OPENING STATEMENT OF U.S. SENATOR JACK REED
CHAIRMAN, SENATE ARMED SERVICES COMMITTEE

ROOM SD-G50
DIRKSEN SENATE OFFICE BUILDING
Tuesday, April 26, 2022

To receive testimony on the health of the Department of Defense Industrial Base
(As prepared for delivery)

REED: Good morning. The committee meets today to receive testimony on the health of the defense industrial base. I would like to welcome our distinguished witnesses, and I thank them for joining us.

Ms. Ellen Lord is the former Under Secretary of Defense for Acquisition and Sustainment. She has more than 30 years of experience in the defense industry, including serving as President and CEO of Textron Systems Incorporation, and as a senior adviser to several defense policy research institutions.

Mr. David Berteau is the President and CEO of the Professional Services Council. He served during the Obama Administration as Assistant Secretary of Defense for Logistics and Materiel Readiness, and previously as Senior Vice President and Director at the Center for Strategic and International Studies.

We are grateful to have such an accomplished pair of experts with us to discuss this important issue.

The United States' industrial base is core to our national security. America's capacity for technological innovation and manufacturing has ensured that our military is the finest in the world, with benefits felt well beyond the military sphere. From the internet to GPS to the microelectronics in our phones and computers, many of the technologies gained from investments in our defense industrial base regularly contribute to our broader national well-being. This industrial advantage, however, is not a given. It must be nurtured and maintained through careful investments and strong leadership from both the public and private sector.

The urgency around this issue has never been clearer. As Russia continues its onslaught against Ukraine and China calculates its own expansive geopolitical

ambitions, we have to make sure our defense industrial base is able to adapt, scale, and outpace our competitors in the 21st century.

With that in mind, there are a number of challenges for the health of our industry. To begin, I am concerned by the impact of the long-term trend in consolidation of private companies participating in defense research, development, and acquisition, especially since the Cold War drawdown in the 1990s. Competition within the defense industry is vital to fostering innovation, delivering products and services in a timely and efficient manner, and keeping costs in check. However, in the last three decades, the defense sector has consolidated substantially, transitioning from 51 aerospace and defense prime contractors down to just five. That has unintended consequences on costs, barriers to entry for new companies, displacement of established technologies with newer, innovative capabilities, and the overall buying power for the federal government.

I am interested in the witnesses' thoughts on how we can better address the factors affecting this consolidation, including tensions over data rights and intellectual property and how to better leverage small business programs to grow the overall pool of providers in the industrial base.

Further, the COVID-19 pandemic has exposed the brittle nature of international supply chains. It is clear that we need to protect our domestic supply of critical components – such as microelectronics – that may be interrupted in times of emergency. I understand the Defense Department plans to take steps to ensure supply chain resilience for several priority sectors, including casting and forgings, missiles and munitions, energy storage and batteries, strategic and critical materials, and microelectronics. I would ask our witnesses to share what steps they think the department should take to protect these sectors and encourage a domestic supply of critical components.

More broadly, the procurement and acquisition practices of the Department of Defense and the federal government are often convoluted, poorly communicated, and burdened with inertia that makes contracting with private industry far too difficult. As America confronts threats around the globe that are evolving at unprecedented speeds, we must find a way to better identify our defense needs, communicate them, and deliver them in a timely manner. This is being tested right now as we work to backfill our stockpiles following the enormous transfer of weapons to Ukraine. The lack of responsive and rapidly scalable production capacity for consumable systems like Stinger and Javelin missiles highlights issues with our planning factors and manufacturing flexibility for long lead items needed

in short order, with little to no advance warning. I would ask for our witnesses' thoughts on how we might overcome this challenge.

Finally, a highly skilled workforce is necessary for designing, engineering, and employing the game-changing technologies of the future. As we seek to keep pace with our strategic competitors, it is imperative that we invest in facilities, training, and education to support our defense industrial base workforce. I hope our witnesses will discuss what steps the department could take to ensure that people who pursue STEM education and careers want to work in areas that support the defense industrial base.

Thank you, again, to our witnesses. I look forward to your testimonies.

Let me now recognize Ranking Member Inhofe.