

# Aviation Suppliers Association Quality Committee Brookhaven Country Club, Dallas, TX

December 5, 2012

## Meeting Minutes

The meeting was attended by:

AerSale, Inc.	Ron Wolf	Global Parts	Nin George
AerSale, Inc.	Paul Sciacca	Harter Aerospace	Dan Von Flue
Aircraft Inventory Mgmt & Svcs Ltd.	Brent Webb	International Aircraft Associates	Rick Sauro
ANA Trading USA Corp.	Victor Luna	Inventory Locator Service (ILS)	Dave Meek
Aviation Suppliers Association	Stephanie Brown	Inventory Locator Service (ILS)	Matt Mansell
Aviation Suppliers Association	Michele Dickstein	Inventory Locator Service (ILS)	Eric Elwell
Aviation Suppliers Association	Jason Dickstein	MidAmerican Aerospace	Chris Anderson
Aviation Suppliers Association	Michelle Billoir	Mitchell Aircraft Spares	Bill Gallacher
Aviation Suppliers Association	Richard Smith	NTE Aviation	Kenny Williams
Aviation Suppliers Association	Kelly Lyon	NTE Aviation	Cee Smallwood
Boeing	Greg McGowan	Pratt & Whitney	John Helms
Boeing	Patti Rocky	Pratt & Whitney	Justin Richardson
Boeing	Ed Bayne	Ranger Air Aviation	Terry Reid
CFM Materials	Pierre Conan	Turbine Engine Consultants	Tim Heckart
East Air Corporation	Ryan Charlton	Unical Aviation	John Lee
G. Ringger Consulting	George Ringger	Worthington Aviation	Brad Baker

The Chairman opened the meeting at 8:30 am

Brown presented awards to Anderson and Heckart in recognition of their service for the past two years. Anderson welcomed George as the new Vice-Chairman of the QA Committee.

J Dickstein provided a briefing on the antitrust laws, the per se rules, and anti-competitive topics to avoid in Association discussions.

The President made Association announcements.

- M Dickstein announced that Brad Baker of Worthington Aviation (a QA Committee member) has been elected to the Board of Directors.
- The next Board meeting will take place next week in Los Angeles. On December 11, next week, the Association will host a reception in Los Angeles, and all members are invited.
- M Dickstein announced that the Association has reached 500 members.
- M Dickstein announced that the Association's annual meeting will be held in Las Vegas July 9 through July 11. The QA Committee meeting will be on July 9<sup>th</sup>, 2013. The President advised members to make their reservations early because the hotel will likely sell-out.
- M Dickstein provided a briefing on Association activities.
- 2013 marks the 20<sup>th</sup> Anniversary of the Association.
- ASA will host a members pavilion at APM's Airline Purchasing Conference in London in the Spring of 2013

J Dickstein provided updates on various ASA government affairs priorities:

- Current Export/Import Issues with the US-EU BASA in the Wake of the October Revision
  - Standard Parts from Europe
  - Parts Eligibility from US
  - PMA Criticality from US
- EASA "Supplier Control" Regulation Affecting Distributors
- Status Update
  - BIS/ITAR Rules
  - FAA Part 21 Revision (including SMS)
  - Part 145 Revisions
  - TSA Repair Station Security Rule

Brown provided an update on the ASA accreditation program.

- There are 286 ASA-100 accredited companies on the FAA database
- 6% have more than one facility
- ASA-100 still commands a plurality on the AC 00-56 database (about 44%)
- ASACB has certificated 3 companies to ISO 9001

Things ASA has noticed:

- There is an increase of the number of “pure brokers” seeking ASA-100 accreditation
- There is an increase in drop ships among members

Brown noted that ASA has been aggressively pursuing companies illegally using the ASA trademarks, in order to preserve the value of the trademarks. She asked members to let ASA know if they detect misuse of any ASA trademark.

Brown showed the Committee a copy of the new ASA-100 certificate design so they would know what to look for from genuinely accredited companies.

Billoir and Lyon introduced the list of frequent findings. The list was based on the 36 audits since September 1, 2012 (the past two months, since the implementation of the revision 3.6).

Recurring findings included:

- Currency of quality documents, including uncontrolled copies of quality documents
- Quality manual not updated to implement changes based on revision 3.6 of ASA-100
- No training to address recognition of counterfeit parts
- Self-audits not accomplished in accordance with manual requirements
- Elements of ASA-100 are left out of the manual, or are not described in sufficient detail to be used as operating instructions
- Material handling issues, including inadequate packaging, material not properly identified or warehouse areas not properly identified
- Procurement issues including non-current vendors lists or lack of vendor surveys

- Complete documentation of training, including OJT
- Receiving Inspection inadequacies, including use of forms or procedures that vary from the manual provisions

M Dickstein reported ASA's progress on obtaining AS9100 and AS9120 privileges. ASA has applied for these privileges and hopes the ANAB review process will be complete before the end of the calendar year. She also indicated that ASA intends to apply for AS9110 privileges, soon. This will require a witness audit so ASA is seeking a partner for this purpose.

M Dickstein reported that ASA has seen a rise in the outsourcing of warehousing, shipping and receiving to third part providers. This is especially common where companies wish to expand their capabilities overseas. ASA is recognizing this among US companies seeking non-US partners, and among non-US companies seeking US partners. This trend has raised some questions about whether the ASA-100 standard adequately addresses these situations.

George noted that his company has a facility in Panama. The way that they handle it is that everything is pre-inspected at the US facility before it goes to Panama, and then it remains in the packaging at the Panama location . This limits the need to inspect parts in Panama. M Dickstein noted that other companies have used a similar protocol for foreign affiliates.

George noted that his company has a remote inspector at the facility of one vendor that is a significant supplier. The remote inspector is within his quality system. Once it is inspected by the remote inspector, the material is considered to be received and can be directed to any "next" location.

George notes that AS9120 requires control and this control is exercised through the purchase order, and through delegation of inspection to certain facilities that delegate remotely before shipping parts to a final location (delegations are listed in the quality manual inspection provisions).

George noted that when inspections are accomplished remotely, the remote inspectors have documentation that they complete in order to permit his headquarters to manage this process. The parts documentation is scanned and becomes an attachment to the remote inspection records.

George noted that his internal auditing provisions require an annual on-site audit of their remote staging location in Panama. He has a special checklist that is particular to the specific functions accomplished, and even if there are no transactions happening, they will trigger a transaction in order to fully test the system during the audit.

Bayne asked about the country of export when parts are staged in Panama, and how does George handle documentation for such parts? George explained that for export compliance purposes, his company complies with export regulations upon export to Panama, but also treats the re-exports as exports from the US, and ensures that the parts remain in compliance with US

export regulations when they are re-exported. He also noted that his customers in Latin America are not asking for country-specific 8130-3 tags, so they do not need to obtain such tags for the parts staged in Panama. Where a customer demands a country-specific 8130-3 tag, such parts would have to come from the US location in order to obtain the appropriate 8130-3 tag.

Bayne suggested that ASA-100 should have an explicit section on sub-tier supplier control. This could address direct-shipment and comparable transaction models. This could help ensure flow-down of the distributor's quality requirements. Heckart asked whether this requires the sub-tier locations to be audited. M Dickstein noted that ASA has a firm requirement that ASA must audit all locations listed on the certificate; But when a non-listed location is an important part of the quality system, then should ASA insist on auditing that facility? Ringger said that this comes down to a question of defining the boundaries of a quality management system.

Anderson noted that consignments are very common in the industry. Remote staging facilities and off-site warehouses seem to be similar to consignments for purposes of extending the reach of the quality system.

M Dickstein led a discussion on drop shipments. She explained that ASA is currently linking drop-shipments to the procedural controls of sections 1(B), 5(B) and 10(A) of the ASA-100 standard. She asked whether the Committee thinks that specific procedural controls should be in place and whether they feel that new language might be required in ASA-100.

Von Flue drop ships repaired material to third parties on behalf of customers. His company provides an 8130-3 for the repair accomplished but no prior traceability. He has no knowledge of whether the repair station's customers are providing the remaining traceability to the third party. He suggested that the responsibility for providing additional traceability to the third party should be the responsibility of the seller, and not the repair station that is repairing the item for the seller.

Helms indicated that when they have a part repaired, and then drop shipped, they will receive a copy of the repair documents and perform a virtual receipt based on those documents. Then they can have the part drop shipped by the repair facility.

Ringger suggested that there are multiple scenarios at play, here, and that we should be identifying each class of scenarios so we know what transactions we are affecting. By identifying the scenarios, we can better assess likely requirements for the scenarios. Examples of scenarios include:

- Part is sent for repair, and then the owner seeks to have it drop shipped from the repair station directly to the customer.
- Part is sourced from a third party, and drop shipped by the third party to the customer

Anderson noted that he does not like to send documentation to a repair shop because they lose it. As a consequence, the repair station does not have the documentation to permit a direct drop ship.

Wolf reminded the group that there is a premium on making sure that customer's demands for documentation are important because failure to meet them can inhibit payment. His company tries to make sure that the drop ship location gets copies of the documentation so they can put them in the package.

George noted that the template has language that is not yet addressed in the standard (because the template is merely advisory).

M Dickstein provided some background on the latest standards addressing counterfeit parts. Defense purchasing will be changing to reflect counterfeit parts issues. This is already having an effect on concerns in civil aviation. The defense problems have mostly been focused on discrete electronic parts that have come from China.

M Dickstein explained that SAE has published several counterfeit parts standards:

- AS 6174 (non electronic parts)
- AS 6081 (non electronic parts from a distributor)
- AS 5553 (electronic parts)

M Dickstein noted that one of the difficulties of the SAE counterfeit parts standards is that you cannot return the counterfeit part to the source under the standards – you must retain them and report them to the authorities. This can adversely affect your contract rights with respect to recovery under the transaction.

M Dickstein noted that ASA has some discomfort with the SAE standards because of the potential for restraint of trade. As an example, she noted that counterfeit parts in the AS 5553 standard appear to include parts suspected of being counterfeit (not just true counterfeits). M Dickstein has seen AS 5553 flown down in contracts.

J Dickstein introduced the proposed LOI. After discussion, it was agreed that the Background section should be amended to make it clear that there are some parts that may be life-limited but not bear a serial number because of wear or other reasons.

**On Motion** (Webb/Baker) the Committee unanimously passed the LOI (as amended).

Gallacher noted that there may be some value in explicitly stating that the form and media of records is up to the company and records may be kept in electronic format or other media. Bayne noted that ASA-100 already appears to permit electronic records. Lyon explained that the media and format is based on the procedures in the manual (as chosen by the distributor), so the auditors are seeking conformity to the written procedure. ASA invited Gallacher to draft a proposal to amend ASA-100 for consideration at the next QA Committee meeting.

J Dickstein introduced the topic of record retention following parts scrapping and/or asset disassembly.

Helms asked whether there are product liability reasons for retaining records. J Dickstein explained that retaining traceability after a part is scrapped may be superfluous, but the reason for having this conversation is to identify what reasons there might be for retaining additional documentation.

Anderson noted that when his company scraps a part, they have an in-house scrap certification that is signed by the scrapping party and also the person who authorized the scrapping operation. This ensures that the part scrapping activity was approved.

Typos happen every day, so it may be valuable to retain at least one document that verifies the part number and serial number, in case of a typo in the scrap report.

Several members advised that shredding the traceability paperwork for a scrap part can be useful because it helps prevent the documents from being misused to identify a counterfeit part.

George suggested that customer requirements can often be drivers of record retention policy.

Anderson led a discussion about training. The ASA QAC had a training subcommittee, but has not addressed the issue in several years. He distributed a matrix of jobs in the industry and subjects on which they should be trained. He asked whether any of the Committee members were interested in working together on continuing to develop training resources for the industry.

Lyon noted that there are a number of online training resources – some free and some paid – that can be very useful in supporting a training program.

Heckart noted that he has an employee who has established a very effective Learning Management System (LMS), and that he would like to get her involved with the committee's training activities.

J Dickstein suggested that if each Committee member were to provide a good idea about each one of the eight training topics in the matrix, then this could serve as a skeletal start to the development of training materials.

**ACTION:** Each Committee member should provide a good idea about each one of the eight training topics in the matrix (inspection, handling, recordkeeping procedures, inspection techniques, inspection methods, inspection equipment, unapproved parts, and counterfeit parts).

M Dickstein noted that ASA has seen an increase in companies that complain that they have problems with supply sources. In many cases, the company did not have an adequate system for adding companies to the approved vendor list. She therefore recommends that companies pay some attention to their procedures for adding vendors to their approved vendor lists.

Brown noted that the QAC meeting presentations will be available on the ASA website.

The next QA Committee meeting will be Tuesday July 9, 2013. Agenda items will likely include control of warehousing contractors and direct shipments/drop shipments.