



**Amendment to the International Traffic in Arms Regulations:
Replacement Parts/Components and Incorporated Articles**
Comments on the Notice of Proposed Rulemaking
published at 76 Fed. Reg. 13928 (March 15, 2011).

Submitted to the State Department
by email to DDTCResponseTeam@state.gov

**Submitted by the
Modification and Replacement Parts Association**
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April 22, 2011

PM/DDTC, SA-1, 12th Floor
Directorate of Defense Trade Controls
Office of Defense Trade Controls Policy
Attn: Regulatory Changes—Replacement Parts/Components and Incorporated Articles
Bureau of Political Military Affairs, U.S. Department of State
Washington, DC 20522-0112

Dear Sir or Madam:

Please accept these comments in response to the Amendment to the International Traffic in Arms Regulations: Replacement Parts/Components and Incorporated Articles Notice of Proposed Rulemaking, which was published for public comment at 76 Fed. Reg. 76 Fed. Reg. 13928 (March 15, 2011).

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Who is MARPA?

The Modification and Replacement Parts Association was founded to support PMA manufacturers and their customers. Aircraft parts are a vital sector of the aviation industry, and MARPA acts to represent the interests of the manufacturers of this vital resource before the FAA and other government agencies.

MARPA is a Washington, D.C.-based, non-profit association that supports its members' business efforts by promoting excellence in production standards for PMA parts. The Association represents its members before aviation policy makers, giving them a voice in Washington D.C. to prevent unnecessary or unfair regulatory burden while at the same time working with aviation authorities to help improve the aviation industry's already-impressive safety record.

MARPA represents a diverse group of manufacturing interests – from the smallest companies to the largest - all dedicated to excellence in producing aircraft parts.

MARPA members are committed to supporting operators with safe aircraft components. MARPA members manufacture and sell aircraft components that provide equal or better levels of reliability when compared to their original equipment manufacturer competitors.

Many of MARPA's members export aircraft parts. Thus, they have a special interest in sound export guidance.

Comments

The State Department Should Assure that the Export Regulations Reflect a Level Playing Field

The State Department has proposed to exempt from the State Department's export licensing requirements certain parts and components that are sent as replacements for an end unit that was previously legally exported. The proposed exemption would permit original equipment manufacturers (OEMs), but not aftermarket component manufacturers, to sell and export replacement parts without obtaining a license. The failure to account for all market participants would reduce the competitiveness of the industry as a whole.

The Proposed Rule Negatively Impacts Distributors By Creating Unequal Burdens on U.S. Exporters

The proposed update of ITAR part 123 would that companies may export parts without a license as long as "[t]he exporter was the applicant of a previously approved

authorization to export the U.S.-origin end-item as defined in § 121.8(a).” 76 Fed. Reg. 13928, 13930 (March 15, 2011).

In the aerospace industry, end-items are generally aircraft and/or engines. It is normal for the aircraft/engine manufacturers to be the exporters of these items. The original license may include spare parts as well, but after the original license expires, the original exporter must apply for a receive a subsequent license to continue to export parts.

Under the proposed change, the original exporter of the end-use item would be permitted to export components to support that item without obtaining a license to export those components.

Aircraft parts manufacturers also manufacture and export parts to support these products.

By restricting the application of the proposed rule to only companies authorized to export the “U.S.-origin end-item,” the rule would leave out aircraft parts manufacturers, currently vital participants in the market for exported aircraft parts.

Today, aircraft parts manufacturers compete on a level playing field with original equipment manufacturers because both must obtain licenses to export their parts.

A removal of the license requirement only for previously-licensed original equipment manufacturers would severely harm aircraft parts manufacturers. These aircraft parts manufacturers, faced with a license burden not borne by OEMs, . Consequently, this rule would serve as a significant competitive disadvantage to companies that manufacturer and export aircraft parts, as compared to the companies that manufacture and export both complete aircraft/engines and their spare parts. Aircraft parts manufacturers would find it difficult to compete in the export business against their unlicensed competition.

Unequal Treatment of Parts Manufacturers and OEMs Disrupts an Efficient Market

At present, obtaining a license for an export is a burden on commerce. Where all similarly situated parties have an equal burden, there is a level playing field.

Under the proposed rule, OEMs would participate in the market for replacement parts with a special regulatory exemption that would allow them to undercut aircraft parts manufacturers prices because of their special advantage (the ability to export without a license).

There is no good policy reason for providing cost benefits to end-item manufacturers at the expense of aircraft parts manufacturers. Aircraft parts manufacturers and OEMs offer identical products (as aircraft parts), so imposing licensing requirements on some,

but not all sellers of those aircraft parts does not meet the goals of the licensing regime to regulate the flow of goods.

Rather, such a change would yield only negative consequences for U.S. export volume.

The Regulation Should Impose the Same License Requirements on OEMs and Distributors.

In order to preserve the competitive dynamic of the replacement parts export market, this regulation must maintain the level playing field for OEMs and aircraft parts manufacturers.

If the goal of this proposed rule is to remove barriers in the export market, it should remove these barriers for all parts-exporting companies. Such a change would actually increase U.S. competitiveness abroad, while maintaining the current market dynamic that rewards efficiency and specialization.

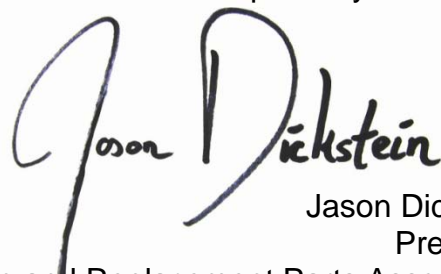
* One way to accomplish this might be to remove the licensing requirements for all parts when they are exported by a registered exporter and shipped to support an end-use product that was previously legally exported. This would permit OEMs and aircraft parts manufacturers to all export on a level playing field.

* Another way to accomplish this would be to permit the issue of unlimited and non-expiring licenses for parts exported to support an end-use product that was previously legally exported. In such a case, all parties would have to apply once for the license, but they would not be required to recurrently apply for new licenses based on the expiration or consumption of the prior licenses.

If there are other reasons that necessitate maintaining licensing requirements for aircraft parts manufacturers, the licensing requirements should be maintained for OEMs as well. Although maintaining the status quo would keep the “burdensome requirements” identified in the proposed rule, it would avoid the even greater consequences of a less competitive market.

The rule will be disruptive and counterproductive unless the State Department takes steps to account for all market participants. Your consideration of these comments is greatly appreciated.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jason Dickstein". The signature is written in a cursive, flowing style.

Jason Dickstein
President

Modification and Replacement Parts Association