The UPDATE Report

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(Continued on Page 3)



By: Stephanie Brown

The Aviation Suppliers Association has launched the first publicly available stolen parts database. Making the database available to the public provides a benefit to the entire aviation industry. Now companies have a tool for notifying the industry of theft and potential fraudulent material. Additionally, a company can check a serial number or part number prior to purchase if the company has a concern about the part.

You may be asking the question, how much of an impact do stolen parts have on the industry or my company? While it would be difficult to compile an exact dollar amount for stolen inventory, the materials recovered ranges from small components and engine parts to whole engines and aircraft. It is a bit Hollywood to think that stolen parts involve armed theft with car chases, and while there are made-for-TV theft cases, most stolen aviation parts are a result of employee theft. Not only is there a monetary reason to track stolen inventory, it's a safety issue as well. Stolen material can often make its way back into rotation within the industry, and the likelihood of it retaining the appropriate certifications, traceability, and overall quality is slim. Having a publicly accessible database encourages companies to share such information not only for possible recovery, but to minimize the impact of stolen material circulating within the industry.

(Continued on Page 3)



4

ASA Stolen Parts Database	
Make Your Voice Heard on Unapproved Parts FAA Published Draft Risk Assessment	. :
Methodology for Comment	. 4
Become Non-Compliant, Says FAA FAA to Hold Open Meeting on	. !
Rotorcraft Rule Changes	

International Air Traffic Rebounding, but Profitability Still a Concern
Boeing Celebrates Rollout of 1,000th 767 Model FAA Partners with JetBlue in
Push for Universalizing NextGen
Safety Management Systems Comment Period Extended

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

OFFICERS:

Mitch Weinberg (954) 441-2234 Corporate Treasurer Jason Dickstein

(202) 347-6899 Corporate Secretary

Michele Dickstein (202) 347-6899 President

Infinity Air, Inc.

Mike Molli Committee to Safeguard Impartiality Dear Colleagues,

ASA is proud to release the first publicly available database for listing Stolen Parts. The idea of a public site was discussed during a SUPs Steering Committee Meeting, and was fully supported by the group's constituents, representing government officials, trade groups, operators and distributors. The lead article in the newsletter explains how to access information in the database and also post a stolen part report. The team set to develop this database was headed by Stephanie Brown.

ASA filed comments on the draft AC 21-29C Detecting and Reporting Suspected Unapproved Parts. The comments are available to read on the website. ASA is also preparing our comments on SMS. Jason Dickstein has written several articles on the proposed SMS rules. If you have comments you want addressed in the ASA submission, forward the information to ASA. The deadline is fast approaching. The FAA has released without public comment AC 20-62E Eligibility, Quality, and Identification of Aeronautical Replacement Parts. Changes to that AC will be addressed in the next newsletter and will be reviewed by the Quality Assurance (QA) Committee.

The QA Committee is scheduled to hold its next meeting July 17, 2011 in Washington, DC. The meeting immediately precedes the 2011 Annual Conference, held July 17-19. Registration for the conference opened this week on our website. The hotel is located in downtown DC near the museums. The agenda will be released beginning of April. ASA is once again holding its meeting in conjunction with the AFRA Annual General Meeting. One registration fee covers attendance to both meetings.

Take care, Michele

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(Continued from Page 1)

ASA feels that the Stolen Parts Database is a great tool for the industry at-large. With the support from Inventory Locator Service (ILS) the database is pre-populated with the stolen part information that ILS maintained. The database contains over 8,000 stolen parts. The goal of this public database is to promote safety and integrity in the industry and for victims of theft to help protect the industry from criminal activity and fraud. However, the database is for reference only and it is not the purpose of the database to be used as a way to settle business disputes.

For more information on the database, submitting an entry, or viewing the list of parts already available, visit http://www.aviationsuppliers.org/Stolen-Parts-Database-Home. Subscribe to the Database's RSS Feed to get notifications when new entries have been submitted.

*Note: Police reports are required for all new entries to the database. ASA verifies that a report has been filed, but not the validity of the claim.

Make Your Voice Heard on Unapproved Parts

The FAA has released a draft revision to the Unapproved Parts Program advisory circular, AC 21-29C change two.

The main purpose of this revision seems to be designed to bring the guidance in line with Part 21 revisions. Our analysis shows that the guidance failed to reflect some important changes in Part 21, and ASA has written comprehensive comments on the draft in order to help the FAA complete the project of harmonizing the guidance to the new regulatory standards.

In addition, the draft continued to omit commercial parts from the list of parts considered to be colloquially "approved." We have recommended that commercial parts be added to this list, now that the FAA has established a mechanism for approving lists of such parts.

The draft can be found online:

http://www.faa.gov/aircraft/draft docs/media/Draft AC-21-29C-CHG-2.pdf.

Comments are due to the FAA by February 25, 2011. We would appreciate it if members could provide ASA with their comments by February 23, so that we can incorporate them into our comments.

(Continued from Page 1)

Flying Tiger Company Seattle, WA

MHD - Rockland

Kirkland, Quebec, Canada Saint-Bruno, Quebec, Canada Crofton, MD

New Gen Aerospace Corp. Volo, IL

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FAA Published Draft Risk Assessment Methodology for Comment

The FAA has released a draft policy to govern risk assessment associated with transport airplanes. This Draft Transport Airplane Risk Assessment Methodology (TARAM) Policy, released January 25, is intended to give guidance to Aviation Safety Engineers and Aircraft Certification Offices on how to calculate specific levels of risk associated with identifiable design flaws. The policy is intended to support an existing Monitor Safety/Analyze Data (MSAD) regulation, which requires a shift to a mathematical treatment of risk, in furtherance of an effort to implement a safety management system (SMS)-based approach to the aircraft certification process.

Integral to the new policy is a draft handbook, which outlines the five types of relevant risks, each concerned with a different time frame and sample size, and statistical formulas for calculating each one. These formulas are intended to replace the certifiers' previous reliance on engineering judgment with an emphasis on collection of empirical data. Due to the unavailability of such data in many circumstances, however, the proposed system would still rely heavily on historical data, engineer judgment, and estimation.

The switch to a formula-driven risk assessment process was intended, in part, to combat what the FAA sees as a problem of intentionally conservative or optimistic assessments that have supposedly led to a disconnect between actual risk levels and the attention they receive. Recognizing that many of the future statistics will remain imprecise, the handbook would require engineers to spell out any assumptions made in reaching an estimate.

The FAA has indicated it might delegate responsibility for part or all of these calculations to design certificate holders. Those not directly implementing TARAM will still be responsible for supplying the FAA with the data, or estimates, it needs to complete the process.

The draft policy, available at http://www.faa.gov/aircraft/draft_docs/policy/, is open for comment through February 28, 2011. Comments can be sent to Forrest Keller of the FAA's Transport Airplane Directorate at forrest.keller@faa.gov. Copies of your comments should also be provided to ASA, so we can make sure that any comments we file reflect the opinions of our members.



47% of Manufacturers Appear Ready to Become Non-Compliant, Says FAA

Will the companies that produce the parts you sell still be able to supply you parts after April 16, 2011? You should ask them if they've submitted their new quality manual to the FAA yet for approval.

Under the new Part 21 regulations (which become effective April 16, 2011), every FAA production approval holder (PC, PMA, TSOA) will be required to have an approved quality manual. That rule was changed in a rulemaking that was originally published in its final form in the Federal Register on October 16, 2009.

The FAA has performed significant outreach to the manufacturing community in order to make sure they can remain in compliance under the regulations. Nonetheless, according to Dorenda Baker, the FAA Director for Aircraft Certification, the FAA has not yet heard from 47% of the existing production approval holders. This is a concern, because time is running out to get FAA approval of the new manuals that will be necessary in mid-April.

To facilitate timely review and approval of PMA quality manuals, the FAA has recommended that the manuals (and organization descriptions) should be submitted well in advance of the April 16, 2011 compliance date. This recommendation reflected the practical concern that the FAA has limited resources and cannot approve the entire industry's manuals overnight. Thus, with only two months left to go, and nearly half of the manufacturing community non-responsive, the FAA and industry have a real concern about how the remaining manuals can get approved in time.

The FAA has stated that a production approval holder may not continue to operate after April 16, 2011, unless it does so under a FAA-approved quality manual that meets the new requirements. Given the volume of manuals that still need to be approved, it is important for manufacturers to get their manuals into their local FAA offices NOW if they have not already submitted them. This could result in problems for distributors who rely on the free flow of these parts, if the producers are prevented from shipping parts after April 16 because of non-compliance.

(Continued on Page 6)

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(Continued from Page 5)

The FAA has said that where a PMA company has an existing arrangement (like a MOU) with the FAA that permits the company to operate under a manual amendment in advance of FAA approval of the amendment, this may permit the company to operate under the new changes in advance of the FAA approval, but we have recommended that companies seek written verification of the applicability of this policy with the local MIDO before relying on it.

Baker seems ready to take the position that failure to provide a copy of the new quality manual to the FAA by or before April 16, 2011 is an indicator that the company's quality system may no longer comply with FAA requirements. This could be used as a criterion for targeting enforcement resources. And this could open the doors to allegations that distributors handling those parts dealt in unapproved parts.

Check with your key manufacturer-suppliers and verify that they have submitted their new quality manuals for FAA approval, in order to make sure that they will continue to remain in compliance under the regulations.

FAA to Hold Open Meeting on Rotorcraft Rule Changes

The FAA will solicit feedback regarding possible regulatory reform of industry safety standards at a public meeting on the sidelines of the upcoming Helicopter Association International (HAI) Expo. The meeting presents an opening for distributors to voice suggestions about how to best update rotorcraft airworthiness standards.

During the meeting, FAA officials will briefly present the safety concerns underlying the push for reform of helicopter safety standards. Specifically, the administration is concerned with reducing the accident rate and adjusting minimum safety standards to technological advances. It will be asking for industry feedback about which technical standards are out of date and may be preventing new technologies from being introduced.

Members of the public will then have an opportunity to present information and ask questions of officials. Though the meeting is presented as informal and non-adversarial, a court reporter will be on hand to make a record of any statements, making it a good opportunity to introduce statistically supported arguments.

(Continued on Page 7)

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(Continued from Page 6)

The meeting will be held on March 8, 2011, from 1:00 to 5:00 p.m. at the Orange County Convention Center in Orlando, Florida. The meeting is open to the public, and attendees are not required to register for the concurrent HAI Expo, which runs from March 5-8.

The FAA's announcement may be found in the February 3 edition of the Federal Register:

http://www.gpo.gov/fdsys/pkg/FR-2011-02-03/pdf/2011-2317.pdf.



International Air Traffic Rebounding, but Profitability Still a Concern

International air travel and freight volumes have returned to pre-2008 levels, according to statistics released by the International Air Travel Association (IATA).

While the reported 8.2% increase in travel and 20.6% increase in freight relative to 2009 levels represent a positive rebound of demand, the IATA also reported a mere 2.7% average profit margin among airlines, a figure Giovanni Bisignani, IATA's Director General and CEO, labeled "pathetic." Still, Bisignani was optimistic about the industry's overall recovery. "After the biggest demand decline in the history of aviation in 2009, people started to travel and do business again in 2010," he said.

The IATA attributes part of the gap between volume and profits to the severe weather in Europe that led to an estimated 1% loss in consumer demand in December.

The organization also cautioned that rising oil prices, if sustained, could pose a significant setback to the industry's recovery. "For every dollar increase in the average price of a barrel of oil over the year, airlines face the difficult task of recovering an additional \$1.6 billion in costs." Bisignani said.

In North America, demand increased 7.4% over 2009, but the region could only beat out Europe, which posted 5.1% growth. The Middle East had the highest increase, at 17.8%, followed by Africa (12.9%), Asia-Pacific (9%), and Latin America (8.2%).

Despite the healthy increase in traffic in the Asia-Pacific region, India, a rapidly growing market, saw only one of its carriers, Jet Airways, post a profit in the third quarter of 2010. The July-September period is typically the most profitable for Indian airlines. Jet Airways CEO Nikos Kardassis attributed much of its profitability to a marketing push and an expansion of domestic and international routes.

Still, investor confidence in several other Indian airlines was high in 2010, suggesting a stronger recovery may be close at hand. Meanwhile, the Indian government has released a formal plan to allow state-owned Air India to better compete with private-sector airlines.

In terms of freight traffic, Latin America saw the largest increase (29.1%), with Europe again posting the weakest numbers (10.8%). The overall upward trends in consumer demand and freight traffic should lead to greater demand for aircraft parts.

The full IATA data is available here:

http://www.iata.org/pressroom/facts figures/traffic results/Pages/2011-02-02-01.aspx.



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Boeing Celebrates Rollout of 1,000th 767 Model

Boeing has announced the completion of its one thousandth 767 aircraft. The event marked the end of the roughly 30-year first run of production for the wide-body twin-engine model.

The 767 is known for its common use in transatlantic flights and its relatively efficient two-pilot crew requirement. The thousandth unit was built for All Nippon Airways (ANA), a Japanese carrier.

Boeing announced it has already begun producing additional 767s in a new, smaller facility, also in Everett, Washington. The company has not announced any changes in design or production levels of any of the 767's freighter or passenger models.

http://boeing.mediaroom.com/index.php?s=43&item=1610.



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FAA Partners with JetBlue in Push for Universalizing NextGen

In an effort to coax the airlines into widespread adoption of GPS flight-management technology, the FAA announced it would cover the cost of installation of NextGen systems in 35 JetBlue A320 aircraft.

The FAA hopes this \$4.2 million investment over the next two years will help demonstrate that the technology saves fuel cost and allows more direct routes, making it a cost-effective alternative to radar.

The administration is already requiring the industry to make the switch to NextGen by 2020, but it hopes this initiative will lead other airlines to invest in the technology sooner.

NextGen, which incorporates GPS into an overall flight management system, has been used for decades to more precisely chart landings around difficult terrain. Other airlines are now considering using the technology for efficiency rather than necessity. Southwest Airlines, for example, recently began a test run of the technology on a variety of routes in an effort to save fuel costs.

To help get the word out about the merits of NextGen, the FAA has asked JetBlue to relay detailed flight data. The administration plans to then present a thorough case study to permit other airlines to perform a cost-benefit analysis, which it believes will show NextGen investments save money.

"Companies that are equipping today with NextGen are going to reap the benefits of the transformation of our air space system, sooner rather than later," said J. Randolph Babbitt, an FAA Administrator. Babbitt delivered comments to announce the partnership at a February 3 press conference at Reagan Washington National Airport.

The FAA initiative constitutes only a small fraction of the federal government's overall NextGen budget of several billion dollars. The future of these financial incentives, however, still depends on approval of FAA's budget, with the administration's funding for most of 2011 still being debated in Congress.

Due to the high cost of the technology, which costs around \$120,000 to implement in JetBlue's case, a switch to NextGen still presents a risky investment for airlines still recovering from the industry downturn. The FAA hopes this latest approach will help convince them otherwise.

Safety Management Systems Comment Period Extended

Recently, ASA led an effort to extend the comment period associated with the Safety Management Systems (SMS) Notice of Proposed Rulemaking (NPRM). The FAA has responded by granting our request and extending to the industry an additional 30 days to comment.

Comments on the proposed rule are now due by March 7, 2011.

There are many aspects to this proposed rule - one of them is that it reflects a new management system that air carriers would be required to adopt. The management system would require air carriers to collect and analyze risk data.

The new system is likely to impact distributors through at least two mechanisms. First, it is likely that air carriers will "flow-down" SMS requirements to the parts and maintenance suppliers. Second, it is equally

(Continued on Page 11)

(Continued from Page 10)

likely that air carriers will look to the distribution community as a source of information to feed their data analysis requirements. This could impose onto distributors new record-keeping and data acquisition obligations associated with the parts that they sell.

If you haven't looked at the proposed SMS regulation, it is important that you do so. This regulation is intended to be eventually applied to air carriers, manufacturers and repair stations. It could be the most significant and wide-sweeping regulatory change that the aviation industry has faced in 50 years. Distributors will undoubtedly be affected as their business partners implement SMS programs, and may be forced through commercial relationships with regulated parties to adopt SMS programs that mirror the regulatory requirements.

Although the initial round of regulations is focused on air carriers, the FAA is defining a new Part 5 in the regulations that will establish the criteria for SMS programs for all parties in the industry (not just air carriers).

It is important that SMS program regulations be crafted in a way that supports safety, and does not inhibit safety. If poorly crafted, such programs could actually reduce safety by diverting quality assurance resources to paperwork exercises that are necessary for compliance but that do not positively contribute to safety.

AC 00-56 has demonstrated that the details of a safety program do not have to be published in the regulations in order to make the program effective. One of our aims in our comments will be to help the FAA narrow the requirements to make sure that minimum safety requirements are met while at the same time curtailing the regulations from imposing requirements that detract from safety and impede new safety developments.

ASA members with specific concerns that they have identified should bring these to ASA's attention, so we can be sure that our comments on this important new rule reflect your concerns.

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

Michele Dickstein

President

michele@aviationsuppliers.org

Stephanie Brown

Director of Programs 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

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