

The Honorable Mac Thornberry
Chairman
House Armed Services Committee

The Honorable Adam Smith
Ranking Member
House Armed Services Committee

The Honorable Rob Wittman
Chairman
House Subcommittee on Seapower

The Honorable Joe Courtney
Ranking Member
House Subcommittee on Seapower

Dear Conferees,

As you work to complete action on the conference of the Fiscal Year 2018 National Defense Authorization Act (NDAA), we respectfully request that you *adopt Section 862 of the House bill* and *reject Section 863 of the Senate bill* in the final conference agreement.

Section 862 of the House-passed bill maintains the US Navy's historical and mutually beneficial relationship with the domestic shipbuilding industrial base through continuation of policies that have served U.S. national security and the public interest for almost 25 years.

This is not a new requirement, but rather would ensure the restoration of policy initially put into law through the FY1991 NDAA and subsequently amended the following two fiscal years when the National Defense Sealift Fund (NDSF) was established. Section 862 would require that critical shipboard components on our Navy's sealift and auxiliary ships must be manufactured in the US.

In the FY2015 budget submission, the Navy proposed (for auditability purposes) moving the funding for these ships out of the NDSF into the Shipbuilding and Conversion, Navy (SCN) account, meaning these longstanding requirements would not apply to future sealift ships. Navy officials, in public meetings, have indicated that eliminating the US-manufacture requirement by moving the funding from one account to another was an "unintended consequence. Section 862 would ensure that, regardless of whether these ships are funded through NDSF or SCN, these critical industrial base requirements remain in place.

At the same time, we respectfully request that section 863 of the Senate-passed bill, which eliminates a number of critical Buy American requirements in defense procurement laws, be excluded from the final NDAA conference bill. Doing so is a commonsense "Buy American, Hire American" policy that supports our domestic industrial base and our national and economic security.

Section 863 of the Senate-passed NDAA would eliminate current Buy American requirements that certain defense components for Navy ships and other defense programs—like valves, air circuit breakers, machine tools, anchor chain, propellers, passenger buses, chemical weapons

antidotes, and photovoltaic devices—be supplied by companies qualified in the National Technology and Industrial Base (NTIB). Eliminating these current requirements would open this section of the defense acquisition market to unfairly-subsidized foreign competition, placing the U.S. industrial base – **and its workers** - at risk, and have the additional effect of undercutting U.S. steel and iron producers because foreign manufacturers of these components do not use U.S. raw materials.

Jeopardizing the stability of companies—located in states across the country—that manufacture these defense components would harm our military’s ability to rely on secure and stable supplies in an increasingly dynamic global security environment. If domestic sources for critical defense components exit the market, our military could be forced into relying on countries that do not share our interests, including strategic adversaries like China or Russia, or countries with lax supply chain security practices, for parts and supplies. This would unnecessarily inject risk into the defense acquisition system, ranging from counterfeit parts to uncertain lifecycle sustainment support to cybersecurity vulnerabilities. On the other hand, domestic content restrictions help ensure that critical products meet our military’s high standards for reliability, availability, and maintainability, supporting the warfighter’s safety and effectiveness.

The Trump Administration opposes section 863 of the Senate-passed bill. Its Statement of Administration Policy (SAP) notes its strong objection on national security grounds:

Defense Industrial Base: The Administration strongly objects to section 863, which would sunset certain procurement requirements related to sourcing goods exclusively from the national technology and industrial base. The existing procurement requirements act as a key guarantor of strategic supply chain security. They protect DOD’s ability to reliably source goods such as chemical weapons antidotes and components for naval vessels, among others.

Eroding Buy American requirements also runs counter to two Presidential initiatives—President Trump’s Executive Order directing the Pentagon to strengthen domestic manufacturing capabilities and his “Buy American, Hire American” Executive Order to better enforce current domestic content laws.

Excluding section 863 of the Senate-passed NDAA would maintain the existing domestic content requirements that Department of Defense components have complied with for years. *Including* Section 862 of the House-passed NDAA will strengthen the domestic industrial base. It is also important to note that these requirements can be waived for cost, schedule, and non-competitive reasons. In other words, Department of Defense components retain flexibility under these laws.

In addition, maintaining this industrial base also has a direct impact on all other Navy combatant and amphibious ships, submarines and aircraft carriers. Because Navy nuclear programs dictate NOFORN access, they must be able to depend upon a specialized US manufacturing and supplier base. In addition, these same US manufacturers ensure the readiness of all Navy ships through life-cycle support, including technical expertise, certified repair parts, and availability of service personnel around the world, 24 hours a day. Failure to maintain this US-manufacture requirement could jeopardize the readiness and affordability of the entire Navy fleet.

We urge you to *adopt Section 862 of the House bill* and *reject Section 863 of the Senate bill* in the final conference agreement. Thank you for your consideration of this important request.

Sincerely,

Jim Renacci
Member of Congress

Mark Pocan
Member of Congress