

The UPDATE Report



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ASA-100 ACCREDITATION:

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- Eftec Ltd.**
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San Antonio, TX
- Close Air Support, Ltd.**
Grand Rapids, MI
- Eagle Industries International, Inc.**
Brewster, NY

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Accreditation Alert! DRAFT AC 00-56B is Out for Comment!

The FAA has released for public comment AC 00-56B, which is the draft revision to the Voluntary Industry Distributor Accreditation Program (the current version is AC 00-56A).

This draft FAA advisory circular (AC) describes a system for accrediting aircraft parts distributors based on compliance to a standard and certification of that compliance by FAA-acceptable accreditation organizations. ASA has been a part of this program since the beginning, and is an important FAA partner in the mission to improve aviation safety through effective management systems.

The FAA has strongly endorsed participation in the AC 00-56 program. The FAA is revising this AC to reflect the changes in regulatory requirements and industry practices since the last revision.

ASA met with its Quality Assurance Committee (QC) on December 5 to review and examine this proposed change. The QC was generally supportive of the draft AC, and spent its time examining ways to further improve the document. ASA is in the process of developing comments based on that QC meeting. Those comments will address subjects like these:

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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

Dear Colleagues,

Nothing like closing the year with filing comments for FAA AC 00-56. Jason is busy working on the comments which are due January 4, 2015. If you want him to include your comments please forward them next week.

The Quality Committee met early December and they have approved for release a Best Practices for ESD. The document will be released January 1, 2015. A special recognition to Roy Resto, Nin George and Chris Anderson for leading this project, which included developing a useful guidance that members can use and refer to and bringing the document to final release. The Best Practice will be available on ASA's website for industry use.

ASA had a strong year with 543 members, 290 ASA-100 accredited companies and with strong growth in with our ISO 9001, AS9100 and AS9120 accredited registrar.

On behalf of the team at ASA – Jason, Dawn, Arthur, Diane, George, Chris, Paul, Sam, Greg, Michelle, Kelly and myself, we thank you for allowing us to serve you and we wish you, your company, your family a happy, healthy and prosperous new year. Please always know that you have a team working with you.

Michele Dickstein

OFFICERS:

Mitch Weinberg
(954) 441-2234
Corporate Treasurer

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- A transition mechanism for ensuring that industry has time to come into compliance with the new standards
- Firming up an accurate description of the relationship between the accreditation organization and the quality system standard holder
- Firming up an accurate description of the relationship between the accreditation organization and the FAA
- Clarifying the definition of distributor
- Clarifying the definition of Distributor Accreditation
- Clarifying the definition of Quality System
- Clarifying the definition of Traceability so it is consistent with current industry connotations
- Using terminology that is consistent with other FAA guidance
- Ensuring that FAA audit expectations are adequately described
- Ensuring that FAA requirements for auditors adequately reflect current industry best practices
- Clarifying the FAA's changes in the quality system elements
- Ensuring that citations to statutes and standards are correct
- Updating the documentation matrix to reflect current standards and also to reflect the current global nature of the AC 00-56 program

The documentation matrix was subject to significant discussion, and the QC worked on a proposal to further strengthen the matrix in order to support both current and future industry 'best practices'.

The draft is open for public comment through January 4, 2015. Comments should be delivered to

Robert McDonald
1625 K Street NW, Suite 300
Washington, DC 20006

Comments can also be emailed to Robert.CTR.McDonald@faa.gov or faxed to (202) 223-4615, Attn: Robert McDonald.

Please also send a copy of your comments to ASA, so that we can be sure that your views are reflected in the Association's comments. 

Protect an Endangered Species: the FAA Designee; FAA Designee Management Policy is Open For Comment

Do you rely on a Designated Airworthiness Representative (DAR) or other designee to support your business? If you do, then you know how critical designees can be to a business. Often, though, designees are

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(RA Companies Continued from page 1)

Global Technik Corp dba Flugel /Hazliner
Miami, FL

Great Lakes Global
Jenison, MI

Idea Builders Engineering
Miami, FL

PAL Support & Services Corp.
Doral, FL

Phoenix Aviation
Tempe, AZ

RIM Enterprises
Cedar Rapids, IA

Southern Cross Aviation
Ft. Lauderdale, FL

Turbine Engine Resources Ltd
Farmers Branch, TX

Universal Turbine Parts, Inc.
Prattville, AL

Zodiac Services Americas, Inc.
College Park, GA

FOR THEIR REACCREDITATION
TO THE ASA-100 STANDARD



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required by the FAA to do things that the FAA employees themselves are not permitted to do, like require paperwork that is not required by law or regulation (this can be a violation of the Paperwork Reduction Act), or impose standards of conduct that are not required by law or regulation (this can be a violation of the Administrative Procedures Act).

The FAA has issued for public comment a draft change to the guidance document affecting designees. Although only parts of the guidance are changed, it is a potential opportunity to comment on the entire document.

The original guidance is called "Order 8000.95, Designee Management Policy." It was first issued in April of 2014.

This guidance document provides a wide variety of guidance on how to manage FAA designees and will be phased in incrementally. FAA Notice 8000.372 directs all AIR manufacturing personnel who oversee designees to stop using Order 8100.8 and begin using Order 8000.95 on a schedule. The schedule reflects the implementation of the Designee Management System (DMS) in those offices.

Under that schedule, all MIDOs with designee management responsibilities should have transitioned to Order 8000.95 during the summer (of 2014). So Order 8000.95 will have supplanted 8100.8 for MIDOS (but not necessarily for ACOs and FSDOs). This means that DMIRs and DAR-Fs have transitioned. But DERs should still be under 8100.8 until they are formally transitioned (at which time they will fall under the instructions of 8000.95).

As a practical matter, designees (who are the people most directly affected by this guidance) will not be able to write comments that are critical to this guidance. This is because designees can be terminated for cause or without cause, at the discretion of the FAA. Designees are well aware of this and they regularly self-censor their comments because of the chilling effect that the FAA's discretionary termination power has had. In some cases, designees have contacted me because they know that I will protect their anonymity.

The real-world issue is that designees rely on their designation from the FAA to ply their trade. If they are terminated (for-cause or not-for-cause) then they cannot simply be a designee for someone else. They need to choose an entirely different career path. So the process for reviewing designee termination is very important. And both the current policy and the draft policy are woefully inadequate, because they offer no standards for review.

The FAA's failure to have effective standards actually undermines the FAA's own interests. One example arises in the context of designee termination. The lack of effective standards means that individual FAA employees can cause the termination of a designee for any reason, including a reason that would have been considered to be illegal if it was used to terminate an employee, as long as the party who initiates the termination offers a pretextual reason. There is no formal inquiry into such pretext – it is taken at face value – and the VERY short time period for presenting a defense means that it is difficult to be effective in assembling a defense: the full appeal, including all supporting evidence, must be submitted within 15 days. And although the designee is given the charges he or she has no opportunity to review the FAA's underlying evidence.

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In comparison, the appeals panel has 45 days to consider the appeal and then another 15 days to notify the designee of their decision for a total of 60 days. We have seen evidence that FAA inspectors will use this period to gather more evidence to refute the defense and bolster the 'prosecution,' so clearly the FAA is not bound to any sort of deadline for presenting its own case.

There is plenty that could be improved in the designee management process.

This is a great opportunity to help the FAA to better manage the designee community using effective processes that ensure fairness for everyone. ASA members should strongly consider reviewing and commenting on this draft guidance.

Comments are due to the FAA by January 7. Please send comments to ASA, as well, so we can be sure that our comments reflect your concerns.


Deliver comments to:

Susan Hill

1625 K Street NW, Suite 300

Washington DC, 20006

Email comments to: Susan.ctr.hill@faa.gov

Fax comments to: (202) 223-4615, Attn: Susan Hill 

Treasury Offers New Ways to Search for Export Compliance Risks

In an effort to make it easier to monitor sanctions programs, the Treasury Department has consolidated several sanctions lists. This consolidation should make it easier to search to ensure compliance, whether you are searching online or using a computer program to automatically research your customers.

The Treasury Department office with jurisdiction over export programs is the Office of Foreign Assets Control (OFAC).

OFAC has a list of Specially Designated Nationals (SDNs) as well as other (non-SDN) sanctions lists.

OFAC is now offering all of its non-SDN sanctions lists in a consolidated set of data files called the Consolidated Sanctions List. This consolidated list will include the following:

- Non-SDN Palestinian Legislative Council List
- Part 561 List
- Non-SDN Iran Sanctions Act List
- Foreign Sanctions Evaders List
- Sectoral Sanctions Identifications List

OFAC announced that it plans to discontinue some of these lists as separate lists, so they will only be available as part of the consolidated list.


Persons seeking to check whether there are OFAC sanctions that might apply to their transaction should be sure to check their export business partners (by personal name and company name) against the Specially Designated Nationals List and the Consolidated Sanctions List.

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One can also use the Sanctions List Search which consolidates both lists into a single searchable database. This tool is useful because it can automatically search for names that are close (but not exact matches) and can be set to find matches with different levels of confidence (which will then be reviewed by a human to assess whether they actually match).

Exporters should also check the details of their transaction (including destination country) against the Sanctions Programs and Country Information page, which list sanctions programs based on country and on certain other criteria. 

Congress Working to Renew Business Tax Provisions

What do the following tax provisions all have in common?

- Research and Development Tax Credit
- Bonus Depreciation
- Increased Expensing Limits

They are all business-friendly tax provisions that expired at the end of last year, and thus could be unavailable for businesses when they file their 2014 taxes.

These provisions have all been “temporary” tax provisions that are regularly renewed. The fact that they are regularly renewed means that businesses have come to rely on their regular renewal, and expect these provisions to be available. This could be a real problem for American businesses if the provisions were not renewed; it would lead to unexpectedly high taxes for businesses. In order to remedy the fact that these provisions are not yet renewed, Congress is still looking to reauthorize these provisions.

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ASA-100 ACCREDITED



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QUESTIONS? E-mail: info@aviationsuppliers.org

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On December 3, the House of Representatives passed legislation that would extend these tax provisions by a year. The measure passed by a vote of 378 – 46. The bill is HR 5771.

The Senate is planning on taking this matter up as well, but wants to pass a two-year extender bill. Such a bill would avoid (for one year at least) the annual uncertainty as to whether these business-friendly tax provisions will be extended and give businesses more confidence.

All of this needs to happen rapidly, because Congress will soon adjourn for the holidays. 

Iran Civil Aircraft Parts Transactions – Not Dead Yet!

Over the past year, ASA has made it a point to update members on the status of the program permitting the export of civil aircraft parts to Iran. On November 25, 2014 that program was extended through June 30, 2015.


The program is based on a Joint Plan of Action (JPOA) reached by China, France, Germany, Russia, the U.K. and the U.S. (the P5+1) and Iran. The JPOA is intended to help permit some trading relationships while an agreement is being negotiated, and was an inducement to encourage Iran to join the negotiations. The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has published some additional guidance on this program which is specifically related to this extension:

Temporary Sanctions Relief in Order to Implement the November 24, 2013 JPOA Between the P5+1 and Iran, as Extended Through June 30, 2015;

Frequently Asked Questions Relating to the Extension of Temporary Sanctions Relief through June 30, 2015, to Implement the JPOA Between the P5+1 and Iran;

Second Amended Statement of Licensing Policy on Activities Related to the Safety Of Iran's Civil Aviation Industry

Aircraft parts suppliers who wish to sell civil aircraft parts to Iranian purchasers are able to apply for and exercise the privileges of an export license through June 30, 2015. This licensing authority is limited to civil aircraft parts, and excludes anything intended for military aircraft. The licensing authority also extends to safety related inspections and repairs.

Reports suggest that there is some optimism about the US and Iran finally reaching an accord by the Spring – so now is the time to start developing relationships with Iranian customers! 



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

Using an 8130-3 Tag with “Domestic Shipment Only” as Part of the Traceability


An ASA member recently asked whether an 8130-3 with the statement “domestic shipment only” may be included with a shipment for export as a traceability document (only). The statement of the problem made it clear that the “domestic shipment only” document was only a part of the historical documentation for the part, and was not a part of the export documentation issued by the United States to meet the import requirements of certain foreign nations (particularly as agreed under certain bilateral aviation safety agreement); any documentation required by the importing nation (like an export 8130-3 tag) was completed separately.

First of all, in my opinion no one should be putting the statement “domestic shipment only” on an 8130-3 tag. The statement adds nothing, is not required, and causes confusion. The statement crept into an earlier version of the FAA Order 8130.21 instructions and when it was removed from the 8130.21 instructions, FAA employees admitted that the “domestic shipment only” instruction had been an error. It was intended to show that the 8130-3 tag was only certifying domestic airworthiness and nothing else, but it was never intended to mean that the part could not be exported – it was only a limit on the scope of the 8130-3 tag to show that the 8130-3 was not certifying compliance to any foreign special import requirement.

But more to the point, the “domestic shipment only” 8130-3 that we are talking about is included in the shipment for commercial purposes only and is not a required element of the export documentation. There are a number of reasons for this conclusion but the most important reason is that the export 8130-3 tag, which is a separate document, is usually the only airworthiness document required by the import regulations of our trading partners (and no other airworthiness document is required or recommended for export under FAA regulations).

If you have an 8130-3 tag that has this “domestic shipment only” statement on it, and you obtain separate export documentation acceptable to the importing nation for export purposes, then this statement on an 8130-3 tag should not inhibit export of that part.

Please do not confuse this statement in the remarks block of an 8130-3 tag with a warning about export limitations on the article itself. Remarks in block 12 are not export limitations on the part because the FAA does not have the authority to impose export limitations through a legend on the 8130-3 tag. There are export rules that may limit export of certain parts (including limits that impose licensing requirements prior to export of certain parts to certain destinations), and those rules should be heeded; but those export limitations will be based on US export laws which are not administered by the FAA, and which often will not be known to a designee that completes the 8130-3 tag.

So the answer is “Yes.” If you have a traceability document that states “domestic shipment only” in the remarks block of the 8130-3 tag, and that document it is not part of the current export documentation, then it does not inhibit the part from being exported. All it tells you is that the prior designee did not check any particular special export condition from a destination country. It does not limit a future designee from checking for special conditions and issuing a subsequent 8130-3 tag for export purposes. 

How Do You Calculate the Export VALUE of an Overhauled Aircraft Part?

If you are exporting an overhauled civil aircraft part, then how do you calculate the value of the export? The value of an export must be reported as part of the electronic export information (EEI) that is required by the regulations. 15 C.F.R. § 30.6(a)(17). When you sell a unit, the value is easy to calculate – your sales price is the export value (although that “value” may have to be adjusted, as discussed below). But when you are exporting an overhauled unit, your value may be different from this general rule.

It is most convenient for us to address this issue as three different types of transactions, each of which has a different value calculation:

- (1) A part that has been imported into the United States for overhaul and is now being exported again (e.g. back to the owner).
- (2) A part that has been imported into the United States for warranty repair or overhaul and is now being exported again (e.g. back to the owner) [in which the warranty covers some or all of the price of the work].
- (3) A part that originated in the US as an overhauled part and then is subsequently exported as an overhauled part.

In the first case, where a part that has been sent to the US for overhaul is now being exported again to the sender, you need to have reported the article as a part imported for repair purposes at the time it was imported. Then, when you export it back to the sender you can use Schedule B classification commodity number 9801.10.000 and you can report the export value in the EEI as the value of parts and labor from the overhaul (the value of the original unit shall not be included in the reported value). 15 C.F.R. § 30.29(a).

But if the part was sent back for warranty repair, and there is no charge for the parts and labor, then the value of the replacement parts (alone) should be reported. 15 C.F.R. § 30.29(b)(2). There is no need to report the value of the warranty labor. The bill of lading, manifest, air waybill, or other commercial-loading document (wherever you write the International Transaction Number, or ITN) should state: “Product replaced under warranty, value for EEI purposes.” Id.

In the third case shown above, where a part that originated in the US as an overhauled part is then subsequently exported as an overhauled part, you would report the full value of the part. If you bought the article overhauled in the US then the value is the sales price to your foreign customer. 15 C.F.R. § 30.6(a)(17)(i). If you are exporting it without a sale (e.g., for consignment to your foreign warehouse) then the value reported on the EEI is the fair market value of the overhauled article. Id.

You are supposed to adjust the EEI-reported value by adding the cost of shipping the part from the US point of origin to the port of export (costs will include freight and insurance). 15 C.F.R. § 30.6(a)(17)(ii)(A). If the part is sold at a “delivered price” (so the exporter is paying all shipping costs), then the exporter should subtract the shipping costs from the point of export to the customer (so value is adjusted downward for those post-export shipping charges). 15 C.F.R. § 30.6(a)(17)(ii)(C).



Can Factory New Parts Be Hazmat?

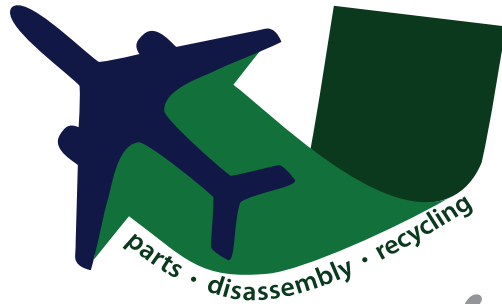
Recently, an ASA member asked whether factory new parts could be hazardous materials. This is an important question because if the parts are treated as hazardous materials, then they must be shipped in compliance with the hazardous materials regulations.

The answer to the question depends on whether the units have hazardous materials (or dangerous goods) in them when they are shipped.

Some factory new parts are intrinsically hazardous materials. A factory new self-inflating life raft is likely to be considered a hazardous material because it has a compressed gas cylinder in it, and this makes it a “life saving appliance, self inflating” which is regulated under UN number 2990.

Other articles, though, may be conditional hazmats. That is, the article may or may not be a hazardous material depending on whether the unit has yet had hazardous material introduced into it. Fuel system components can be a good example. After they have had fuel run through them, the fuel residue generally makes the fuel system component a hazardous material (known as “dangerous goods in apparatus”). But before fuel has ever run through the fuel system component, it may not be a hazardous material.

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Reading that last sentence, you may be expressing frustration over a lawyer’s unwillingness to commit. “[I]t may not be a hazardous material”? How about taking a stand?

But with some engine components, even a factory new and unused part might be a hazardous material. Even without fuel residue, new parts and overhauled parts may contain a preservative or calibration fluid that is a hazardous material. The preservative may be treated as a “petroleum distillate” that is regulated under UN 1268. Even if the amount that remains is only a tiny residue, this residue in an engine part will cause the engine part to be treated as a “dangerous goods in apparatus.”

One important rule of thumb is that if you can smell a substance in the aircraft part, then there is at least an appreciable residue that remains (that’s what you are smelling). And if that residue is a hazardous material then the larger article is likely to be regulated as a hazardous material if it is shipped with the hazardous residue.

The best source of information about what is in your parts is going to be the manufacturer, who can tell you what chemicals or other hazards might be found in their part.

Once you’ve identified the chemical(s), the best source of information about the chemical is the manufacturer of the chemical (and their MSDS). This is usually different from the “OEM” of the part. I once encountered a calibration fluid that the engine OEM said was not a hazmat, but the label on the chemical’s packaging specified that the chemical was, in fact, a hazmat. We double-checked with the chemical manufacturer and confirmed that the fluid was a hazmat. So research carefully, and be sure to check what you learn! 

Government Secrecy Takes a Hit

Are you frustrated by government secrecy? The U.S. Office of the Federal Register is! And that office is taking steps to try to make government rules more transparent.

What is Incorporation-by-Reference?

Incorporation-by-Reference (or IBR) is the term for regulations that make reference to some other document that is not published in the rule. Historically, incorporation-by-reference came about because it cost money to print the Federal Register, and a lot of pages (and money) would be wasted on reproducing a standard that could easily be obtained outside of the Federal Register. But today, most people access the regulations and the Federal Register online, so there is not as much of a burden associated with publishing such documents.

Incorporation-by-reference can be an issue for the public because when an incorporated document is merely technically available – but it is not really available – then this can make it difficult or impossible for an affected person to comply with the regulation (and can make it impossible for the affected person to even know that (s)he is subject to the regulation).

In short, unavailable-but-incorporated documents can reflect secret regulations that are impossible to comply with.

With this in mind, the Administrative Conference of the US began to study what could be done to update the rules to reflect modern technology. This ultimately led to the Office of the Federal Register looking into potential changes to the rules on incorporation-by-reference.

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Some Problems with Incorporation-by-Reference

The aviation industry faces many challenges related to incorporation-by-reference. Two issues that are often important to ASA's members include standard holders who price-gouge and availability of referenced documents (like service bulletins) that can make the difference in whether a rule even applies. (Without access to these, a distributor's inventory could be affected by an airworthiness directive and the distributor might never know).

One example of incorporation-by-reference comes through the hazardous materials regulations, which incorporate-by-reference the ICAO Technical Instructions. Most people know these Technical Instructions as the IATA Dangerous Goods Regulations or DGR (IATA has the license to republish the IATA Technical Instructions). Over the course of the last ten years, IATA's price for the Dangerous Goods Regulations that are typically used in the aviation industry has increased from \$120 to \$309. Has the cost of paper increased that much? No, but IATA enjoys a practical monopoly over this text, so there are no market forces to restrain the price increases.

Another popular example is the incorporation by reference of a service bulletin. ASA members with repair stations obviously want access to this information to make sure that their work remains compliant but pure distributors often need access to these documents in order to determine whether a proposed AD may affect (and/or devalue) articles in their inventory. Yet, it is typical for the FAA's incorporation-by-reference statement to insist that the incorporated service bulletin be obtained either from the FAA office or from the OEM who published the document. In order to test this system, I emailed an FAA office and an OEM who were described as the sources of a service bulletin (the Federal Register listed the emails and listed this as an acceptable way to make contact). The FAA response was to go to the OEM. The OEM response was to ask me why I wanted the service bulletin. When I responded that the service bulletin was incorporated by reference in a proposed AD, and I wanted a copy of the service bulletin to determine whether the trade association needed to file comments on behalf of the membership, I received no further communication from the OEM.

These two anecdotes show just a narrow sliver of the issues that the Office of the Federal Register was tackling when it sought to improve the standards for incorporation by reference.

ASA Action

ASA filed comments on the Advance Notice for this proposal and offered a number of suggestions in 2012. ASA also participated in face-to-face meetings with the government to discuss ways to improve the current system.

The result was a new rule that clarifies obligations related to regulations that incorporate standards by reference.

What Changes Should You Expect?

It is important that incorporated material be available in proposed rules so that the public can comment on the proposed rule with full knowledge of the proposed rule's impact. Under the new standards (1 C.F.R. § 51.5(a)), the preamble to a proposed rule must:

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1. Discuss the agency’s efforts to make the IBR materials reasonably available to interested parties, and
2. Summarize the material it proposes to incorporate by reference in the preamble.


When the agency is ready to publish a final rule with an IBR, the agency must do the following (1 C.F.R. § 51.5(b)):

1. Ask for permission from the Office of the Federal Register to accomplish an IBR;
2. Explain in the preamble to the final rule how interested parties can get a copy of the IBRed materials (it must be “reasonably available”); and
3. Ensure a copy of the IBRed publication is on file at the Office of the Federal Register.

An important feature of the regulations is the requirement to discuss availability to “interested parties.” This is an expansion of the traditional language, which merely required availability to “the class of persons affected by the publication.” Interested persons should include persons who are indirectly affected (like those with affected inventory in the case of an airworthiness directive) in addition to class of persons directly affected by the publication.

The existing regulations continue to specify that IBR is limited to the edition that is incorporated. So if a subsequent revision comes out, only the version that was approved by the Office of the Federal Register is the version that is IBRed (and not subsequent versions). 1 C.F.R. § 51.1(f).

One unfortunate omission was that the new rule does not define “reasonably available.” The Office of Federal Register was worried that a definition might be inappropriate, so they were hesitant to offer a definition, and instead they have left it to a case-by-case analysis as defined by each agency.

While we did not get every change we requested, this nonetheless represents a good start on the process of providing better transparency in the situations of incorporation-by-reference. 

CALENDAR OF EVENTS

Industry Events

April 14-16, 2015 **MRO Americas** • *Miami Beach, FL*

ASA 2015 Annual Conference

June 7-9, 2015 **Hyatt Regency at Gainey Ranch Resort** • *Scottsdale, AZ*

REGULATORY UPDATE

CONTACT US!

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

Michele Dickstein

President

michele@aviationsuppliers.org

Dawn Carberry

Coordinator, Member Services

dawn@aviationsuppliers.org

Arthur Schweitzer

Programs & Membership Assistant

arthur@aviationsuppliers.org

Jason Dickstein

General Counsel

jason@washingtonaviation.com

Diane Leeds

Account Services

diane@aviationsuppliers.org

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