DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99–NE–44–AD]

RIN 2120–AA64

Airworthiness Directives; Pratt & Whitney Canada PT6A Series Turboprop Engines

AGENCY: Federal Aviation Administration, DOT.

ACTION: Supplemental notice of proposed rulemaking; reopening of comment period.

SUMMARY: This action revises an earlier proposed airworthiness directive (AD), applicable to Pratt & Whitney Canada PT6A series turboprop engines, that have certain turbine exhaust ducts that were modified by Standard Aero Limited (SAL) of Winnipeg, Canada before September 1, 1997. That proposal would have required initial and repetitive inspections for cracks and, if necessary, replacing the turbine exhaust duct if the cracks exceed allowable limits. That proposal was prompted by reports of cracks along the weld seams of certain turbine exhaust ducts. This action revises the proposed rule by requiring inspections for low-quality welds and cracks, of a larger population of turbine exhaust ducts than those modified by SAL. The actions specified by this proposed AD are intended to prevent failure of the turbine exhaust duct due to cracking that could result in possible separation of the reduction gearbox and propeller from the engine, and possible loss of control of the airplane.

DATES: Comments must be received by August 9, 2002.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), New England Region, Office of the Regional Counsel, Attention: Rules Docket No. 99–NE–44–AD, 12 New England Executive Park, Burlington, MA 01803–5299. Comments may be inspected at this location, by appointment, between 8 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays. Comments may also be sent via the Internet using the following address: ''*9-ane-adcomment@faa.gov.*'' Comments sent via the Internet must contain the docket number in the subject line. The service information referenced in the proposed rule may be obtained from Pratt & Whitney Canada, 1000 Marie-Victorin, Longueuil, Quebec, Canada J4G1A1. This information may be examined, by appointment, at the FAA, New England Region, Office of the Regional Counsel, 12 New England Executive Park, Burlington, MA.

FOR FURTHER INFORMATION CONTACT: James Lawrence, Aerospace Engineer, Engine Certification Office, FAA, Engine and Propeller Directorate, 12 New England Executive Park, Burlington, MA 01803–5299; telephone (781) 238–7176, fax (781) 238–7199.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments, specified above, will be considered before taking action on the proposed rule. The proposals contained in this action may be changed in light of the comments received.

Comments are specifically invited on the overall regulatory, economic, environmental, and energy aspects of the proposed rule. All comments submitted will be available, both before and after the closing date for comments, in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this proposal will be filed in the Rules Docket.

Commenters wishing the FAA to acknowledge receipt of their comments submitted in response to this action must submit a self-addressed, stamped postcard on which the following statement is made: ''Comments to Docket Number 99–NE–44–AD.'' The postcard will be date stamped and returned to the commenter.

Availability of NPRM's

Any person may obtain a copy of this NPRM by submitting a request to the FAA, New England Region, Office of the Regional Counsel, Attention: Rules Docket No. 99–NE–44–AD, 12 New England Executive Park, Burlington, MA 01803–5299.

Discussion

A proposal to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) to add an airworthiness directive (AD), applicable to Pratt & Whitney Canada PT6A series turboprop engines with turbine exhaust ducts part number (P/N) 3012290, P/N 3031988, P/N 3032117, P/N 3035784, P/N 3035786, P/N 3105890–01, P/N 3112167–01, P/N 3112171–01, and P/N 3111780–01, was published as a notice of proposed rulemaking (NPRM) in the **Federal Register** on December 8, 1999 (64 FR 68640). That proposal would have required initial and repetitive inspections for cracks of certain turbine exhaust ducts, and, if necessary, replacing the duct if the cracks exceed allowable limits. That proposal was prompted by reports of cracks along the weld seams of certain turbine exhaust ducts that were modified by Standard Aero Limited (SAL) of Winnipeg, Canada, before September 1, 1997. Transport Canada, which is the airworthiness authority for Canada, notified the FAA that an unsafe condition may exist on Pratt & Whitney Canada (P&WC) PT6A series turboprop engines. Transport Canada advised the FAA that certain part numbers of exhaust ducts were modified before September 1, 1997, by Standard Aero Limited (SAL) of Winnipeg, Canada, using an alternate gas tungsten arc welding (GTAW) process instead of the resistance (seam or stitch) weld process that was specified in P&WC service bulletin (SB) 1430. Some of those ducts have experienced cracking that may be attributed to the GTAW process. Transport Canada issued AD CF–98–41 on November 26, 1998, in order to assure the airworthiness of these P&WC PT6A series turboprop engines in Canada. That condition, if not corrected, could result in possible separation of the reduction gearbox and propeller from the engine, and possible loss of control of the airplane.

Since the issuance of that proposal, further investigation by the FAA has determined that a number of additional companies have used the same GTAW process as SAL. As a result, the affected population of turbine exhaust ducts has expanded. Therefore, this proposal is no longer confined to turbine exhaust ducts modified by SAL, and is expanded to include the entire affected duct population. This proposal differs from Transport Canada AD CF 98–41. That AD is confined to SAL modified turbine exhaust ducts only. A total of 116 turbine exhaust ducts have been discovered with cracks along the affected weld seam. Since these changes expand the scope of the originally proposed rule, the FAA has determined that it is necessary to reopen the comment period to provide additional opportunity for public comment.

Manufacturer's Service Information

Pratt & Whitney Canada has issued Service Bulletin (SB) No. PT6A–72–1610, dated January 24, 2002, and SB

No. PT6A–72–12173, dated January 24, 2002, that specify procedures for inspection of turbine exhaust duct weld seams for low-quality welds created during repair, initial and repetitive inspections of affected ducts for cracks, and serviceable turbine exhaust duct criteria.

Bilateral Agreement Information

This engine model is manufactured in Canada and is type certificated for operation in the United States under the provisions of section 21.29 of the Federal Aviation Regulations (14 CFR 21.29) and the applicable bilateral airworthiness agreement. Pursuant to this bilateral airworthiness agreement, Transport Canada (TC) has kept the FAA informed of the situation described above. The FAA has examined the findings of TC, reviewed all available information, and determined that AD action is necessary for products of this type design that are certificated for operation in the United States.

Proposed Requirements of this AD

Since an unsafe condition has been identified that is likely to exist or develop on other PT6A series engines of the same type design registered in the United States, this proposal requires:

- At the next shop visit or within 150 hours time-in-service after the effective date of the AD, inspection for low-quality welds created during repair on turbine exhaust ducts near flange ''A''.
- Initial and repetitive inspections for cracks of affected exhaust ducts.

The actions would be required to be done in accordance with the SB's described previously.

Economic Analysis

There are approximately 22,000 engines of the affected design in the worldwide fleet. The FAA estimates that 7,000 engines would be affected by this proposed AD, that it would take approximately 2 work hours per engine to do one inspection, and that the average labor rate is $60 per work hour. Based on these figures, the total cost of the proposed AD on U.S. operators for one inspection is estimated to be $840,000.

Regulatory Analysis

This proposed rule does not have federalism implications, as defined in Executive Order 13132, because it would not have a substantial direct effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Accordingly, the FAA has not consulted with state authorities prior to publication of this proposed rule. For the reasons discussed above, I certify that this proposed regulation (1) is not a ''significant regulatory action'' under Executive Order 12866; (2) is not a ''significant rule'' under the DOT Regulatory Policies and Procedures (44 FR 11034, February 26, 1979); and (3) if promulgated, will not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act. A copy of the draft regulatory evaluation prepared for this action is contained in the Rules Docket. A copy of it may be obtained by contacting the Rules Docket at the location provided under the caption **ADDRESSES.**

List of Subjects in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Safety.

The Proposed Amendment

Accordingly, pursuant to the authority delegated to me by the Administrator, the Federal Aviation Administration proposes to amend part 39 of the Federal Aviation Regulations (14 CFR part 39) as follows:

PART 39—AIRWORTHINESS DIRECTIVES

1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Amended]

2. Section 39.13 is amended by adding the following new airworthiness directive:

Pratt & Whitney Canada: Docket No. 99–NE–44–AD.

Applicability

This airworthiness directive (AD) is applicable to Pratt & Whitney Canada (P&WC) PT6A series turboprop engines, with turbine exhaust ducts part number (P/N) 3012290, P/N 3031988, P/N 3032117, P/N 3035784, P/N 3035786, P/N 3105890–01, P/N 3112167–01, P/N 3112171–01, and P/N 3111780–01. These engines are installed on, but not limited to, Beechcraft King Air–90 and –100 series, Bombadier DHC–6 series, Empresa Brasileira de Aeronautica, S.A. (Embraer) EMB–110 series, Pilatus PC–6 series, and Piper PA–42 series airplanes.

Note 1: This AD applies to each engine identified in the preceding applicability provision, regardless of whether it has been modified, altered, or repaired in the area subject to the requirements of this AD. For engines that have been modified, altered, or repaired so that the performance of the requirements of this AD is affected, the owner/operator must request approval for an alternative method of compliance in accordance with paragraph (g) of this AD. The request should include an assessment of the effect of the modification, alteration, or repair on the unsafe condition addressed by this AD; and, if the unsafe condition has not been eliminated, the request should include specific proposed actions to address it.

Compliance

Compliance with this AD is required as indicated, unless already done.

To prevent failure of the turbine exhaust duct due to cracking that could result in possible separation of the reduction gearbox and propeller from the engine, and possible loss of control of the airplane, do the following:

Inspection of Turbine Exhaust Ducts for Low-Quality Welds

(a) If the engine has not yet been overhauled, and if the turbine exhaust duct has not yet been subject to a shop visit for repair, no further action is required.

(b) Otherwise, at the next shop visit or within 150 hours time-in-service (TIS) after the effective date of this AD, whichever occurs first, do the following:

(1) Inspect for low-quality welds created during repair, on the turbine exhaust duct near flange ''A'', in accordance with paragraphs 3B through 3E of P&WC service bulletin (SB) No. PT6A–72–1610, dated January 24, 2002, for models PT6A–6, –6A, –6B, –20, –20A, –20B, –21, –25, –25A, –25C, –27, –28, –34, –34AG, –34B, –36, –114, –114A, –135, and –135A engines, and SB No. PT6A–72–12173, dated January 24, 2002, for models PT6A–11, –11AG, –15AG, –110, and –112 engines.

(2) If it is determined that the welds meet the acceptable criteria specified in SB No. PT6A–72–1610, dated January 24, 2002, or SB No. PT6A–72–12173, dated January 24, 2002, continue using the duct until the next scheduled overhaul. Inspect duct per the engine overhaul manual before reinstallation.

(3) If it is determined that the welds do not meet the acceptable criteria specified in SB No. PT6A–72–1610, dated January 24, 2002, or SB No. PT6A–72–12173, dated January 24, 2002, replace the duct with a serviceable part, or perform the initial and repetitive inspections in the following paragraphs.

Initial Visual Inspection of Welds That Do Not Meet SB Acceptable Criteria

(c) Use 5X magnification to visually inspect the circumference of the forward area of the exhaust duct from the propeller reduction gearbox mounting flange to 2 inches aft of the flange for any crack indications. Mark and record cracks and return the duct to service, or replace with a serviceable part as follows:

(1) If no cracks are found, the duct may be returned to service; or

(2) If three or less cracks are found, and the total cumulative length of the cracks exceeds 2.0 inches, replace the duct with a serviceable part; or

(3) If any one crack exceeds 1.0 inches in length, replace the duct with a serviceable part; or

(4) If any two cracks are separated by less than six times the length of the longest crack (6L) or 3.0 inches or less, whichever is the

closest separation, replace the duct with a serviceable part; or

(5) If more than three cracks are found, replace the duct with a serviceable part; and

(6) Mark all allowable cracks, on the duct, with suitable metal marking material; and

Note 2: Marking materials that are suitable for use on the the exhaust duct may be found in the P&WC Engine Manual.

(7) Record the length of the crack, location, number of duct hours, and time since overhaul (TSO).

Repetitive Visual Inspection of Welds That Do Not Meet SB Acceptable Criteria

(d) Repeat the inspection specified in paragraph (c) of this AD as follows:

(1) For ducts that did not exhibit any cracking at the last inspection, repeat the inspection within 150 hours TIS since the last inspection. Return the duct to service or replace with a serviceable part as specified in paragraph (c)(1) through paragraph (c)(5) of this AD.

(2) For ducts that exhibited cracking at the last inspection, repeat the inspection within 25 hours TIS since the last inspection. Return the duct to service or replace with a serviceable part as follows:

(i) Inspect for new cracks, and cracks that were recorded as specified in paragraph (c) of this AD. Return the duct to service or replace with a serviceable part as specified in paragraph (c)(1) through paragraph (c)(5) of this AD.

(ii) In addition, if the growth rate of an existing crack exceeds 0.015 inch per hour TIS since the last inspection, replace the duct with a serviceable part.

Optional Terminating Action

(e) Replacing an affected exhaust duct with a serviceable part constitutes terminating action for the repetitive inspection requirements of this AD.

Definition of a Serviceable Exhaust Duct

(f) For the purposes of this AD, a serviceable duct is defined as a duct that meets the acceptability limits of this AD.

Alternative Method of Compliance

(g) An alternative method of compliance or adjustment of the compliance time that provides an acceptable level of safety may be used if approved by the Manager,Engine Certification Office (ECO). Operators must submit their requests through an appropriate FAA Principal Maintenance Inspector, who may add comments and then send it to the ECO.

Note 3: Information concerning the existence of approved alternative methods of compliance with this airworthiness directive, if any, may be obtained from the ECO.

Special Flight Permits

(h) Special flight permits are not allowed.

Note 4: The subject of this AD is addressed in AD CF–98–41 in order to assure the airworthiness of these P&WC PT6A series turboprop engines in Canada.

Issued in Burlington, Massachusetts, on May 30, 2002.

Mark C. Fulmer,

Acting Manager, Engine and Propeller Directorate, Aircraft Certification Service.

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SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 240

[Release No. 34–46019, File No. S7–20–02]

RIN 3235–AI51

Customer Protection—Reserves and Custody of Securities

AGENCY: Securities and Exchange Commission (''Commission'').

ACTION: Proposed rule.

SUMMARY: The Commission is publishing for comment a proposed rule amendment that would allow for the expansion of the categories of collateral broker-dealers may pledge when borrowing securities from customers. Currently, broker-dealers are required to provide cash, U.S. Treasury bills and notes, and irrevocable bank letters of credit. The amendment would allow them also to pledge such other collateral as the Commission, by order, designates.

DATES: The comment period will expire on July 25, 2002.

ADDRESSES: Comments should be submitted in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549–0609. Comments also may be submitted electronically at the following E-mail address: *rulecomments@sec.gov.* Comment letters should refer to File No. S7–20–02; this file number should be included on the subject line if E-mail is used. All comments received will be available for public inspection and copying at the Commission's Public Reference Room, 450 Fifth Street, NW, Washington, DC 20549–0102. Electronically submitted comment letters will be posted on the Commission's Internet web site (*http//www.sec.gov*). Personal identifying information, such as names or e-mail addresses, will not be edited from electronic submissions. Submit only information you wish to make publicly available.

FOR FURTHER INFORMATION CONTACT: Michael A. Macchiaroli, Associate Director, 202/942–0131; Thomas K. McGowan, Assistant Director, 202/942–4886; or Randall W. Roy, Special Counsel, 202/942–0798, Division of Market Regulation, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549–1001.

SUPPLEMENTARY INFORMATION: The Commission is publishing for comment a proposed amendment to Rule 15c3–3 [1] under the Securities Exchange Act of 1934 (''Exchange Act'').

I. Discussion

A. Introduction

The Commission is proposing an amendment to its customer protection rule, Rule 15c3–3, under which broker-dealers may pledge, when borrowing fully paid or excess margin securities from customers, such collateral as the Commission may designate by order. Proceeding by Commission order would allow new categories of collateral to be designated as permissible more expeditiously and, if necessary, with conditions to account for differences among collateral types. The flexibility to impose conditions on the use of certain additional collateral would permit the establishment of safeguards designed to ensure that the objective of Rule 15c3–3(b)(3) '' the full collateralization of such loans '' is not compromised. In addition, the amendment would allow for a wider range of broker-dealer assets to be deemed permissible collateral, thereby adding liquidity to the securities lending markets and lowering borrowing costs for broker-dealers. For these reasons, we expect that the amendment will promote two fundamental Commission goals: (1) The protection of broker-dealer customers, and (2) the promotion of efficient securities markets.

B. Background

The Commission adopted Rule 15c3–3 in 1972 in response to a congressional directive to create rules regarding, among other things, the acceptance, custody, and use of customer securities.[2] The rule requires broker-dealers to take steps to protect the securities that customers leave in their custody. These steps include the requirement that broker-dealers promptly obtain and thereafter maintain possession or control of all ''fully paid'' [3] and ''excess-margin'' [4] securities

[1] 17 CFR 240.15c3–3.

[2] Exchange Act Release No. 9856 (Nov. 10, 1972).

[3] Subparagraph (a)(3) of Rule 15c3–3 defines ''fully paid securities'' as securities carried in any type of account for which the customer has made a full payment.

[4] Subparagraph (a)(5) of Rule 15c3–3 defines ''excess margin securities'' as securities having a market value in excess of 140% of the amount the customer owes the broker-dealer and which the