

Position Paper

27 September 2006

AEA POSITION PAPER ON PARTS MANUFACTURE APPROVAL (PMA)

Issue:

The lack of real European equivalent to the aircraft components produced under the United States of America FAA Parts Manufacture Approval (PMA) Scheme is a matter of increasing concern within the community of European Airline Operators.

Over the last few months the AEA members have been discussing the issues surrounding the application and use of PMA within Europe and they would like to have a greater participation in the future development of rules regarding alternate parts manufacturing within the EU.

Without a developed and mature alternate parts design and manufacturing industry within Europe, the European Airlines and their MROs are facing competitive disadvantages with the only net result the continued loss of business to the United States of America. Moreover, the current European system is promoting 'monopoly' provision of parts through Original Equipment Manufacturers (OEMs) resulting in artificially inflated prices/costs. This is against the spirit of the EU common market and European competition law.

AEA position

In the view of the AEA, the current EASA position is not addressing the issue of alternate parts manufacture. Throughout the world the US PMA system is being seen as a real cost effective and safe alternative source to Type Certificate Holder (TC Holder)/ Original Equipment Manufacturer (OEM) parts and it will continue to grow at an ever-increasing rate.

The AEA members are actively identifying cost reduction opportunities involving alternate parts which produce identical safety levels. Due to the lack of alternate parts opportunities within Europe, this drive has naturally led to operators looking to the US PMA market.

The AEA is aware of the sending out for tender by EASA, to review the current situation regarding PMA within Europe and to submit proposals regarding the future development of PMA/Alternate Parts within Europe. The AEA would like to request to be fully involved in this review, as the impact of any rule making in this area would be significant to European Airline Operators.

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Background

Since the mid-1950s, United States Aerospace companies have been designing and manufacturing parts under the United States of America, FAA Approval Design and Manufacturing program known as “Parts Manufacture Approval” or “PMA”.

The PMA industry began as an FAA approved program to supply parts for older generation Military and Civil aircraft that Original Equipment Manufacturers (OEMs) no longer supported. However, it was not long until commercial considerations began to drive the growth of the PMA industry.

After many years attempting to achieve recognition, today, the United States PMA industry is thriving. During the 1990s it was estimated that there were approximately 35,000 PMA Part line items and a small percentage of the MRO repair market. Today that market has blossomed to over 250,000 parts and is expanding at a rate of around 40,000 parts per year.

Within Europe whilst no equivalent to PMA existed under the old Joint Aviation Authorities (JAA), a proposal had been established to develop a European equivalent to PMA, known as the “Joint Parts Approval” (JPA). Whilst JPA never came into force, many National Authorities within the JAA did ensure that their bilateral agreements with the USA allowed for the ultimate acceptance of JPA as a US/JAA acceptable alternative to PMA.

Since the introduction of the European Aviation Safety Agency (EASA) there have been a number of questions posed regarding EASA’s view of PMA and what plans were being made to develop a European PMA Scheme. EASA’s response to these questions was to state that a European equivalent to PMA does exist under the EASA Part 21 regulations (Commission Regulation 1702/2003) (sometimes referred to as EPA). Under these regulations a company could potentially design and manufacture alternative parts.

With regard to the acceptable use of FAA PMA Parts, EASA stated that they had conducted a review of all existing Bilateral and based their current position on the most favourable position. This position was published on the EASA web site under the International Cooperation - Frequently Asked Questions section.

For some time, the members of the Association of European Airlines have been expressing concern regarding the lack of progress being made by EASA with regards to PMA, and subsequently set up a working group to discuss these issues.

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Issues

Lack of Alternate Parts Manufactures within Europe

As the cost of operating large passenger aircraft has significantly grown over the last 20 years, and the continuing downward pressure on ticket prices, operators are being forced to seek additional cost reduction opportunities whilst maintaining safety levels. For many operators this has led to looking very seriously at alternative parts manufacturers. Unfortunately due to the lack of a meaningful alternate parts industry within Europe the focus for AEA members has been on US PMA parts.

Without a developed and mature alternate parts design and manufacturing industry within Europe, the only net result will be the continued loss of business to the United States of America. This is to the detriment of European commercial interests and could ultimately lead to the loss of aerospace jobs through the reduced demand for parts manufactured by EU based Original Equipment Manufacturers (OEMs) or Type Certificate Holders (TCs), and the subsequent loss of technical expertise moving to US Parts Manufacturers.

Lessors / Financiers

In March 06, the International Bureau of Aviation (IBA), a leading consultant to Aircraft Financiers and Lessors produced a report regarding the use of PMA parts. IBA concluded that; “virtually all lease or finance documents included clauses that do not allow non OEM sourced original parts to be fitted in replacement circumstances. The decision to either amend the document or accept the PMA part fitment is solely the lessor or the financier’s prerogative. The underlying concern of the industry should be whether the lessor or finance industry is aware of what is being fitted and operated on their asset. This means good communication policies between the prime contacts of the asset.” In the AEA’s view this need for clear communications regarding PMA is also incumbent on EASA. This can be achieved through the provision of sufficient clarity and confidence from EASA such that aircraft lessors and financiers will accept the use of PMA parts and recognize that the impact on their asset value is not as significant as once thought.

Support for continued airworthiness

One tactic being employed by OEMs, to keep their monopoly supply and to halt the tide of PMA alternate parts, is an unwillingness to continue to support their products in service if a PMA part is being used on their product. This can take many shapes, for example; invalidating warranties, or threatening not to support products with PMAs fitted. If a similar alternate parts manufacturing system was to establish with Europe then it would only be a matter of time before similar actions against EASA Alternate parts would be taken by OEM/TC holders.

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In the AEA's view, EASA, with the support of the European Commission, must move to enforce TC/ESTC holders to maintain their responsibility for operator support and to avoid monopoly provision. It is the operators concern that this support could be severely restricted if TC Products were found to be fitted with PMA/EPA Parts.

EASA Support

The key driver within the US for the significant increase of PMA appears to be attributed to the unqualified support by the US FAA. Commitment in terms of time and staff supporting the PMA industry has helped the US PMA developers to gain a significant foothold within the Aircraft component marketplace.

In the view of the AEA, EASA needs to take a lead in encouraging the development of alternative parts within Europe, and ensuring that mutual recognition exists for these parts within the US.

Regulatory Position

Whilst guidance has been provided by EASA which does appear to take the most favourable position with regards to PMA, clearly a response in the FAQs section of the web site is not basis for legal acceptance of EASA's position, and formal regulatory requirements clearly setting out EASA's position is urgently required. Naturally this needs to be linked with the current negotiations taking place regarding the US / EU Bilateral.

Existing EASA guidance is also acting to disadvantage EU Operators and any potential EU alternate parts manufacturers. Published information from EASA specifically restricts the use of "critical Parts". This limitation does not exist within the US and therefore places unfair trade limitations on EU Operators. It is recognised by the AEA that this position was taken from existing bilateral agreements, however it illustrates the competitively unequal playing field which now exists between the EU and the US.

Conclusion

In the view of the AEA, the current EASA position is not addressing the issue of alternate parts manufacture. Throughout the world the US PMA system is being seen as a real alternative source to TC/OEM parts and will continue to grow at an ever-increasing rate.

As an industry group AEA members are actively identifying cost reduction opportunities involving alternate parts. Due to the lack of alternate parts opportunities within Europe, this drive has naturally led to operators looking to the US PMA market.

The AEA would like to request to be fully involved in the planned EASA review, as the impact of any rule making in this area would be significant to European Airline Operators.