



The Update Report

The Airline Suppliers Association

Volume 10, Issue 1

January 2002

REGULATORY UPDATE

Overhaul Versus Rebuilding

Anybody who has worked for any amount of time with the Federal Aviation Regulations knows the importance of properly characterizing one's activities under those rules. Whenever laws or regulations are involved, definitions matter a great deal, because how something is defined determines what rules apply. Questions on how to define an activity arise frequently in the aviation industry. For example, does a given task constitute "maintenance" or not? Is a particular job a "repair" or an "alteration"? Is it "major" or "minor"? "Significant" or "non-significant"? Despite regulatory definitions and advisory guidance, the answers are sometimes difficult to pin down precisely. Sometimes, they come down to the personal interpretations of individual FAA inspectors; but this can lead to arbitrary and capricious enforcement of the law – which is one more reason why clear definitions are important.

One question that sometimes causes confusion is when a particular action constitutes "overhaul" and when it constitutes "rebuilding." This can be vexing when the customer demands an overhauled unit, and you want to know whether you can send the customer a rebuilt unit instead. Fortunately, the distinction between these two species of maintenance is less difficult than it first appears.

At first glance, the definitions of the

two terms found in Part 43 are confusingly similar. Although neither term appears in the definition section found in 14 C.F.R. section 1.1, the recordkeeping provision of 14 C.F.R. section 43.2(a) effectively defines an "overhaul" by stating:

"No person may describe in any required maintenance entry or form an aircraft, airframe, aircraft engine, propeller, appliance, or component part as being overhauled unless --

(1) Using methods, techniques, and practices acceptable to the Administrator, it has been disassembled, cleaned, inspected, repaired as necessary, and reassembled; and

(2) It has been tested in accordance with approved standards and technical data, or in accordance with current standards and technical data acceptable to the Administrator, which have been developed and documented by the holder of the type certificate, supplemental type certificate, or a material, part, process, or appliance approval under § 21.305 of this chapter."

Section 43.2(b) describes "rebuilding" by stating:

"No person may describe in any required maintenance entry or

(Continued on page 7)

Inside this Issue:

New Tax Provisions 3
 Economic Stimulus Package Status 5
 UPN: Marchini Instruments 8
 Aircraft Batteries as Hazmat 9
 UPN: Thermocouple Probes 10
 ** Any member with a repair station or who does business with repair stations should see the ARAC survey at:
http://www.airlinesuppliers.com/news_docs/repair_station_ratings.htm

Congratulations to:

- Falcon Aero, Inc.**
Miami, FL
- Fields Aircraft Spares, Inc.**
Simi Valley, CA
- Londavia, Inc.**
Portsmouth, NH
- Patrick's Parts, Inc.**
Miami, FL
- Tiger Enterprises & Trading, Inc.**
Ellington, CT

For their accreditation to the Airline Suppliers Association's Accreditation Program

See page 9 for the list of reaccreditees, and see <http://www.airlinesuppliers.com> for the complete list of AC 00-56 accredited companies



A Message from ASA's President

The entire industry is happy to put 2001 behind us. With the new year comes new hope for improving conditions in the aviation parts marketplace. Many of our members are reporting that they see recovery on the horizon, perhaps as close as later this year.

A number of members have reported that the SBA low-interest loan programs have been a terrific benefit to help keep their businesses on-track. Turn-around time on applications has been quite fast and ASA members appear to be meeting with great success in being approved for the SBA loans. While ASA did a lot in 2001, I suspect that the fight to get the low-interest loans will be the thing we remember for a long time to come. If you haven't yet applied for the loans, remember that the deadline is January 22!

A new year means a new look at tax concerns. This month we feature an article that discusses some of the changes in tax law and policy that could benefit ASA members, both on their individual taxes and on their corporate taxes. We also examine the economic stimulus package which has stalled on Capitol Hill – this package is likely to rise once again, and it could yield important benefits to help promote renewed growth within our industry.

On page nine you will see that we've identified some problems with the hazmat regulations that need to be fixed to prevent problems for our industry. Fixing this so ASA members can continue to ship their inventory to the customers that need it will be one of our priorities for this year.

While parts continue to be shipped the old fashioned way, much of the rest of the industry is going digital. ASA is no exception, and you should see the Update Report go to an email format early this year. We need every email address to make sure that you continue

to get the Update Report, so if you haven't yet sent it to us, please send us your email address today (you'll find a note on page nine).

We are working with the FAA's advisory committee on repair station issues. There is a repair station ratings survey on our website, and we would really appreciate it if you would take the time to complete the survey and email it to us. *Your opinion is important because you USE repair stations.* You are all customers and a distributor's needs are often different from the needs of an air carrier. Please complete the survey, which is found at the address on the front page of this issue.

Despite industry lulls this past year, Jason I are singing lullabies, as we proudly announce the latest addition to the ASA family: our new baby William Douglas Dickstein. My husband Jason has joked that he expects William to be working on membership issues before he is six months old. Although William may not yet be working on membership issues, his parents will continue to fight for your interests in the new year!

Best Regards,
Michele Dickstein

Board of Directors:	
Terry Bond	305-925-2600
M & M Aerospace Hardware, Inc.	
John Butler	661-702-7300
Time Aviation Services, a unit of AMERON GLOBAL, Inc.	
Amy Cochis	860-565-2712
Pratt & Whitney SMMO	
Bill Cote	561-998-9330
Volvo Aero Services, LP	
Mike Molli	847-836-3100
Scandinavian Airlines System	
Roy Resto	414-875-1234
Tracer Corporation	
Mitch Weinberg	305-685-5511
International Aircraft Associates, Inc.	

The Update Report

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

Jason Dickstein
Airline Suppliers Association
1707 H Street, NW, Suite 701
Washington, DC 20006
voice: (202) 730-0272
fax: (202) 730-0274
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 members. For information on ASA-100, the ASA Accreditation Program, Conferences, Workshops, FAA guidance like Advisory Circulars, Industry Memos, or services and benefits, contact the Association.

The Update Report

For information on special package rates for advertising, contact the Association at (202) 730-0270.

© 2002. All material in this publication is subject to copyright held by the Airline Suppliers Association. All rights reserved.

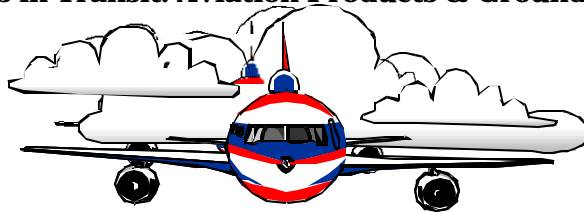
Officers:	
Karen Borgnes	253-395-9535
Corporate Treasurer	
Jason Dickstein	202-730-0270
Corporate Secretary	
Michele Dickstein	202-730-0270
President	

**IF YOUR PRESENT INSURANCE AGENT DOESN'T UNDERSTAND YOUR BUSINESS,
IT'S TIME TO CONSIDER CHANGING TO SOMEONE WHO DOES.**

As members of the ASA, the *Silver Eagle Agency* works with aviation operations worldwide to cover all kinds of exposures. With our direct access to United States and international insurers, we are able to provide insurance programs and policies engineered to cover your specific needs and exposures at the best available cost.

Please call John Howard at the number below to discuss any of the following:

**Property, Automobile, General Liability
Life & Health Care, Workers Compensation
Shipping & Parts in Transit. Aviation Products & Grounding Liability**



Silver Eagle Agency, Inc.

401 S. Milwaukee Avenue, Suite 210

Wheeling, Illinois 60090

Telephone 847-229-1500 Fax 847-229-1515

TAXATION UPDATE

New Tax Laws and Policies for ASA Members

As the new year begins and the holiday cheer fades, many of our thoughts turn inevitably to... taxes. Tax laws are always in flux, and 2001 has seen more than its share of changes, many of them stemming from the Bush tax cut package and measures to provide relief after September 11. Here is a brief overview of some of the changes that may affect your personal or business taxes, with reference to the particular IRS Notice or Announcement where you or your tax professional can find more information.

Provisions Affecting Individuals in the Bush Tax Cut

The Bush Administration's most significant legislative victory to date was this summer's landmark Economic

Growth and Tax Relief Reconciliation Act of 2001, which was signed into law on June 7. The new law benefited individuals in a number of ways by lowering marginal income tax rates, starting to phase out the "marriage penalty" and the estate tax, introducing increased tax credits for children, enhancing education incentives, and increasing allowable contributions to pensions and IRAs.

Individuals should pay close attention to some new ways to put away money for later.

"529 plans" permit money to be saved for educational purposes. These plans permit money to grow tax-free, as it does in a Roth IRA. No taxes are applied to the growth of the fund so long

as the money is used for qualified educational purposes. A 529 plan could be started by anyone, from a parent to a corporation, so it makes a nice vehicle for corporate scholarship programs. Some states are applying additional state tax benefits to the plans to make them even more attractive.

Contributions to a Roth IRA or to a 529 plan are not deductible – but the interest and growth in the fund is generally tax-free. Contributions to a standard IRA are tax-deductible but the money withdrawn from the fund may be taxable. There are income limits for families that want to establish a Roth IRA, so be sure to read IRA Publication 590, *Individual Re-*

(Continued on page 6)

BARON International Aviation, Inc.

**SPARES SUPPORT FOR
REGIONAL TURBO-PROP,
NARROW BODY & WIDE BODY
JET AIRCRAFT**



Solutions that fly

Celebrating 15 Years

*of Spares Support to the
Commercial and Regional Aviation Community*

1986 - 2001



MINNEAPOLIS / ST. PAUL HEADQUARTERS

2910 Waters Road, Eagan, MN 55121

PH: (651) 681-9525

FX: (651) 681-9414

e-mail: mssales@baronintl.com

Visit us at:
www.baronintl.com



WEST COAST SALES FACILITY

3415 So. 116th St. Seattle, WA 98168

PH: (206) 241-8009

FX: (206) 241-8994

e-mail: seasales@baronintl.com

Economic Stimulus Package On Hold

Despite rising levels of unemployment, lackluster holiday retail sales, and official confirmation that the U.S. economy is in a recession, Congress failed to agree upon an economic stimulus package to spur the economy on the road to recovery before adjourning for the winter recess.

The closing days of the session did bring some progress. The House of Representatives managed to pass a revised version of its bill in the early morning hours of December 20 that incorporated a number of compromises not found in its earlier version (HR 3529, Economic Security and Worker Assistance Act of 2001). Senate Majority Leader Tom Daschle (D-SD), however, refused to bring the measure to a vote in the Senate before the recess, citing Democratic concerns that the bill was still seriously flawed. Lawmakers of both parties scrambled to assign blame on the opposite side of the aisle before leaving Washington for the holidays.

In the final weeks of the 2001 session, negotiations focused on narrowing the ideological divide on two key issues. Republicans sought to boost the economy by speeding up tax relief for businesses and individual taxpayers. Democrats insisted on providing more substantial and immediate assistance to the unemployed.

The Republican proposals included accelerating portions of President Bush's tax cut enacted earlier this year, through an immediate reduction of the 27 percent tax bracket to a 25 percent rate. The GOP also favored eliminating the Alternative Minimum Tax for corporations and allowing companies to write off investments more quickly – two strategies that have long been predicted to accelerate economic growth. Democrats assailed the original version of the

House bill as a giveaway for corporations and higher-income taxpayers, and criticized the limited assistance offered to the jobless.

Democratic proposals emphasized measures guaranteeing the unemployed access to health care and extending unemployment benefits to part-time workers and recently-hired employees who do not qualify for unemployment insurance. Republicans criticized the projected costs of the measures.

Senator Breaux holds out hope for a future compromise after the first of the year

In response to Democratic concerns, the President proposed offering a health insurance tax credit that unemployed individuals could use to pay up to 50 percent of their health care premiums – in essence, the government would pick up half of the bill for health insurance for the unemployed out of foregone tax revenues. Under the White House plan, the program would be available to persons who are eligible for COBRA, a federal program that allows people to continue their coverage under company-provided health insurance if they lose their jobs. While not opposed to the idea of tax credits, Democrats are pushing for higher payments – up to 75 percent of premiums – and seek to widen eligibility to cover those not eligible for the COBRA program.

The revised House bill (passed before the Christmas recess) split the difference on many issues. The bill would reduce the 27 percent tax rate to 25 percent, repeal certain elements of the

corporate alternative minimum tax, allow companies to write off investments more quickly, give \$300 checks to workers who did not qualify for the summer tax cut, extend unemployment benefits by 13 weeks, and give the unemployed a 60 percent tax credit for health insurance premiums.

Although the House was able to achieve a compromise, the Democratic leadership in the Senate remained unmoved. Senator Daschle derided the House bill as “wrong on all counts,” adding that Senate Democrats “believe that a bad deal is worse than no deal at all.” Other Democrats were more sanguine. Senator John Breaux (D-LA), who played a leading role in working toward a compromise, still held out hope for a future compromise after the first of the year. He noted that extensive compromises were achieved on both tax and health insurance issues, and does not feel that the December Senate defeat spells the end of economic stimulus for the country. “I think the biggest enemy was time,” he said.

Because of the filibuster rules, an economic stimulus bill generally requires 60 votes to pass the 100 member Senate. These votes are necessary to close debate and bring the measure to a vote. As of the recess, the House version of the stimulus package was short of this 60-vote supermajority.

How high a priority will the stimulus package enjoy when lawmakers return on January 23? Leaders in both the House and Senate say that the fate of the stimulus bill will depend on how the economy appears to be performing at that time. If economic indicators show a noticeable upswing, the entire project may be postponed. If the current economic downturn continue, the Senate will have to address the issue once again.

New Tax Considerations for Businesses in 2002

(Continued from page 3)

Retirement Arrangements, or consult with a tax professional.

It is not too late to contribute to your 2001 IRA! Most individuals have until April 15th, 2001 to contribute to an IRA. If you are eligible to contribute and have not yet done so for 2001 then make your contribution today!

Corporate Estimated Tax Payments

Many businesses received substantially less income in 2001 than they anticipated at the start of the year. Consequently, some businesses that made estimated income tax payments found that their tax liability for the year is lower than the sum of the estimated payments they have already made. The IRS, as stated in Announcement 2001-112, is permitting such businesses to redesignate their estimated income tax payments as tax deposits to satisfy obligations to deposit employment taxes imposed by Internal Revenue Code chapters 21, 22, and 23, as well as income taxes withheld under chapter 24. Businesses should take care that the redesignations do not reduce the amount of estimated tax payments below the amount required to satisfy its estimated tax obligation, as this could make the business liable for additional tax under IRC sections 6654 or 6655.

Extension of the Remedial Amendment Period for Employee Plans

Retirement plan administrators have been given additional time to ensure that plans have been updated to comply with recent changes in the law. The IRS has extended the remedial amendment period under Internal Revenue Code section 401(b) for qualified retirement plans to February 28, 2002. Plans directly affected by

the 9/11 attacks have an extension until June 30, 2002, and the IRS has the discretion to grant additional extensions through December 31, 2002. The tax code allowed the amendments in question so retirement plan administrators could ensure that businesses' retirement plans complied with recent changes in applicable laws. In most cases, the deadline for plan amendments was December 31, 2001. Details can be found in IRS Bulletin 2001-49.

New Business Depreciation Rules

The IRS has also provided small businesses relief from the "mid-quarter convention," a depreciation accounting rule Congress enacted to discourage businesses from waiting until the last quarter to purchase the bulk of the assets they place in service in a given year. In so doing, businesses were able to take advantage of the general rule allowing a half-year's depreciation on an asset in the year of acquisition. The mid-quarter convention kicks in if a business purchases 40% or more of its total assets acquired during the year in the last quarter. It requires businesses to track the dates they placed assets in service by quarter, and apply different depreciation percentages in each quarter. This significantly complicates accounting and usually results in less total depreciation for the year.

A number of businesses carefully time their acquisition and placement in service of acquired assets to avoid application of the mid-quarter convention. The disruptions following 9/11 made many such practices impossible. Consequently, the IRS decided to provide some relief from the rules. If the third quarter of a business's taxable year includes September 11, 2001, that business may elect to apply the half-year convention to

all property (other than real property) placed in service during the 2001 taxable year. IRS Notices 2001-70 and 2001-74 provide the details.

Cash Accounting Method Now Available for More Small Businesses

The IRS did a major about-face in 2001 in changing its rules to allow more small businesses to use the cash method of accounting. Under the cash method, income is reported when actually or constructively received, and expenses are deducted when they are paid. Previously, the IRS forced many small businesses to use the accrual method, under which income is recorded when a sale is made, even if payment is not received for several months. An exception was allowed for businesses whose gross annual receipts were less than \$1 million. The threshold for that exception has now been raised to \$10 million, making many more businesses eligible.

Still, only certain types of businesses are eligible to use the cash method, income thresholds notwithstanding. Businesses whose principal business activity is either wholesaling or retailing (described by North American Industry Classification System codes 42, 44, or 45) are not eligible, thus eliminating distributors (NAICS code 421860). Businesses whose principal business activity involves providing services or custom manufacturing are eligible, so small repair stations with gross annual receipts less than \$10 million may qualify to use the cash method. Numerous other requirements apply, so businesses should consult their tax professionals and IRS Notice 2001-76 to get the full story.

(Continued on page 11)

Overhaul Versus Rebuild: Differences and Similarities

(Continued from page 1)

form an aircraft, airframe, aircraft engine, propeller, appliance, or component part as being rebuilt unless it has been disassembled, cleaned, inspected, repaired as necessary, reassembled, and tested to the same tolerances and limits as a new item, using either new parts or used parts that either conform to new part tolerances and limits or to approved oversized or undersized dimensions.”

Both overhaul and rebuilding involve the same basic activities: disassembly, cleaning, inspection, repair as necessary, reassembly, and testing. The real difference lies in who is authorized to perform the work.

Overhaul constitutes “maintenance” as defined in 14 C.F.R. section 1.1: “Maintenance means inspection, overhaul, repair, preservation, and the replacement of parts, but excludes preventive maintenance.”

Consequently, any person or entity authorized to perform maintenance may perform an overhaul. Section 43.3 lists the persons authorized to generally perform maintenance as:

- the holder of a mechanic certificate under Part 65;
- the holder of a repairman certificate under Part 65;
- a person working under the supervision of a holder of a mechanic or repairman certificate;
- the holder of a repair station certificate under Part 145; or
- the holder of an air carrier or other operating certificate issued under Part 121 or Part 135.

Although “rebuild” is not listed under the definition of maintenance, a rebuild is also considered to include maintenance activities to the extent that it includes inspection and repair. Nevertheless, Part 43 does not authorize everyone who performs the other types of maintenance to perform rebuilds. Only manufacturers are authorized to rebuild an item, and even then, Part 43 limits that activity to items actually produced by the manufacturer in question. Under 14 C.F.R. section 43.3(j), a manufacturer may:

- (1) Rebuild or alter any aircraft, aircraft engine, propeller, or appliance manufactured by him under a type or production certificate; or
- (2) Rebuild or alter any appliance or part of aircraft, aircraft engines, propellers, or appliances manufactured by him under a Technical Standard Order Authorization, an FAA-Parts Manufacturer Approval, or Product and Process Specification issued by the Administrator.

It is important to note that manufacturers are authorized to perform rebuilds only within the scope of their manufacturing authority. Return to service follows the criteria of section 43.7(d). This distinction is important because historically many manufacturers have had Part 145 repair station facilities known as Manufacturer Maintenance Facilities, or MMFs. In today’s world, the MMF is not authorized to perform rebuilds even though the same company can perform them under its production authority. It is comparable to the fact that a manufacturer cannot perform ordinary under its production certificate, even though it is perfectly qualified to perform these repairs under its repair station certificate. The real

world difference in many cases may be limited only to the certificate number that appears on the approval for return to service, although technically the MMF may operate under a different quality system than the production system. This issue should become more clear when the new repair station rules become effective because the distinction between MMFs and other repair stations is being eliminated.

If a customer asks for an overhauled unit and all you have in your inventory is a rebuilt unit, then can you send the rebuilt one instead? That depends on the terms of your agreement with your customer. If the customer insists on only overhauled units and will not accept a rebuilt unit, then that is a commercial decision that is governed by contract law. If the customer is willing to accept a rebuilt unit, though, then that should be an adequate substitute.

What is better: a rebuilt unit or an overhauled one? Neither one is necessarily better! Manufacturers will tell you that the rebuilt unit is better because the manufacturer has all of the relevant design data on hand. Repair stations will tell you that the overhauled unit is preferred because the repair station has more service experience with failure modes and knows where special attention needs to be paid. The fact is that both, if properly done, yield an airworthy article.

Unlike some of the conundrums the industry faces from day to day, the question of whether a particular action constitutes an overhaul or a rebuild is one that can be resolved relatively easily by a close reading of the regulations. The main time when problems arise is when the persons

(Continued on page 11)

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

UNAPPROVED PARTS NOTIFICATION



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

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

No. 2001-00059
December 6, 2001

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

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

AFFECTED PARTS

Aircraft parts that were repaired, overhauled, or inspected and approved for return to service by Marchini Instruments Corporation between February 12, 1997, and October 31, 2000.

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors regarding maintenance performed by Marchini Instruments Corporation, a former Federal Aviation Administration (FAA)-certificated repair station, located at 7352 NW 34th Street, Miami, FL 33122.

BACKGROUND

Information received during a FAA suspected unapproved parts (SUP) investigation revealed that Marchini Instruments Corporation performed work for which it was not rated. Marchini Instruments Corporation previously held an Air Agency Certificate (no. MH4R362M) with a limited instrument rating, issued July 5, 1991, and a limited accessory rating, issued February 25, 1993. Marchini Instruments Corporation's certificate limited its performance to the maintenance and alteration of components identified in their FAA-approved control documents, i.e., capability list (instruments), rev. 2, dated February 10, 1997, and capability list (accessories), rev. 2, dated January 28, 1997.

Evidence indicates that Marchini Instruments Corporation performed maintenance on, and approved for return to service, various parts not listed on the current capability lists. Marchini Instruments Corporation attempted to notify its customers through recall letters; however, some of the companies notified are no longer in business.

Attached to this notification is a *partial list* of parts that may have been improperly returned to service by Marchini Instruments Corporation. [editors' note—due to the length of this list, the list was omitted from this publication. It can be found on the FAA website at <http://www.faa.gov/avr/sups/fn01-59.pdf>]

RECOMMENDATION

Regulations require that type-certificated products conform to their type design and be properly maintained using current data, required equipment, and appropriately trained personnel. Aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors should inspect their aircraft and/or parts inventory for any parts approved for return to service by Marchini Instruments Corporation during the time frame specified above. Appropriate action should be taken if any of these parts have been installed on an aircraft. If any existing inventory includes these parts, the FAA recommends that you quarantine the parts to prevent installation on an aircraft until a determination can be made regarding each part's eligibility for installation.

FURTHER INFORMATION

Further information may be obtained from the FAA Flight Standards District Office (FSDO) shown below. The FAA would appreciate any information regarding the discovery of the above-referenced parts from any source and the action taken to re-

(Continued on page 9)

Congratulations to:

Amtec Corporation
Miami, FL

Grahmann International
Contracting
San Antonio, TX

*For their re-accreditation to the
Airline Suppliers Association's
Accreditation Program*

*See <http://www.airlinesuppliers.com>
for the complete list of AC 00-56
accredited companies*

Send Your Email Addresses!!

ASA will soon be changing the delivery method of the **Update Report** - it will become an emailed periodical. This means we will need your current email address if we are going to be able to send it to you. Please send the name and preferred email address of anyone in your company whom you think should get the Update Report to:

info@airlinesuppliers.com.

Please send us your email address even if you think we already have it. Thanks!!

(Continued from page 8)

move them from inventory or service.

This notice originated from the Miami FSDO, 8600 NW 36th Street, Room 201, Miami, FL 33166, telephone (305) 716-3400, ext. 202, fax (305) 716-3456; and was published through the FAA SUP Program Office, AVR-20, telephone (703) 661-0580, fax (703) 661-0113.

Refer to the *partial list* of parts (below) that may have been improperly approved for return to service by Marchini Instruments Corporation. [editors' note—due to the length of this list, the list was omitted from this publication. It can be found on the FAA website at <http://www.faa.gov/avr/sups/fn01-59.pdf>]

REGULATORY UPDATE

Shipping NiCad Batteries as HazMat

Batteries can be found in many installations on aircraft, and distributors who sell them frequently face the question of how to ship them safely and in compliance with the Hazardous Material Regulations, or HMR. One of the most common types of aircraft batteries currently in use is the nickel-cadmium, or NiCad, battery. A revision of the HMR on June 21, 2001 omitted the entry for NiCad batteries and has raised questions about their proper classification and marking.

Many NiCad batteries have been identified by their manufacturers as falling into UN Identification Number 2795—a UN number that no longer exists in the CFR hazmat table.

NiCad batteries are clearly a potential hazard. They contain a fluid consisting of potassium hydroxide, an alkali solution that is highly corrosive to human tissue. Although they are not dangerous under normal circumstances, the batteries pose a serious hazard if they are ruptured or damaged in such a way as to release the fluid. Contact with the skin can cause serious burns, and contact with the eyes can result in permanent eye damage. It is extremely toxic if ingested, and breathing fumes in an enclosed area can cause mouth, throat, and lung irritation. Longer-term exposure of even small amounts can result in liver and kidney disorders, and OSHA has identified it as a possible carcinogen. Persons handling such batteries should avoid contact with inner components and wash hands thoroughly after handling. In the event of a spill, handlers must wear protective clothing that includes impervious gloves made of vinyl or PVC, eye goggles, and a face shield (note: never attempt to clean up a hazmat spill unless you have received the proper training).

The June 2001 revision of the Hazard-

ous Materials Table (HMT) found at 49 C.F.R. section 172.101 appeared to change the shipping requirements for NiCad batteries. Up until that revision, such batteries were classified in the HMT as “batteries, wet, filled with alkali, electric storage”. When shipping them, the following classifications generally applied:

- DOT proper shipping name: Batteries, Wet, Filled with Alkali
- Hazard class: 8
- Identification number: UN2795
- Packing group: III
- Label: Corrosive
- CFR packaging provisions: 49 C.F.R. section 173.159
- ICAO/IATA packaging provisions: Packing Instruction 800 (USG 13 applies)

The revised HMT, however, contains no reference to this type of battery. Technically, once the revision becomes effective, it could be a violation of the hazmat regulations to continue to label NiCad batteries “Batteries, Wet, Filled with Alkali” because shippers are prohibited from using any proper shipping name that is not listed in the HMT unless otherwise specifically authorized. One source of authority is the rule that permits use of ICAO proper shipping names (which are published in the IATA Dangerous Goods Regulations) but this only applies when the hazmat is to be shipped by air (including related ground shipment before and after the air shipment). When shipping the batteries by air, “Batteries, Wet, Filled with Alkali” continues to be an acceptable proper ICAO/IATA shipping name.

It is very likely that this omission was an accident. The most recent changes to the hazmat regulations were meant

(Continued on page 11)

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

UNAPPROVED PARTS NOTIFICATION



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

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

No. 2001-00163
December 6, 2001

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

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

AFFECTED ENGINES

Rolls-Royce Allison 501 D-13 turbine engines.

PURPOSE

The purpose of this notification is to advise aircraft owners and operators, maintenance organizations, manufacturers, and parts distributors regarding the production and sale of non-conforming turbine engine thermocouple probes (part number 6855381).

BACKGROUND

Information received during a Federal Aviation Administration (FAA) suspected unapproved parts investigation indicated that T.V.K. Aviation Supply, Inc. (TVK), located at 8625 NW 54th Street, Miami, FL 33166, sold non-conforming turbine engine thermocouple probes (part number 6855381).

Some of the thermocouple probes were sold in bulk in clear plastic bags without labels, and others were individually packaged in Pacific Sky Supply, Inc., packaging. Pacific Sky Supply, Inc., holds a parts manufacturer approval (PMA) to produce the thermocouple probes (part number 6855381). The suspect thermocouple probes may be identified by any of the following irregularities:

- The sealed packages have an additional 1" x 3" label affixed to them, which displays the part number. Some of these labels are on the back of the packages and others are on the front, partially covering Pacific Sky Supply, Inc., labels. Pacific Sky Supply, Inc., has its name pre-printed on its packages.
- The 1" x 3" labels are carefully peeled back to reveal what appear to be razor cuts in the outer packaging. The 1" x 3" labels are not from Pacific Sky Supply, Inc.; their labels are 3" x 4".
- The non-conforming thermocouple probes may be packaged as loose parts that at first appear to be conforming. However, Pacific Sky Supply, Inc., wraps their thermocouple probes in a moisture barrier paper sealed in plastic. They are then sealed in individual packages.
- The length of the thermocouple probes from the centerline of the hole to the bottom of the part may be short; the chamfers may be over- or under-sized; and tool marks may appear on the radius or other areas of the parts.

RECOMMENDATIONS

Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, maintenance organizations, manufacturers, and parts distributors should inspect their aircraft, aircraft records, and/or parts inventories for the above-referenced thermocouple probes sold by TVK. If installed, these thermocouple probes should be considered suspect and the parts inspected and/or removed as appropriate. If any of the thermocouple probes are found in existing parts inventories, the

(Continued on page 11)

OV Versus Rebuild

(Continued from page 7)

performing and/or documenting a particular action use the terminology loosely. While an individual mechanic who disassembles, cleans, inspects, repairs, reassembles, and tests an item might be tempted to describe that work informally as “rebuilding” the item, in the eyes of the regulations, that activity constitutes an “overhaul.” Careful use of terms will go a long way toward reducing frustration and confusion in the industry.

(Continued from page 10)

FAA recommends that the parts be quarantined to prevent installation until a determination can be made regarding each part’s eligibility for installation.

To determine a part’s eligibility for installation, the FAA further recommends requesting any documentation from the manufacturer showing that the part meets the design approval for the intended application and that the part was produced under a FAA-approved quality system.

FURTHER INFORMATION

You may obtain further information from the FAA Flight Standards District Office listed below. That office would appreciate any information that you could provide concerning the discovery of these parts from any source, and the actions taken to remove the parts from aircraft and/or stock. This notice originated from the Miami FSDO-19, 8600 NW 36th Street, Suite 200, Miami, FL 33166, telephone (305) 716-3400, fax (305) 716-3458; and was published through the FAA Suspected Unapproved Parts Program Office, AVR-20, telephone (703) 661-0581, fax (703) 661-0113.

Hazmat Batteries

(Continued from page 9)

to better harmonize the US regulations with the international recommended regulations (ICAO/IATA). The international regulations changed, though, in June 2001. The changes to the battery references were minor (removal of a packing group) but nonetheless may have been enough to cause U.S. regulators to miss the fact that while the old table reference was being removed, a new table reference was being added to replace it.

So how are NiCad batteries to be shipped if you don’t intend them to be shipped by air (e.g. from your facility to the repair station down the street)? Presently, a shipper may prepare a package for shipment under the old regulations. The old regulations remain effective until October 1, 2002 when the new hazmat regulations become effective (it is permissible but not required that one may use the new regulations during the current phase-in period). One may also package the batteries in accordance with ICAO/IATA standards, but only if the batteries are intended for air transport (including incidental ground transport).

The office responsible for hazardous materials transportation regulations in the United States is the Research and Special Programs Administration (RSPA), which is part of the Department of Transportation. ASA has already contacted RSPA to identify the battery omission. It is likely that RSPA will correct this error before the October 1, 2002 effective date of the regulations.

ASA will follow-up to ensure that the hazmat regulation entry for these sort of batteries is actually reinstated prior to the October 1, 2002 effective date of the revised HMT.

9/11 Tax Breaks

(Continued from page 6)

Deadline Extensions for 9/11 Victims

The IRS implemented a number of measures aimed at providing relief to businesses and individual taxpayers affected by 9/11. Many filing deadlines have been extended for businesses and individuals directly affected by the terror attacks. “Affected taxpayers” who have an extended filing deadline falling between December 1, 2001, and January 31, 2002 will have until February 15, 2002 to file any tax returns due. The extension applies to businesses that are having difficulty meeting their federal tax obligations because of the loss of records, computers, essential supporting services, or key personnel in the terror attack.

The IRS definition of an “affected taxpayer” is different from the scope of the SBA loans so some members may qualify while others may not.

“Affected taxpayers” whose deadline for filing a Tax Court petition fell in December 2001 have an additional 60 days to file their petitions. Partnerships that qualify as “affected taxpayers” will not face penalties for failing to file required returns electronically. Additional deadline extensions are available as well. Businesses should ask their tax professional about IRS Notices 2001-61 and 2001-68, or call the IRS at 1-800-829-1040.

Ask An Expert

Tax laws require careful reading – despite its best efforts to clarify the tax laws, the IRS has never lost its gift for confusing people – so the best advice for anyone is to consult a tax professional when facing a question. The benefits can be substantial; and the alternatives are often painful.

Issues of the Update Report Are Now Online!

Are you reading a borrowed copy of the Update Report? Subscriptions to the Update Report are now FREE to persons in the aviation industry or the government. To receive your free subscription, send your name, title, company, address, phone number, fax number and email address to ASA. Our email address is info@airlinesuppliers.com and our fax number is (202) 730-0274.

Back issues of the Update Report are now on-line! Missing a prior issue? Issues of the Update Report are being added to the ASA web site about one month after they are published. Complete sets of volumes six through nine are now on-line!

UPCOMING EVENTS

** = Look for ASA personnel on the speaking program*

- Feb. 14-16** **Heli-Expo**, Orlando, FL. Register on-line at <http://www.heliexpo.com>.
Mar. 12-13 **FAA Forecast Conference "Planning for the Future in an Uncertain Environment,"** Washington, DC. Call Helen Kish at (202) 267-9943.
Mar. 16-18 * **PMA's & Spare Parts for Aircraft & Aircraft Engines**, Miami, FL. Call (207) 892-5445
Mar. 18-20 **Commercial Aviation Industry Suppliers Conference**, Los Angeles, CA. Call (310) 203-9603.
Apr. 9-11 **MRO Conference & Exhibition**, Phoenix, AZ. Call (800) 240-7645.
Apr. 19-20 **Aeronautical Repair Station Association**, Ritz-Carlton Hotel, Alexandria, VA. Call (703) 739-9485.
Apr. 25-27 * **Aircraft Electronics Association**, Palm Springs, CA. Call (816) 373-6565.
June 23-25 * **ASA 2002 Annual Conference**, Four Seasons Hotel, Las Vegas, NV. Call (202) 730-0271 for details.

*ASA is currently working on the 2002 workshop and training schedule. More information will be available soon.
Keep checking our website for the latest updates.*

Start making plans: the ASA 2002 Annual Conference will be at the Las Vegas Four Seasons again. The hotel sells out every time we hold the meeting there so be sure to register early! This year, you will have to complete a conference registration package to register for the hotel. Conference registration packages should be mailed out in February. Watch your mailbox!

Airline Suppliers Association
1707 H Street, NW, Suite 701
Washington, DC 20006
Telephone: (202) 730-0270
Facsimile: (202) 730-0274

January 2002