The Honorable Heath Shuler
Testimony before the House Armed Services Committee
14 April 2011

Chairman McKeon, Ranking Member Smith, distinguished members of the committee — thank you for the opportunity to testify before you today on amendments to the National Defense Authorization Act.

I come before you to speak in support of language that may have profound effects on US manufacturing, as well as, the national security of our nation.

As we all know, Congress passed the "Berry" Amendment in order to protect the American industrial base during times of adversity and war. This amendment generally requires Defense Department contractors to use American manufactured components and materials in their products.

However, because of language added in 2008, some exceptions to the Berry Amendment have been created allowing American manufactures to use non-American components. My specific concern today is the exception for specialty metals that are critical to our national security.

It is my belief that these exceptions and the outsourcing of manufacturing components, especially titanium components critical to aviation, are a hindrance to American manufacturing and pose a very real national security threat.

I understand that when these exceptions were created in the 2008 NDAA there was an honest effort to expand trade and global capacity with our international allies. This intention led to a provision within section 804 of the FY 2008 National Defense Authorization Act (NDAA) that amended section 2533b of title 10 to provide new exceptions for procurement of end items containing specialty metals from American sources.

By allowing original equipment manufacturers (OEMs) to procure end items manufactured in "excepted countries" under agreements that allow foreign manufacturers to use any available raw material to manufacture the end items, we have hindered U.S. titanium manufacturing in a time of market expansion in defense procurement requiring titanium end items. This hindrance is caused by the requirement that U.S. manufacturers source all raw materials in the U.S. industrial base.

Because foreign manufacturers are not subject to this requirement, OEMs are moving to offshore suppliers and walking away from the U.S. manufacturing industrial base. The changes to Section 2533b are giving foreign competitors a 30% advantage on raw material prices. This reduced cost has resulted in U.S. military engine fan and compressor blades being forged and machined overseas using Russian titanium.

It is unconscionable to me that some of the most essential components to our nation's military aircraft are being made in foreign countries with Russian materials.

American companies are being forced out of the military manufacturing base because of off-shore raw material use by competitors. With titanium demand on the rise at an estimated 14% rise per year over the next 5 years, domestically owned and operated businesses capable of manufacturing medium and large fan blades will either go out of business or move off-shore.

Assessing the US market will allow for a better picture of how Section 804 affected the domestic titanium market.

The House of Representatives inserted a provision in their report accompanying their version of the FY2011 NDAA (H.R. 5136) that required the Department to assess the U.S. titanium manufacturing industrial base and report to the congressional defense committees. Even though the House provision was not included in the final bill, I urge you to follow your colleagues in previous Congresses and include this language.