. The first is a final rule issued against Lucas Air Equipment Electric Hoists. These hoists are commonly installed on Eurocopter France SA-360 and SA-
365 helicopters; however they may be installed on other types. The AD requires visual inspection of the cable as well as certain other tasks.

The second recent AD document is a notice that the FAA is proposing actions to be taken against Honeywell IC-600 Integrated Avionics Computers. These computers are commonly installed on Learjet Model 45 and EMBRAER Model EMB-145 Series Airplanes, but they may be installed on other types. The AD would require replacing and adding certain components according to the terms of Honeywell Service Bulletin 7017000-22-43 (March 24, 1998). This AD has not yet become law, and the FAA is receiving comments on it. The comment deadline is July 20, 1998.

Full details on both of these AD documents are available through ASA's website.

INTERNATIONAL AFFAIRS

United States Embargoes Trade with Yugoslavia, Burma

Don't trade your parts inventory for Yugos! The Yugoslavian region and Burma have been featured among this month's new United States trade embargoes.

The February issue of The Update Report reported that the trade sanctions against the war-torn region surrounding Bosnia had been lifted. On June 9, in response to the violence in Kosovo, President Clinton reestablished the embargo that blocks trade with that region. Particularly, the embargo affects trade with the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro.

The executive order prohibits financial transactions with these nations. That includes trade financing. It also blocks all assets from these nations that fall into the hands of United States citizens, effectively cutting off trade. Any distributor wishing to do business with one of these nations or its agent should read the full Executive Order for complete details.

On May 20, 1997, President Clinton issued an Executive Order banning certain transaction with Burma (Myanmar). This was issued in response to large-scale repression of the Democratic opposition by the Burmese government. One year later, on May 21, the Commerce Department issued regulations to implement that embargo. As with the Yugoslavian prohibitions, the full text of the Burmese sanctions is available on the internet. In a nutshell, the embargo forbids investments in Burma, including the purchase of shares of a business, or any financial support of an endeavor to develop Burmese resources. It does not prohibit transactions in goods (such as aircraft parts), unless they would be used for developomental purposes or the payment somehow represents an investment in Burma.

These two sets of prohibitions may be found through the Office of Foreign Asset Control (OFAC). OFAC has an automated fax-on-demand service. The service is free and is available 24 hours a day, seven days a week, by dialing (202) 622-0077 from any touch-tone phone and following voice prompts.

ARAC NEWS

Delegations Approaches a Conclusion Favorable to Distributors

The ARAC Delegations Working Group progressed several steps closer to finishing a new rule concerning FAA delegated authority this month. Upon completion, this rule provides potential for uncertificated entities, like distributors, to acquire delegated authority from the FAA if they meet the highest standards of quality, expertise and integrity.

The Delegations Working Group, chaired by Boeing's Web Heath, is rewriting the rules in part 183 of the Federal Aviation Regulations. These rules govern delegated authority provided to companies and other multi-person entities. The rule would replace current delegated authority provided to organizations, like DAS, DMIR, DOA, ODAR, and SFAR 36.

The Working Group intends to formally submit their work product to ARAC at the October meeting. That meeting is being called to discuss Aircraft Certification issues. The Working group is also trying to coordinate this submission with some other FAA activities, and this coordination is the only thing likely to prevent the October submission. The Working Group has previously hoped to have this in to the FA early enough to permit a rule change before the January 1999 expiration of SFAR 36, but FAA plans to extend SFAR 36 by five years have made this a moot deadline.
Upon submission to ARAC, the draft rule change will become a public document freely available to any requester. If the FAA accepts the document from ARAC and chooses to promulgate it as a rule, then it could easily become effective by the end of the year 2000. If promulgated in its current form, it would provide authority for the FAA to issue delegated authority to distributors for signing the 8130-3 form. Like all other forms of FAA delegation, the delegated authority is likely to be limited only to those parties that show they meet the highest levels of qualification and integrity.

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Time Stamp Invention Up for Sale

The United States Government owns many inventions - the results of Federally funded research and development. The Department of Commerce licenses some inventions, "to achieve expeditious commercialization."

The government owns the rights to a Time Stamp Service for the National Information Network. This invention is a method for applying a signed time-stamp to a document in digital format. This is used to prove that the document existed on the date it was signed. The time stamp can be applied to any sort of document, and the accuracy is calibrated to NIST standards. Such an algorithm could have obvious uses among distributors that maintain their traceability records in digital format.

The government has announced that it is interested in a Cooperative Research and Development Agreement to further develop and implement this technology. Technical and licensing information on this invention may be obtained by writing to: National Institute of Standards and Technology, Industrial Partnerships Program, Building 820, Room 213, Gaithersburg, MD 20899; Fax 301-869-2751. Requests for information should reference "NIST Docket No. 95-022, A Time Stamp Service for the National Information Network."

(from the left) Greg Weber, Tom Kolesar, Brian Helgens and Troy Weier ponder the issues before them

Attorney Paul Lange raises his fist in triumph as he comes up with a brilliant solution. Counterclockwise from Lange are Rick Sauro, Chris Anderson, and Brian Helgens

Joe Cosma and Roy Resto break off their discussion for a moment to smile for the camera

Vice Chairman Larry Collings describes his remedy to the problem at hand as Chairman Jay Rosenberg looks on.

The May issue of The Update Report *included an article about the QA Committee meeting in Washington, DC, but space did not permit ASA to run any pictures of the meeting in that issue. On this page are just a few photos from that meeting...*

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/6tur.html#6. 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

Aug. 15-18	**Air Carrier Purchasing Conference (ACPC)**, Orlando, FL. Fax queries to (305) 885-2828.
Oct. 11-13	**Airline Suppliers Association (ASA) Annual Conference**, Laguna Cliffs Marriott Resort, Dana Point, CA. Full information will be mailed to members soon. For more information, contact ASA by phone at (202) 216-9140 or send email to conference@airlinesuppliers.com.
Oct. 19-21	**NBAA Annual Meeting & Convention**, Las Vegas, NV. Call NBAA at (202) 783-9000
Oct. 25-27	**Speednews Regional & Corporate Suppliers Conference**, Rancho Mirage, CA. Fax: (310) 203-9352.
Nov. 5-6	**SPEC 2000 Forum**, Adams Mark Hotel, San Antonio, TX. Contact Teresa Friend at (202) 626-4039.