



March 19, 2020

The Honorable Adam Smith
Chairman
Armed Services Committee
U.S. House of Representatives
2216 Rayburn House Office Building
Washington, DC 20515

The Honorable Mac Thornberry
Ranking Member
Armed Services Committee
U.S. House of Representatives
2216 Rayburn House Office Building
Washington, DC 20515

Re: The Impact of COVID-19 on the Defense Industrial Base

Dear Chairman Smith and Ranking Member Thornberry:

On behalf of the National Defense Industrial Association (NDIA), I am writing to express our concerns regarding the consequences the COVID-19 pandemic is having on the defense industrial base in addition to the possible prolonged effects facing the industry charged with supporting our country's warfighters. The coronavirus is impacting the lives of all Americans, and many industries need relief, but few are charged with protecting national security like the defense industry.

The Administration's declaration of a national emergency provides some protections to defense contractors regarding excusable delays as provided by the Federal Acquisition Regulations (FAR). However, it does not provide them protections for loss of pay due to delays caused by a pandemic or quarantine, nor does it protect them if the supply chain is impacted by a global crisis.

Non-compensable delays entitle contractors to a time extension, but they do not include monetary compensation. Cashflow is the life blood of companies and is necessary for them to pay their workforce, which, in turn, protects the economy at large. COVID-19 is threatening industry in a way we have not seen since World War II, and relief is needed to ensure the defense industrial base—made up of approximately 300,000 companies, the majority of which are small businesses—is supported through this national crisis.

NDIA proposes the following congressional support to companies during this uncertain time:

- Protections for small businesses that are at the greatest risk during this crisis to include implementing accelerated payments, tax breaks and credits, and zero interest loans in a timely fashion.
- When and where appropriate, a federal exemption from state and local orders restricting facility access for businesses doing required national defense activities.
- Protections for contractors and their employees should the government shut down all or part of an organization's operations based upon challenges due to COVID-19. If the government continues to pay its employees, it will also continue to pay contractors.

- Assurances that contracting authorities will excuse delays, entitle vendors to an equitable adjustment of the contract price, and make payments in a timely manner when vendors confront challenges caused by COVID-19 and federal, local, and state responses to the COVID-19 pandemic.

The defense industry is here for the long haul, and our companies are making necessary adjustments—as we all must—to get through this pandemic. To minimize uncertainty, we need the assurance that Congress will act to ensure we have a robust defense industrial base on the other side of this crisis. We need a unified statement from Congress that, both during and after the crisis, everything possible will be done to ensure the industrial base that provides our warfighters their capability advantages will be there for them.

As Congress looks at relief packages for various industries and stimulus packages, we ask your assurance that protections will be implemented to mitigate the effects of this pandemic on the supply chain and protect companies supporting America's national defense.

Respectfully,

A handwritten signature in black ink that reads "H.J. 'HAWK' Carlisle". The signature is written in a cursive style with a large, stylized 'H' and 'C'.

Herbert J. Carlisle
General, USAF (Ret)
President and CEO