

M e m o r a n d u m

545.0052

To: Honorable Richard Nevins

Date: May 2, 1978

From: T. P. Putnam

Subject: Airline Spare Parts

In accordance with my memo to you of December 30, 1977, a study has been made of the practices of the airlines with respect to maintaining inventories of parts. The results are summarized in the attached memos of April 25 from Mr. Brady and of April 21 from Audit Evaluation and Planning.

In those cases where airlines purchase parts tax-paid and regularly resell some of them, there is a question as to which parts can be regarded as having been held for standby use. It appears that the most reasonable and practical resolution of that question is to look to the end result and treat those parts that are resold as not having been committed to standby use.

Based on the study made, it does not seem necessary or advisable to amend a regulation to broaden the application of the standby theory with respect to parts inventories of airlines.

If you have any further questions, please let me know.

TPP:po

Attachments

cc: J.D. Dotson
R. Nunes
D. F. Brady