

# The UPDATE Report



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**INSIDE THIS  
ISSUE:**



## Can a Production Approval Holder (PAH) Issue a New 8130-3 Tag for a Part?

One of ASA's members called us about an interesting issue. The member asked whether a production approval holder could accept a new part back into its quality system, check it to confirm that it still conforms to the FAA-approved design, and then obtain a new 8130-3 tag for the part. The short answer is "Yes," a manufacturer can obtain a fresh 8130-3 tag, as long as it meets the requirements specified in FAA guidance.

In the 1990s there was much discussion among the Aviation Rulemaking Advisory Committee (ARAC) about the issue of parts being returned to production approval holders. The prevailing wisdom in those days was that once a part left a production approval holder's quality system, it could not re-enter the quality system. Production approval holders wanted the ability to be able bring certain (new, unused) parts back into their quality system for certain limited purposes. This gave rise to a string of guidance changes that permitted new, unused parts to be returned back into a production quality system under limited circumstances.

The operative guidance currently resides in FAA Order 8130.21 paragraph 2-9. This guidance explains that a production approval holder may take the following steps in order to receive a part and make it eligible for a new 8130-3 tag.

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## MESSAGE FROM ASA'S PRESIDENT

### THE UPDATE REPORT

is the newsletter of the Aviation Suppliers Association.

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Dear Colleagues,

There is a lot of news to share with you in this months' Update Report.

I am pleased to welcome Sam O'Connor as a member of the ASA Team. Sam is not a new face to many of the ASA companies, as for the past few years he has consulted and interfaced with ASA's ISO, AS9100, AS9120 and ASA-100 companies. Sam has also been a regular speaker at the ASA Annual Conference and Quality Committee. Sam joins ASA as Vice President, Technical Services and will be executing and strengthening the ASA Audit Programs, training and committee work. Sam's extensive experience in aerospace business management along with his technical knowledge makes him the perfect fit for supporting ASA and its member's needs.

Sam has been working with ASA on rewriting and auditing the ASA-100 standard which is good as he is ready to immediately support the ASA-100 program with the newly released ASA-100 rev 4.0, dated August 1, 2015. The ASA Auditors and support staff are ready to audit to Rev 4.0 and FAA AC 00-56B. The implementation date is August 24, 2015 which is a rather quick implementation but this is due to the release of FAA AC 00-56B with an implementation date of August 27, 2015. The changes to ASA-100 were discussed with the Quality Committee. We will make announcements as new support documents are released and will make them available on our website. So, stay tuned!

A lot of information is discussed at the Quality Committee This includes ASA-100 changes, Corrective Action Form, Best Practices for ESD, industry issues, etc. The meeting is open to all members and there is no fee to attend. The next meeting will be held on December 3, 2015 in Grapevine, TX.

There are a few other important dates for you to note. ASA will be holding a Board of Director Election starting on August 14, 2015. Nominations are currently being accepted; please see information on page 6. The election is for 5 positions.

The workshop dates & locations for 2015 have also been announced. Dates can be found on Page 9 and specific location information can be found on our website.

If you have any questions please do not hesitate to contact me.

Take care, Michele

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## REGULATORY UPDATE

(Continued from page 1)

- The received article must have been produced by the production approval holder, under the production approval;
- The received article must be returned to the production approval holder in new, unused condition;
- The production approval holder must have a procedure for accepting articles back into its quality system (after having been released from the system);
- The production approval holder must perform tests and inspections (in accordance with procedures contained in the its quality system) to determine the returned article still meets the original FAA-approved design under which it was produced and that the article is still in a condition for safe operation.

If these conditions are all met, then the article is eligible for a new (domestic airworthiness) 8130-3 tag. This is a brand new 8130-3 tag, and it would replace any previous tag.

Note that although the title of the FAA guidance uses the word “reissuance,” the guidance does not require that a prior 8130-3 tag have been issued. Thus, a past part that was released to the industry without an 8130-3 tag could be eligible for a new 8130-3 tag if it met the conditions, above.

It is important to recognize that the production approval holder’s tests and inspections are the same sort of tests and inspections described in 14 C.F.R. § 21.137(e) (requiring inspection and test procedures to ensure that each article conforms to its approved design). They are not the sort of tests and inspections authorized in Part 43, and this language in the order does not authorize a production approval holder to perform Part 43-regulated work except to the extent that it is already authorized under 14 C.F.R. § 43.3(j) (rebuilt and alterations).

If a prior 8130-3 tag was returned with the article, then the originator should retain that form on file with (or have reference to) the new 8130-3 tag. The originator is the FAA-designee or organization designation authorization (ODA) holder who signed the prior 8130-3 tag. This is a slight change from prior revisions levels of the guidance, which recommended that the production approval holder retain the prior 8130-3 tag.

This is not new guidance. It was originally published in Revision “D” of order 8130.21, in 2004. Before that time, it was normal for the manufacturing community to believe that once a part had left the production approval holder’s quality system, it could not return to the quality system for a new tag unless the original tag had been lost. The guidance did permit an article to be returned to the production approval holder for replacement of a lost tag (which resulted in an abnormally high number of “lost” tags).

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When would a manufacturer want to receive parts and reissue a new 8130-3 tag? The 2004 publication provided examples (which were subsequently stripped in order to clarify that the examples were not the only permissible circumstances). The examples proposed were in overstock situations (a distributor or airline wanted to return unneeded articles) or return of a wrong part number (either the customer ordered the wrong article or the manufacturer sent the wrong article). In either case, the manufacturer may wish to create a 'fresh' tag for the next customer to take the part, and that 'fresh' tag can be authorized under section 2-9 of Order 8130.21H.

What if you need an export 8130-3 tag? That is no problem. The export 8130-3 tag can be issued as a follow-on to the domestic tag, using normal procedures for issuing an export 8130-3 tag. 

## Opportunities in Iran Extended Indefinitely

One of the biggest news stories of the past week was the announcement of the agreement between the P5+1 countries and Iran intended to prevent Iran from developing a nuclear weapon. Naturally there has been vocal discussion from both sides of the aisle about the pros and cons of the deal; but one of the more immediate issues relevant to the distribution community is what the agreement means for distributors' ability to continue selling civil aircraft parts to Iran.

As readers of the ASA Web Log know, since November 24, 2013, the United States has operated under a Joint Plan of Action (JPOA) with Iran that has permitted the export of commercial aircraft parts to Iran (when licensed by the US Treasury Department's Office of Foreign Asset Control). In the weeks leading up to the finalization of the agreement that permission was incrementally extended to allow sales to continue during the ongoing negotiations.

On July 14 the parties to the Iran talks announced that a Joint Comprehensive Plan of Action (JCPOA) had been reached. Included among the provisions is a section that will permit the sale of commercial aircraft, parts, and services to Iran. Annex II Section 5.1.1 requires that the United States shall:

Allow for the sale of commercial passenger aircraft and related parts and services to Iran by licensing

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## REGULATORY UPDATE

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the (i) export, re-export, sale, lease or transfer to Iran of commercial passenger aircraft for exclusively civil aviation end-use, (ii) export, re-export, sale, lease or transfer to Iran of spare parts and components for commercial passenger aircraft, and (iii) provision of associated serviced, including warranty, maintenance, and repair services and safety-related inspections, for all the foregoing, provided that licensed items and services are used exclusively for commercial passenger aviation.

This provision, however, does not take effect until what is termed "Implementation Day" by the agreement. Implementation Day occurs when the IAEA reports that Iran has implemented the nuclear-related measures required of it under the agreement, and the US and EU simultaneously take certain actions prescribed by the agreement. Based on the language of the JCPOA Implementation Day is not a hard and fast date, therefore it cannot be stated with specificity when the provision allowing the sale of commercial aircraft, parts, and services, officially takes effect.

In order to bridge the gap between the announcement of the JCPOA and the effectiveness of the provisions on Implementation Day, the Treasury Department has once again extended the JPOA, this time indefinitely. The Treasury Department also again extended previously issued licenses. The most recent Announcement from the Treasury Department states that:

Effective July 14, 2015, all specific licenses that:

- (1) were issued pursuant to OFAC's Second Amended Statement of Licensing Policy on Activities Related to the Safety of Iran's Civil Aviation Industry, and
- (2) have an expiration date on or before July 14, 2015, are hereby authorized to remain in effect according to their terms until Implementation Day.

This is further good news for those have licenses issued under the Second Amended Statement of Licensing Policy. As we have previously stated, please look carefully at your license language to ascertain whether it is extended with the JPOA extension.

This is generally good news for aircraft parts distributors. Between the Treasury Department Announcement extending the JPOA under which companies have been permitted to sell to Iran (with the appropriate license) for the last year and a half, and the trade provision of Annex II Section 5 specifically providing for the sale of commercial aircraft, parts, and services, the Iran commercial aircraft market continues to be open for business.

As always, be sure before engaging in any export that the parties are allowed and that you have satisfied all the necessary license requirements mandated by the Treasury Department and other regulators. When in doubt, consult an export compliance professional. 

### ASA Board of Directors Nominations

- a. Accepting nominations July 31st through August 14th.
- b. Nominees must be from an ASA Regular Member company.
- c. 2 year position with quarterly meetings
- d. Nominations made at:  
<https://www.surveymonkey.com/r/6ZQP8DM>

VOTE

YES

NO

## Expediting Export: “600 Series” Articles and License Exception STA

In the last issue of The Update Report, we wrote about ways to take advantage of export license exceptions to more expeditiously serve you customers when exporting “600 Series” articles. In this article, we’ll take a look at one very specific exception that can help you efficiently work around the license application process when you have a customer with consistent or regular need for certain parts.

License exception Strategic Trade Authorization (STA) authorizes exports to foreign nationals in lieu of an export license that would otherwise be required under the Bureau of Industry and Security (BIS) Export Administration Regulations (EAR). We have occasionally heard from members that after certain license applications they have received communication from BIS stating that the export for which they sought a license was eligible for license exception STA and asking why the exporter had not elected to use STA. We have not heard of anyone being told they *should* be using STA, and the licenses were typically issued; these inquiries are generally informational by BIS.

STA is a useful license exception for those exporters doing regular, predictable business with a specific customer; for example a customer that requires a dozen units on a monthly basis, for which an export license is required. When each export shipment requires a license both the exporter and BIS must spend time and resources processing that application. STA allows the exporter to legally bypass that lag time.

The transition of many formerly ITAR-controlled articles to the new “600 Series” ECCNs has resulted in a corresponding shift in license application processing burden away from the DDTC (good news for exporters of ITAR-controlled articles, whose average application processing time continues to decline) and toward BIS, which has seen an increase in license application processing times, as more controlled articles fall within

*(Continued on Page 8)*

ASA-100 ACCREDITED



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BIS's regulatory sphere. One way BIS is able to reduce processing times and relieve some of its own burden is to encourage (correct) use of license exceptions. For regular and predictable exports STA is a good way to save time and reduce costs for both exporter and BIS, hence BIS's outreach after applications that appear to be a good fit for use of STA.

STA is a valuable—but under-utilized—license exception. This is because unlike a number of other exceptions it requires quite a bit of up-front planning and coordination with the customer. Because of this additional effort, we must first understand how STA works generally, and then the specifics that apply to “600 Series” articles.

### **The License Exception STA Process**

As a threshold matter, the exporter seeking to use exception STA must ensure that the article is controlled only for a reason identified in an authorizing paragraph of the regulation. Articles controlled for reasons National Security (NS), Chemical or Biological Weapons (CB), Nuclear Nonproliferation (NP), Regional Stability (RS), Crime Control (CC), or Significant Items (SI) are authorized for destinations in Country Group A:5. Those articles controlled only for reason NS and not otherwise restricted by the ECCN are authorized to Country Group A:6.

Once the exporter has determined that the article(s) and destination are eligible for license exception STA the exporter must satisfy a series of conditions. First, it must provide to the consignee the ECCN of each discrete article that will be shipped under exception STA. This is a one-time requirement for each article and the ECCN does not need to be provided for subsequent shipments, assuming all information remains accurate.

Next, after providing the ECCNs to the consignee, but *prior* to shipping any articles, the exporter must obtain and keep in its records a written Consignee Statement. One statement may be used for multiple shipments, provided the items, parties, party names, item descriptions, and ECCNs are the same and remain correct. The exporter must retain a record of each shipment made under each particular Consignee Statement. *Don't forget the paperwork!*

15 C.F.R. § 740.20(d)(2) provides the specific text that must be included in each Consignee Statement. Among other things, the Consignee Statement must identify the articles, ECCNs, and parties to the transactions, and include clauses acknowledging the restrictions and responsibilities of the parties. Each Consignee Statement should use the exact template language stated in the regulation.

Finally, the exporter must notify the consignee in writing (email and fax are permissible) for each shipment under license exception STA. The notice must clearly identify the shipment and identify the specific items (or whole shipments) that are being shipped pursuant to STA.

Note that different rules apply under STA for software and technology releases.

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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**

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**“600 Series” Restrictions**

Though valuable, license exception STA does entail some obvious additional effort. Even further considerations arise when using STA for the export of “600 Series” ECCNs. Additional restrictions make sense when we recall the “600 Series” articles are those articles that until very recently were controlled under the ITAR and therefore merit a greater level of control.

First, STA may not be used when the articles are specifically identified by the ECCN as ineligible. Second, a “600 Series” article may be exported to a non-governmental person in a group A:5 country only if the *ultimate* end user is the armed forces or other governmental agency of the country; “600 Series” articles may not ship to non-governmental end-users under STA. Third, STA may not be used to export certain “600 Series” end items, such as a completed aircraft under 9A610.a or Major Defense Equipment when the value to be exported exceeds \$25 million.

Finally, in order to export “600 Series” items under STA, the purchaser, intermediate and ultimate consignees, and end user must previously have been approved on a license or other approval issued by the DDTC or a general correspondence approval from BIS. The exporter must also ensure language specific to “600 Series” articles appears on the prior Consignee Statement.

*Whew!*

License exception STA can be a very useful tool for companies that do regular business with a customer and have to repeatedly apply for an export license for the same articles. Given the amount of preparation involved, STA is not very useful for one-off or only occasional shipments. But those exporters with regular supply contracts to foreign governments (for example) may find STA a very efficient way to reliably service their customer (without risking license delays or the occasional government shutdown).

Although it cannot be used for every article, STA does allow the exporter to save significant time and money by eliminating the need to prepare a license application and the delay in waiting for approval. It is also among the more complex and technical of the export license exceptions. Because of the complexities involved, companies seeking to take advantage of license exception STA are advised to consult with an export attorney to ensure proper compliance. 



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## Mutual Acceptance of European and US TSOA Components is on the Horizon

The US and Europe are investigating how to accomplish mutual acceptance of TSOAs and ETSOAs. This could be a huge advance for the aviation community, that could save both industry and government resources. It also would be great for US parts distributors handling TSOA articles, because it would make it easier to sell these articles into both markets.

The current US-EU Bilateral Airworthiness Safety Agreement (BASA) Technical Implementation Procedures (TIP) allows the FAA and EASA to each issue a TSOA/ETSOA in reliance on certain assurances by the other authority, following certain validation processes by the second authority. The way that it works is that an authorization holder on one side of the Atlantic applies through its own airworthiness authority for the corollary approval on the other side of the Atlantic. The application is reviewed by the first airworthiness authority and then forwarded to the second authority for validation. Once the validation is granted, the article would be marked for both approvals.

But what if you didn't need two approvals and two markings? What if you could get one authorization from one authority and it was good for sales into both jurisdictions (US and EU)?

The authorities have announced a plan to mutually accept technical standard order articles from the other jurisdiction. Under this plan the validation process would no longer be necessary (saving both applicant and authority resources). This is a sign that the FAA and EASA have progressed to a point of mutual trust in the TSO authorization process.

The mutual acceptance will not happen overnight. It is part of a lengthy process that began with TSO-ETSO harmonization, and that has involved significant coordination among the authorities. But once it is complete it means that receiving inspectors and installers will have to get used to the idea that approved TSO parts are coming from both the US and Europe, without the intermediate step of validation. 

## Aviation Industry NAICS and SIC Codes

We frequently get calls from companies that need help identifying the right NAICS code that applies to their business. We have taken some typical business activities performed by ASA members and captured their NAICS and SIC codes in the table below.

Typically, a NAICS code is assigned based on the primary business activity of the enterprise. Sometimes, identifying the primary business activity of an enterprise can be difficult if it engages in multiple business activities. Ideally, the primary business activity is identified by the relative share of capital investment, but in practice other variables, such as revenue, value of shipments, or employment, are used as proxies to identify the primary business activity. The Census Bureau generally uses revenue to determine an establishment's primary business

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## REGULATORY UPDATE

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activity. We have also included the 1987 SIC codes. Even though the NAICS codes replaced the SIC codes in 1997, some agencies and programs still rely on (or ask for) SIC codes.

### AIRCRAFT AND AIRCRAFT PARTS BUSINESS CLASSIFICATION CODES

Business Activity	NAICS (2012)	SIC (1987)
Aircraft Parts Distribution	423860	5088
Aircraft Sales	441228	5088
Commercial Aircraft Leasing	532411	7359
Repair Station	488190	4581
Aircraft Upholstery Repair	811420	4581
Aircraft Rebuilding	336411	3721
Aircraft Engine Rebuilding	336412	3724
Aircraft Storage at Airports	488119	4581
Engineering Research and Development on Aircraft Parts on a Contract or Fee Basis (e.g. DER Services)	541712	8731



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# Aircraft Disassembly

Increasingly, we are seeing members of the ASA community that are disassembling aircraft for parts. The precise NAICS and SIC for disassembly may vary depending on the business' primary business activity. In many cases, it appears that NAICS 488190 (Other Support Activities for Air Transportation) is the best NAICS for aircraft disassembly when the purpose is to recover parts, and NAICS 423930 (Recyclable Material Merchant Wholesalers) is the best NAICS for aircraft disassembly when the purpose is to recover the scrap metal or other materials (this NAICS includes breaking up vehicles for scrap); but NAICS 488119 (Other Airport Operations) may also be appropriate in some cases (especially for a business that focuses on parking of aircraft).

A business that sorts and recycles aircraft materials may also be considered a non-hazardous waste treatment facility under NAICS 562219.

If you need to identify a SIC code for aircraft disassemblers who disassemble on a contract basis to reclaim parts, then it is likely to fall within the scope of SIC 4581, which encompassed both MRO activities and airport operations. Aircraft recyclers that break up aircraft and sort the materials (without reclaiming parts) would fall within SIC 5093 – but this SIC specifically stated that dismantling for parts was considered to be a distribution activity. So aircraft disassemblers who disassemble aircraft in order to sell the used parts for their own account would likely fall into SIC 5088 (distribution). 

## CALENDAR OF EVENTS

### ASA Workshop Series/Training

- September 29, 2015 ..... Hilton Garden Inn • *Miramar, FL*
- November 2, 2015 ..... Hilton Singapore • *Singapore*
- November 19, 2015 ..... Hilton Garden Inn O'Hare • *Chicago, IL*
- December 1, 2015 ..... Courtyard Seattle Sea-Tac • *Seattle, WA*
- December 3, 2015 ..... **Quality Meeting** • Hyatt Place Grapevine • *Grapevine, TX*

### ASA 2016 Annual Conference

- June 26-28, 2016 ..... Four Seasons Hotel • *Las Vegas, NV*

### Industry Events

- August 29-September 1, 2015 ..... **ACPC** • *New York, NY*
- October 13-15, 2015 ..... **MRO Europe** • *London, England*
- November 3-5, 2015 ..... **MRO Asia** • *Singapore*

## REGULATORY UPDATE

## CONTACT US!

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

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