

Manufacturing Division Meeting

Remarks by
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Possible Defense Industry Impact of Trump's Presidency **NDIA**

- Reagan-esque plans to rebuild military, increase defense spending, but unclear how Sequestration issue gets resolved, particularly if there are plan for infrastructure spending
- Likely will be more Defense industry friendly than the last 8 years and will seek to remove Executive Orders that have been burdensome for all sizes of companies, but as a populist will not want to be seen as favoring big business and will be interested in ensuring that taxpayer is getting a good deal (i.e. recent comments on certain contracts – follow-on Air Force One and JSF). Communications with labor unions and manufacturing – more in US.
 - Executive Order on Jan 30 Reducing Regulations and Controlling Regulatory Costs
 - Executive Order on Feb 24 Enforcing the Regulatory Reform Agenda (reg. reform officers)
 - Reducing overall corporate income tax should also generally benefit Defense companies
- More nominations to appointments will be announced in the coming weeks and will have to see who files positions below James Mattis, trend appears to desire successful businessmen but some SecArmy and SecNavy complicated by financial holdings. Uncertain, what will transpire with AT&L position vacancy.
- Focus initially likely on stated top three priorities:
 - Immigration
 - Health care
 - Jobs

Trump presidency looks positive for defense industry but many variables yet unknown



Scene setter

NDIA

- Trump election and “Trump Bump” for defense
- Trump Executive Orders on Reducing Regs.
- Trump and trade – “Buy American”; but don’t overpay
- Trump address to Congress and ~\$58B DoD add
– \$603B topline for FY2018 request; FY17 Supplemental \$30B

- **Congress utilizing Congressional Review Act of 1996**

- regarding rule implementing President Barack Obama’s executive order on fair pay and safe workplaces;

- **Congress and Budget:**

- Possible standalone FY17 appropriations spending bill released this week (\$590B);
 - Defense FY17 Supplemental
 - has Mid-march Debt Limit deadline and CR through Apr 28

- **Confirmation hearings, healthcare, and immigration**

- **FY2018 NDAA building off reforms from FY2017**

- Expected in May 2017
 - Possible topics include Requirements process
“Restoring American Defense” blueprint

- **Judicial branch challenges to Executive Orders**



The White House

Office of the Press Secretary

For Immediate Release

January 30, 2017

Presidential Executive Order on Reducing Regulation and Controlling Regulatory Costs

EXECUTIVE ORDER

REDUCING REGULATION AND CONTROLLING REGULATORY COSTS

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Budget and Accounting Act of 1921, as amended (31 U.S.C. 1101 *et seq.*), section 1105 of title 31, United States Code, and section 301 of title 3, United States Code, it is hereby ordered as follows:

Section 1. Purpose. It is the policy of the executive branch to be prudent and financially responsible in the expenditure of funds, from both public and private sources. In addition to the management of the direct expenditure of taxpayer dollars through the budgeting process, it is essential to manage the costs associated with the governmental imposition of private expenditures required to comply with Federal regulations. Toward that end, it is important that for every one new regulation issued, at least two prior regulations be



- Confirmation hearings (executive positions, supreme court)
- Repeal of Affordable Care Act, reconciliation process
- March 16, expiration of unlimited debt ceiling; use of “extraordinary measures”
- HASC mid-April release of draft acquisition reforms
- April 28, expiration of Dec 9, 2016, FY 17 Continuing Resolution
- Defense Funding Sequestration
- May markups of FY 2018 National Defense Authorization Act (NDAA)
- Tax reform

An ambitious year and both sides will likely want to draw battle lines to play to their base.

Reported Common Issues Facing Manufacturers



- Regulation and traceability across supply chain
- Product development and innovation
- Manufacturing skills gap
- Healthcare costs
- Environmental concerns and considerations
- Balancing maintenance with throughput
- Automation and robotics

While some of these issues outside our mandate, many of these are issues that NDIA Manufacturing Division and Policy Team can work together to study and address.



**INITIAL POLICY PACKET FROM
NATIONAL DEFENSE INDUSTRIAL ASSOCIATION (NDIA)
FOR
TRUMP-PENCE TRANSITION TEAM**

January 11, 2017

About NDIA

For nearly 100 years, the National Defense Industrial Association (NDIA) and its predecessor organizations have been a leading voice in the defense, industrial and technology arena. With more than 1,600 corporate members, 83,000 individual members, and 25 local chapters around the country.

NDIA is a 501(c)(3) non-profit organization that engages thoughtful and innovative leaders to promote the best policies, practices, products and technology for warfighters and others who ensure the safety and security of our nation.

Champion issues that contribute to the strength, resiliency and capacity of the industrial base

Build a vigorous, responsive and collaborative community in support of defense and national security

Convene legal and ethical forums for exchange of ideas, information, viewpoints and capabilities

Key Defense Issues for the Trump-Pence Administration

Come January 20, 2017, the new Commander-in-Chief will be faced with the challenges of how to best defend and secure the American people. Training and equipping our Military Services is essential to this task and a vibrant industrial base is at the foundation. NDIA, as a 501(c)(3) charitable and educational organization and the nation's largest representative for the industrial base with over 1,600 corporate members, 83,000 individual members, and 20,000 government members, is in the ideal position to provide insight into this key sector, and educate stakeholder on policies that can help to strengthen it. Three issues particularly important to America's industrial base are:

Defense Resourcing

There has been a marked decline in national defense spending as a percentage of Gross Domestic Product in recent years. The Budget Control Act of 2011, and its default enforcement mechanism, sequestration, have installed an arbitrary budgetary framework that is insufficient in meeting national security needs and jeopardizes the health of America's industrial base. Although compromises in 2013 and 2015 relieved some pressure on the military expenditures, Sequestration is set to resume in October 2017. Sequestration's 1-for-1 coupling of defense with non-defense spending does not take into account dynamic, emerging security needs. Sequestration's implementation has led to disproportionate cuts in Procurement and Research, Development, Test, and Evaluation (RDT&E) accounts, despite that the main cost drivers for the Department are located in Military Personnel and Operations & Maintenance accounts.

Exempt Defense from any Sequestration

Long-term budget stability for Defense

Streamlining Acquisition

In recent years, Congressional and Department of Defense leaders have realized the necessity for streamlining acquisition and have shown a commitment to improve to the Defense Acquisition System. To aid in this effort, NDIA published Pathways to Transformation (2014), a report with recommendations to improve the acquisition system, many of which have been proposed or enacted in law into some form or another. The report also established guiding principles for further acquisition reform efforts:

Authority and Accountability: Provide acquisition decision makers with the authority to make real decisions, and hold them accountable for the decisions they make;

Match Requirements to Resources: Match the resources invested in the Defense Acquisition System to the requirements placed upon it, and vice versa; and

Evidence-Based Decision Making: Make decisions about how to design the Defense Acquisition System based on data and evidence.

Security Cooperation

American aerospace and defense exports provide an annual surplus of \$148 billion to the U.S. trade deficit. While the U.S. is the largest exporter of aerospace and defense products, trends in the global marketplace are seen as limiting, to a certain degree, the dominance of American defense companies. The lack of government contracting specialists to administer international sales and the overburdened process to accomplish government-to-government Foreign Military Sales (FMS) and government-to-industry Direct Commercial Sales (DCS) contributes to the appeal of non-U.S. suppliers. NATO and coalition partners should be encouraged to procure U.S. defense products, as these sales aid in warfighting interoperability, and supports the American industrial base and trade deficit.

Un-burden the international sales process

Encourage allied partners to "Buy American"

Streamlining and Improving Defense Acquisition from Day 1

The National Defense Industrial Association (NDIA) membership embodies the full spectrum of corporate, government, academic and individual thought-leaders who champion the best policies, practices, products and technology to ensure the safety and security of our nation. We believe the following actions, which can be accomplished on first day of the Trump-Pence Administration, will significantly reduce the cost of doing business for both government and industry, incentivize investment in innovative technologies, and help attract new entrants to the defense marketplace. In addition to these items, NDIA has provided suggested areas where future government-industry dialogue would help improve the defense acquisition system.

Repeal the following Executive Orders (EO) and Presidential Memorandum:

- Executive Order 13673, Fair Pay and Safe Workplaces (July 31, 2014)
 - While the execution the majority of this EO is currently blocked by a U.S. District Court injunction, this EO and its implementing Federal Acquisition Regulation (FAR) rule and Department of Labor (DoL) Guidance installs a duplicative oversight regime that will blacklist alleged violators of various labor laws and EOs for which adjudicative processes already exist. Further, it will lead to schedule delays and raise the cost of doing business with the government for good actors and small businesses.
- Executive Order 13706, Establishing Paid Sick Leave for Federal Contractors (September 7, 2015)
 - This EO and its implementing DoL regulation and executing FAR rule, requires costly compliance measures to provide marginal benefits to employees, placing an undue burden on small business and those that already provide generous benefits to their employees to attract and retain top talent.
- Presidential Memorandum – Updating and Modernizing Overtime Regulations (March 13, 2014)
 - Changes made by this Presidential Memorandum will cause severe disruptions for employers and require significant compliance costs.

Withdraw the following open Defense Acquisition Regulation Supplement (DFARS) rulemakings:

- DFARS Case 2016-D017, Independent Research and Development Expenses (November 4, 2016).
 - This proposed rule will lead to the de facto erosion of the independence of Independent Research and Development (IR&D), is impractical, and conflicts with existing statute.
- DFARS Case 2012-D022, Rights in Technical Data and Validation of Proprietary Data Rights (June 16, 2016).
 - Although this proposed rule implements a statutory requirement, given the length of time it took the Department to draft the proposed rule, combined with the ongoing Section 813 Government-Industry Advisory Panel, which is analyzing the same statute, the proposed rule should be withdrawn until the panel has concluded.

Rescind the following regulations:

- Amendments to 48 CFR Parts 231 and 242 implementing November 4, 2016 DFARS Case 2016-D002 final rule entitled, "Enhancing the Effectiveness of Independent Research and Development," at 81 FR 78008.
 - The "technical interchange" installed by this final rule lacks the support and funding necessary to implement and may restrict contractor's selection of IR&D projects.
- 32 CFR Part 2002 implementing a September 14, 2016 final rule by the National Archives and Records and Administration entitled, "Controlled Unclassified Information," at 81 FR 63323.
 - This final rule has elicited concerns and confusion in the contracting community on how it interacts with existing requirements to protect covered defense information (CDI). Given how steep the challenge of cybersecurity already is, this rule should be rescinded and better integrated with existing requirements as to not create overlapping frameworks.

Topics for Further Government-Industry Dialogue:

1. Increasing access to innovation and reducing supply chain costs through reductions in onerous “flow down” requirements.
2. Reorienting audit and oversight practices towards innovation, and incorporating reasonable materiality standards to reduce burdens on small and nontraditional businesses.
3. Examining domestic sourcing requirements to ensure the Defense Department is not precluded from providing the warfighter the most technically-advanced capabilities, while balancing the role of American firms and workers.
4. Encouraging private sector best practices to reduce costs in sustainment.
5. Promoting a highly-skilled, trained, and empowered acquisition workforce.

Vision



NDIA is the trusted leader in defense and national security associations

Mission Statement

NDIA engages thoughtful and innovative leaders to promote the best policies, practices, products and technology for warfighters and others who ensure the safety and security of our nation.

- *Champion* issues that contribute to the strength, resiliency and capacity of the industrial base
- *Build* a vigorous, responsive and collaborative community in support of defense and national security
- *Convene* legal and ethical forums for exchange of ideas, information, viewpoints and capabilities

Vision

Leading ideas and influencing actions in defense of industry and in defense of the nation

Mission Statement

To persistently monitor, collaboratively develop, and creatively educate key stakeholders on policies critical to national security and defense industries.



Policy as a tool for advancing NDIA's broader Vision and Mission

FY 17 NDIA Focal Areas



- Workforce Development
- Cyber Security
- Defense Resourcing
- Innovation
- International Engagement
- Sustainment and Logistics
- Technological Superiority
- Streamlining Acquisition

Acquisition Strategies

Technological
Superiority

Industrial Base
Strategic Vision

FY2017 NDIA Policy Plans

NDIA

Increase NDIA exposure & impact through policy expertise

- On the Hill
- With new Trump Administration
- In traditional and non-traditional media
- Further strategic academic/thinktank/etc. partnerships in policy
- Leveraging resources of Sr. Fellows, Divisions, and Chapters



Continue to increase policy value to our NDIA members and potential members

- Continued excellence in summarizing/distributing key info; expand where relevant; and responding to notices/regulations
- Producing concise, modern resources that crystallize the issues & guide discussion

Proposing innovative engagements; Standardizing processes for NDIA policy interaction

- When and how to get engaged on issues
- Brainstorming and cost-benefit analysis, and alternative ideas

Key FY2017 Legislative/Policy Issues include:
Budget/Defense Resourcing
Acquisition Improvement
Cyber Security



Manufacturing Division Goals



- *Effective cooperation among defense industry, university, government and military representatives is vital to U.S. defense manufacturing efforts. The NDIA Manufacturing Division aids industry/government/academia interaction in technology areas directly related to manufacturing research, design, development, testing and production. Through such interaction, these groups exchange information and views that benefit the development of advanced technology for the war fighter.*
- The division works to:
 - Advocate national support for defense manufacturing.
 - Promote defense manufacturing excellence.
 - Support promising technologies, processes and implementation methodologies.
 - Conduct manufacturing research and study efforts.
 - Conduct government/industry forums focused on defense manufacturing.

Questions/Comments