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DEPARTMENT OF AGRICULTURE

Commodity Credit Corporation

7 CFR Part 1427

RIN 0560–AH03

Extra Long Staple Cotton Outside Storage and Strength Adjustment for Loan

AGENCY: Commodity Credit Corporation, USDA.

ACTION: Final rule.

SUMMARY: This rule revises and adopts as final an interim rule published on August 18, 2003. The Commodity Credit Corporation (CCC) uses these regulations to provide marketing assistance loans for extra long staple (ELS) cotton that is stored outside while pledged as loan collateral. This final rule revises the interim rule in three ways. First, it more generally states the rainfall requirement applicable to approved storage areas. Second, it makes warehouse-receipted ELS cotton ineligible for this loan. And third, it establishes that the loan rate provided for this outside-stored loan will be the national average loan rate without application of any premiums and discounts. This rule also establishes that, effective for the 2004 crop of cotton, ELS cotton must be of a strength, and other factors, specified in CCC's schedule of loan rates for ELS to be eligible for loans. The rule will allow CCC to adjust its ELS cotton loan rate to reflect market adjustments for strength and other factors so that loan collateral is marketed and forfeitures to CCC are minimized.

DATES: This rule is effective March 15, 2004.

FOR FURTHER INFORMATION CONTACT: John Johnson, Deputy Administrator for Farm Programs, Farm Service Agency, at (202) 720–3175, or via e-mail at *johnjohnson@wdc.usda.gov.* Persons with disabilities who require alternative means for communication (Braille, large print, audiotape, etc.) should contact the USDA Target Center at (202) 720–2600 (voice and TDD).

SUPPLEMENTARY INFORMATION:

Background

CCC is amending the existing regulations that allow outside storage of ELS loan collateral by producers. CCC regulations have historically required ELS loan collateral to be represented by a warehouse receipt and that such collateral be within an approved warehouse when a loan has been made on such cotton. The amended regulations provide that loans will be made on ELS cotton not represented by a warehouse receipt and stored outside but that otherwise meets the packaging and storage requirements of this rule.

CCC is making this change to reduce the costs to producers of storing ELS cotton in areas of the country where outside storage is a cost-effective and accepted industry practice. CCC has determined that outside storage may be effective in lowering the costs of ELS cotton storage with minimal increased risk.

CCC published an interim rule implementing this provision on August 18, 2003 at 68 FR 49327. CCC received 36 timely letters containing 24 different comments. Respondents included 5 national organizations, 6 local organizations, and 25 individuals or companies. Comments were received from the States of California, Georgia, Tennessee, Washington, and the District of Columbia.

In this rule, CCC is also amending regulations at 7 CFR part 1427 to provide that ELS cotton must be of a strength, and other factors, specified in a schedule of loan rate premiums and discounts for loan and LDP eligibility. This regulation is effective for the 2004 and subsequent crops of ELS cotton.

This regulatory change arises from the availability of a new ELS hybrid variety that is high-yielding but that has an elevated incidence of low-strength. ELS cotton comes from the species *Gossypium barbadense,* which varies from upland cotton primarily in staple length and strength. According to United States standards, cotton is considered to be ELS cotton if it is 1⅜ inch long or longer. Generally, ELS cotton strength and uniformity measurements are also considerably higher than those of upland cotton. Because of these special characteristics, ELS cotton generally commands a market price above that of upland cotton and is provided a higher loan value by CCC. There is concern that this new variety may be less marketable than other ELS cotton because of its lower strength.

Production of the new ELS hybrid is expected to expand due to its high yield. Because it may be less marketable than other ELS cotton, there is concern of increased forfeitures of this new cotton variety to CCC under the agency's loan program unless the CCC loan value for cotton can be adjusted to reflect market discounts for low strength. To address this concern, this rule establishes that to be eligible for a CCC loan, ELS cotton must be of a strength and other factors specified in the schedule of ELS loan rates and premiums and discounts. CCC will establish such loan adjustments based on market price observations of the Agricultural Marketing Service.

Discussion of Comments and Changes

The comments received, and changes made to the interim rule, are addressed in the sequence of the final rule, are as follows:

Approved Packaging Materials

Five comments urge USDA not to accept cotton as loan collateral unless it is packaged using materials approved by the Joint Cotton Industry Bale Packaging Committee (JCIBPC). JCIBPC has never specifically approved packaging materials or ties for outside storage. The respondents stated that USDA, for many years, has required the use of industry-approved materials as a condition for loan eligibility, and the adoption of the interim rule would end that assumed joint support for JCIBPC standards.

CCC values the work of the JCIBPC but concludes that the testing and approval functions of the JCIBPC do not need to apply to outside-stored cotton. This is because, under the terms of the revised regulations, the producer of the cotton, in requesting this loan, voluntarily assumes all responsibility and risk related to maintaining the quality of outside-stored cotton. This is different from the need for established packaging standards for warehouse-stored cotton where the packaging standards reduce CCC's risk related to quality maintenance. CCC will continue to require that warehouse-stored cotton be packaged in materials approved by the JCIBPC.

Limit the Applicable Time and Area for Outside Storage

Three comments request that area eligible for outside storage not be expanded and the program not be allowed beyond 2003. CCC plans to not expand the program beyond the initially approved areas. However, the program will be available in future years. A test period to evaluate this change serves no purpose since outside storage has already been demonstrated successfully. Therefore, CCC sees no need to test this change before implementing it or to limit it to the 2003 crop year.

Warehouse Receipts for ELS Cotton

This rule also provides that CCC will offer outside-stored ELS loans only on the basis of the gin code, bale number, and bale weight, and will not permit another entity to hold negotiable warehouse receipts for loan collateral. This is consistent with CCC requirements for farm-stored grain, oilseed, and rice loans. These loans are similar to this new cotton loan in several respects, and for such loans CCC does not permit another entity to hold negotiable warehouse receipts. This is mainly because, for farm-stored loans, CCC does not inspect, and bears no legal responsibility for, the condition of the storage site; loan rates are based on the national average rate or local rates; and, warehouse receipts do not represent the collateral. CCC acceptance of a warehouse receipt as collateral for an outside-stored ELS loan program would imply CCC inspection and approval of storage locations and could imply to buyers that the cotton is in a warehouse. Thus, this final rule provides that warehouse-receipted ELS cotton is ineligible for an outside-stored cotton loan.

One respondent stated that permitting collateral for this loan program to not have a warehouse receipt could cause marketing problems. CCC understands that the electronic warehouse receipt (EWR) is the basis of cotton trading and that cotton not so represented may be less marketable in some circumstances. However, even under the traditional loan requirements, some cotton, including upland cotton, has been directly marketed after ginning without being receipted by a warehouse. Producers engaged in direct cotton marketing have always been able to consider the need to have their cotton receipted, and CCC has never required receipting as a condition of eligibility for loan deficiency payments. Consistent with those past practices, CCC considers it appropriate to allow producers to weigh the marketing implications of receipting, without requiring receipting for all program benefits.

Standards for Approved Storage

One respondent supports outside storage within a system that has been proven over many years, but is concerned about overly broad approval for all types of outside storage. Further, two respondents stated that the interim rule failed to provide appropriate engineering standards for either the outside location or the packaging materials. One respondent presented material concerning an outside packaging and storage system that has been commercially successful for many years, and urged CCC to adopt similar standards. CCC agrees with these respondents, and, as a result, the final rule allows outside storage only under conditions that have been commercially successful. CCC has adopted, within the rule, standards for the storage area and packaging that have been successfully used for outside-stored cotton for many years.

One respondent stated that allowing any commercial entity to self-certify that they meet the storage standards is not sufficient to protect CCC's financial interests. CCC disagrees with this view. The rule specifies in section 1427.10 that the producer must certify to several requirements for outside storage sites in the loan application. For many years, producer certification of storage suitability for loan collateral has been used for CCC farm-stored loans for grains and rice, and this certification process has been adequate. CCC concludes that the storage savings and marketing benefits of this loan should not be denied to producers willing to assume the risks associated with outside storage of cotton.

Perfection of CCC Security Interest

One respondent stated that if CCC does not hold title to loan collateral, CCC's risk is increased, as are opportunities for the cotton to be used more than once as loan collateral. CCC's legal interest in the cotton is the same whether the cotton itself serves as collateral or whether a warehouse receipt representing the cotton is held as collateral. As with other commodity loans, CCC will file financing statements following state law procedures. Further, CCC's risk from this rule is consistent with other farm-stored program crops. Under this cotton loan, CCC will further reduce its risk by calculating the settlement value of forfeited collateral based on its delivered quality. Also, the collateral for these loans will be subject to spot inspections. Thus, this comment was not adopted in the final rule.

Maximum Rainfall and Limiting Program to ELS

A respondent stated that CCC did not sufficiently support its decision to restrict outside storage to areas with 10-inches per year maximum rainfall, and to ELS cotton. The respondent stated that, as a result, the rule contains restrictive provisions that are arbitrary and vulnerable to a legal challenge. The respondent provided no technical information that would contradict the CCC determination and support extending this program for upland cotton, in higher rainfall or humidity areas.

After careful consideration, CCC limited this new loan to ELS cotton in low-rainfall areas, and excluded upland cotton, after concluding that humidity levels, rainfall amounts, and bale packaging practices in upland cotton producing areas may make outside storage impractical for such cotton. Additionally, all other comments opposed expanding the program beyond that prescribed in the interim rule. Nonetheless, the final rule is revised so that the rainfall threshold for approved storage areas may or may not be defined as entire counties. National rainfall data shows that such records are not always established by county borders, as CCC assumed in the interim rule. These records may reflect the area near the weather station and not necessarily county average rainfall. Accordingly, in the final rule specific references to 10 inches have been removed to ease administration of this standard. CCC anticipates that this rule will be implemented by limiting approved storage areas to areas for which the official 10-year average annual rainfall is 10 inches or less.

Liability to the Producer

The interim rule provides that a producer certify as to the packaging, storage, and handling requirements of the rule. One comment states that producers cannot certify to requirements that are beyond their control, or to standards that do not exist. CCC does not feel that this is a problem. Under this option, the required producer certifications relate to technical requirements of the ginner or storage provider selected by the producer. Gins and entities providing storage are able to inform producers if their services meet the standards proscribed by the rule. Therefore, as with all other commodity loans, CCC feels that certification by the producer is appropriate, and sufficient. As in other farm-stored loan programs, producers must maintain the quality of the commodity; thus, it is reasonable for producers to acquire the required bagging, storage, and handling services just as they have done under ordinary warehouse loans.

The interim rule at section 1427.5(b)(10) requires that materials approved by the JCIBPC may be used, and that JCIBPC approval is not required for outside-stored cotton. This section requires only that packaging materials used for outside storage must meet industry standards for bag characteristics such as size, tear and impact resistance, and tie characteristics such as elongation, and break and joint strength.

In a related comment, a respondent stated that some producers will not maintain either the cotton or the facility as specified by regulations, and suggested withdrawing the rule. CCC does not expect producers to knowingly place their production at risk under this new loan option any more than they would under other loan programs. CCC does not deny loan eligibility to warehouse-stored loan cotton even though there are occasional lapses by gins or warehouses to meet storage and bagging requirements, so long as CCC has determined that its interests are protected. Therefore, this comment was not adopted.

Based upon the comments received, and consistent with CCC management of other farm-stored commodity loans, it is appropriate that producers who apply for this loan fully understand that they must accept the risk of quality maintenance of outside stored cotton. These risks are contained in the producer certification that must be signed as part of the note and security agreement for this loan. Consistent with the terms of this loan, the final rule is amended in § 1427.18(k)(2) to provide a more complete list of certifications required to be made by the producer to obtain an outside-stored ELS loan.

Bale Sampling

One respondent stated that sampling a hermetically sealed bag will void the bag seal, requiring re-bagging of the bale. CCC does not feel that sampling will be a problem. Under conventional ginning and bale-sampling procedures, initial bale sampling occurs at the gin before the bale is bagged and sealed. Any subsequent sampling required by CCC would occur after the bale has been moved inside an approved cotton warehouse. A broken seal, in such location, would not cause the cotton quality to deteriorate.

Guaranteed Minimum Loan Rate

Another respondent stated that the transfer of risks to the individual ELS cotton producer may undermine the CCC ''guaranteed minimum loan rate'' because charges on forfeited cotton may exceed the loan value. Assumption of risk by producers has not undermined other farm-stored type loans and CCC does not see this risk transfer as affecting its responsibilities under the program. CCC loans do not guarantee that a minimum loan value is provided on an individual basis. Thus, CCC does not expect this loan to reduce the average loan value of ELS cotton.

Outside Storage Is Inadequate

One respondent states that CCC's requirement that forfeited collateral must be delivered into a warehouse is an admission that outside storage is inadequate to protect CCC's interests. The respondent feels that such cotton is more likely to be forfeited. Further, they stated that the program has no financial security arrangements, as with warehouses, to address the increased risk and ensure that the owners of storage areas fulfill their obligations under the regulation. A related comment, from another respondent, was that there will be weather damage to outside-stored cotton and collecting damages from the gin or grower will be impossible.

CCC has determined that outside storage of ELS cotton is a viable option as provided in this rule. The agency has a long history of providing commodity marketing assistance loans on collateral that is not warehouse-stored. Under such loans, the risk of quality maintenance is primarily borne by the producer. When loan collateral is warehouse-stored, the risk is borne by the warehouse and the producer. In neither case does CCC bear the responsibility for maintaining the quality of the loan collateral prior to any forfeiture that may occur. CCC will protect its interests under this loan because any value loss is restored though the loan settlement process.

CCC's experience with farm-stored loans is that forfeiture decisions are based on market price levels. Quality loss resulting from poor producer storage management has not been shown to increase forfeitures. Participating producers must certify that their storage meets the regulatory requirements and assume the risk for the cotton while stored outside. Any obligation by the owners of a storage area to fulfill their obligations under this regulation would be obligations to the producer. CCC has no reason to regulate agreements between producers and outside storage providers. CCC anticipates that producers and merchants alike understand the specialized bagging and handling needed to protect outside-stored cotton. Collection of any loan overages on damaged cotton will be no more problematic for CCC than are such collections under existing farm-stored loans for other commodities. However, based on the comments received, the final rule is revised to emphasize that producer certifications are required with a loan application, and that producers are responsible for maintaining the quality of loan collateral stored outside.

Other General Comments

Three respondents stated that the approval process of the rule lacks objectivity, and thus fails to meet minimum standards for administrative rulemaking. During the comment period, CCC received considerable evidence that, as provided by the provisions of this program, ELS cotton can be successfully stored outside. Thus, the agency feels that it has sufficient basis for promulgating this rule.

Four comments state that commercial entities have invested in warehouses under existing loan eligibility requirements that were created to protect cotton, and that inside storage of cotton remains a valid purpose today. Two additional respondents stated that the rule creates an unfair competitive advantage due to lower costs incurred by those who store cotton outside. Outside storage has been successfully demonstrated under carefully managed circumstances. CCC's past policy of requiring inside storage as a condition of loan eligibility has imposed increased costs on cotton where, in limited circumstances, lower-cost storage can be used. This result is contrary to the program objective of assisting commodity marketings of producers.

Six comments state that bypassing traditional protections and oversight by the JCIBPC is counter to demonstrating quality control in export markets. Quality reductions will reduce the industry's reputation for quality in export markets and reduce the ability to obtain quality premiums, if not export volume. To reduce these concerns, CCC will not allow outside storage, or relaxed packaging standards, for all types of cotton or all production areas. CCC established requirements for this loan that restrict its availability. CCC's view is that this loan will not reduce exports, and may even increase exports if it helps producers reduce marketing costs.

CCC received 24 comments that this rule will insure protection of cotton and afford an opportunity to reduce costs in areas where such storage is accepted practice. Those respondents further state that the rule provides a voluntary alternative to reduce costs in areas where producers are economically disadvantaged.

One respondent stated that processing loans under this rule will initially require a manual process and any automation modifications will not be timely for 2003-crop loan applications. CCC acknowledges that until automation revisions occur, such loans will be processed based on the weight of the cotton and the national average ELS loan rate. This manual process is immediately available and will not impede the administration of the program.

One respondent supports the rule as written, and three respondents request that the rule be reconsidered or repealed. These comments were submitted without any additional explanations.

Notice and Comment

Section 1601(c) of the Farm Security and Rural Investment Act of 2002 (2002 Act) provides that the regulations needed to implement Title I of the 2002 Act, which include those involved here, may be promulgated without regard to the notice and comment provisions of 5 U.S.C. 553 or the Statement of Policy of the Secretary of Agriculture effective July 24, 1971, (36 FR 13804) relating to notices of proposed rulemaking and public participation in rulemaking. Because this rule involves technical storage and packaging requirements, it was determined that it was in the public's interest to solicit comments on the interim rule. The final rule is effective upon publication in order to provide its benefit to producers for 2003, and because the rule is consistent with successfully used commercial storage practices.

Executive Order 12866

This rule has been has been designated ''not significant under Executive Order 12866'' and therefore has not been reviewed by the Office of Management and Budget.

Federal Assistance Programs

This final rule applies to the following Federal assistance program, as found in the Catalog of Federal Domestic Assistance: 10.051—Commodity Loans and Loan Deficiency Payments.

Regulatory Flexibility Act

The Regulatory Flexibility Act does not apply to this rule because CCC is not required by 5 U.S.C. 553 or any other law to publish a notice of proposed rulemaking for the subject of this rule.

Environmental Assessment

The environmental impacts of this rule have been considered under the National Environmental Policy Act of 1969 (NEPA), 42 U.S.C. 4321 *et seq.*, the regulations of the Council on Environmental Quality (40 CFR parts 1500–1508), and regulations of the Farm Service Agency (FSA) of the Department of Agriculture (USDA) for compliance with NEPA, 7 CFR part 799. An environmental evaluation was completed and the action has been determined not to have the potential to significantly impact the quality of the human environment and no environmental assessment or environmental impact statement is necessary. A copy of the environmental evaluation is available for inspection and review upon request.

Executive Order 12778

This rule has been reviewed under Executive Order 12778. This rule preempts State laws that are inconsistent with it and is not retroactive. Before judicial action may be brought concerning this rule, all administrative remedies must be exhausted.

Executive Order 12372

This program is not subject to Executive Order 12372, which requires intergovernmental consultation with State and local officials. See the notice related to 7 CFR part 3015, subpart V, published at 48 FR 29115 (June 24, 1983).

Unfunded Mandates

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA) does not apply to this rule because CCC is not required by 5 U.S.C. 553 or any other law to publish a notice of proposed rulemaking for the subject of this rule. Further, this rule contains no unfunded mandates as defined in sections 202 and 205 of UMRA.

Paperwork Reduction Act

Section 1601(c) of the 2002 Act provides that these regulations may be promulgated and the programs administered without regard to chapter 5 of title 44 of the United States Code (the Paperwork Reduction Act). Accordingly, these regulations and the forms and other information collection activities needed to administer the provisions authorized by these regulations are not subject to review by the Office of Management and Budget under the Paperwork Reduction Act.

Government Paperwork Elimination Act

CCC is committed to compliance with the Government Paperwork Elimination Act, which requires Federal Government agencies to provide the public the option of submitting information or transacting business electronically to the maximum extent possible. Forms used under this regulation will be available on the agency's Internet web site. Loan forms may be submitted electronically by users that have met CCC electronic authentication requirements.

List of Subjects in 7 CFR Part 1427

Agricultural commodities, Cottonseeds, Price support programs, Warehouses.

■ Accordingly, the interim rule amending 7 CFR part 1427 which was published at 68 FR 49327 on August 18, 2003, is adopted as a final rule with the following changes:

PART 1427—COTTON

■ 1. The authority citation for part 1427 is revised to read as follows:

Authority: 7 U.S.C. 7231–7237 and 7931–7939; and 15 U.S.C. 714b and 714c.

■ 2. Amend § 1427.5 by revising paragraph (c)(1) to read as follows:

§ 1427.5 General eligibility requirements.

* * * * *

(c) * * *

(1) Be of a grade, strength, staple length, and other factors specified in the schedule of loan rates for ELS cotton;

* * * * *

■ 3. Amend § 1427.10 by revising paragraphs (e)(1) and (e)(3) to read as follows:

§ 1427.10 Approved storage.

* * * * *

(e) * * *

(1) At a commercial entity that is involved in the handling or storage of cotton in a county or area determined and announced by CCC as approved for outside storage of loan collateral;

(2) * * *

(3) As otherwise provided in the loan agreement. The collateral for such loan shall be as specified in the loan agreement and may include the actual bale of cotton.

■ 4. Amend § 1427.18 by revising paragraph (k)(2)(i) to read as follows:

§ 1427.18 Liability of the producer.

* * * * *

(k) * * *

(2) * * *

(i) Certify the quantity of such cotton on the loan application; certify the cotton is packaged in a hermetically sealed bag with an internal humidity level established by the gin as appropriate to safeguard the cotton; certify that packaging materials meet or exceed industry minimum standards; certify that the storage area is suitable for cotton storage and is in an area approved by CCC; certify that the storage area is constructed to prevent water accumulation under the cotton and is outside a 100-year floodplain; and certify that the storage area is serviced by bale handling and transport equipment that will not damage the sealed bag or degrade the storage area;

* * * * *

Signed in Washington, DC, on March 4, 2004.

James R. Little,

Executive Vice President, Commodity Credit Corporation.

[FR Doc. 04–5708 Filed 3–12–04; 8:45 am]

BILLING CODE 3410–05–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 2002–NE–31–AD; Amendment 39–13519; AD 2004–05–24]

RIN 2120–AA64

Airworthiness Directives; Lycoming Engines (Formerly Textron Lycoming) AEIO–540, IO–540, LTIO–540, O–540, and TIO–540 Series Reciprocating Engines

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule; request for comments.

SUMMARY: The FAA is superseding an existing airworthiness directive (AD) for Lycoming Engines (Formerly Textron Lycoming) AEIO–540, IO–540, LTIO–540, O–540, and TIO–540 series reciprocating engines. That action requires replacing certain zinc-plated crankshaft gear retaining bolts. This action retains that requirement, but expands the population of affected engines. In addition, this AD adds five additional kits for replacing the crankshaft gear retaining bolts. This AD results from notification from the Manufacturer of 161 engines not identified in the previous AD. This AD also results from approval of the five additional kits as alternative methods of compliance with AD 2002–23–06. We are issuing this AD to prevent loss of all engine power and possible forced landing.

DATES: Effective March 30, 2004. The Director of the Federal Register approved the incorporation by reference of Lycoming Service Bulletin 554, dated September 30, 2002, on November 19, 2002 (67 FR 68932, November 14, 2002). The Director of the Federal Register approved the incorporation by reference of Lycoming Mandatory Service Bulletin No. 554, Supplement 5, dated August 15, 2003, as of March 30, 2004.

We must receive any comments on this AD by May 14, 2004.

ADDRESSES: Use one of the following addresses to submit comments on this AD:

- By mail: Federal Aviation Administration (FAA), New England Region, Office of the Regional Counsel, Attention: Rules Docket No. 2002–NE–31–AD, 12 New England Executive Park, Burlington, MA 01803–5299.
- By fax: (781) 238–7055.
- By e-mail: *9-ane-adcomment@faa.gov*

You can get the service information referenced in this AD from Lycoming, a Textron Company, 652 Oliver Street, Williamsport, PA 17701; telephone (570) 323–6181. You can also access this service information electronically on *http://www.lycoming.textron.com.*

You may examine the AD docket, by appointment, at the FAA, New England Region, Office of the Regional Counsel, 12 New England Executive Park, Burlington, MA. You may examine the service information, by appointment, at the FAA, New England Region, Office of the Regional Counsel, 12 New England Executive Park, Burlington, MA; or at the Office of the Federal Register, 800 North Capitol Street, NW., suite 700, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Norm Perenson, Aerospace Engineer, New York Aircraft Certification Office, FAA, Engine and Propeller Directorate, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; telephone (516) 228 7337; fax (516) 794 5531.

SUPPLEMENTARY INFORMATION: On November 8, 2002, we issued AD 2002–23–06, Amendment 39–12950 (67 FR 68932, November 14, 2002). That AD requires replacing the crankshaft gear retaining bolt:

- Before further flight on engines that have been overhauled or have had the gear retaining bolt replaced between November 27, 1996 and November 10, 1998, and that have not complied with emergency AD 2002–20–51 by using a bolt from the gear bolt replacement kit, 05K19987 and
- Within 10 hours time-in-service (TIS) or 7 days after the effective date of that AD, on engines that have complied with AD 2002–20–51, but did not install a bolt from gear bolt replacement kit, 05K19987, and
- Within 10 hours TIS or 7 days after the effective date of that AD, on engines that have been overhauled in the field, or that have had the gear retaining bolt replaced in the field between November 10, 1998, and the effective date of AD 2002–23–06 (November 19, 2002).

That AD was prompted by two failures of zinc-plated crankshaft gear retaining bolts, and a reassessment of the extent to which the suspect bolts may still be present in the field. That condition, if not corrected, could result in loss of all engine power and possible forced landing.

Actions Since AD 2002–23–06 Was Issued

Since that AD was issued, Lycoming identified 161 additional engines by serial number (SN) that they might have assembled with a zinc-plated crankshaft gear retaining bolt, part number (P/N) STD–2209, during the initial assembly or during a subsequent rebuild or overhaul of the engine. Lycoming also developed five additional kits for other maintenance purposes that also contain replacement gear retaining bolts. We approved those kits as alternate methods of compliance with AD 2002–23–06, and incorporated those kits in this new AD. In addition, any bolt, STD–2209, installed by Lycoming after November 10, 1998, is cadmium plated and is not affected by AD 2002–23–06. This includes STD–2209 bolts installed using Service Bulletin (SB) 554 in production, overhaul, or for any other reason. Lycoming has replaced bolt, STD–2209, with bolt, STD–2247. This new bolt, STD–2247, is not affected by this AD.

Relevant Service Information

We have reviewed and approved the technical contents of Lycoming SB No. 554, dated September 30, 2002, that describes procedures for replacing the existing crankshaft gear retaining bolt. We have also reviewed Lycoming Mandatory SB (MSB) No. 554, Supplement 5, dated August 15, 2003. That MSB provides lists of engine SNs, by engine model, of engines that were assembled with zinc-plated crankshaft gear retaining bolt, P/N STD–2209, during the initial assembly or during a