June 5, 2007

The Honorable Ike Skelton
Chairman
Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Duncan Hunter
Ranking Member
Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Skelton and Ranking Member Hunter:

On behalf of the member companies of the Information Technology Association of America[1], Electronic Industries Alliance[2], and the Semiconductor Industry Association[3], we are writing to express our strong opposition to Sections 808, 809, 845 and 846 of H.R. 1585 and to ask that these provisions related to the use of specialty metals be stripped from any final conference language. Our specific concerns relate to electronic components and the ability of the Department of Defense (DoD) to continue to acquire in a timely fashion the latest technologies for the warfighter in the battlespace.

The premise behind these proposals is that any and all items in the defense supply chain can be made compliant with the domestic sourcing requirements of 10 USC 2533(b). The fallacy of such a premise becomes glaringly obvious when applied to the information technology and electronic component supply chains. For many years, the industry has used a global supply chain to source the raw materials and the end item components for their products. Requirements to track the source of those raw materials are not part of the business practices of this industry and would be too great an expense and burden to create, forcing many of DoD's largest IT suppliers from the government market, limiting options for the government and raising costs for the taxpayer.

Congress acknowledged this condition last year and granted DoD flexibility to implement workable solutions to preserve access to technology for the warfighter, while protecting domestic specialty metals production capability. Unfortunately, these sections of H.R. 1585, when coupled with your letter of May 1, 2007, challenge the exercise of that flexibility and call into question the use of determinations of domestic non-availability (DNAD) employed by DoD to implement the provisions related to specialty metals. This challenge includes the DNADs issued for populated circuit cards – the heart of most IT electronic components – and for fasteners, as well as the use of "classes" for these determinations.

The use of "classes" of items was rightly adopted to avoid the extremely cost prohibitive analysis that would be necessary if each and every item was analyzed for compliance with the language of 10 USC 2533(b). For IT and electronics, DoD correctly determined that they could identify "classes" of individual items populating a circuit card to create assemblies and, therefore, make a determination to address all of these individual items collectively. Items that have been treated as "classes" in the circuit card assembly DNAD include semiconductors, diodes, resistors, transistors, microprocessors and capacitors, just to name a few. The House action specifically challenges the use of "classes" and establishes that all DNADs - including the one for populated circuit cards and any others for electronics that may be under development - must undergo a regulatory promulgation. Such a restriction on the traditional authority granted by the Congress to the Secretary of Defense to determine that an item is critical for national security is a move in the wrong direction, as it would delay or outright prohibit DoD's ability to equip the warfighter with IT and electronic components and the capabilities they bring.

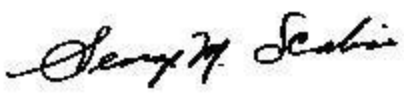
Our concerns about the language of H.R. 1585 are multiplied when viewed in light of the additional "electronic component" items still awaiting guidance and acceptance from DoD. Additional items that will be impacted should these sections be adopted include power supplies and transformers, wires, connectors, fasteners, storage media, switches and the racks, panels and enclosures that encase and support these electronic components.

For these reasons, we ask that Congress reject Sections 808, 809, 845 and 846 in final deliberations on the FY08 National Defense Authorization Act. Should you have any questions related to this issue, please contact Trey Hodgkins on the ITAA staff at 703-284-5310 or thodgkins@itaa.org. Thanks for your attention to our concerns.

Sincerely,

Phillip J. Bond
ITAA President & CEO

Matthew J. Flanigan
President & CEO



George M. Scalise
SIA President

Cc: House Armed Services Committee Members

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[1] ITAA provides global public policy, business networking, and national leadership to promote the continued rapid growth of the IT industry. ITAA consists of over 325 corporate members throughout the U.S. and a global network of 67 countries' IT associations. The Association plays the leading role in issues of IT industry concern, including information security, taxes and finance policy, digital intellectual property protection, telecommunications competition, workforce and education, immigration, online privacy and consumer protection, government IT procurement, human resources and e-commerce policy. ITAA members range from the smallest IT start-ups to industry leaders in the Internet, software, IT services, ASP, digital content, systems integration, telecommunications, and enterprise solution fields. For more information visit www.itaa.org.

[2] EIA, headquartered in Arlington, Va., comprises nearly 1,300 member companies whose products and services range from the smallest electronic components to the most complex systems used by defense, space and industry, including the full range of consumer electronic products. The Alliance is composed of four sector organizations: the Electronic Components, Assemblies and Materials Association; the Government Electronics and Information Technology Association; the JEDEC Solid State Technology Association; and the Telecommunications Industry Association.

[3] The Semiconductor Industry Association (SIA) is the premier trade association representing the U.S. semiconductor industry. Founded in 1977 by five microelectronics innovators, SIA unites 95 companies responsible for more than 85 percent of semiconductor production in this country.