

ARSA Action ~ 2009

The following are selected articles that appeared in the ARSA Action section of 2009 issues of **the hotline**. These articles are presented to give the reader an idea of the work ARSA does on behalf of its members.

January

Positive Publicity Campaign Hits First Benchmark

The ARSA Positive Publicity Campaign (PPC) is officially off and running. The PPC is an “inside the Beltway” public relations campaign to tell the story of the tremendous gains in aviation safety that have coincided with the increased use of contract maintenance. The PPC is the industry’s response to continued negative, and false, messages being distributed by interest groups opposed to contract maintenance.

Thanks to the generous donations from businesses worldwide, ARSA has reached the first benchmark in the multi-tiered campaign. Specifically, the association is now moving forward to gather public opinion data. This data will help the aviation maintenance industry understand the scale of the public relations challenge it faces and to guide the development of messages during later phases of the campaign.

The research will have two components.

- First, our research firm will survey general public opinion through questions in an omnibus poll of American adults.
- Second, the firm will survey Washington “insiders” using focus groups and/or other appropriate methodologies that will query persons that are active in government or media relations.

The results of the research will be used to develop and support a comprehensive strategic PR campaign for the international aviation maintenance industry.

For this first step, ARSA has contracted with Strat@comm, an esteemed strategic communications firm. Strat@comm brings an expert team to the PPC with experience in a number of high profile industries. The results of the research will be released at the 2009 ARSA Symposium.

In addition, ARSA is beginning preparations for the next step in the PPC, conducting research to demonstrate the economic impact of the international aviation maintenance industry. ARSA is currently speaking with leading aviation economic research firms.

We are particularly thankful to the companies that contributed to this important endeavor. The continued support of the maintenance community will be vital to build upon the current progress and to attain our broader goals.

For the full PPC plan, visit: <http://www.arsa.org/PPCPlan>.

CDCCL Survey

The Association is conducting a survey regarding Airworthiness Directives (ADs) that have been issued as a result of SFAR-88 reviews by design approval holders. The review has resulted in the methods, techniques and practices contained in certain component maintenance manuals (CMMs) being mandated by AD.

The mandate is due to Critical Design Configuration Control Limitations (CDCCL) imposed by the type certificate holder who determined that the entire component was a potential ignition source in a fuel tank.

The AD does not directly list the CMM; rather the document references an aircraft manufacturer’s report or maintenance planning document which in turn sets forth the specific CDCCLs, including component maintenance manuals.

The Association is requesting permission to post a list of the CMMs Boeing has referenced in its documents that are referenced in the ADs. It also hopes to obtain a similar list from Airbus. In the meantime, we urge our members and any other repair station that may be impacted by the ADs to complete the survey found here:

<http://208.255.27.30/survey/survey.cfm?c=ARS18>

ARSA Receives Clarification

On Jan. 5, ARSA received a reply from the Federal Aviation Administration (FAA) to the Association's request for legal clarification regarding 14 CFR §§ 121.709(b) and 135.443(b). Specifically, ARSA questioned whether a certificated part 145 repair station may issue an airworthiness release or log entry approving the work it performs on an aircraft for return to service on behalf of a certificate holder operating under part 121 or 135.

In its response, the FAA stated that a repair station, as a company, qualifies as a "person" and could prepare, or "cause to be prepared" an airworthiness release or an appropriate entry in the aircraft log. Such a release or aircraft log entry is limited to the work the repair station is rated to perform and actually performs on an aircraft for certificate holders operating under parts 121, 125, and 135, as well as for foreign carriers or foreign carriers operating U.S.-registered aircraft in common carriage under part 129.

However, the FAA continued, in preparing the airworthiness release or aircraft log entry, the part 145 repair station must comply with the procedures set forth in the part 121 or 135 certificate holder's manual for preparing the entry.

To read the FAA's response, go to:

<http://www.arsa.org/files/20090107-FAAResponse-ARSANATA-135-443-Letter.pdf>

ARSA's letter to the FAA may be found here:

<http://www.arsa.org/files/ARSA-NATA-135-443andRepairStations-04282008.pdf>

February

ARSA Recommends "Current" Guidance from FAA

On Feb, 27, ARSA sent a letter to the Federal Aviation Administration (FAA) regarding the agency's December 2008 interpretation of 14 CFR section 91.409(f)(3) that "a current inspection program recommended by the manufacturer" means one that the registered owner chose at a point in time, not current as of "today".

The interpretation has created confusion among maintenance providers as to which program they should be using on "current" inspections (those being done today). With the help of a member's law firm, Hogan & Hartson, L.L.P., ARSA requested guidance on exactly what program the maintenance provider should be using when the operator did not clearly "choose" one as required by 14 CFR section 91.409(f).

ARSA recommended the FAA immediately issue guidance to clear up the confusion surrounding the new definition of "current" for 91.409(f)(3). ARSA asked that the following points be included in the guidance:

- (1) The Operator must demonstrate to the maintenance provider performing the inspection that the Operator has properly "selected" an inspection program and "identified [it] in the aircraft maintenance records" at the time of the adoption. [That is what the express language of §§ 91.409(f) and § 91.417 require.]
- (2) Operators cannot retroactively adopt a manufacturer's inspection program. [To permit a retroactive adoption of an "older" inspection program would enable an Operator to circumvent the plain, mandatory language of § 91.409(f), which requires a timely selection and identification of an inspection program in its aircraft maintenance records.]
- (3) If the Operator has not identified the program in the aircraft maintenance records, the maintenance provider would be required to use the inspection program recommended by the manufacturer at the time of the inspection. [This is consistent with §§ 43.131 and 91.417, as well as the December 5 interpretation. It is also consistent with FAA Order 8900.1, Change 36, October 3, 2008, at 6-42(C)(1), which provides that "inspectors must recognize that these [large aircraft inspection] programs must be either currently recommended by the manufacturer or currently in use by 14 CFR part 121 or 135 operators who are supplying the program. . . . The intent of this requirement is to prevent the use of obsolete programs."]
- (4) If the Operator has properly "adopt[ed] a manufacturer's inspection program" in its aircraft maintenance records (December 5 Interpretation, at 2-3) that is other than the inspection program recommended by the manufacturer at the time of the inspection, the Operator is responsible for providing the 'older' selected program to the maintenance provider performing the inspection. [This is consistent with §§ 43.13(a), 145.109 and 145.207 all of which require maintenance providers to maintain current documents and data (not "old" ones) when performing the relevant work, including airworthiness directives, instructions for continued airworthiness, maintenance manuals, overhaul manuals, standard practice manuals, service bulletins, other applicable data

acceptable to or approved by the FAA, and to have a method for ensuring currency (in a repair station manual).]

The FAA's December 2008 interpretation may be found at:

[http://www.arsa.org/files/FAA-Legal-Int-91-409\(f\)\(3\).pdf](http://www.arsa.org/files/FAA-Legal-Int-91-409(f)(3).pdf)

ARSA's letter to the Flight Standards Division may be viewed at:

[http://www.arsa.org/files/ARSA-91-409\(f\)\(3\)122008Interpretation-20090227.pdf](http://www.arsa.org/files/ARSA-91-409(f)(3)122008Interpretation-20090227.pdf)

March

Symposium 2009

The 2009 ARSA Annual Repair Symposium retained its status as the "must attend" event for the international civil aviation industry. From insightful presentations to friendly networking, the Symposium offered a little bit of everything for attendees, and was a resounding success.

The two-day Symposium opened with an address from keynote speaker Bill McCabe. McCabe, a veteran of the aviation industry, discussed the role of repair stations with regulatory authorities. His address drew from his work on the Independent Review Team, a panel created by then Secretary of Transportation Mary Peters in 2008 to investigate the safety and regulatory culture of the Federal Aviation Administration (FAA) (the report is available at http://www.dot.gov/affairs/IRT_Report.pdf).

The keynote address was followed by an opening salvo on maintenance, featuring Aircraft Maintenance Division Manager Carol Giles and Wilfried Schulze, organizations manager with the European Aviation Safety Agency (EASA). Highlights included updates on the FAA's repair specification order and suspected unapproved parts program, as well as a look at the U.S.-EU bilateral aviation safety agreement (BASA). Giles emphasized that the FAA Reauthorization Act (H.R. 915), currently before the House, will undercut the BASA, with industry paying the price.

Certification next took center stage, with presentations from Dorenda Baker, Director of the FAA Aircraft Certification Service and Francis Jouvard from EASA's Flight Standards Department. The in-depth discussion covered topics ranging from recent fuel tank airworthiness directives to parts manufacturer approval policy.

After a panel focused on the growing role of safety management systems in the international aviation industry, attention focused on "threats and opportunities" currently before the industry. An outline of the aforementioned damaging provisions of the FAA Reauthorization Act was followed by the unveiling of the results from ARSA's work on its Positive Publicity Campaign. The product of the campaign's first step – public opinion research – was presented by a representative from Strat@comm LLC, the firm hired by ARSA to undertake the task.

The news was positive, as research revealed that members of targeted publics responded to messaging on the safe, quality work completed by contract maintenance and alteration facilities.

Beyond the familiar realms of safety and compliance, the Symposium delved into additional topics impacting members' bottom lines. One particular area that piqued the interest of attendees was a discussion of business opportunities aimed to reduce costs from insurance and taxes to office supplies. The final session covered a topic continually a hot issue for members – workforce development. Access to government resources, educational partnership opportunities, and additional options were all discussed as the industry looks for its next generation of leadership.

The annual member luncheon featured ARSA President Dave Latimer (TIMCO) addressing the "state of the association", highlighting the many achievements of the past year and what the future holds for ARSA.

Finally, Symposium attendees were able to take advantage of training sessions, hosted by ARSA executive staff members, to catch up on the industry's latest developments, or to brush up on their regulatory knowledge. The 2009 Symposium also featured special sessions on political involvement and public and media relations, a testament to the growing profile of the contract maintenance industry.

ARSA thanks all the sponsors, speakers, members, and staff that maintained the Annual Repair Symposium as a "must attend" event!

April

ARSA Members Getting Members Program

There is no better advertisement than a satisfied customer. Members are the best people to get others to join — we have made it simple for you to help and are providing a monetary incentive for you to do so!

A letter to use may be found at <http://www.arsa.org/files/ARSA-MemberVendorRecruitmentLetter-12292008.doc>; place it on your letterhead and send it to all your maintenance providers.

Information about ARSA to include in your letter along with an application for membership is available at <http://www.arsa.org/files/ARSA-1pager-and-MemberApp-20090129.pdf>. Be sure to include your name on the application so that you can obtain the monetary incentive.

Now for the rules:

1. For each membership referred by an existing member in good standing, the referring member will receive a credit of 10% of the applicant's dues on its forthcoming member renewal. The maximum credit will be 100% of the member's renewal amount. For example, if you refer a \$1500 member, you will receive a credit of \$150 towards your next membership renewal.
2. The applicant must clearly indicate on its application the name of the member company that referred it for membership.
3. The applicant must pay its membership dues before credit is applied to the referring member.

Questions? Contact ARSA at 703 739 9543 or via e-mail at arsa@arsa.org.

May

ARSA Requests ICA Legal Interpretation

On May 18, 2009, ARSA submitted a request for interpretation to the Federal Aviation Administration's (FAA) Office of Chief Counsel regarding maintenance manuals or instructions referenced in the Airworthiness Limitations Section (ALS) of Instructions for Continued Airworthiness (ICA). The Association asked the FAA to recognize that:

1. All component maintenance manuals (CMM) referenced in the ALS are a required part of the ICA;
2. Modifications to the ALS made after January 28, 1981 are changes in the type design that trigger the ICA requirements in 14 CFR § 21.50(b); and therefore,
3. Design approval holders must make the ALS and referenced CMMs available to properly rated repair stations.

The request was spurred in part by the Special Federal Aviation Regulation (SFAR)-88 requirements mandating design approval holders develop design changes along with maintenance and inspection instructions to maintain ignition source prevention features in fuel tanks. In many cases the instructions are contained in an amended ALS that directly references CMMs as the source of the information.

ARSA looks forward to the FAA's response and will keep its members updated on any developments.

A copy of the Association's request may be found at: <http://www.arsa.org/files/ARSA-FAAALS-20090518.pdf>

June

ARSA Not Taking "No" For An Answer

In response to ARSA's request to amend its guidance regarding the issuance of repairman certificates, the Federal Aviation Administration (FAA) retorted with a letter thanking the Association for pointing out the issue but refusing to update the flawed guidance.

The crux of the issue revolves around language in FAA Order 8900.1, volume 5, chapter 5, section 4 prohibiting issuance of a repairman certificate to "circumvent" a mechanic's certificate. In past correspondence (<http://www.arsa.org/files/ARSA-RepairmanCertificates-11212007.pdf> and <http://www.arsa.org/files/ARSA-Second-RepairmanCertificatesLetter-08072008.pdf>) ARSA pointed out that the regulations allow for either a repairman or

a mechanic to fulfill certain positions for a repair station. The Association argued that the prohibition likely stems from a misunderstanding of the term airman and the unsupported contention that a repairman certificate is an unfit substitute for a mechanic certificate.

Not one to be lightly brushed aside, ARSA sent a third letter to the agency on this issue pointing out the unnecessary damage the erroneous guidance is causing repair stations (<http://www.arsa.org/files/ARSA-ThirdRepairmanCertificateLettertoFAA-20090514.pdf>). The letter also reminds the FAA that § 145.159 states that a repair station may support the application for a repairman whenever an employee is required to hold a part 65 certificate. The certificates should issue based on the qualifications outlined in § 65.101, including "ratings" based on an ability to work on any aviation article, including airframes and/or powerplants.

In addition, ARSA supplied the FAA with a rewrite of Order 8900.1 (<http://www.arsa.org/files/FSIMS-RepairmanCertification-ARSARecommendedChanges-20090514.pdf>) that fully explains the need and requirements for repairman certificates, provides direction on the appropriate method for issuing such certificates and distinguishes a mechanic's certificate from a repairman's.

"Current" Inspection Program Guidance Issued

In a recent letter ([http://www.arsa.org/files/FAA-Legal-Int-91-409\(f\)\(3\).pdf](http://www.arsa.org/files/FAA-Legal-Int-91-409(f)(3).pdf)) to the Federal Aviation Administration (FAA), ARSA suggested the agency adopt guidance on the use of a "current inspection program recommended by the manufacturer" under Title 14 CFR § 91.409(f)(3). In response the FAA issued an Information for Operators (InFO) Which clarifies that an operator must properly adopt a program under 14 CFR section 91.409(e) that is "current" at that time (the time of the adoption). While some may claim that the InFO carries no "weight", the fact that it clearly defines the regulatory requirement that was not addressed in the interpretation of section 91.409(f) makes it valid and applicable.

When a proper selection or identification is not made the maintenance provider is required to use the program recommended by the manufacturer at the time of the inspection. Further the InFO states that owner/operators cannot retroactively select an inspection program and must provide maintenance facilities with properly selected programs that are different from the program recommended by the manufacturer at the time of the inspection.

A copy of the InFO guidance may be found at:

http://www.faa.gov/other_visit/aviation_industry/airline_operators/airline_safety/info/all_infos/media/2009/info09008.pdf

July

Using CMMs for Overhaul

ARSA recently sent a set of letters to the Federal Aviation Administration (FAA) to dispel the agency's notion that a repair station could not use a manufacturer's component maintenance manual to perform an overhaul. The agency opined that a facility must either use a manufacturer's "overhaul manual" or develop its own FAA-approved manual to accomplish the described work.

The Association disagreed with this opinion and pointed out that whether the manufacturer of an article uses "overhaul" in its manual or instructions does not dictate the use of the term in a maintenance record. The regulations set forth the requirements for the proper use of that term, not the manufacturer.

Maintenance is defined in § 1.1 as "inspection, **overhaul**, repair, preservation, and the replacement of parts" Further, all maintenance must be done in accordance with the performance standards set forth in § 43.13. Section 43.13(a) indicates that the manufacturer's **maintenance manual** or instructions for continued airworthiness contain acceptable methods, techniques and practices for accomplishing work.

In order to use the term "overhaul", a maintenance provider must perform an extensive scope of work. That is, the repair station must disassemble, clean, inspect, repair as necessary, reassemble and test the article in accordance with procedures developed by the manufacturer. The regulations do not limit the use of that term to manufacturer instructions that contain the word "overhaul"; rather they dictate the scope of work necessary to ensure that all tasks are accomplished (or determined unnecessary).

Therefore, a repair station may use the term "overhaul" provided the necessary work scope has been accomplished in accordance with the § 43.13(a) methods, techniques and practices. In other words, an "overhaul" manual is not required to perform the work scope necessary to use that term in a maintenance record.

ARSA's letters to the FAA may be found here: <http://www.arsa.org/files/ARSA-OverhaulperCMM-20090529.pdf>, and here: <http://www.arsa.org/files/ARSA-OverhaulperCMM-20090716.pdf>

August

Study Confirms U.S. Aviation Maintenance Trade Surplus, Highlights Economic Risks of Industry Restrictions

A new study by the Aeronautical Repair Station Association (ARSA) provides fresh insights about the aviation maintenance (MRO) industry's economic footprint and impact on the U.S. economy. ARSA is an international trade association representing MRO companies.

The report prepared by AeroStrategy, an Ann Arbor, Michigan-based management consultancy, determined that spending in the global MRO market exceeded \$50 billion in 2008, with North America (the U.S. and Canada) accounting for \$19.4 billion of the total. When induced and related economic effects are considered, the MRO industry's impact on the U.S. economy is \$39 billion per year.

AeroStrategy found that North America is a major net exporter of aviation maintenance services, enjoying a \$2.4 billion positive balance of trade in this arena. While North America is a slight net importer of heavy airframe maintenance services, it has \$1.4 billion and \$1.2 billion trade surpluses in the engine overhaul and component maintenance services markets, respectively. The U.S. competitive advantage in these two areas has important economic benefits because one dollar of spending on airframe heavy maintenance generates just \$1.38 in additional economic activity, while a dollar spent on engine overhaul and component maintenance services generates \$1.85 and \$1.67, respectively.

The report also found there are nearly 4,200 firms with more than 200,000 employees are involved in the civil MRO market in the United States. Eighty-five percent of those companies are small and medium-size enterprises, which account for 21 percent of all industry employment.

ARSA commissioned the study in part to better understand the consequences of legislation that would make it harder for aviation maintenance companies to serve international airlines. Of particular note is the aviation bill passed by the U.S. House of Representatives earlier this year that the European Union has said violates existing treaties. The EU has threatened to retaliate against U.S. companies if it becomes law.

"We now have a better understanding than ever about how small companies and their employees in communities throughout the United States are tied to the global marketplace." ARSA Executive Director Sarah MacLeod said. "Congress should be looking for ways to make it easier for these U.S. companies to serve foreign customers, not trying to hamstring a highly-competitive sector of our economy."

The study is part of ARSA's Positive Publicity Campaign, a multi-tiered effort aimed at increasing visibility and messaging for the aviation maintenance industry. The campaign's initial step was a survey of public opinion on the aviation maintenance community. Completed by Strat@comm, a Washington, DC-based strategic communications firm, the survey revealed an integral tie between public knowledge of aviation maintenance and corresponding support for industry initiatives.

If you have any questions or need assistance please contact ARSA at 703 739 9543 or via e-mail at arsa@arsa.org.

The complete ARSA/AeroStrategy report is available at:

<http://www.arsa.org/files/ARSACivilAircraftMROMarketOverview-20090821.pdf>

September

ARSA Spreads the Word on Industry's Economic Impact

The release of ARSA's "Global MRO Economic Assessment", which is part of the association's Positive Publicity Campaign, has garnered significant attention. From coverage in trade and national publications to positive feedback "inside the Beltway", the assessment boosted ARSA efforts to raise the visibility of the aviation maintenance industry.

In September, ARSA met with personnel at executive agencies and on Capitol Hill to share the assessment's findings and emphasize the important role of the industry both domestically and on the world stage. Meetings with the Department of Commerce, Small Business Administration (SBA), and House Aviation Subcommittee staff were highlights of the month's activities. Cooperation with the SBA is of particular importance, as the assessment revealed that 85% of U.S.-based MRO businesses are classified as either "small" or "medium" enterprises.

The focus on the industry's economic impact is of great importance, given the backdrop of pending legislation on Capitol Hill including trade prohibitive measures that would undermine the industry's robust contributions to the

national economy. Citing the assessment's finding that the United States enjoys a positive balance of trade in the overall MRO marketplace, ARSA further emphasized the negative impact that would accompany any attempt to micro-manage the industry or limit access to foreign markets.

The Global MRO Economic Assessment is available at:

<http://www.arsa.org/files/ARSACivilAircraftMROMarketOverview-20090821.pdf>

Additional information on ARSA's Positive Publicity Campaign is available at: <http://www.arsa.org/node/548>

October

EASA/TCCA/CAANZ/CASA Multiple Release

Last week, ARSA submitted a letter to the FAA, EASA, Transport Canada, CASA (Australia) and CAA NZ (New Zealand) regarding mutual acceptance of a single form as an approval for return to service document. The goal is to avoid the present scenario of repair facilities that are certificated by several national aviation authorities having to put the same information on several different pieces of paper when issuing a "multiple release" for a component. This problem arises when a bilateral aviation safety agreement with maintenance implementation procedures does not exist between the countries involved (an example of this scenario is provided in the letter).

The proposed solution is common acceptance of the standard approval form that already exists (e.g., FAA 8130-3; EASA Form 1) so long as the substantive elements required by the rules of each authority are contained in the document. Realizing that existing EASA and CAA NZ rules require revision for true compatibility, we asked that, in the short-term, those authorities agree to recognize FAA, TCCA and CASA standard release certificates as equivalents to each respective version of Form 1, if issued as a multiple release document after component maintenance (or alteration) provided the essential technical recordkeeping requirements of all the national authorities was met; those elements, along with a comparison of the applicable rules, are presented in the letter.

ARSA recognized the agencies for their leadership in aviation safety and harmonization, and noted that action on their part would provide momentum for a truly universal approach to maintenance recordkeeping.

ARSA's letter may be found at:

<http://www.arsa.org/files/ARSALettertoNAAMultipleRelease-20091027.pdf>

Aviation Maintenance Veteran Named ARSA President

Chris Erickson, chief repair station officer (CRSO) and compliance officer at Erickson Air-Crane (EAC), was elected president of the Aeronautical Repair Station Association (ARSA) at the association's annual board meeting on Oct. 30. Erickson assumes the presidency after two years of service as ARSA's senior vice president. Dr. Hans Jürgen-Loss, vice president of quality management at Lufthansa Technik and Mr. Gary Fortner, vice president of quality management at Fortner Engineering, were respectively elected ARSA's senior vice president and treasurer for 2010.

"It is my pleasure and honor to serve the ARSA membership," said Erickson. "The global aviation maintenance industry currently faces numerous challenges – but those same challenges bring great opportunity to increase the industry's integral contributions to aviation safety and security."

Erickson began his aviation career in 1969 and has a diverse background in operating, maintaining and manufacturing helicopters and in interfacing with civil aviation authorities worldwide. He joined EAC in 1981, and has served in various managerial positions. In 2003, he became the compliance officer and CRSO/accountable manager. Erickson has an associate's degree in aviation maintenance and helicopter maintenance management, and he has taken various regulatory management courses. He holds an airframe and powerplant license and inspection authorization under the repair station.

In addition to executive leadership, ARSA announced its board of directors for 2009-2010. Joining Erickson, Loss, and Fortner will be Ian Cheyne, vice president of Dallas Airmotive; Gary Hudnall, director of maintenance at Jet Center Medford; Gary Jordan, CEO of Jordan Propellers; William Peacher, senior vice president of NORDAM; Jim Perdue, vice president of SONICO, Inc.; and Dave Latimer, vice president of regulatory compliance at TIMCO.

Please welcome our new president and thank all the members of our Board for volunteering their time to the Aeronautical Repair Station Association.

November

ARSA Survey Finds Repair Stations Hit Hard by Economic Downturn in '09, Guardedly Optimistic About 2010

The downturn in the global economy has taken a toll on repair stations, a recent Aeronautical Repair Station Association (ARSA) member survey has determined. The majority of ARSA members have seen revenues fall over the last year and have cut jobs as a result.

The outlook for next year is mixed. Slightly fewer than half of ARSA members expect to see revenues increase and only six percent are planning more layoffs. But only 21 percent expect to add positions next year, suggesting that recovery in the industry is likely to be sluggish.

The online survey was conducted on Nov. 12 and 13. Based upon 144 responses from ARSA repair station and corporate members, ARSA estimates the margin of error at just over six percent, making it the most reliable survey of maintenance industry economic conditions the association has ever conducted.

Ninety-four percent of the survey respondents were headquartered in the United States. While respondents represented a wide range of business sizes, consistent with the makeup of the repair station industry, the vast majority were small companies. Seventy-four percent of respondents had less than \$10.5 million in revenues in 2008 and 72 percent had fewer than 50 employees. Based on an *extremely* conservative estimate, the survey respondents collectively had more than \$1 billion in annual revenues in 2008 and more than 15,000 employees. The overwhelming majority (92 percent) were non-union companies.

By far, the most important markets for the respondents were commercial air carrier and business aircraft. Reflecting the international nature of the repair station industry, 68 percent of the U.S.-based companies reported that in addition to their FAA part 145 certificate they had a European Aviation Safety Agency (EASA) approval allowing them to work on European-registered aircraft and products installed thereon.

The survey's key findings were as follows:

- **Business conditions have deteriorated for ARSA members over the past year.** Sixty-two percent of respondents reported that their 2009 revenues fell below 2008 levels and only 21 percent reported increased revenues this year.
- **The economic downturn has taken a toll on industry employment.** More than half of respondents (53 percent) reported laying off workers in the past year because of poor business conditions. On average, companies reporting layoffs had eliminated nine percent of their workforces.
- **ARSA members are guardedly optimistic about the future.** Forty-six percent of survey respondents believe their companies' revenues will increase in 2010 and only 14 percent are anticipating a decrease.
- **The industry employment outlook is relatively stable.** Only six percent of respondents planned to eliminate positions in the coming year and 63 percent said they expected to hold their workforce at current levels.
- **Despite poor business conditions, ARSA members are continuing to invest in their companies.** Fifty-one percent of respondents have made substantial capital investments in 2009 and 47 percent plan to do so next year. Capital investment in the coming year might be improved by extension of the economic stimulus bill's depreciation bonus and increased Sec. 179 expensing levels.
- **Despite poor industry economic conditions, ARSA members continued to struggle to find qualified technical workers.** Sixty-five percent of respondents reported that they had difficulty finding skilled workers for technical positions in the past two years. This reinforces the need to reauthorize and expand the Workforce Investment Act to strengthen America's base of skilled technical workers.
- **Inadequate FAA resources have taken a toll on the industry's profitability and efficiency.** One third of respondents (33 percent) said that delays resulting from inadequate FAA staffing (e.g., delays in processing an application for a new certificate, changes in operations specifications or capabilities, obtaining data approval) had caused them to lose a customer or otherwise forego a business opportunity in the past two years. This reinforces the need to increase the FAA's oversight resources, as ARSA has urged Congress to do as part of the FAA reauthorization and annual appropriations processes.
- **Business from foreign customers is critical to the health of the U.S. repair station industry.** The U.S. aviation maintenance industry is clearly concerned about the impact of provisions in the House-passed FAA reauthorization bill targeting foreign repair stations and the likely consequent collapse of the U.S.-European Union Bilateral Aviation Safety Agreement (BASA). Close to two-thirds (65 percent) said that the collapse of the BASA would have a "major" or "devastating" impact on their companies, with 20 percent saying that it would threaten their ability to stay in business.

- **Weak airline industry, collapse of BASA cited as biggest threats to aviation maintenance industry.** In an open-ended question, survey takers were asked to identify the single biggest threat to their company's continued survival. The continued poor economic health of the U.S. airline industry was cited most frequently (16 mentions) with the collapse of the U.S.-EU BASA a close second (15 mentions). Other frequently cited threats: the weak overall economy (12 mentions), failure by manufacturers to comply with FAA rules requiring sharing of maintenance manuals (i.e., Instructions for Continued Airworthiness) (11 mentions), over-regulation in general (11 mentions), the decline in corporate aviation resulting from political/media pressure and the poor economy (nine mentions), and poor/inconsistent FAA oversight of the industry (eight mentions).

D091 Update

On November 25, 2009, the FAA posted Notices [N 8900.102](#) and [N 8900.103](#) regarding changes to air carrier Operations Specifications (OpSpecs) paragraph D091, formerly titled "Arrangements with Other Organizations to Perform Substantial Maintenance." The result is a completely revamped OpSpecs paragraph, beginning with a new title—"Requirements: Air Carrier Maintenance Providers."

The D091 makeover is the result of several negative reports from the Department of Transportation Office of the Inspector General (DOT OIG) regarding the oversight of contract maintenance and, particularly, the FAA's ability to easily identify vendors performing "critical maintenance" for air carriers (equated with required inspection items by DOT OIG). In response to the latest DOT OIG report, AV-2008-090, issued September 30, 2008, as summarized in the new Notices, the goal of the revised OpSpec paragraph is to improve FAA's ability to readily identify the maintenance providers for each air carrier.

ARSA, and the Air Transport Association (ATA), have been closely tracking this issue since early 2008. At that time, the FAA had proposed implementing changes that, essentially, would have duplicated the entire air carrier vendor manual—and more—in the D091 OpSpecs paragraph. Fortunately, the FAA had the good sense to take note of our concerns, and quickly realized that their initial solution was not only unworkable for both the FAA and industry, but added no value to oversight capability. ARSA and ATA provided the FAA with many suggested improvements for D091 over the past two years and plan to provide additional meaningful input to improve the effectiveness of D091.

Overall, ARSA believes the new D091 is a great improvement, and is infinitely better than earlier FAA proposals. For instance, the OpSpecs will no longer require a listing of maintenance providers in D091 itself; instead, the paragraph spells out the necessary categorization of maintenance providers in the air carrier's *already required* vendor manual, along with a means of identifying the providers that have qualified, trained and authorized individuals to perform required inspections. The maintenance provider categorization coincides with the repair station ratings.

The information contained *in* the D091 paragraph is limited to the title or name of the air carrier's vendor manual (or location within a larger manual or series of manuals) explaining how the vendor and authorized inspector lists are kept and the name and contact information for the person at the air carrier responsible for that information.

Gone is the term "substantial maintenance," at least in the context of D091. It has, unfortunately, been replaced with the new term "essential maintenance" but it is at least tied directly to required inspection items (RII), as defined in the regulations. The Notices also nicely clarify that RII is only applicable to on-aircraft maintenance.

That said, ARSA feels that several corrections are necessary. First, it must be clarified that the "essential maintenance" providers identified in the vendor manual will not tell the whole story as to the specific RII tasks that can be accomplished at a certain facility. The specific RII that each essential maintenance provider is authorized to accomplish for the air carrier depends upon the personnel qualified, trained and authorized by the carrier at the provider's facility.

That list of persons, already required by 14 CFR § 121.371, is separate and should not be tied directly to the vendor manual listing; it should be individually identified in D091. Second, the air carrier and maintenance provider relationship is misrepresented in Table 1 of N 8900.103. Currently, that Table places a certain degree of "ownership" of the air carrier's D091 on its maintenance providers, which is not provided for in existing regulations. ARSA is presently working to address both of these issues with the FAA, and we plan to provide further updates in the very near future.

December

ARSA Urges Extension of Business Purchasing Tax Incentives

Earlier this month, ARSA joined a broad coalition representing the aviation, construction, manufacturing, and professional service industries in calling on Congress and President Obama to extend business purchasing tax incentives.

The American Recovery and Reinvestment Act (ARRA) allows businesses to write off 50 percent of new equipment purchases and permits qualified small businesses to expense up to \$250,000. The depreciation bonus and increased small business expensing provisions were included in the ARRA to encourage new capital investments in 2009. Both incentives expire at the end of the year.

In a letter to congressional leaders and the White House sent on Dec. 2, the coalition said that while having a positive impact, "the depression in capital-intensive sectors of the economy lack of access to credit and general uncertainty about the future of the economy have combined to prevent many businesses from taking advantage of the law and the incentives have not had the chance to fully achieve their intended effect."

The coalition letter said that in light of recent data from the Bureau of Economic Analysis showing that capital investment increased in the third quarter of 2009 after six quarters of consecutive decline, "Extending the depreciation bonus and higher Sec. 179 expensing levels would help inoculate the economy against a backward slide in business purchasing in the months ahead and enhance the impact and benefits of other job creation legislation."

While it is likely that Congress will extend the capital investment incentives (probably in the context of another economic stimulus/job creation bill), it won't happen until later in 2010.

The text of the letter with the list of signatories is available at: <http://www.depreciationbonus.org/pdf-2009/DepreciationBonusExtensionCoalitionLetter-20091202.pdf>

The Associated Equipment Distributors has provided more information about the capital investment tax incentives at <http://www.depreciationbonus.org/>.