



September 28, 2022

Chairman Jack Reed
United States Senate Committee on Armed
Services
228 Russell Senate Office Building
Washington, D.C. 20510

Ranking Member James M. Inhofe
United States Senate Committee on Armed
Services
228 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Reed and Ranking Member Inhofe:

Unprecedented and systemic economic disruptions, including record levels of inflation and turmoil in global supply chains, are causing major headwinds for the Defense Industrial Base (DIB) that are beginning to threaten our ability to meet our obligations and deliver the cutting-edge capabilities and services that our warfighters, allies, and partners rely on. While the Committee included language in Section 1002 of S. 4543, the James M. Inhofe National Defense Authorization Act (NDAA) for Fiscal Year 2023, requiring a report on the detrimental impacts of inflation on the warfighter and the Defense Industrial Base, our industry needs immediate flexibility in support of our specialized workforce and the small businesses that are the lifeblood of our supply chain. We therefore strongly urge you to include bill language in this year's NDAA granting the Department of Defense (DoD) the authority to modify existing DoD contracts to provide equitable adjustments.

Most DoD contracts were negotiated with expectations of only 2 to 3 percent annual inflation and with properly functioning global supply chains. With inflation currently running at more than twice that rate, coupled with supply chain and workforce disruptions, companies are now faced with possible schedule delays, less output, possible cost increases, and most alarmingly, a significant exodus of workforce talent. While these economic pressures affect the entire ecosystem of defense companies, the situation is uniquely challenging for the thousands of small businesses comprising the shared A&D supply chain. These businesses have limited tools to manage skyrocketing costs, scarce parts and materials, and the loss of skilled talent. Rather than continuing to do business with DoD and lose money, many companies will choose to leave the DIB entirely and focus on the commercial market, where they can more readily pass along increased costs. This directly threatens our national security: our advanced technologies and capabilities will dwindle, competition will significantly decline, and the innovation America needs to stay ahead of our global competitors could evaporate.

While all parts of our economy are being affected, we are confident that potential damage to our national security is something that your Committee recognizes and can address. In that spirit, we urge you to provide DoD with this vital contracting flexibility in the FY23 NDAA.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Fanning", is written over a light blue circular stamp. The signature is fluid and cursive.

Eric Fanning
President and CEO
Aerospace Industries Association