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Volume 9, Issue 17

19 November 2009

AD to be Issued on Specific Oxygen Cylinders

*AIR-1 KCY for
Date 11/16/09*

SUBJECT: Immediately Adopted Rule to address potential rupturing of AVOX Systems and B/E Aerospace oxygen cylinder assemblies installed on various transport airplanes.

BACKGROUND: During routine hydrostatic testing, a high-pressure gaseous oxygen cylinder ruptured under what would be considered normal operating conditions. Further investigation indicates that the cylinder had insufficient strength characteristics due to improper heat treatment. The improper heat treatment is limited to specific production batches, but the affected oxygen cylinders may be installed on various transport airplanes and aircraft certificated in other categories. The oxygen cylinders contain gaseous oxygen under high pressure.

The FAA is currently evaluating the risk associated with these oxygen cylinder assemblies installed on aircraft certificated in other categories to determine whether any action is necessary to address the unsafe condition on these aircraft.

UNSAFE CONDITION: The actions specified by the AD are intended to prevent rupture of an oxygen cylinder, which, depending on the location, could result in structural damage and rapid decompression of the airplane, damage to adjacent essential flight equipment, deprivation of the necessary oxygen supply for the flightcrew, and injury to cabin occupants or maintenance or other support personnel.

ACTION: This AD requires removing certain oxygen cylinder assemblies from the airplane. The compliance time is 90 days.

IMPACT: The U.S. and worldwide fleet are unknown; there are 332 suspect cylinders.

Inspection for serial number:

1 work hour @ \$80/work hour = \$80 per airplane

Cylinder removal, if required:

2 work hours @ \$80/work hour = \$160 per cylinder

AFFECTED U.S. OPERATORS: Most major U.S. airlines operate these airplanes.

THIS AD WILL BE PUBLISHED IN THE **FEDERAL REGISTER** WITHIN 7 WORKING DAYS.

TPE 331 Operation and Update to be Presented at AACAA

Honeywell will present a four-hour session the first week of March at the AACAA convention, entitled: The TPE Operation and Update as applied to the TPE 331 Powered Cessna Caravan Conversion and TPE 331 Powered Otter Conversion.

Course content will include Engine Construction, Operational Sequence, Systems and Engine Updates specific to the TPE 331 – 12JR – 702.

If you are interested in attending this session, please RSVP to joy@alaskaaircarriers.org so that we can hold course materials for you. Refreshments will be served during the session.

TSA Rule Proposed for Part 145 Repair Stations

The TSA has prepared new regulations governing security procedures at repair stations.

The Notice of Proposed Rulemaking (NPRM) will require repair stations to establish security protocols to guard against unauthorized access to the facility, aircraft and parts.

To view the NPRM, visit the AACA website at www.alaskaaircarriers.org here will be a 60-day comment period on the rule.

The rule, if adopted, will require strict access control and implementation of security awareness training programs and, of course, allow for TSA inspections and audits.

This NPRM would establish a new Part 1554 titled "Aircraft Repair Station Security" that would require a standard security program (SSP). The SSP would be required to describe:

- Access controls for the facility, aircraft and/or aircraft components
- Measures for identifying individuals with access to the facility, aircraft and/or aircraft components
- Procedures for challenging unauthorized individuals
- Security awareness training for employees
- The name of the facility's designated security coordinator
- A contingency plan
- The means to verify employee background information

The TSA is **not** proposing to include drug and alcohol testing as part of security requirements.

Requirements vary depending upon repair station location (on or off airport), types of aircraft serviced, and scope of work performed. As an example, the NPRM states that:

"TSA would not require repair stations that are not located on or adjacent to an airport to implement the same physical security measures in the standard security program as those repair stations that are located on or adjacent to an airport."

Additionally, the TSA determined that

repair stations located on airports that only serve aircraft with a maximum takeoff weight (MTOW) of less than 12,500 lbs would pose less of a security risk and, therefore, would not be required to meet the same security requirements as repair stations on airports serving larger aircraft.

In addition to requiring an SSP, this NPRM would:

- Codify the TSA's inspection authority
- Require foreign and domestic repair stations certificated by the FAA under Part 145 of the FAA's rules to allow TSA and DHS officials to enter, inspect, audit, and test property, facilities, and records relevant to repair stations
- Require affected repair stations to comply with TSA-issued security directives (SD)
- Establish a process to notify the FAA to suspend a certificate upon written notification by the TSA that a repair station has not corrected security deficiencies identified during a security audit within 90 days and to permit appeal of a certificate suspension
- Establish a process to notify the FAA to revoke a certificate upon written notification by the TSA that a repair station is an immediate risk to security and to permit appeal of a certificate revocation
- Require repair stations to submit a profile to the TSA to aid in determining the appropriate security requirements for the facility. The information required in the profile would include:
 - Identification of the repair stations, such as FAA certificate number, repair station name as it appears on the FAA certificate, and repair station address.
 - Description of location (on or adjacent to an airport, off airport in a business location, off airport private residence).
 - Security coordinator who will serve as the TSA point of contact.
 - If on an airport, the name and three letter designator of the airport.
 - Total number of employees.
 - Number of employees authorized unescorted access to aircraft over 12,500 MTOW.



The new TSA rule will affect fifty-one Part 145 Repair Stations in Alaska



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The Alaska Air Carriers Association (AACAA) represents the interests of Alaska's aviation businesses before regulatory agencies, federal, state and local governments. Our members meet the needs of rural Alaskans and the traveling public by providing scheduled commuter travel, on-demand air charter, emergency medical evacuation, flight seeing, pilot training, aircraft maintenance, parts sales, fuel sales, storage, rental, and airline servicing.



FAA Tightens Rules On Pilot DUI

The FAA tightened its treatment of pilots convicted of alcohol-related driving offenses.

In the latest issue (PDF) of the Federal Air Surgeon's Medical Bulletin, AMEs are advised that first-time DUI and DWI offenders don't necessarily escape the agency's scrutiny as they have in the past.

Under the new rules, anyone whose blood-alcohol content was measured at higher than 0.15 percent or who refused to provide a sample will automatically have their case referred by the AME to FAA headquarters. The FAA medics will then insist that the pilot applicant undergo a substance abuse assessment.

Previously, on first offenses, AMEs had to review court records and make the call on whether the applicant had a problem. It's been suggested the tougher rules might

tempt offenders to lie about it on their medical but that will likely make things worse.

In the fine print on the medical form is permission granted to the FAA to cross check the pilot applicant with the National Driver Registry, which compiles driving records. If the FAA gets a hit on the registry and then discovers the pilot didn't disclose the offense on the medical form, justice is swift and harsh. The FAA hates liars so the penalty for omitting the alcohol-related event (or anything else) is immediate revocation. There's also a requirement to report these offenses within 60 days of occurrence, regardless of the time remaining on a pilot's medical certification and failure to do so results in an immediate suspension.

Call for Nominations

SERVICE AWARDS

By acknowledging the exceptional merit of an individual or organization, the Alaska Air Carrier Association service awards encourage performance at the highest standards, continually developing professionalism in the Alaskan aviation industry.

Any individual or organization, regardless of membership, may submit a nomination. Please provide concise details that support your nomination.

You may print out a [nomination form](#) from our site www.alaskaaircarriers.org, then submit to AACAA by mail, fax or email. **Deadline for 2010 awards is January 10, 2010.**

See the listing later in this newsletter.



AACA & MEDALLION BOARDS

Eight positions will be open for elections on the AACAA Board of Directors, and five seats will be open on the Medallion Board.

If you, or someone you know, would be willing to serve on one of the Boards, please submit their names to AACAA by Feb 1st.

Ballots will be prepared and mailed to each active AACAA member. Members may vote in person at the annual membership meeting during the convention, or email/mail their ballot to the Nominating Committee.

Members of the Nominating Committee include Danny Seybert (PenAir), Susan Hoshaw (Everts), Mike Morgan (Warbelows), Jerry Rock (Janssen) and Wilfred Ryan (ATS).

MARKET NOTES

Bob Ward
Wedbush Securities

November 15, 2009

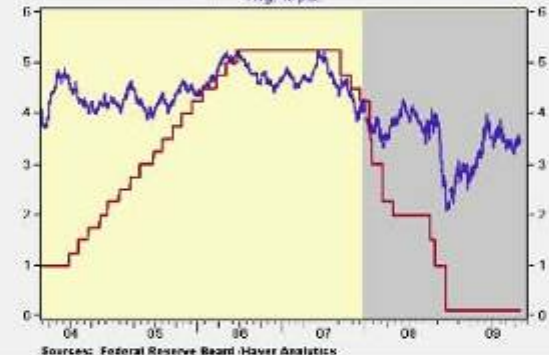
The Federal Reserve Open Market Committee voted to leave the Federal Funds rate (that which is charged to banks borrowing from other banks that have excess reserves to lend) at Zero. This has the effect of lowering other rates, such as money market rates (near zero) and one year Certificates of Deposit (1.00%). One of the effects of these low rates is to induce low-risk savings to seek higher returns. Those higher returns may only be found in riskier investments. Another effect is to lower the cost of loans, inducing borrowing (adding debt).

Recent economic news:

- Oct. lost jobs - 190,000. Unemployment now at 10.2%. Those out of work 27 weeks or more stands at 5.6 million, an historic high.
- Household debt as a percentage of disposable income is 122% vs. 62% in 1983 when the unemployment rate was also 10.2%.

Federal Open Market Committee: Fed Funds Target Rate

10-Year Treasury Note Yield at Constant Maturity Avg. % p.a.



My View From the 50th Floor

Are we on the path to reasonable economic comfort as we experienced in the past two decades or are we bouncing up from our fall off the "credit-collapse cliff" of 2008, only to resume the correction of excesses that culminated in the market top of 2007? With extended unemployment benefits now two years, the homebuyer tax credit extended and existing homeowners included, the government continuing to keep rates at zero, and massive government borrowing to support all of its stimulus packages, I must consider how well we can be recovering.

What is happening in your world? I'd love to know. Send us a note via email. In the meantime, we continue to advise caution in budget management, debt levels, and the formulation of a business / personal plan should the "path to reasonable economic comfort" turn out to be a cul-de-sac.

Disclosures:

The information contained herein is believed to be reliable; however, no guarantee of its accuracy can be made. This information is not intended to be or should be relied upon as a complete record or analysis. Neither is it an offer nor solicitation of an offer to sell or buy any security. Opinions expressed herein are subject to change without notice. The information contained herein should not be treated as tax, legal, accounting, or other professional advice. Please contact your Investment Executive for additional information. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation or an offer to buy any securities.

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AACA SERVICE AWARDS

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Any individual or organization, whether they are an AACA member or not, can submit a nomination. Please provide concise details that support your nomination.

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AACA Arlo Livingston Award

This award recognizes individual achievement in the betterment of Alaskan aviation. The AACA Arlo Livingston Award was created in 1983 in memory of a remarkable man who made a lifelong contribution to the aviation industry. Arlo was instrumental in starting the Alaska Air Carriers Association in 1966.

Previous recipients include leaders from every corner of Alaska:

Carl Brady, honored as an early helicopter pioneer

Richard Wien, honored for taking AACA statewide & serving as the 1st statewide president

Ken Eichner, helicopter pilot and businessman, honored as an initial AACA supporter

This award is considered each year, but is given only when a deserving candidate is identified who has made an exceptional contribution to Alaskan aviation.

AACA Tony Cestnik Maintenance Award

The Tony Cestnik Maintenance Award exists to honor an individual, team, or organization for distinguished, longstanding performance of aviation maintenance which sets a standard of excellence.

Mechanic of the Year Award

This award recognizes a mechanic for exemplary long-term service or an outstanding specific action which personifies an outstanding awareness of the contribution of maintenance to aviation safety. The recipient must be a current Airframe and Powerplant-rated mechanic with at least five years of experience. Eligibility for this award is limited to hands-on maintenance personnel and their direct supervisors.

AACA Iditarod Humanitarian Service Award

This award was created to honor an individual pilot or aviation company who best demonstrates the value of aviation in transporting and caring for the dogs or people participating in the Last Great Race. The award may be for a particular single action, or for service in a consistently outstanding manner for a period of time.

AACA Excellence in Communications Award

This award honors an individual, publicist, journalist, or media group that has achieved either (a) the most distinct dissemination of aviation news that results in public awareness, (b) makes a significant impact in educating the public on an aspect of the aviation industry, or (c) provides, over a period of time, consistently informative coverage that positively advances an aviation issue.

AACA Community Service Award

This award recognizes an individual or organization for outstanding service to the community through improvements to cargo, mail or passenger service to a specific site or a region. The award can recognize a particular single action, or for service in a consistently outstanding manner for a period of time.

AACA Emergency Medical Transport Award

This award recognizes an aviation team or pilot who, through a particular rescue /transport or contributions over a period of time to the air medical industry, has exemplified professionalism and expediency in the saving of lives.

Pilot of the Year Award

The award recognizes an outstanding single feat performed by a pilot during the year, or extraordinary professionalism over a period of time.