



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: INFORMATION: Notification of Audit on
FAA's Certification and Surveillance of Aircraft
and Aircraft Parts,
Project No. 03A3018A000

Date: September 17, 2003

From: David A. Dobbs
Assistant Inspector General
for Aviation Audits

Reply to
Attn of: JA-10:x60500

To: John F. Hennigan
Acting Assistant Administrator
for Financial Services/CFO

The aviation industry continues to face unprecedented economic challenges. Along with the economic challenges facing air carriers, major changes are also occurring in the aircraft and aircraft parts manufacturing industry. For example, Boeing, the only U.S. manufacturer of large commercial aircraft, reported in July that it plans to double the number of layoffs planned for 2003 due to the decline in aircraft orders. Boeing faces further economic challenges due to air carriers' increasing use of foreign manufactured aircraft. In fact, Airbus aircraft, which are manufactured in France, have now obtained 50 percent of the market share in North America and the world. Additionally, some carriers are increasingly turning to the use of regional jets to stay cost competitive. Regional jets are almost exclusively produced by foreign manufacturers, such as Bombardier and Embraer.

Accordingly, the Office of Inspector General plans to conduct a review of the Federal Aviation Administration's (FAA) oversight of the certification and manufacture of domestic and foreign aircraft and aircraft parts. Our audit will evaluate the impact that the shift toward foreign manufactured products has had on U.S. manufacturers and FAA oversight. The objectives of our review will be to:

- 1) evaluate FAA's process for reviewing and approving the design and manufacture of foreign and domestic aircraft, aircraft parts, and aircraft modifications; and
- 2) determine what impact the shift in market demand toward foreign manufactured aircraft and aircraft parts has had on FAA's certification and surveillance procedures.

Our audit will include visits to FAA Headquarters, field offices responsible for the certification of aircraft and aircraft parts, and offices responsible for surveillance of aviation manufacturers. We also plan to visit foreign and domestic manufacturers of aircraft and aircraft parts. We will contact your audit liaison to schedule an entrance conference. If you have any questions or need additional information, please contact Lou E. Dixon, Program Director, at (404) 562-3770 or Tina B. Nysted, Project Manager, at (404) 562-3792.

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cc: FAA Chief of Staff, AOA-2
FAA Audit Liaison, ABU-100
OST Audit Liaison, M-1