

STATEMENT OF
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BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
ON
THE STATE OF THE DEFENSE INDUSTRIAL BASE
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Chairman Rogers, Ranking Member Smith, and distinguished Members of the Committee, thank you for the opportunity to speak with you today on the state of the defense industrial base and its essential role in national security. I will limit myself to brief opening remarks, and with the Chair's permission, submit for the record NDIA's *Vital Signs 2023* report.

For over 100 years, the National Defense Industrial Association (NDIA) has worked to improve collaboration between industry and government so our Nation's security can fully harness the benefits from our innovative industrial base. As a trade association, NDIA represents over 1,800 defense companies of all sizes and sectors, and the majority of our members are small businesses.

The defense industrial base is critical to our national security. Its people develop, produce, maintain, and repair the platforms, equipment, supplies and advanced technologies our warfighters need. They are the welders, engineers, programmers, scientists, analysts and technicians who respond to our Nation's call to maintain our military and to build the future force.

Today, there is a mismatch between what our national strategies aim to achieve and how our defense industrial base is postured. Both the 2018 and 2022 National Defense Strategies highlight the return of great power competition and the 2022 National Security Strategy states, "the post-Cold War era is definitely over and a competition is underway between the major powers to shape what comes next." However, key industrial readiness indicators for great power competition are going in the wrong direction.

For example, we should expect the number of workers in the defense industrial base to be increasing. In 1985, the U.S. had three million workers in the defense industry. In 2021, there were 1.1 million workers in the sector and that number is remaining flat.

We should expect the number of companies in the defense industrial base to be increasing, but analysis shows that over the last five years a net 17,045 companies have left the defense industrial base. In particular, the Department of Defense recently estimated the number of small businesses participating in the defense industrial base has declined 40% over the last decade.

From 1985 to 2021, funding for national defense decreased from 5.8% to 3.2% of U.S. GDP. The Congressional Budget Office projects a further decline to 2.7% by 2032. In addition, in 13 of the last 14 years we have had long continuing resolutions that specifically prevent new starts or increased production rates. These trends are not consistent with creating the industrial base required for great power competition.

The current state of the defense industrial base is not an accident. It developed in response to government policy and funding. To produce resilience in the defense industrial base, the government must value it in its budget and contracting processes. This would include encouraging vendors to use multiple suppliers, having more parts in stock and building surge capacity. This can be through contracts as well as supported by Congress via multiyear authority and advanced procurement.

We should also make it easier for firms to do business with the government, particularly small businesses and those in non-traditional industries who cannot afford the many regulatory

barriers to entry, long contracting timelines, and disruptive uncertainty with annual appropriations.

The return of great power competition places greater demands on America's defense industrial base. A brittle industrial base is a strategic vulnerability. A resilient defense industrial base is a powerful deterrent. I appreciate the Committee's wisdom in prioritizing this critical issue. Thank you for the opportunity to testify today, and I am happy to answer any questions you may have.