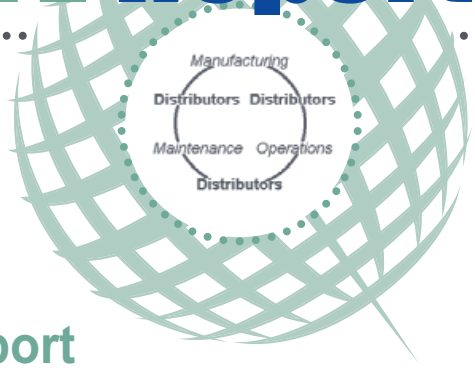
Volume 16, Issue 11 • December 3, 2008

The UPDATE Report



CONGRATULATIONS TO THE FOLLOWING COMPANIES ON THEIR ACCREDITATION:

RIM ENTERPRISES, LLC
Cedar Rapids, IA

• AND •

AVIOSUPPORT, INC.
Kirkland, WA

GA TELESIS
(2 locations)
Ft. Lauderdale, FL
United Kingdom

AVIO-DIEPEN
(4 locations)
The Netherlands
Kowloon, Hong Kong
United Kingdom
Atlanta, GA

FOR THEIR REACCREDITATION to the **ASA-100** standard and the FAA's AC 00-56A Voluntary Industry Distributor Accreditation Program

ASA
AVIATION SUPPLIERS ASSOCIATION

Proposed Change in Rules Would Broaden U.S. Export Jurisdiction Over Avionics in Other Countries

In a move that would directly affect both U.S. distributors that export avionics articles and non-U.S. distributors and manufacturers of avionics, the U.S. government has proposed to change the rules that apply to exports of avionics from one non-U.S. country to another non-U.S. country. This is an issue on which ASA members will want to file written comments!

It is a little-known fact that when an article is exported from one non-U.S. country to another, if that article has some U.S. content, it may be subject to U.S. export laws even though the components have already left the U.S.! The latest government proposal, made by the Bureau of Industry and Security, would remove the *de minimis* exception for "re-export" Category 7 articles that are controlled for missile technology (MT) reasons on the Commerce Country List. This is the exception that permits "re-export" without a license when the U.S. content falls below a certain threshold.

Most avionics are generally included in Category 7. Specifically, Category 7 articles that are controlled for MT reasons include certain accelerometers, gyros, inertial systems, gyro-astro compasses, GPS receiving equipment, UAV auto-pilots, three axis magnetic heading sensors, and other instrumentation and navigation equipment. Component parts for each of these categories would also be affected. Therefore this proposed change would have a direct effect on the industry.

(Continued on Page 3)

INSIDE:

MESSAGE FROM ASA'S PRESIDENT

Dear Colleagues,

As the year comes to a close we along with the rest of the aviation community look towards 2009 with concern as to what the market and economy hold for aviation. Who could have imagined the credit crisis, when for years the wild factor of fuel was the headlines and now fuel prices have dropped with reports that we will see unprecedented additional drops in the price of fuel. It is hard to really plan for how the economic news with hit aviation and if there is a down turn for long will it be. The ASA Board of Directors met this past month and the economy and its effects on the members were a central topic. The comment that resonated through the discussion is if you plan for doom then you will be doomed.

The Board of Directors understands their fiduciary responsibility to ASA and as always will monitor the ASA's finances and activities closely. As discussed at the member meeting, ASA had another strong year in 2008 with membership and accreditation growing. However the member needs are changing with export and custom issues being a larger percentage of the member inquiries. That is the reason why we have added a new workshop dedicated solely to export controls. ASA has announced 4 locations for the workshop. ASA is also working on several additional programs that will help members gather export information. Export is a major area in the ASA government affairs program but we are also keeping our eye on FAA developments, increase in SUPs oversight, designee program, EASA and international issues.

It is my pleasure to represent the members and the industry. ASA is strong due to its staff and volunteers. From everyone at ASA – Stephanie, Diane, Jason, Erika, Michelle, Richard and Kelly we wish you a happy and healthy new year.

Take care, Michele

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

BOARD OF DIRECTORS

LIST OF ADVERTISERS

(Continued from Page 1)

In general, a U.S. article that is controlled for export purposes is also controlled for 're-export' purposes. Thus, if a U.S. company needs an export license to export the product to a non-U.S. distributor, the non-U.S. distributor will need a license to re-export the article to a third location. This means that an avionics product sent overseas by a U.S. avionics shop may need to be licensed a second time if it is sent to a distributor or repair station that will ultimately provide the product to someone else.

But what about non-U.S. made avionics containing U.S.-sourced parts? For example, imagine that a France-based manufacturer of Inertial Navigation Units (INUs) relies on gyros from the United States. If the gyros were required to be licensed when they were first exported, then it is possible that the France-based manufacturer of the INUs that contain the U.S. gyros installed within might need to secure a U.S. export license to 're-export' the INUs with the gyros. This requirement represents an extension of U.S. jurisdiction over already exported products. This extension of jurisdiction creates concerns in the international community, which sometimes objects to the US assertion of jurisdiction over a transaction that does not touch US territory. The U.S. created the *de minimis* rule to address these concerns.

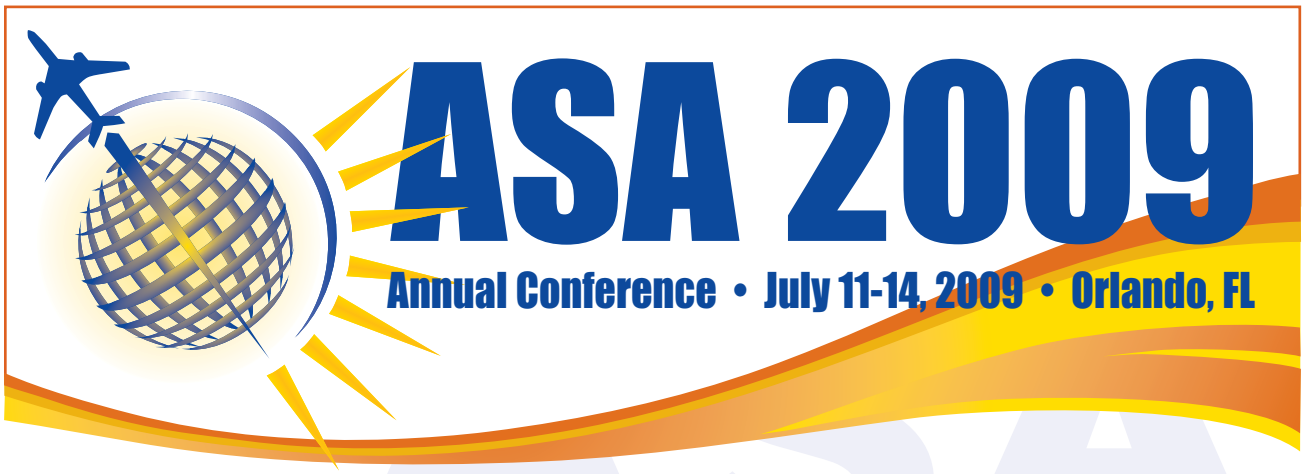
The De Minimis Rule

The *de minimis* rule allows certain articles with U.S.-origin components to be re-exported without requiring a U.S. license. Under the *de minimis* rule as it stands today, the Commerce Department defines when the U.S.-origin content of a commodity is sufficiently small that the commodity will not be deemed to be subject to the export control restrictions set forth in the Export Administration Regulations. This rule applies to the re-export of foreign-made articles – so it would apply to avionics fabricated outside the U.S. that incorporated some U.S.-origin content.

The normal *de minimis* standard is that products incorporating 25% or less U.S. content are considered to NOT be subject to U.S. export control laws. Those that incorporated more than 25% U.S. content are considered to be controlled, and may require a U.S. export license when re-exported from one foreign (non-U.S.) country to another foreign (non-U.S.) country. This threshold drops to 10% if the article will be re-exported to a group E:1 country (Cuba, Iran, North Korea, Sudan or Syria).

Applying this threshold to our hypothetical INUs, the gyros and any other U.S. content would have to represent more than 25% of the value of the INUs in order for the U.S. to assert export jurisdiction over the France-manufactured INUs. So if U.S.-content accounted for only 15% of the value of the INUs, most exports would be outside the jurisdiction of the U.S. Commerce Department. But if the same INUs were being exported from France to Cuba, Syria, or another group E:1 country, then the 10% threshold would apply and the unit would need a U.S. export license to get exported. Additionally, French export laws would also apply.

(Continued on Page 5)



Silver Eagle Agency

Aviation Products Liability Program

Underwritten by Allianz

Endorsed by the Aviation Suppliers Association

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

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

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

We offer ASA members –

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

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

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

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

Endorsed By

ASA
AVIATION SUPPLIERS ASSOCIATION

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

Underwritten By Allianz

(Continued from Page 3)

When U.S. content is incorporated into a commodity, even if that content is not itself subject to U.S export controls, the content must satisfy the requirements of the *de minimis* rule, or the incorporation of the content may subject that commodity to U.S. export controls. So if the U.S. content of an INU was not export-controlled (e.g. non-controlled hardware and components), but the INU is export controlled (and the U.S. content exceeds the 25% or 10% threshold - depending on destination) - then the INU might still be subject to U.S. export controls.

The *de minimis* rule allows a non-U.S. manufacturer to carefully control its designs to make sure that they will not be subject to U.S. export controls. The rule has existed for many years, and is viewed in a positive light by both non-U.S. manufacturers, who are happy not to have to obtain a U.S. export license for their products which incorporate a minimal amount of U.S. content, and by U.S. avionics shops, who know that non-U.S. manufacturers are more likely to buy from them with the *de minimis* rule on the books.

The proposed change to the rule is a drastic and jarring departure. The U.S. Commerce Department is proposing to eliminate the *de minimis* rule as it applies to almost all Category 7 articles. This would mean that most non-U.S. manufactured avionics would be subject to U.S. export jurisdiction if they incorporated any U.S. content. This would inhibit the re-export of such avionics, and it would also serve as a disincentive to using U.S. component suppliers.

The Aviation Parts Exception(?)

Initially, it appears that this proposal to eliminate the *de minimis* rule contains an exception for the aviation community. But the apparent exception is illusory. The exception would apply only where "the commodities are incorporated as standard equipment in FAA (or national equivalent) certified civilian transport aircraft." This exception is practically useless:

- It would only apply to avionics that are installed in transport category aircraft. Avionics that are shipped in a container (not installed in an aircraft) would not benefit.
- It would not apply to avionics for Part 23 or Part 27 aircraft, even if they were installed in the aircraft.
- It would apply only to "standard equipment." This term was just redefined by the State Department in August (See the October issue of Avionics News at Page 60). The term is now equivalent to what the civil aviation community thinks of as "standard parts." **No avionics will meet the new definition of "standard equipment!"**

File Your Comments With the Government

This proposal could represent a serious problem for the industry. By seeking to impose re-export limitations on non-U.S. avionics that have some small amount of U.S. content, and to shift exempt avionics into a licensable classification, this proposal could create compliance problems for U.S. and non-U.S. exporters alike. It may also cause non-U.S. manufacturers to eschew U.S. component suppliers. Most importantly, it appears that there is no good policy reason for the change.

The proposed change is found in the November 20, 2008 issue of the U.S. Federal Register, at page 70,322. It can be found online at http://edocket.access.gpo.gov/2008/E8-27588.htm. Comments must be received no later than January 20, 2009.

It is important that distributors everywhere carefully read this proposal, and file comments (1) opposing the elimination of the *de minimis* thresholds and (2) seeking an expansion of the aviation exception to include *all* civil aircraft avionics.

As always, ASA would appreciate your comments: copies of anything you file with the government as well as your emailed, phoned or faxed opinions on the rule.

Airline Maintenance Outsourcing

As operating costs have increased, more airlines have found maintenance outsourcing to be a practical, money-saving alternative to domestic repair stations. Over the past year there has been increased call for greater FAA oversight of foreign repair stations. With a more Democratic Congress addressing a new aviation agenda, opposition to outsourcing practices may intensify.

Senator Claire McCaskill (D-MO) introduced the Safe Aviation Facilities Ensure Aircraft Integrity and Reliability Act of 2008, also known as the SAFE AIR Act of 2008. President-elect Barack Obama, Senator Hillary Clinton (D-NY) and Senator Arlen Specter (R-PA) co-sponsored the bill. The bill would require that foreign repair station personnel performing safety-sensitive functions on a U.S. commercial aircraft be tested for drugs and alcohol. Foreign repair stations would need to comply with applicable security final regulations and the bill provides that if the Department of Homeland Security becomes aware of violations of security regulations or security vulnerability has been identified, part 121 carriers must be notified. It would also require each part 121 air carrier to identify and submit to the Administrator a complete list of all non-certificated maintenance providers that perform maintenance work on their aircraft.

As reported in the Atlanta Journal-Constitution, airline consultant Robert Mann of the airline consulting firm R.W. Mann and Co. Inc. said that while the FAA should do a better job of overseeing maintenance work wherever it's done, global outsourcing will continue.

"It's been going on for 20 years, and there's no evidence it will stop," he said. That's because most carriers find that "the work is top-notch and the costs are better" at many foreign facilities.

While there is opposition to maintenance outsourcing from labor unions, safety advocates and members of Congress, it seems clear that outsourcing is here to stay. It is a cost-effective strategy for handling maintenance needs in the current operational climate.

Nonetheless, it is equally likely that the Obama Administration will listen to labor unions and will seek to support efforts to limit outsourcing of aviation maintenance. Such efforts could include extension of U.S. drug and alcohol testing requirements (as proposed in SAFE AIR), renewed focus on security oversight of non-U.S. repair facilities, or even efforts to extend U.S. labor and environmental standards to non-U.S. facilities.

REACH: How Does this New European Law Affect Non-European Distributors?

Many ASA members in the United States have received letters from European customers concerning the REACH initiative in Europe.

REACH stands for **R**egistration, **E**valuation, **A**uthorization and Restriction of **C**hemicals. It is a European regulation that was passed in 2007 to streamline and improve the legal framework on chemicals in the European Union (EU).

The philosophy of REACH is that it requires European manufacturers and importers of chemicals to identify and manage risks linked to the substances they manufacture and market. For substances produced or imported in quantities of 1 ton or more per year per company, manufacturers and importers need to demonstrate that they have appropriately identified and managed risks by registering their substances. The registration materials will also identify the company's risk management measures associated with the substances.

Americans might view this process as being somewhat similar to the creation of a Material Safety Data Sheet (MSDS) for a chemical (although REACH requires a greater amount of information than the MSDS program does in the United States).

Thresholds for Substances to be Registered

Unless the regulation indicates otherwise (with respect to certain specific products), registration obligations apply to substances manufactured or imported in quantities of 1 ton or more per year. Normally, the registration must be done before a substance can be manufactured, imported or placed on the European Community market. However, for substances that are already being manufactured or imported ("phase-in substances") a special transitional period applies which allows European companies to continue to manufacture or import them.

Before the phase-in period begins, there is a pre-registration period that is supposed to represent a lesser burden on manufacturers and importers. The deadline for this pre-registration period was November 30, 2008.

The pre-registration information that is provided to the EU will allow the EU to assess chemicals and make sure that they are placed on the market in a way that limits the adverse effects on human health and the environment (limits on animal testing have also been cited as an important element of the REACH review process). The registrations will therefore include data on the risks posed by substances as well as data and methods concerning risk management measures that are implemented by the registrant.

Do I Really Have to Register?

The registration process may sound quite daunting to most ASA members – but luckily few, if any of ASA's members should have to face the daunting task of preparing and submitting registrations. There are a number of reasons for this.

The first reason that most ASA members are free of obligations under REACH is because the legal obligations under REACH fall on manufacturers, importers and downstream users with the EC. Specifically, they fall on

- persons who manufacture substances within the EC (manufacturers),
- persons in the EC who are responsible for importing a substance into the EC (importers) and
- persons in the EC who use a substance in the course of their industrial or professional activities (downstream users).

In short, manufacturers in the EC must register substances that they produce; importers in the EC of substances must register the substances that they import; and persons in the EC who use substances in the production of other things (downstream users) must also be sure that their substances are registered. Most distributors of aircraft parts will fall into none of these categories.

(Continued on Page 8)

(Continued from Page 7)

What About Aircraft Parts with Chemicals In Them?

European importers of aircraft parts may be importers, but that does not mean that they are automatically within the scope of required REACH registration. REACH divides the world of materials potentially subject to its reach into three categories: Substances, Preparations (a mixture or solution composed of two or more substances) and Articles that contain substances. Aircraft parts generally fall into the latter category, Articles (although European importers of substances, like solvents or other chemicals used in their operations, should be wary of their potential obligations under REACH).

Articles are not subject to registration, although the individual substances that are in articles may be subject to registration. Substances in articles need only be registered by the producer / importer if the following conditions are met:

- The substances are intended to be released from the produced or imported article(s) during normal and reasonable foreseeable conditions of use; and
- The total amount of the substance present in the articles with intended releases produced and/or imported by that actor exceeds 1 ton per year per producer or importer.

Where there is a substance in an aircraft parts (like the grease in a bearing) it is generally not intended to be released, so this is another reason that most aircraft parts are exempt from registration, and therefore the companies producing or importing them are exempt from any obligation to register the substances in the articles.

Non-EU Companies May Not Have Standing to Register

The EC has made it clear that a "non-Community manufacturer" or a non-EC supplier who is exporting a substance or preparation has no responsibilities under REACH. In fact, persons that manufacture substances, formulate preparations or produce articles outside the EU cannot by themselves register a substance – they have to rely on an EC partner to register the substance. Nonetheless, some potential importers have been attempting to make it seem as though they have independent registration responsibilities, and many ASA members have reported getting letters that suggest they need to register their substances.

While a non-EC company likely has no legal responsibilities, there may be practice registration requirements in some cases. If you manufacture a substance subject to registration, and you intend to export that substance to Europe, then as a practical matter, it would make sense to work with the European importer(s) to be sure that the substance is registered. The same holds true for distributors of substances subject to registration, although for distributors it is even more difficult because usually the manufacturer (and not the distributor) has the data necessary to complete the registration. If you are outside of the EU and there is a practical reason for your company to actively support registration in order to make sure that the substance you export to Europe can continue to be exported, then you must work with a European partner because non-EU companies do not have standing to register a substance in the EC. The manufacturer may appoint the partner as an "only representative" for purposes of registration (another reason why distributors need to let the manufacturer take the lead on registration).

In summary, most ASA members will not have any legal obligations under REACH. ASA members in Europe may also have no obligations if they are not dealing in substances or preparations, and if their articles (aircraft parts) do not fall within the scope of the REACH registration requirements.

The REACH provisions affect more than just the EC. Iceland, Liechtenstein, Norway and Switzerland are not members of the EC but they are parties to the European Free Trade Agreement (EFTA), and the EFTA parties incorporated REACH into their agreement with the EU on March 14, 2008. That incorporation became legally effective this past summer.

Quantum Control

ORACLE Business Software *Integrated with the* StockMarket ORACLE

Inventory Management*

The cornerstone for the Quantum Control system. The parts summary screen provides a central viewpoint for all information and activity related to a given part.

The StockMarket

Quantum users can search, buy, and sell parts with other Quantum Users in real time without leaving the software. Inventory postings are automatic and can include details such as serial numbers, images, time life and prices.

Quotation Processing*

Manages the customer quotation process and the recording of supplier responses from outgoing RFQs.

Vendor Quotes*

Provides a tool to locate sources for part procurement and send out requests for quotes to multiple vendors, including multiple lines.

Sales Orders*

Manages the customer order process to include back order management, invoice preparation and product returns.

Invoice Management*

Provides the opportunity to manage the invoice process by viewing system wide for open sales orders and determining if these can be expedited or consolidated with existing invoices, etc.

Purchase Orders & Requests*

Manages the purchasing process including request routing and approval by dollar amount and employee position. Manages purchasing activity for stock, non-stock and exchange.

Purchase Management*

Provides the capability to manage purchasing activities by being able to review all parts needed for procurement based upon sales order requirements and below minimum level stock quantities.

Integrated Accounting

The Accounting Module includes General Ledger, Accounts Receivable, Accounts Payable, and more - all integrated with Sales, Purchasing, Repair, Exchange, Work Order and Invoicing modules.

Physical Inventory*

Manages the physical inventory process. Generates count sheets for manual or barcode counting efforts.

Receiving and Inspection*

The receiving module is a powerful tool for efficient, cost-saving receiving, intermediate and final inspection, and defect recording.

Shipping Management

Manages the shipping and order consolidation process to include user defined stages and statuses. Creates custom invoices, packing slips and certification forms within one shipment.

Demand Planning

Optimizes material and production planning by analyzing historical usage and projecting future demand. Recommends minimum and maximum order quantities based on lead time and forecasted demand.

Lot Costing

Manages lot purchases and assembly teardowns. Provides total tracking of acquisition costs, overhaul expenses, component part sales, profit margins and full traceability.

Data Services

Provides flexible tools to manage the process of both importing and exporting data to/from the Quantum database. Integration points include ILS, USA Info, Partsbase and AvRef.

Management Reports*

Produces hard copy and screen oriented reports supporting all modules throughout the system.

Crystal Reports 11 Pro

Create flexible, feature-rich reports allowing unlimited reporting from Quantum, using the de facto standard for business reporting today.

Aircraft Maintenance

Manages on wing maintenance and includes Engineering Configuration Management, Maintenance Program Management, Maintenance Recording, Technical Records and Flight Log Processing Modules.

Shop Control

Manages the complete Component and Assembly Repair and Overhaul process. Includes real-time Cost and Schedule Management functions that put you in complete control of your shop's activity.

Manufacturing

The Manufacturing Module addresses all aspects of the manufacturing process including product lines, floor control, inspections, materials planning, purchasing and outside servicing.

Repair Orders*

Manages the preparation, pulling from inventory, shipping and receiving of components sent out for repair. The Repair Order module provides historic as well as current repair cost per component, detailed by parts, labor and miscellaneous charges.

Contact Management

This module provides a tool for sales, service or support centers to record, track, status and assign contact activity. Email list management and broadcasting is also included.

Document Imaging

Provides the ability to attach images or documents against part number, stock line, work order, and company.

Company Management*

Contains both customer and vendor information including pre-defined settings such as payment terms, preferred method of shipping, discounts, tax and more. It can also group vendors and suppliers for marketing purposes and provide detailed history information for each vendor and supplier.

Internet Quantum™ (iQ)

The Internet Quantum module (iQ), utilizes StockMarket technology to allow customers to login to your website and view, RFQ, or purchase from your existing stock in real-time. Information such as condition, time & cycles remaining, tag info, scanned documents, delivery time and more is available to assist users in their purchasing decisions.

Max-Q

With Max-Q you get Aviation's leading Business Application, Quantum Control, implemented with the latest database technology from Oracle to provide the ultimate in database Security, Reliability, Scalability and Performance.

Bar Coding

Prints bar codes and allows for the scanning of physical inventory to track and manage stock and account for all parts when shipping, receiving, etc.

Repair Manual Tracking

Tracks all publications and revision dates and review dates. Provides for manual effectivity by part, customer and ATA. Integrated with the Shop Control module providing specific manual requirements for individual work orders.

Rental and Leasing

The Rental and Leasing module has the versatility to handle all of your rental and leasing transactions including flight-time based billing.

GFI Faxmaker

This is a fax manager that supports "background" faxing from all Quantum users by using a service based system. This is a third party MAPI compliant fax manager supporting multiple fax servers and Citrix.

AVREF Catalog Files

The AVREF Catalog System provides the latest OEM pricing information along with access to Government MCRL cross reference data. Completely integrated with the Quantum Inventory Module.

**Standard Quantum Module*

www.stockmarket.aero

ORACLE

Ask About Our Referral Program

Component Control ~ 619.696.5400 ~ info@componentcontrol.com ~ 1731 Kettner Blvd., San Diego, Ca, 92101

Air Carriers Cut Back on Capital Investment, Postpone Jet Orders

While high oil prices are no longer a concern, the falling traffic volume caused by the global economic slowdown is threatening air carrier revenue. Recently, both EasyJet and Air France-KLM have indicated that they are proceeding cautiously due to the growing uncertainties in the global economy. This sort of caution could represent sales opportunities throughout the industry for aircraft parts distributors who are prepared to take advantage of the opportunities.

Some Representative Facts

Sir Stelios Haji-Ioannou, EasyJet's Founder, has increased his EasyJet ownership to 26.9% from 15.6%. It is believed that he has done this in order to influence the strategic direction of the carrier, and to be able to pay out a dividend to shareholders by 2011 (market conditions permitting) rather than purchasing new planes.

EasyJet, who was originally scheduled to purchase 80 new aircraft and to increase its fleet by 35 over the next three years, has already announced that it was postponing the delivery of four planes from Airbus due in 2010 and reducing its winter growth target to zero.

Additionally, Air France-KLM has announced that it is cutting capital investment due to the state of the global economy. Over the next two years, Air France-KLM plans to reduce capital spending by 1.4 billion Euros as the airline prioritizes saving cash over buying new aircraft. The Air France- KLM share price has fallen 60 percent since the beginning of this year.

To reduce spending, Air France-KLM will continue flying some of its older 747-400 jumbos rather than buying new 777 wide-body jets. In fact, the airline is delaying as many as 15 planned aircraft purchases from Boeing.

(Continued on Page 11)

(Continued from Page 10)

This is a turn-around from Air France-KLM's plan announced in the spring, when the airline stated that it meant to replace all 13 of its Air France passenger 747-400s by 2012 or 2013, and 12 Air France 747 freighters by 2011, partly with 777s.

What Does this Mean for the Industry

EasyJet and Air France-KLM's recent actions highlight the growing threat to the makers of big jets, Boeing and Airbus, in the uncertain global economy. The Wall Street Journal reports that Airbus expects fewer sales next year as bank finance tightens for airlines. The source for this prediction was Airbus' Middle East President. As air carriers grow concerned about falling traffic volumes resulting from the global economic slowdown, it is likely that the industry will see more air carriers cutting back on capital investment.

With the shift in concern from high fuel prices to falling traffic volumes, many air carriers are expected to delay, and to fly their older aircraft for a longer period than originally predicted in their strategic plans. The same phenomenon was evident after the post-2001 traffic reduction in the U.S. With air carriers delaying delivery of new aircraft, they will need parts to keep some of their existing aircraft in the air for longer-than-planned service lives. Distributors need to maintain a watchful eye for opportunities as air carriers revise their fleet update plans.

Obtaining 8130-3 Export Tags: An Update

Several Members have recently asked questions about how to find more information about obtaining export 8130-3 tags for class III parts. This is a confusing issue for many people, because the regulations continue to limit application for export 8130-3 tags for class III parts – only manufacturers are explicitly authorized to apply for the tags.

Distributors are permitted to apply for export 8130-3 tags for class III parts pursuant to an exemption that the FAA issued to ASA for the benefit of its members. Such applications are usually made to Designated Airworthiness Representatives (DARs). If anyone tells you that only manufacturers can apply for an export 8130-3 tag for a class III part, it is usually because that person is not familiar with the exemption.

The exemption has been updated once (so the relevant exemption is the "A" revision). FAA Exemption 8696A, which permits ASA members to apply to DARs for 8130-3 tags, can be found on line at: http://aviationsuppliers.org/Exemption/Exemption8696%20-%20Expiration%202010.pdf. It is important to examine the exemption and be sure you comply with its requirements before trying to exercise privileges under the exemption. The exemption requires that the applicant:

- Is an ASA member
- Is accredited to FAA AC 00-56
- Is listed on the ASA special list of accredited members eligible for the exemption
- Presents a demonstrably airworthy part to a DAR who has appropriate privileges for issuing 8130- 3 tags.

In addition to permitting ASA members to apply for export 8130-3 tags for class III parts, the exemption also explicitly authorizes Manufacturing DARs with function code 20 privileges to exercise their authority for class III parts.

FAA Order 8130.21F which provides general guidance on issuing 8130-3 tags, expanded the DAR function codes that are eligible to support Exemption 8696A. That guidance permits DARs with function code 32 to also issue export 8130-3 tags for class III parts (see paragraph 4-2(e)). The Order is available online at: http://rgl.faa.gov/regulatory_and_guidance_library/rgorders.nsf/0/c32bfdde346c3ec18625745d004fb0b0/$FILE/Order%208130_21F%20.pdf

Bear in mind that the exemption authorizes qualified ASA members to apply, and the guidance authorizes qualified DARs to issue 8130-3 tags, but neither documents changes the basic thresholds for issuing an 8130-3 airworthiness authorization tag. The DAR *must* be able to make a finding of airworthiness, based on

(Continued on Page 13)

REGULATORY UPDATE

(Continued from Page 12)

examination of the part and/or the documentation, before he or she can issue the 8130-3 tag. Usually, documentation analysis is based on a prior finding of airworthiness. For example, it is common for DARs to seek some evidence that the part was originally made under a FAA production approval. If it was, then it was airworthy at the time it left the production approval holder's quality system, and the DAR need only assure that the part has not been rendered unairworthy since that time (e.g. through damage or degradation).

Do you need to find a DAR? Not sure where to start? The FAA DAR Directory is available online and it lists DARs by state, and also lists their function code authorizations: http://www.faa.gov/other_visit/aviation_industry/designees_delegations/designee_ types/media/DARDirectory.pdf.

CONTACT US!

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

Michele Dickstein
President
michele@aviationsuppliers.org

Stephanie Brown
Program Coordinator
stephanie@aviationsuppliers.org

Erika Schnure
Programs & Membership Assistant
erika@aviationsuppliers.org

Jason Dickstein
General Counsel
jason@washingtonaviation.com

Diane Leeds
Account Services
diane@aviationsuppliers.org

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

CALENDAR OF EVENTS!

ASA Events

July 11-14, 2009 . . . . . ASA Annual Conference
Orlando, FL

Other Industry Events

December 3-4, 2008 . . . . . Aircraft Maintenance Outsourcing EXPO 2008
Cobb Galleria Centre, Atlanta, GA

Training Workshops

January 15, 2009 . . . . . Miramar, FL
March 19, 2009 . . . . . Chicago, IL
April 20, 2009 . . . . . Dallas, TX