Volume 19, Issue 3 • June 27, 2011

The UPDATE Report

CONGRATULATIONS TO THE FOLLOWING COMPANIES ON THEIR ASA-100 ACCREDITATION:

Fortran Aviation
Singapore

Twin Aviation
Jourdanton, TX

• AND •

Aviation Concepts, Inc.
Sunrise, FL

Dallas Aviation
Arlington, TX

MK Industries, LLC
Mentor, OH

Silver Wings Aerospace
Princeton, FL

TriStar Aircraft Spares
Fort Worth, TX

FOR THEIR REACCREDITATION TO THE ASA-100 STANDARD

New EASA-FAA Bilateral Goes Into Effect

The United States and Europe have finally implemented the new Bilateral Aviation Safety Agreement (BASA) as of May 1, 2011.

The new BASA replaces the agreements that existed between the US and certain European nations with an agreement that spans the entire European Community:

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom

In some cases, the new agreement will make no changes to the status quo. For some categories, it may result in some minor changes in the way that companies do business. For the most part, though, it should clarify the documentation expectations when shipping parts between the United States and Europe.

Purchasers in both the US and in Europe need to be aware of the requirements found in the new agreement. These requirements will form the baseline for customer expectations in aircraft parts transactions.

(Continued on Page 3)

ASA
AVIATION SUPPLIERS ASSOCIATION

INSIDE:

MESSAGE FROM ASA'S PRESIDENT

THE UPDATE REPORT

is the newsletter of the Aviation Suppliers Association.

OUR COMMITMENT

ASA is committed to providing timely information to help members and other aviation professionals stay abreast of the changes within the aviation supplier industry.

The UPDATE Report is just one of the many benefits that ASA offers members. To learn more about our valuable educational programs, please contact ASA.

THE UPDATE REPORT STAFF

Publisher . . . . Michele Dickstein
Editor . . . . . Jason Dickstein
Production . . . . Squaw Design

QUESTIONS ?

EMAIL questions to:
jason@washingtonaviation.com

MAIL questions to:
Jason Dickstein
Aviation Suppliers Association
2233 Wisconsin Ave., NW
Suite 503
Washington, DC 20007
Voice: (202) 347-6899
Fax: (202) 347-6894

Dear Colleagues,

It was great to welcome ASA and AFRA attendees to Washington DC.

Keynote speaker John Hickey applauded ASA and its members for taking the initiative to police the industry and maintain the integrity of the parts supply chain by developing the first publicly available stolen parts database. Dr. Adam Pilarski provided an industry outlook and predicted the Boeing announcement regarding the reengineered 737 rather than developing a new airplane. Michelle Schulz detailed areas of change that the President's Export Council Subcommittee for Export Administration is looking to implement to meet the Doubling of Exports initiative. Dr. Kevin Michaels provided an MRO outlook and discussed growth opportunities. Bob Hogan led a panel of MRO Customers including Jean Clermont from Aveos, John Hunter from HEICO and Dana Stephenson from Goodrich Aerostructures and the panel discussed MRO business development and where distributors can partner or support their MRO customers. All that was discussed before lunch on Monday!

On Monday evening, ASA presented the 2011 Edward J. Glueckler Award honoring commitment to the industry and ASA. The 2011 recipient is Roy Resto. Roy led American Airlines decision to incorporate FAA AC 00-56 as a requirement in its purchasing practices. He was an active member of the industry and government groups that discussed Suspected Unapproved Parts. He helped develop the ASA ASA-100 audit program. He is an active participant in the ASA Quality Committee and was an ASA Director from 2001-2010. Roy has helped mentor many an aviation quality and/or operations professional. His acceptance comments were warm felt and showed his grace and love for the industry.

In 2012, ASA will be holding its annual conference June 24-26 at the Grand Hyatt in Seattle. AFRA will once again be holding its meeting at the same time and location.

Thanks for all the speakers and sponsors for their time and contributions.
Michele

(Continued from Page 1)

Requirements for Parts Imported Into the US

If you are located in the US and buying parts made under European production authority (POA), then you should expect to see an EASA Form One with the part or product.

Previously, the U.S had not agreed to accept EASA Form Ones issued in any nation other than the six original BASA nations in Europe, although normal practice dictated that other EASA Form Ones would be accepted for airworthiness certification when issued elsewhere. The new standard extends privileges across the European Community, although it is important to look at the details in the BASA because different European nations may have subtly different requirements. For example, Romania has authority to export sail planes and very light aircraft to the US (and the US would accept the EASA certifications for such aircraft) but not to export transport category aircraft to the US (that is, the US would not be obliged to accept the airworthiness documentation for a transport category airplane from Romania).

For any new aircraft there will be an EASA Form 27 certificate for the aircraft. For any new aircraft engine or propeller there will be an EASA Form One certificate on the engine or propeller. This certificate verifies conformity to approved design as well as verifying that the product is in a condition for safe operation (including compliance with all airworthiness directives).

All new aircraft engines and propellers shall have an EASA Form One attached with the following statement:

> *"The [INSERT Aircraft Engine or Propeller Model] covered by this certificate conforms to the type designs approved under U.S. Type Certificate Number [INSERT TYPE CERTIFICATE NUMBER and REVISION LEVEL], is found to be in a condition for safe operation and has undergone a final operational check."*

For new TSO appliances that have been granted a FAA letter of TSO Design Approval there should be an EASA Form One validating the conformity and condition of the appliance. There should be a reference to the FAA letter of TSO Design Approval in the "remarks" block of the EASA Form One.

For new replacement or modification parts, there must be a JAA or EASA Authorized Release Certificate (Form One) on those new parts. When properly completed, this Certificate certifies that each part is eligible for installation in a product or appliance that has been granted FAA design approval, conforms to FAA approved design data, and is safe for use.

In some cases, where an EASA Form One is expected, it is also possible to see a JAA Form One if the article was tagged before the change-over to EASA Form One. Where the US accepts an EASA Form One, it will also usually accept a JAA Form One that was issued before September 28, 2005.

(Continued on Page 4)

(Continued from Page 3)

Requirements for Parts Imported into Europe

The United States does not have specific domestic traceability requirements - most non-import airworthiness documentation requirements in the United States arose as a matter of common usage and commercial practice. In Europe, however, 145 organizations are generally obliged to follow EASA 145.A.42, which imposes specific incoming documentation requirements on different classes of parts. Thus, if you are in Europe and importing parts from the US (or if you are in the US exporting parts to Europe) then you need to make sure the parts meet the requirements of EASA 145.A.42 as a threshold. This is a practical requirement in addition to any obligations imposed under the bilateral agreement. For most parts sourced from the United States, a European importer should expect to obtain an 8130-3 tag.

For new aircraft, there must be a certificate from the FAA (8130-4). This certificate verifies conformity to an approved design as well as verifying that the product is in a condition for safe operation.

Every new aircraft engine, propeller, or rebuilt engine shipped to the European Union shall have an FAA Authorized Release Certificate (8130-3).

New TSO appliances including APUs granted ETSO or JTSO authorization will be accompanied by an 8130-3 tag that certifies conformance and condition, just like the 8130-4 does for aircraft. The designee will check for compliance with European ADs and will reference the ETSO/JTSO number in block 13 of the tag before issuing it.

(Continued on Page 6)

ASA 2012 Annual Conference

Grand Hyatt Hotel • June 24-26, 2012 • Seattle, WA

BARON

Spares Care for the Air

Providing Parts Management Solutions for the Aviation Industry

- Consignments
- Exchange Pools
- Distributorships
- Forward Planning
- Asset Management
- Airline AOG Service
- Excess Inventory Appraisal & Disposal
- Purchasing/Sourcing Support
- Parts Repair Coordination

Baron Group LLC
Miramar Park of Commerce
3451 Executive Way Miramar, FL 33025
[954] 435-3330 • info@baronintl.com
www.baronintl.com

(Continued from Page 4)

For new modification or replacement parts there must be a FAA Form 8130-3 verifying that the part is eligible for installation in a product or appliance which has been granted an EASA design approval, that the part conforms to design data approved by EASA and is safe for installation. In practice, the 8130-3 generally confirms that the part is in compliance with FAA-approved standards for a product design that was also approved by EASA.

There are special rules for acceptance of PMA Parts in Europe. The rules endorse the long-standing position of the European Community that PMA parts are generally acceptable. The acceptance criteria make an important distinction between critical PMA parts and non-critical PMA parts. Because the word "critical" is used in several different ways in aviation, it is important to first focus on what this word means in the context of PMA parts imported into Europe. For this limited purpose, the term "critical" refers to a part for which there is a replacement time, inspection interval, or related procedure specified in the Airworthiness Limitations section of the Instructions for Continued Airworthiness. If there is no limit, or if there is a limit found elsewhere but not found in the Airworthiness Limitations, then the PMA part is not "critical." This is an important distinction, because some companies have gotten confused about other limits that are not found in the Airworthiness Limitations Section (such limits, alone, do not make the part critical).

Most PMA parts are not "critical." If the PMA part is not “critical,” then the part is accepted into the EC without any further showing. The export 8130-3 tag for the part should state:

“This PMA part is not a critical component.”

If the part is “critical” but it is manufactured under a licensing agreement with a type certificate holder or STC design approval holder, then the part is accepted into the EC without any further showing. This is because the Airworthiness Limitations have already been approved in the context of the TC/STC, which is either issued, validated or accepted by EASA. The export 8130-3 tag for the part should state:

“Produced under licensing agreement from the holder of [INSERT TC or STC NUMBER].”

If the part is “critical” and it is manufactured independently (no license agreement), then the PMA holder should obtain EASA STC for the design. If there is already a FAA STC for the PMA design (e.g. if it reflects a major change to type design) then the STC holder can use the validation process to obtain European STC. Such validation is obtained by applying through the FAA Aircraft Certification Office (ACO), which will work with EASA to obtain the validated EASA STC. After obtaining an EASA STC, the part may be freely exported to the EC - the export 8130-3 tag should state:

“Produced by the holder of the EASA STC number [INSERT THE FULL REFERENCE OF THE EASA STC INCORPORATING THE PMA].”

A copy of the BASA can be found at http://register.consilium.europa.eu/pdf/en/09/st08/st08312.en09.pdf.

State Department Plans ITAR Overhaul

The State Department is planning a complete overhaul of the International Traffic In Arms Regulations (ITARs) which govern the export of defense related articles. The ITARs often apply to dual-use equipment that is exported. This can include articles that were originally designed for use on defense related aircraft but that were subsequently used on civilian aircraft.

The State Department's plan is to review the entire set of ITARs and to chose which elements need to be updated or revised. For members of the public that would like to see significant revisions to the ITARs in order to bring them up-to-date with modern export practice, and to make compliance easier, this is certainly the best opportunity to influence change, and it may be the only opportunity to achieve meaningful revision.

(Continued on Page 8)

Be the one. Beat the rest.

Buyers around the world use ILSmart more often than any other service to find the parts they need.

Get serious about being seen. List on ILSmart.

Learn more at www.ILSmart.com.

Inventory Locator Service,® LLC
1-800-233-3414 (N. America) • 1-901-794-5000 (Worldwide)
Email: marketing@ILSmart.com • www.ILSmart.com

(Continued from Page 6)

The State Department is already looking at how best to revise the United Sates Munitions List, and has been considering making Category VIII (Aircraft and Associated Equipment) more explicit in order to better define what is regulated and what is not regulated. Our contacts in the government have already asked for advice on how best to structure this provision.

The State Department's work plan also includes an examination of the following elements:

(1) Review of USML Categories
(2) New licensing exemption for certain replacement parts and incorporated articles (ITAR sections 123.28 and 126.19).
(3) New licensing exemption for transfer of defense articles to dual national and third-country national employees (ITAR section 126.18).
(4) New licensing exemption for the temporary export for personal use of chemical agent protective gear (ITAR section 123.17).
(5) New electronic submission of registration payments (ITAR parts 120, 122, and 129).
(6) Clarification of records maintenance requirement (ITAR section 122.5)
(7) Discontinue submissions of form DSP–53 (ITAR section 123.4).
(8) Change in requirements for the return of licenses (ITAR section 123.22).
(9) Revision of agreements procedures (ITAR part 124).
(10) Update information on sanctioned countries (ITAR section 126.1).
(11) Clarify and reflect new policy for exports made by or for the U.S. Government (ITAR section 126.4).
(12) Revise brokering regulations (ITAR part 129).
(13) Revise definition of "defense service" (ITAR sections 120.9, 120.38, 124.1, and 124.2).
(14) New regulations implementing the Australia and UK defense cooperation treaties (ITAR parts 120, 123, 124, 126, 127, and 129).
(15) Establishment of a general program license, which would allow multiple exporters to collaborate with foreign partners on U.S. government programs (ITAR part 123).
(16) Revise/establish definitions of/for "technology," "specially designed," and "public domain" (ITAR part 120).
(17) Revision of Missile Technology Control Regime annex (ITAR part 121).

Factors that the State Department will take into account in assessing any proposed changes are fulfilling statutory requirements, recouping the cost of service, and increasing net benefits.

The State Department's preliminary work plan can be found online in the Federal Register at http://www.gpo.gov/fdsys/pkg/FR-2011-05-09/pdf/2011-11242.pdf. Comments on the State Department's preliminary work plan will be accepted until June 30, 2011.

ASA is blogging!

Check out the two blogs on the ASA website:

- **Cavu Café:** **Royboy's Prose & Cons** *and the*
- **ASA Web Log** **by Jason Dickstein**

New Government Contractor Rules for Organizational Conflicts of Interest

If your company supports government contracts, or if you are considering entering that sector, then it is important that you consider the new rules being developed concerning organizational conflicts of interest.

In recent years, a number of trends in acquisition and industry have led to the increased potential for organizational conflicts of interest, including —

- Industry consolidation;
- Agencies' growing reliance on contractors for services, especially where the contractor is tasked with providing advice to the Government; and
- The use of multiple-award task- and delivery-order contracts, which permit large amounts of work to be awarded among a limited pool of contractors.

In its 2007 report, the Acquisition Advisory Panel concluded that the Federal Acquisition Regulations do not adequately address "the range of possible conflicts that can arise in modern Government contracting." The Panel observed that the Federal Acquisition Regulations provide no detailed guidance to contracting officers regarding how they should detect and mitigate actual and potential organizational conflicts of interest. They also called for improved guidance, to possibly include a standard organizational conflicts of interest clause, or a set of clauses in government contracts.

(Continued on Page 11)

Silver Eagle Agency

Aviation Products Liability Program

Underwritten by Allianz

Endorsed by the Aviation Suppliers Association

This new program is available on a nationwide basis and specifically tailored to meet the needs of the Aviation Suppliers Association membership. Silver Eagle is a specialty insurance agency working solely in the aviation marketplace. With access to every insurance market providing this coverage worldwide, we are pleased to have secured Allianz Global Risks U.S. as underwriter for this specialized market.

Together, we have the experience, understanding, and expertise specifically needed to properly insure the aviation industry. Our commitment to service will ensure you receive the finest available service.

Aviation products liability is a specialized and highly individual insurance coverage. Our program is unmatched in the industry.

We offer ASA members –

- *An additional 10% premium discount for ASA accredited members,*
- *12 or 18-month policies,*
- *10-15% continuity discounts,*
- *additional General Liability is available, and*
- *premium financing options.*

In tandem with products liability, we can also provide you with a quote on your general liability insurance for –

- *Bodily injury*
- *Property damage*
- *Personal injury*
- *Advertising injury*
- *Compensatory and general damages*

For additional information, call John Howard at **847-229-1500** or by email **John@silvereagleagency.com**. For a free, no obligation quote, visit our Web site at **www.silvereagleagency.com**.

Endorsed By

ASA
AVIATION SUPPLIERS ASSOCIATION

This program is endorsed by the Aviation Suppliers Association, administered by Silver Eagle Agency, Inc. and underwritten by Allianz Global Risks U.S., rated A XV by A.M. Best. Coverage is available in all states, but some limitations may apply. Only the policy can give full benefits and descriptions. This is not a binding contract, nor does it imply such.

Underwritten By Allianz

(Continued from Page 9)

In its 2007 report, the Acquisition Advisory Panel concluded that the Federal Acquisition Regulations do not adequately address "the range of possible conflicts that can arise in modern Government contracting." The Panel observed that the Federal Acquisition Regulations provide no detailed guidance to contracting officers regarding how they should detect and mitigate actual and potential organizational conflicts of interest. They also called for improved guidance, to possibly include a standard organizational conflicts of interest clause, or a set of clauses in government contracts.

The proposed rule establishes a clearer definition for the term "organizational conflict of interest." The proposed definition would be placed in 48 C.F.R. § 2.101 and it would state:

> ***Organizational conflict of interest means a situation in which—***
>
> *(1) A Government contract requires a contractor to exercise judgment to assist the Government in a matter (such as in drafting specifications or assessing another contractor's proposal or performance) and the contractor or its affiliates have financial or other interests at stake in the matter, so that a reasonable person might have concern that when performing work under the contract, the contractor may be improperly influenced by its own interests rather than the best interests of the Government; or*
>
> *(2) A contractor could have an unfair competitive advantage in an acquisition as a result of having performed work on a Government contract, under circumstances such as those described in paragraph (1) of this definition, that put the contractor in a position to influence the acquisition.*

The proposed rule also includes substantial procedural standards and contract clauses designed to implement protections against organizational conflicts of interest, as well as standard procedures for obtaining waivers of organizational conflicts of interest. The proposed rule can be found online at http://edocket.access.gpo.gov/2011/pdf/2011-9415.pdf. Written comments are due to the government on or before June 27, 2011.

Defense Contractors May Receive Kudos Instead of Cash

The Pentagon is getting ready to start the "Superior Supplier Incentive Program." This program is designed to recognize government contractors who score high in the Defense Department's performance-tracking system. The supplier recognition program is intended to promote competition. The Program was mandated by the Under Secretary of Defense for Acquisition, Technology and Logistics, Ashton Carter. Carter and Defense Secretary Robert M. Gates last year first unveiled this departmental effort, dubbed the "better buying power initiative."

The Washington Post quoted Carter as having said that the Defense Department is making these changes in the hopes of driving down the cost of government procurement programs.

Carter announced that the practice of contractors receiving part of any savings achieved during the contract "may not make the cut," which could disincentive cost savings. The new "Superior Supplier Incentive Program" is meant to take the place of those cost-savings sharing mechanisms and provide other recognition for good government supplier practices.

The publication GovCon Executive was very optimistic about this new program, and described it as follows: "...an Angie's List for defense contractors. While preferred-vendor status won't guarantee a contract, it's as good as a friend's recommendation for an architect. And even better, if awarded a contract, preferred-vendor status may lead to a heftier payday."

CALENDAR OF EVENTS

ASA 2012 Annual Conference

June 24-26, 2012 . . . . . Grand Hyatt Hotel – Seattle, WA

Industry Events

October 26-28, 2011 . . . . . **AP&M EXPO USA –** Hollywood, FL

CONTACT US!

ASA Staff is always interested in your feedback. Please contact us with any comments or suggestions.

Michele Dickstein
President
michele@aviationsuppliers.org

Jason Dickstein
General Counsel
jason@washingtonaviation.com

Stephanie Brown
Director of Programs
stephanie@aviationsuppliers.org

Diane Leeds
Account Services
diane@aviationsuppliers.org

Arthur Schweitzer
Programs & Membership Assistant
arthur@aviationsuppliers.org

James Schmitt
Programs & Membership Assistant
james@aviationsuppliers.org

Subscriptions to **The UPDATE Report** are FREE. To subscribe, please send your request to info@aviationsuppliers.org.