

What Every Candidate Should Know About Fostering Innovation in the A&D Industry



Regulation of the Aerospace and Defense Industry Must not be Overly Burdensome

Regulations often exist for good reasons. We want our products to be well constructed, safe and environmentally friendly. But we do not need regulations that are overly complex, burdensome and costly that inhibit the innovation and efficiencies that enable aerospace and defense companies, large, medium and small, to develop new systems that strengthen our national security and grow our economy.

Examples of regulations that place an undue burden on American aerospace and defense companies include:

- > The satellite industry proposed needed changes for the way imaging systems are addressed in the new satellite technology export regulations two years ago and have yet to see an announced decision or change to the rules. The government should move forward more expeditiously with rulemaking that enhances American economic competitiveness in the global satellite market.
- > The Administration's Executive Order requiring companies to disclose past violations of federal and state labor and employment laws that is duplicative of other reporting requirements, and would subject employers and workers to corrective action even if the alleged 'violations' are unproven or not fully adjudicated. The burden of this Executive Order is extremely hard on small businesses. We commend efforts to greatly reduce this requirement in the Fiscal Year 2017 National Defense Authorization Act.
- > Other Administration Executive Orders on paid sick leave and combating trafficking in persons, while well meaning, lead to added onerous burdens on companies and their supply chains.

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A New Path to Reasonable Regulation

American aerospace and defense manufacturers support commonsense regulatory reforms that achieve the following benefits:

- > Ensure that the true costs of regulations do not exceed their benefits
- > Reduce small company burdens in meeting regulatory mandates
- > Clearly set out performance goals without unduly prescribing the path for companies to achieve them
- > Remove barriers to innovation

Actions Needed to Improve Regulation of Aerospace and Defense

Civil Aviation. In a regulation success story, the federal government and industry struck an excellent balance in ensuring aviation safety through cooperation as opposed to prescriptive regulation. The Federal Aviation Administration's Organizational Designation Authorization (ODA) allows authorized organizations to perform inspections of aircraft and aircraft systems to ensure compliance with regulations, without direct FAA oversight. The ODA paradigm can be further expanded to allow maximum use of delegation to take full advantage of industry expertise and increase the collaboration and partnership that leads to improved aviation safety.

Industry and the FAA have helped streamline the process by which new airplanes, products and systems are certified. However, American aircraft manufacturers currently have to go through multiple certification processes with foreign aviation authorities to assure the safety of U.S.-built aircraft sold and operated outside of our borders. The cost of such efforts can exceed several million dollars, and is a significant and unnecessary burden on U.S. manufacturers. The FAA should be authorized to take a more proactive stance with international partners to improve the certification of FAA approved products overseas, as they represent the gold standard for aviation safety.

National Security. For the first time since the 1940s, acquisition reform is not just about saving money – it's about removing barriers to innovation and eliminating unnecessary bureaucracy, so that we can stay ahead of threats and provide faster solutions to our fighting forces. The U.S. can no longer count on overwhelming technological advantages in conflict as rival nations are getting better capabilities, faster, all the time. As global technology development accelerates, the Defense Department's acquisition system is slowed at every stage by unnecessary and overly prescriptive regulations and guidance.

Defense Department acquisition practices should be improved to encourage greater Independent Research and Development expenditures, speed up the contracting process, guarantee protection of intellectual property developed at private expense streamline the use of commercial products in defense systems, and increase our willingness to take risks to make rapid breakthroughs in technology and capability.

Export Controls. The export control regulatory system designed to manage the risks of diversion of technologies to our adversaries can be inconsistent with global technology trends, commercial opportunities and foreign partner requirements. Efforts in recent years to make the International Traffic in Arms Regulations and the Export Administration Regulations more predictable, efficient, and transparent have been valuable, but more needs to be done. We must establish expedited procedures for review and approval of exports of defense and security technology that support U.S. government, military and intelligence interests abroad. Also, government and industry must review and revise emerging technology export control measures like the Missile Technology Control Regime which governs Unmanned Aircraft System exports in order to allow American companies to compete for sales in new growth markets without harming our national security interests.

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