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May 15, 2017

The Honorable Bill Shuster  
Chairman  
House Transportation & Infrastructure  
Committee  
Washington, D.C. 20515

The Honorable Peter DeFazio  
Ranking Member  
House Transportation & Infrastructure  
Committee  
Washington, D.C. 20515

The Honorable Frank LoBiondo  
Chairman  
House Aviation Subcommittee  
Washington, D.C. 20515

The Honorable Rick Larsen  
Ranking Member  
House Aviation Subcommittee  
Washington, D.C. 20515

### **Don't Punish Maintenance Industry for FAA Rulemaking Delays**

Dear Chairmen Shuster and LoBiondo and Ranking Members DeFazio and Larsen:

The aviation maintenance industry looks forward to working with you and your committee to reauthorize the Federal Aviation Administration (FAA) this year. The reauthorization process provides important opportunities to improve the quality of FAA oversight, enhance operational and regulatory efficiencies, and build on the aviation industry's outstanding safety record. However, as this process moves forward, we urge you *not* to punish repair stations for agency rulemaking delays.

ARSA is the trade association representing the aviation maintenance and manufacturing industry. More than 277,000 Americans work in our sector (3,900 in Pennsylvania, 2,000 in Oregon, 5,000 in New Jersey and 19,000 in Washington), which contributes more than \$44 billion annually to the U.S. economy (see attached state-by-state employment and economic impact analysis).

#### ***Congressionally-Mandated Rulemakings Present Challenges for the FAA***

Recent FAA authorization laws have directed the agency to undertake rulemakings to extend drug and alcohol (D&A) testing to foreign repair stations and require pre-employment background investigations for all repair station employees performing safety-sensitive functions on air carrier aircraft.<sup>1</sup>

Crafting D&A rules for foreign repair stations is no easy task and presents both legal and practical challenges. A sampling of the issues confronting the FAA were laid out in the agency's advanced notice of proposed rulemaking on the subject issued in 2014.<sup>2</sup> For example, the congressional mandate directs that testing programs be consistent with the laws of the country in which the repair station is located. This principle is important because some countries' laws prohibit or limit random drug testing. A one-size-fits-all testing requirement would have forced repair stations in those countries to surrender their certificates. This would have caused massive disruptions for U.S. air carriers that rely on foreign repair stations for maintenance

<sup>1</sup> See, e.g., [FAA Extension, Safety, and Security Act of 2016, Sec. 2112, Pub. L. No. 114-190.](#)

<sup>2</sup> [Drug and Alcohol Testing of Certain Maintenance Provider Employees Located Outside of the United States, 79 Fed. Reg. 14621 \(March 17, 2014\).](#)

services when operating internationally and significant economic losses for U.S. companies that own facilities abroad. The FAA must also consider International Civil Aviation Organization activity in this area. The task Congress has given the FAA is to craft a rule that establishes consistent standards that can be applied in every country in which FAA-certificated repair stations are located. Congress should recognize that doing so properly will take time.

The pre-employment background investigation requirement poses similar challenges. The congressional mandate requires pre-hiring background screening for employees performing safety-sensitive functions on air carrier aircraft at all repair stations, not just those located outside the United States. Transportation Security Administration (TSA) rules already require criminal background checks for those with unescorted access to designated security areas at air carrier airports as well as previous employment checks for those responsible for implementing repair station security measures. Aside from creating redundancies and possibly contradictory requirements, the new rules mandated by Congress will impose additional costs, not just on the roughly 4,700 FAA-certificated repair stations, but likely also on every contractor and subcontractor those facilities use to provide specialized services. Because more than 80 percent of the companies in our sector are small and medium-sized entities<sup>3</sup>, the rules will disproportionately impact small businesses.

If Congress truly believes the risks warrant agency action in these areas, Congress should give regulators the time necessary to get the job done right and consider how best to fulfill the congressional mandates while causing the least possible disruption for the aviation maintenance industry's thousands of small companies and hundreds of thousands of workers.

### ***Repair Station Certification Ban: Don't Repeat Mistakes of History***

Recent history shows that punishing repair stations and their employees for agency rulemaking delays would be a major mistake. In 2003, Congress enacted VISION 100<sup>4</sup>, which included a provision requiring the Transportation Security Administration (TSA) to issue repair station security rules by August 2004 and to audit for compliance with the regulations within 18 months. The agency failed to meet its deadline. In 2007, lawmakers approved the Implementing Recommendations of the 9/11 Commission Act.<sup>5</sup> The legislation again mandated TSA to finalize repair station security rules but also demanded the regulations be completed by August 3, 2008. If they were not, the FAA would be prohibited from issuing new foreign repair station certificates. When TSA missed the deadline, in large part because the agency was focusing on other, real threats to transportation security, the ban took effect.

TSA finally issued the rules in 2013 and the ban was lifted after almost five years. In the meantime, it caused chaos for companies seeking to open repair stations outside the United States and raised the specter of retaliation against U.S. facilities with foreign certificates and approvals.

ARSA recognizes that Congress wants the FAA to issue the rules; however, it would be an enormous mistake to punish industry because the FAA has not yet done so or to force FAA to rush complicated rulemaking processes. Much of the aviation sector's growth in the coming years will be overseas. Many U.S. companies operate foreign repair stations and plan to open more to serve customers in areas (particularly Asia) where the aviation sector is growing.

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<sup>3</sup> Oliver Wyman, Global Fleet and MRO Market Assessment: 2017 to 2027 (2017) at 115.

<sup>4</sup> [Pub. L. No. 108-176](#).

<sup>5</sup> [Pub. L. No. 110-53](#).

Banning new certifications would hamstring the ability of U.S. companies to tap into those markets and provide aftermarket support for U.S. aircraft sold overseas.

A ban on new foreign certificates would also have practical consequences for U.S. airlines. Because U.S.-registered aircraft and related components need to be maintained by a facility or person approved by the FAA, fewer repair stations – whether foreign or domestic – makes it harder for U.S. carriers to operate.

There is also the risk of retaliation against U.S. industry. The U.S. maintenance sector has a positive balance of trade (i.e., more work comes into the United States from foreign customers than U.S. air carriers send overseas). For example, more than 1,400 U.S. facilities are approved by the European Aviation Safety Agency (EASA) to work on European-registered aircraft and related components (19 of those EASA-approved facilities are in Pennsylvania, seven are in Oregon, 22 are in New Jersey, and 48 are in Washington).<sup>6</sup> Banning new foreign repair stations could lead the European Union, China, and others to withdraw or restrict certifications in the United States.

Those who do not learn the lessons of history are doomed to repeat them. Punishing industry would do nothing to motivate executive branch action but would instead undermine growth in a globally-competitive sector of the U.S. economy, undermine the FAA's ability to pursue reciprocal acceptance of U.S. certifications abroad (a major objective of the pending reauthorization legislation), and further jeopardize the U.S. aviation industry's global leadership.

Thank you for keeping our members' views on these issues in mind as FAA reauthorization moves forward. We look forward to working closely with you to advance and enact a bill in the weeks and months ahead.

Sincerely



Christian A. Klein  
Executive Vice President

c.c. All members of the House Transportation & Infrastructure Committee

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<sup>6</sup> [Aeronautical Repair Station Association, "ARSA Analysis Shows U.S.-Wide Benefit of International Maintenance Trade", Feb. 14, 2017.](#)

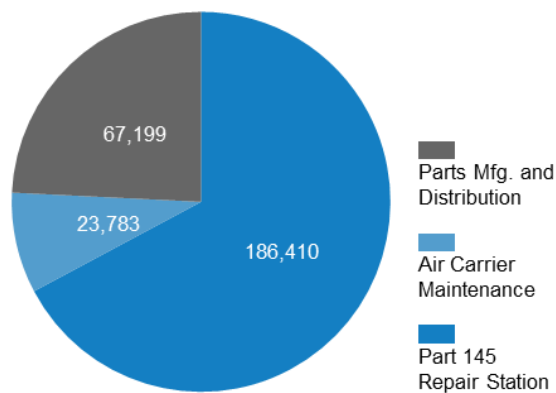


## US EMPLOYMENT AND ECONOMIC IMPACT

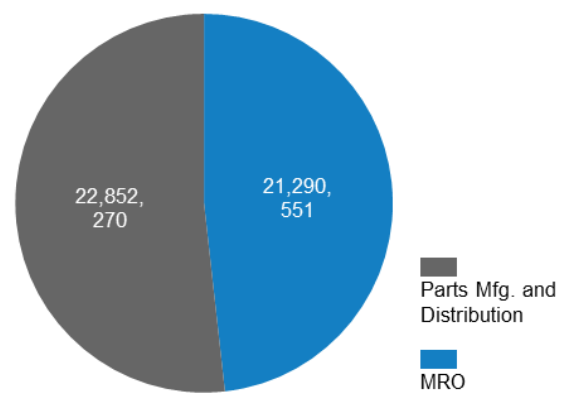
The US civil aviation maintenance industry employs more than 277,392 people and generates \$44.1B in economic activity. MRO accounts for 75.3% with 210,193 employees; companies that are certificated by the FAA under part 145 are the largest employers with 186,410 employees. The remaining 23,783 are employed by other companies involved in civil aviation. Parts manufacturing and distribution, accounts for the remaining 24.2% of employment with 67,199 employees. MRO generates over 48.2% of the economic activity or \$21.3B. With 24.2% of the total employment, parts manufacturing and distribution, accounts for 51.8% or \$22.9B.

Exhibit 1: 2017 US CIVIL AVIATION MAINTENANCE EMPLOYMENT AND ECONOMIC IMPACT

NUMBER OF EMPLOYEES



ECONOMIC ACTIVITY (BN)

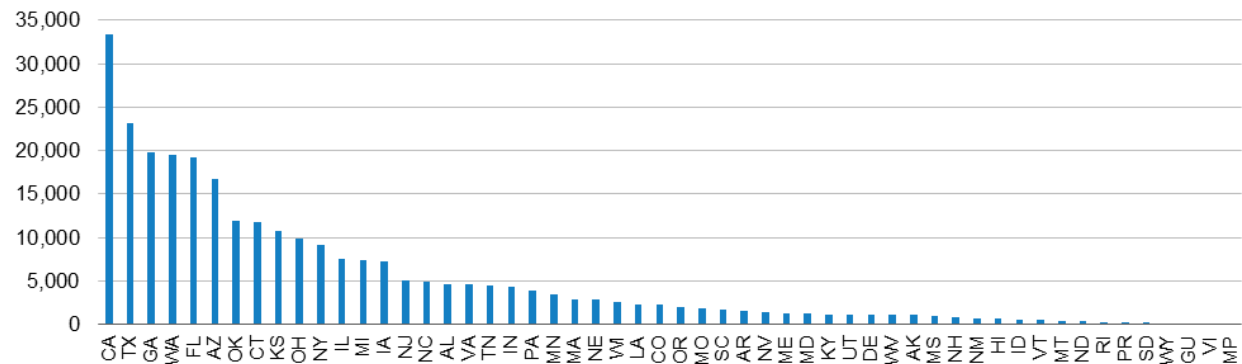


Source: BLS, FAA, Oliver Wyman Analysis

Analyzing the MRO industry at the state level, Oliver Wyman estimates that California, Texas, Washington and Georgia combined represent 34.5% of the total US civil aviation maintenance employment with an estimated 95,632 employees; the top ten states represent 63.3% of the total employment in the US.

Exhibit 2: 2017 US CIVIL AVIATION MAINTENANCE EMPLOYMENT

NUMBER OF EMPLOYEES



Source: BLS, FAA, Oliver Wyman Analysis

California and Washington also generate the most economic activity followed by Arizona, Texas, Connecticut, and Georgia; together, these six states generate over 48% of the total economic activity.



Exhibit 3: 2017 US CIVIL AVIATION MAINTENANCE EMPLOYMENT AND ECONOMIC IMPACT

State	Aviation Maintenance Industry Employment				Aviation Maintenance Industry Economic Activity (\$M)		
	Maintenance, Repair and Overhaul (MRO)		Parts Manufacturing /Distribution	Total Employment	Maintenance, Repair and Overhaul (MRO)	Parts Manufacturing /Distribution	Total Economic Activity
	FAA Repair Station	Air Carrier					
AK	468	590	9	1,067	\$107,165	\$3,061	\$110,226
AL	4,641	-	28	4,669	\$470,089	\$9,522	\$479,611
AR	1,446	40	60	1,546	\$150,518	\$20,404	\$170,922
AZ	6,052	753	9,868	16,673	\$689,282	\$3,355,797	\$4,045,079
CA	25,209	2,645	5,471	33,325	\$2,821,345	\$1,860,515	\$4,681,861
CO	1,394	878	15	2,287	\$230,132	\$5,101	\$235,233
CT	4,650	-	7,038	11,688	\$471,001	\$2,393,403	\$2,864,404
DE	1,004	-	83	1,087	\$101,696	\$28,226	\$129,921
FL	16,393	1,879	972	19,244	\$1,850,780	\$330,547	\$2,181,326
GA	17,141	1,165	1,429	19,735	\$1,854,224	\$485,958	\$2,340,182
GU	17	34	-	51	\$5,166	\$0	\$5,166
HI	193	481	8	682	\$68,270	\$2,721	\$70,990
IA	2,747	-	4,425	7,172	\$278,245	\$1,504,804	\$1,783,049
ID	489	19	33	541	\$51,456	\$11,222	\$62,678
IL	4,044	2,076	1,435	7,555	\$619,898	\$487,998	\$1,107,896
IN	2,658	460	1,160	4,278	\$315,824	\$394,480	\$710,303
KS	5,639	136	4,912	10,687	\$584,953	\$1,670,417	\$2,255,370
KY	704	368	44	1,116	\$108,583	\$14,963	\$123,546
LA	1,989	127	186	2,302	\$214,331	\$63,253	\$277,583
MA	2,185	476	267	2,928	\$269,534	\$90,798	\$360,332
MD	451	175	591	1,217	\$63,408	\$200,981	\$264,388
ME	1,089	-	129	1,218	\$110,305	\$43,869	\$154,174
MI	4,310	546	2,521	7,377	\$491,867	\$857,313	\$1,349,180
MN	2,545	523	358	3,426	\$310,759	\$121,745	\$432,504
MO	1,583	223	23	1,829	\$182,931	\$7,822	\$190,752
MP	7	-	-	7	\$709	\$0	\$709
MS	866	-	139	1,005	\$87,718	\$47,270	\$134,987
MT	368	-	18	386	\$37,275	\$6,121	\$43,396
NC	3,857	686	383	4,926	\$460,163	\$130,246	\$590,409
ND	225	-	98	323	\$22,790	\$33,327	\$56,117
NE	1,550	-	1,292	2,842	\$157,000	\$439,369	\$596,369
NH	735	-	33	768	\$74,449	\$11,222	\$85,671
NJ	3,907	712	447	5,066	\$467,861	\$152,011	\$619,871
NM	672	-	47	719	\$68,067	\$15,983	\$84,050
NV	656	570	116	1,342	\$124,182	\$39,448	\$163,630
NY	5,121	1,299	2,732	9,152	\$650,285	\$929,067	\$1,579,352
OH	6,461	215	3,161	9,837	\$676,215	\$1,074,957	\$1,751,172
OK	11,187	190	521	11,898	\$1,152,382	\$177,176	\$1,329,558
OR	1,701	206	116	2,023	\$193,161	\$39,448	\$232,609
PA	3,222	580	114	3,916	\$385,106	\$38,768	\$423,874
PR	217	51	-	268	\$27,146	\$0	\$27,146
RI	259	-	44	303	\$26,234	\$14,963	\$41,197
SC	1,661	28	10	1,699	\$171,080	\$3,401	\$174,480
SD	70	-	169	239	\$7,090	\$57,472	\$64,562
TN	2,412	1,445	599	4,456	\$390,677	\$203,701	\$594,378
TX	16,847	2,400	3,894	23,141	\$1,949,538	\$1,324,227	\$3,273,765
UT	379	266	457	1,102	\$65,332	\$155,411	\$220,744
VA	1,568	746	2,327	4,641	\$234,386	\$791,340	\$1,025,726
VI	11	-	-	11	\$1,114	\$0	\$1,114
VT	181	-	296	477	\$18,334	\$100,660	\$118,994
WA	9,707	751	8,973	19,431	\$1,059,296	\$3,051,436	\$4,110,731
WI	2,423	44	93	2,560	\$249,884	\$31,626	\$281,510
WV	1,039	-	38	1,077	\$105,241	\$12,923	\$118,163
WY	60	-	17	77	\$6,077	\$5,781	\$11,859
<b>Total</b>	<b>186,410</b>	<b>23,783</b>	<b>67,199</b>	<b>277,392</b>	<b>\$21,290,551</b>	<b>\$22,852,270</b>	<b>\$44,142,821</b>

Source: BLS, FAA, Oliver Wyman Analysis