

The UPDATE Report

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ASA Continues Working with EASA on Supplier Control Rule



In November, ASA will meet again with EASA to discuss the proposed Supplier Control rule for Part 145 maintenance organizations.

Under the proposed rule, Part 145 maintenance organizations would be required to take steps to ensure the airworthiness of the parts that they receive. This is already a part of the EASA guidance, and is merely being made more explicit in the rules.

The real change under the proposed rule is expanded guidance about methods for effective quality assurance. The guidance recommendations are focused on two elements that should come as no surprise to anyone in the aviation parts industry: (1) effective receiving inspection, and (2) robust supplier control.

The proposed rule recognizes that the industry has developed a very effective mechanism for aftermarket supplier control, and it endorses this effective mechanism. It explains that although a Part 145 maintenance organization can perform its own supplier auditing, reliance on certain industry-accepted third party auditing mechanisms has become standard in the industry. Based on nearly twenty years of success, the proposed rule recognizes that AC 00-56, and the standards that it endorses, represents a sound method for ensuring that effective quality controls are exercised in the aircraft parts distribution chain.

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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

OFFICERS:

Mitch Weinberg
(954) 441-2234
Corporate Treasurer

Jason Dickstein
(202) 347-6899
Corporate Secretary

Michele Dickstein
(202) 347-6899
President

Mike Mollie
Committee to Safeguard Impartiality

Dear Colleagues,

Thanks to the members for nominating and placing your votes in the 2012 ASA Board of Directors election. With a diverse field of candidates and companies; ASA held nominations and elections within 5 weeks. ASA is pleased to welcome Brad Baker of Worthington Aviation Parts, Inc. as our newest Director. Brad is Vice President of Quality Systems. He is no stranger to ASA: he leads Worthington's ASA-100 accredited quality system, is an active member of the Quality Committee, a regular attendee at the annual conference, and a frequent volunteer on various subcommittee groups. Joining Brad through reelection are Richard Levin, Managing Director of AJ Levin Company; Brent Webb, President of Aircraft Inventory Management & Services, Ltd. and Mitch Weinberg, President of International Aircraft Associates, Inc. The Board of Directors will next meet in December.

ASA's Quality Committee will be meeting December 5th in Dallas, Texas. Among the items to be discussed are proposed changes to ASA-100. Prior registration is required to this meeting and the meeting is open to all members. There is no fee for attending the meeting and ASA is able to continue this tradition due to the Association's commitment to being the leader in quality issues associated with distribution. In order to support this, we thank Aircraft Inventory Management & Services, Ltd. for their sponsorship of this meeting.

It is not too late to join the Member Pavilion at the AP&M Expo Europe held May 7-9, 2013. The Member Pavilion is an exhibit area that hosts 8 member companies along with ASA. AP&M is attended by an international delegation of airline and MRO buyers. With the success from our 2012 pavilion, all past exhibitors are again attending the AP&M.

ASA is holding its first workshop in Singapore on November 12th. There is still time to register. The registration form and agenda are on ASA's website. Jason will be speaking at the MRO Asia event in Singapore immediately following the workshop.

Take care, Michele

BOARD OF DIRECTORS

Bradley Baker (651) 994-1600
Worthington Aviation Parts, Inc.

Richard Levin (818) 842-6464
A.J. Levin Company

Greg McGowan (206) 898-8243
Boeing Commercial Airplanes

Sheri Murray (305) 235-5401
Air Parts & Supply Company (APSCO)

Brent Webb (972) 488-0580
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In addition to recognizing reliance on AC 00-56 as an effective tool to support supplier quality assurance, the proposed guidance also lays out the elements of an effective distributor quality system (the proposed rule includes an analysis in the appendices to show that ASA-100 already meets the new European requirements).

This European effort helps to validate the notion that companies that voluntarily adopted AC 00-56 (and ASA-100) compliant systems were doing the right thing.

When ASA meets with EASA in early November, we will be discussing the industry comments on the proposed rule, and how best to adopt those comments into the final rule. Any ASA members who have comments on the proposed rule or the related guidance should make sure to get them to ASA before the end of October.

The proposed rule can be found on line at: <http://www.easa.europa.eu/rulemaking/docs/npa/2012/NPA%202012-03.pdf> 

Former FAA Administrator Randy Babbitt Lands at Southwest

Many of you followed the story of FAA Administrator Randy Babbitt, who was arrested driving while intoxicated.

He was arrested for driving while intoxicated in December 2011, and shortly after announced that he would leave his post in order to resolve the legal issues.

On May 10, 2012, Judge O'Flaherty dismissed the case against Randy Babbitt.

There is a happy ending to the tale. Randy Babbitt has landed at Southwest Airlines, where he will take the position of Senior Vice President of Labor Relations. Babbitt has a rich background in labor relations, and will likely thrive in this new role. 

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(202) 347-6899 Phone

www.aviationsuppliers.org Web

michele@aviationsuppliers.org Email



FAA Official Accused of Hatch Act Violation

Last Month, FAA Deputy Associate Administrator John Hickey was accused of a serious election law violation.

Fox News reported that Hickey had been accused of violating the Hatch Act, which forbids federal employees from engaging in partisan political activities.

The non-profit watchdog organization Cause of Action obtained an email (which may have come from one of the FAA's own lawyers), which stated:

"My understanding is that more than one employee's perception was that Mr. Hickey was essentially telling them how to vote if they wanted to keep their job."

We've known Hickey for many years. He is a smart guy who understands the rules and plays by the rules. It is hard to believe that he would knowingly violate the Hatch Act. The facts are still being investigated by the Department of Transportation, but as we know, a mere allegation can be enough to ruin a career in Washington, DC.

We look forward to hearing more about this, but we also hope that no adverse sanctions (explicit or implicit) will be brought against Hickey before all of the facts are known. 



See you next year in...

Las Vegas, Nevada

ASA 2013 Annual Conference

*** NEW SCHEDULE ***

Four Seasons Hotel • Tuesday–Thursday • July 9-11, 2013

Fleet Retirement News

The recent MARPA Conference featured an air carrier panel, at which air carriers provide a glimpse of the future as they see it.

While the main purpose of the panel was to discuss opportunities for PMA parts among the world's major air carriers, some of the comments would also be highly relevant to parts distributors developing their own strategic plans.

Mike Arata of United Airlines announced that United would be replacing their 757-200 fleet. They have about 96 757-200s.

Dan Ferry of US Airways explained that they will likely be replacing their 757-200s, as well. They have about 24 757-200s in their fleet.

The Airbus A321 is a reasonable replacement for the 757-200 (based on passenger capacity in standard configurations), as is the 737-900ER. The larger Boeing 767 could be considered a replacement as well (although it is actually twice as large in cargo capacity). None of these are a perfect replacement so Boeing suggested in April of this year that the 737-MAX (whose planned specifications are not yet announced) could be the true replacement for the 757. Airbus has claimed that the A320NEO would be a replacement for the 757.

There are believed to be slightly fewer than 900 757s in service (across all variants of the 757), so these planned retirements could have two major effects that affect distributors: (1) significantly reducing the total population of 757 aircraft to support and (2) increasing the population of surplus 757 parts, if a significant number of the aircraft are disassembled for parts.

US Airways has also said that they plan to begin retiring their 737 fleet and will likely replace those aircraft with Airbus aircraft. 

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If Flame Retardants in Aircraft Parts are Banned, then the Parts on a Distributor's Shelves May be Banned!

Is it possible that the aircraft interiors parts in your warehouse could be banned by the U.S. government?

Earlier this year, EPA proposed a rule banning certain polybrominated diphenyl ethers (PBDEs). These are flame retardant chemicals used in certain plastics, including in aircraft interiors. There have been a number of studies focused on whether passenger or crew exposure to PBDEs in the aircraft could pose a danger.

The U.S. government published a proposed rule that would ban the manufacture, importation, and processing of **decaBDE**, a flame retardant. The rule could impact manufacturers and suppliers of aviation parts that contain decaBDE.

The proposed rule was published in the Federal Register on April 2, 2012, and the comment period closed on July 30, 2012. You can find information here:

- Federal Register Notice (<http://www.gpo.gov/fdsys/pkg/FR-2012-04-02/pdf/2012-7195.pdf>)
- EPA docket in Regulations.gov (<http://www.regulations.gov/#!docketDetail;D=EPA-HQ-OPPT-2010-1039;dct=FR%252BPR%252BN%252BO%252BSR>)

There is the potential that this rule could affect aircraft parts on your shelves!

If you have an interest in this rule or would like to hear more about it, please contact Sarah Breslin of the Small Business Administration at (202) 292-3410 or sarah.breslin@sba.gov. 

ASA in Singapore

ASA will be at MRO Asia in Singapore next month.

On Monday, November 12, ASA will present a full-day workshop on issues that are important to companies doing business internationally. ASA has presented its workshops in Europe and the Americas, but this is the first time that an ASA workshop has been presented in Asia. Details on this important event are available on ASA's website.

ASA will also be present at the MRO ASIA event, and Jason Dickstein will be a speaker during the session on the new repair station security rule. 

Repair Station Security Rule is Coming

The long-awaited repair station security rule is expected to be issued by TSA within the next month.

TSA is scheduled to speak about the new rule at MRO Asia (on a panel with Jason Dickstein). Ex parte rules limit the government's ability to talk about a rule after the docket is closed and before the rule is published.

Therefore, the rule should be issued (or otherwise made publically available) before the expected speech date (November 15).

The rule is expected to have a direct effect on repair stations. Distributors who sell to repair stations should anticipate a potential flow-down of security obligations.

As soon as the rule is published, ASA will be sending information to its members about what their new obligations might be under the rule. 

Commerce Department Seeks to Simplify Exporting Aircraft Parts

Many ASA members have found themselves overwhelmed by U.S. regulation compliance. The Administration is acting to alleviate some of these export concerns.

Dual-use parts are a particular problem for ASA members. Dual-use aircraft parts are replacement parts that can be installed on both civilian and military aircraft. Their precise placement into Bureau of Industry and Security (BIS) or Directorate of Defense Trade Control (DDTC) jurisdiction can be ambiguous, and can be based on facts that are not readily available to distributor-exporters. For example, the mechanism for obtaining a license to export a replacement part that is listed on both a military engine design and a civilian engine design (approved by the FAA) is very ambiguous, because it can be unclear whether the FAA exception applies [originally published in the 1979 Export Administration Act section 17(c), the exception has been turned into a puzzle that rivals a Rubik's cube by contradictory guidance and misleading].

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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

REGULATORY UPDATE

(Continued from Page 7)

ASA has been vocal supporters of these changes, having spoken with both Commerce Department and White House officials about reforms. The Administration has developed and is implementing a plan to revise the U.S. export rules in a way that makes it less complex to export dual-use aircraft parts.

Those of you who've seen ASA speak on export law in the past year know that the association has been predicting that the Administration will take far less than the normal 18 months to publish the final rule in the export reform provisions. While most people deride election cycle politics for its emphasis on form over substance, and a tendency for both parties to block partisan gains that might help the other earn votes, this is one situation where election year politics work in our favor. The Administration would like to be able to take credit for making it easier for businesses to export products, in order to show that they are not anti-business. The export reforms will do just that.

If the final rule looks like the proposal, then it will ease unnecessary burdens on the export of many dual-use aircraft parts by clarifying who has jurisdiction over various aircraft parts and reserving the most onerous rules only for those parts that serve a clear defense mission. The proposed rule would move all of the dual use aircraft parts into BIS jurisdiction, leaving only parts with a clear defense mission in the jurisdiction of DDTC.

This is important to exporters because (1) many BIS exports do not need a license while nearly all DDTC exports require a license, and (2) even if a license is necessary, it is far quicker and easier to obtain a license from BIS than it is from DDTC. It is also useful because there has been a lot of confusion about which agency's rules must be followed for certain aircraft parts, and the reform would make the pathway to compliance much more clear.

In the current political climate, ASA hopes that the Administration will issue these rule changes before the November elections. 

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SBA Examines Effect of Proposed Repair Station Rule

The Federal Aviation Administration (FAA) published a major proposed revision to the Repair Stations rules in the Federal Register on May 21, 2012. The FAA's proposed rule would amend FAA regulations for aviation repair stations by revising the system of ratings, repair station certification requirements, the regulations on repair stations providing maintenance for air carriers, and even the way that repair stations record maintenance. The rule is expected to have a secondary effect on repair station customers and business partners, including aircraft parts distributors.

The FAA has stated that the proposed rule is necessary because portions of the existing repair station regulations do not reflect current repair station aircraft maintenance and business practices, or advances in aircraft technology, and that the proposed rule would modernize FAA regulations to keep pace with current industry standards and practices.

The comment period for the proposed rule was scheduled to close on August 20, 2012; however, the FAA extended the comment period until November 19, 2012.

The Small Business Administration has recognized that there is significant small business interest in this proposed rule. Therefore, the SBA Office of Advocacy will host a roundtable meeting to discuss the proposed rule. Typically, SBA will write and file a comment in response to industry concerns, and these comments tend to carry significant weight, so this is an excellent opportunity to get your voice heard on the issues that matter to you.

The meeting will be held at SBA on Tuesday, October 30, 2012 from 2:00 p.m. – 3:30 p.m. in the 7th Floor Conference Room. SBA is located at 409 Third Street, SW Washington, DC 20416 (at the Federal Center SW Metro stops on the Orange and Blue lines).

This meeting is open to the public. **Please RSVP to Bruce Lundgren by email if you would like to attend the roundtable meeting.** A conference call-in option is usually available upon request - if you would like to dial-in to participate, please contact Bruce Lundgren before the date of the meeting so he can make appropriate arrangements.

SBA Contact Information:

Bruce E. Lundgren
Assistant Chief Counsel
SBA Office of Advocacy
U.S. Small Business Administration
409 3rd St. SW
Washington, DC 20416
tel: (202) 205-6144
email: bruce.lundgren@sba.gov



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Pratt VP Explains her Vision to Quality Auditors

Do you ever wonder what auditors say when they are not in your facility? On July 19, 2012, a group of quality auditors got together to talk about quality. The group was the Americas Aerospace Quality Group (AAQG) Registration Management Committee (RMC). The RMC meeting is attended by auditors, and certification and accreditation bodies with an interest in the AS9100 series of standards. ASA was at the meeting because of ASA's recent efforts to further develop their auditing program.

This summer, the RMC meeting keynote speaker was Mary Anne Cannon, who is the Vice President of Quality and Environment, Health & Safety at Pratt & Whitney.

She opened with a discussion of the importance of exceeding the minimum standards of quality in the aviation industry. She explained that her company owns a West Virginia facility for overhauling the PT6 engine. A U.S. military pilot sent them a letter because the engine from his aircraft had been shot (she did not specify which airplane or helicopter he'd been piloting). There was hole in the case and a bullet in the engine. But the engine kept working, and it got the pilot back to base. When the engine was sent to West Virginia, they extracted the bullet, encased it in plexiglass and sent it back to the pilot as a souvenir.

Cannon explained that quality like this is not just for her company. It is something that we as an industry must demand from every company. We shouldn't compete on quality, she explained. We should ALL be delivering a quality product. Rather than using quality as a discriminator, we should all strive to raise the level of quality of every aerospace product, and then use elements like price and performance to drive competition.

Cannon explained that UTC is focused on risk reduction. Suppliers are important to the process, so reducing risks in the supply chain has been a UTC priority. UTC has been working with suppliers to improve their root cause analysis and corrective action, as well as encouraging them to rely on third party quality assessment as a tool for improving quality. This in turn allows UTC to rely on the third party quality assessment as a measure of quality among suppliers.

Cannon gave the auditors in the audience three things that she thinks they ought to focus on in their audits of manufacturer's suppliers:

- How do they control subtier contractors?
- How do they implement contract management?
- How do they measure effectiveness?

A big part of all three of these elements is an analysis of how companies are utilizing their resources, and whether they have the right resources assigned to the job.

Cannon's message was clear. Quality and safety go hand-in-hand. When bad things happen in quality then bad things happen in safety. We all depend on quality. It can be a thankless job, but it is still rewarding both to the company and to the industry. 



SAM is Replacing CCR

By Roy Resto

If you think this is an article about Creedence Clearwater Revival, you'd better skip to the next piece.

All of you doing business with the US Government no doubt are familiar with CCR, Central Contractor Registration. Someone in your company is the point of contact for CCR, and is tasked with updating it annually. For years CCR was the first stop required in setting up your firm to do business with the government. It facilitated your participation in other programs such as FEDBIZOPS, Federal Business Opportunities, in which you could shop and bid on posted business opportunities.

SAM, System for Award Management is in the process of replacing CCR. From the SAM Website:

What is SAM?

The System for Award Management (SAM) is combining federal procurement systems and the Catalog of Federal Domestic Assistance into one new system. This consolidation is being done in phases. The first phase of SAM includes the functionality from the following systems:

- Central Contractor Registry (CCR)
- Federal Agency Registration (Fedreg)
- Online Representations and Certifications Application
- Excluded Parties List System (EPLS)

How will SAM benefit me?

The overarching benefits of SAM include streamlined and integrated processes, elimination of data redundancies, and reduced costs while providing improved capability.

There is every appearance that SAM will be an efficient consolidator of previously redundant data entries and streamline the processes required to conduct transactions. For example, you had to register in CCR, and for most transactions fill out a separate annual 'Representations and Certifications' that was contained in a separate website and which duplicated most of the information found in CCR. For this example, SAM is consolidating those systems.

If you had an active record in CCR, you have an active record in SAM. You do not need to do anything in SAM at this time, unless a change in your business circumstances requires a change in SAM in order for you to be paid or to receive an award. SAM will send notifications to the registered user via email. You can search for registered entities in SAM by typing the DUNS number or business name into the search box.

In the future, look for SAM to consolidate other systems in their phased implementation process. 



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ASA Workshop Series/Training

November 12, 2012 **REGULATORY WORKSHOP • Singapore**

December 5, 2012 **QUALITY COMMITTEE MEETING • Dallas, TX**

Industry Events

April 16-18, 2013 **MRO AMERICAS • Dallas, TX**

May 7-9, 2013 **ASA MEMBER PAVILION, AP&M EXPO EUROPE • London, UK**

CONTACT US!

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

Michele Dickstein
President
michele@aviationsuppliers.org

Stephanie Brown
Director of Programs
stephanie@aviationsuppliers.org

Diane Leeds
Account Services
diane@aviationsuppliers.org

Jason Dickstein
General Counsel
jason@washingtonaviation.com

Dawn Carberry
Coordinator, Member Services
dawn@aviationsuppliers.org

Arthur Schweitzer
Programs & Membership Assistant
arthur@aviationsuppliers.org

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