

TESTIMONY OF  
JEFFREY N. SHANE  
ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS  
DEPARTMENT OF TRANSPORTATION  
BEFORE THE  
SUBCOMMITTEE ON AVIATION  
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION  
HOUSE OF REPRESENTATIVES

JUNE 27, 1989

MR. CHAIRMAN, THANK YOU FOR THIS OPPORTUNITY TO ADDRESS THE LEGISLATION NOW BEFORE THIS SUBCOMMITTEE ON THE FEDERAL AVIATION ADMINISTRATION'S REGULATIONS GOVERNING THE CERTIFICATION AND USE OF FOREIGN REPAIR STATIONS.

SEVERAL U.S. GOVERNMENT AGENCIES ARE REPRESENTED HERE TODAY, EITHER BY A WITNESS, OR THROUGH JOINT TESTIMONY. THIS UNIFIED, INTER-AGENCY REPRESENTATION ILLUSTRATES THE ADMINISTRATION'S STRONG OPPOSITION TO ANY LEGISLATION THAT WOULD REPEAL, IN WHOLE OR IN PART, THE FAA'S RECENT RULE CHANGE THAT ELIMINATED UNNECESSARY RESTRICTIONS ON THE WORK PERFORMED BY FULLY QUALIFIED, FAA-CERTIFICATED FOREIGN REPAIR STATIONS.

OTHER WITNESSES WILL DEAL WITH SPECIFIC ASPECTS OF THIS ISSUE. MR. BRODERICK, THE FAA'S ASSOCIATE ADMINISTRATOR FOR REGULATION AND CERTIFICATION, WILL EXPLAIN THE FAA CERTIFICATION REQUIREMENTS FOREIGN REPAIR STATIONS MUST MEET AND THE SURVEILLANCE THEY ARE

UNDER, AND WHY THERE IS NO SAFETY JUSTIFICATION FOR THE PROPOSED LEGISLATION. THE REPRESENTATIVES FROM THE DEPARTMENTS OF COMMERCE AND STATE WILL DEAL WITH THE INTERNATIONAL IMPLICATIONS OF THIS ISSUE, U.S. TRADE POLICY RATIONALE FOR THE CURRENT RULE, AND THE REASONS WHY THE IT IS IN THE LONG-TERM INTERESTS OF THE ENTIRE U.S. AVIATION INDUSTRY, INCLUDING LABOR.

AS FOR THE DEPARTMENT OF TRANSPORTATION, WE STRONGLY SUPPORT THE CURRENT RULE FOR VERY SIMPLE REASONS: IT MAKES SENSE, IT IS FAIR, AND IT IS GOOD FOR OUR AVIATION INDUSTRY.

IF I MAY, I WOULD LIKE TO TOUCH BRIEFLY ON OUR PRINCIPAL CONCERNS WITH THE LEGISLATION.

FIRST, THERE IS NO SAFETY JUSTIFICATION FOR MAKING ANY DISTINCTION BETWEEN A QUALIFIED, FAA-CERTIFICATED REPAIR STATION IN THE FEDERAL REPUBLIC OF GERMANY OR SWITZERLAND, FOR EXAMPLE, AND ONE IN THE UNITED STATES. AS LONG AS FOREIGN REPAIR STATIONS ARE SCRUTINIZED BY THE FAA BEFORE THEY ARE CERTIFICATED, MEET THE SAME STANDARDS FOR CERTIFICATION AS DOMESTIC REPAIR STATIONS, AND ARE THEREAFTER SUBJECTED TO THE SAME LEVEL OF SURVEILLANCE, THE FAA AND THE TRAVELING PUBLIC CAN BE ASSURED OF THEIR ABILITY TO REPAIR AND MAINTAIN U.S.-REGISTERED AIRCRAFT, ENGINES, PARTS AND COMPONENTS ACCORDING TO FAA STANDARDS.

THE SUBCOMMITTEE HAS EXPRESSED SOME CONCERN ABOUT THE FAA'S INSPECTOR WORKFORCE LEVEL AND ITS ABILITY TO HANDLE THE INCREASED WORKLOAD THAT WILL COME FROM NEWLY CERTIFICATED FOREIGN REPAIR STATIONS. ALTHOUGH MR. BRODERICK WILL ADDRESS THIS ISSUE IN MORE DETAIL, LET ME ASSURE YOU THAT THE SECRETARY OF TRANSPORTATION WILL GIVE HIS FULL SUPPORT TO ANY FAA REQUEST FOR ADDITIONAL INSPECTOR STAFFING TO COVER THIS FUNCTION, IF NEEDED. FURTHERMORE, I WOULD EXPECT THAT FAA WILL CONTINUE TO CONSIDER ITS ABILITY TO PROVIDE THE NECESSARY LEVEL OF SURVEILLANCE BEFORE GRANTING CERTIFICATION TO A FACILITY.

IN SHORT, THERE IS NO SAFETY JUSTIFICATION FOR THE LEGISLATION BEFORE THIS SUBCOMMITTEE.

SECOND, THE FINAL RULE WHICH THE FAA PROMULGATED ON NOVEMBER 22, 1988, WAS NEEDED TO BRING ITS REGULATIONS INTO CONFORMANCE WITH U.S. TRADE POLICY, WHICH IS TO ALLOW U.S. AND FOREIGN PROVIDERS OF SERVICES FREE AND OPEN ACCESS TO ALL MARKETS, INCLUDING OUR OWN. MS. POWERS, THE DEPUTY ASSISTANT SECRETARY OF COMMERCE FOR SERVICE INDUSTRIES, WILL EXPLAIN IN MORE DETAIL OUR INTERNATIONAL OBLIGATIONS UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND IN THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT, AND THE LIKELY CONSEQUENCES FOR AVIATION AND FOR OTHER SERVICE SECTORS

IF THE UNITED STATES BECOMES THE ONLY AVIATION POWER TO HAVE ENACTED, AGAINST THE CONSIDERED ADVICE OF ITS AVIATION SAFETY REGULATORY AGENCY, A LIMITATION ON REPAIR SERVICES BASED ON GEOGRAPHY.

WE MUST BEAR IN MIND THAT THE UNITED STATES WAS, UNTIL THE FAA'S RULE CHANGE, THE ONLY COUNTRY THAT IMPOSED BY REGULATION A RESTRICTION ON THE WORK THAT OTHER COUNTRIES' REPAIR STATIONS COULD PERFORM ON ITS REGISTERED AIRCRAFT. WHILE NO ONE CAN PREDICT WITH CERTAINTY THE REACTION OF FOREIGN GOVERNMENTS IF WE REIMPOSE SUCH A RESTRICTION, IT IS CLEAR THAT THERE MIGHT WELL BE A SIGNIFICANT LOSS OF U.S. JOBS IF FOREIGN GOVERNMENTS IMPOSED SIMILAR RESTRICTIONS ON THE WORK THAT U.S. REPAIR STATIONS COULD PERFORM ON FOREIGN-REGISTERED AIRCRAFT.

THE IMPORTANT POINT, OF COURSE, IS THAT U.S. MAINTENANCE FACILITIES DO A SIGNIFICANT AMOUNT OF WORK ON AIRCRAFT OPERATED BY FOREIGN AIRLINES, THE VAST MAJORITY OF WHICH ARE MANUFACTURED IN THE UNITED STATES. ALTHOUGH FIRM ESTIMATES FROM IMPARTIAL SOURCES DO NOT CURRENTLY EXIST, ONE ESTIMATE -- BY THE EUROPEAN AIRLINE ASSOCIATION -- HAS BEEN THAT CURRENTLY THE FLOW OF AIRCRAFT MAINTENANCE WORK IS OVER 2 TO 1 IN FAVOR OF THE UNITED STATES. IF SO, U.S. LABOR WOULD HAVE A CONSIDERABLE AMOUNT TO LOSE IF FOREIGN

GOVERNMENTS REQUIRE ALL THEIR REGISTERED AIRCRAFT PRODUCTS TO BE MAINTAINED BY THEIR OWN REPAIR ESTABLISHMENTS IN EUROPE.

THE THIRD AND FINAL CONCERN IS THAT THIS LEGISLATION IS NOT IN THE INTEREST OF THE U.S. AVIATION COMMUNITY AS A WHOLE. IN THAT CONNECTION, THERE ARE A NUMBER OF SERIOUS QUESTIONS WHICH WE URGE THE CONGRESS TO CONSIDER VERY CAREFULLY.

TO BEGIN WITH, WE MUST CONSIDER THE IMPACT OF THE BILLS BEFORE THE SUBCOMMITTEE ON U.S. AIRCRAFT MANUFACTURERS. THIS INDUSTRY, WHICH REMAINS A LEADING U.S. EXPORT SECTOR, IS TRULY A GLOBAL ENTERPRISE; THE WORLD IS ITS MARKET. ITS HEALTH AND WELL-BEING, AND THE JOBS IT CREATES, SHOULD BE OF CONCERN TO ALL. WOULD A FULL OR EVEN A PARTIAL REPEAL OF THE RULE CHANGE JEOPARDIZE AIRCRAFT SALES OVERSEAS, ALONG WITH THE U.S. MANUFACTURING AND MAINTENANCE JOBS THOSE SALES CREATE? THE TESTIMONY LATER TODAY OF THE AEROSPACE INDUSTRIES ASSOCIATION ON BEHALF OF THE MANUFACTURERS WILL ADDRESS THIS CONCERN.

SIMILARLY, THE SUBCOMMITTEE MUST CONSIDER WHAT THE EFFECT OF THE RULE WOULD BE ON THE AIRLINE INDUSTRY. U.S. AIRLINES NEED TO BE ABLE TO MAINTAIN THEIR FLEETS EFFICIENTLY AT THE MOST CONVENIENT LOCATION BY QUALIFIED MAINTENANCE ESTABLISHMENTS. GEOGRAPHIC RESTRICTIONS IMPOSE ADDITIONAL AND UNNECESSARY COSTS. WHY, FOR

EXAMPLE, SHOULD AN AIRLINE HAVE TO FLY A PART FOR A 747 IN FRANKFURT ALL THE WAY FROM THE UNITED STATES, OR, WORSE, HAVE TO FERRY THE AIRCRAFT HOME, WHEN WE CAN ENSURE THAT THERE IS AN FAA-CERTIFICATED REPAIR STATION RIGHT THERE. THERE IS GENUINE REASON TO BE CONCERNED THAT RESTRICTIONS OF THIS KIND MIGHT ULTIMATELY THREATEN OUR AIRLINES' ABILITY TO COMPETE IN FOREIGN MARKETS.

IN FACT, RATHER THAN MOVE BACKWARDS TOWARD THE IMPOSITION OF UNNECESSARY AND DAMAGING RESTRICTIONS ON THE WORK WHICH FOREIGN REPAIR STATIONS CAN PERFORM ON OUR AIRLINERS, WE SHOULD BE MOVING FORWARD TO MORE INTERNATIONAL COOPERATION BETWEEN SAFETY REGULATORY AUTHORITIES AROUND THE WORLD. THE BOTTOM LINE IS THAT SINCE THIS TRADE IS ALREADY INTERNATIONAL, AND IS BECOMING MORE SO, THE REGULATORY REGIME MUST BECOME INTERNATIONAL AS WELL. WE SHOULD BE ENCOURAGING CLOSE CONSULTATION AMONG ALL CIVIL AVIATION IN ORDER TO ENGENDER A TRULY EFFECTIVE APPROACH TO AIRCRAFT MAINTENANCE.

MR. CHAIRMAN, THE DEPARTMENT OF TRANSPORTATION IS COMMITTED TO FACILITATING EFFICIENT AIRCRAFT MAINTENANCE AND REPAIR IN A MANNER WHICH ENSURES THE COMPLETE SAFETY OF THE AIRCRAFT, ENGINES, PARTS AND COMPONENTS INVOLVED. WE SEEK TO AVOID UNNECESSARY AND ARBITRARY TRADE BARRIERS IN THE INTEREST OF FOSTERING THE CONTINUED HEALTH AND VITALITY OF THE U.S. AVIATION INDUSTRY. ANY

REPEAL OF THE AUTHORITY GRANTED FOREIGN REPAIR STATIONS BY THE RECENT FAA RULE CHANGE WOULD BE COUNTERPRODUCTIVE, BAD FOR U.S. AVIATION, AND BAD U.S. POLICY. WE STRONGLY URGE YOU AND THE SUBCOMMITTEE NOT TO SUPPORT IT.

THAT CONCLUDES MY OPENING STATEMENT. ALONG WITH THE OTHER GOVERNMENT WITNESSES, I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.