

Congress of the United States

Washington, DC 20515

September 12, 2011

The Honorable Leon Panetta
Secretary of Defense
Department of Defense
Office of the Secretary
The Pentagon
Washington, D.C. 20301

Dear Secretary Panetta:

We are writing in response to the Department of Defense's request for comment regarding the definition of "produced" set forth in Defense Federal Acquisition Regulation Supplement (DFARS) 225.7003. We urge the Department to return to over 35 years of Congressional intent and administrative practice and revise its definition of "produced," as it applies to armor steel plate, to include the melt stage. The current definition threatens this country's defense industrial base by increasing our reliance on foreign suppliers and does so at the expense of domestic workers.

The Department's definition allows foreign-melted metals to be considered "domestically produced" if they merely undergo late-stage finishing processes (i.e., quenching and tempering) in the United States. The Department has claimed that its definition was crafted to "incorporate technological progress in the industry that resulted in the production of some specialty metals without requiring melting." As far as the production of armor steel plate is concerned, we are unaware of any "technological advances" that remove the need for melting. On the contrary, the melt stage is critical to the ability of steel producers to manufacture armor steel plate and accounts for the vast majority of capital and labor investments.

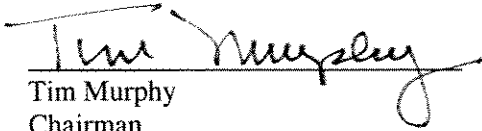
The Department has also claimed that its regulatory change was developed in response to insufficient domestic steelmaking capacity for armor steel plate. To the best of our knowledge, there has been no significant shortage of armor steel plate, even in periods of critical demand. Additionally, in the event of any supply concerns, there already exists a proven statutory waiver process. We would also like to point out that the past several years have seen new entrants in the market, further increasing domestic capabilities for the production of armor steel plate from the melt stage through final processing.

As you know, the Department's examination of, and request for comment on, its definition of "produced" was required by the FY11 National Defense Authorization Act (PL 111-383). The NDAA directed the Department to ensure the definition's compliance with the Specialty Metals Amendment and, additionally, to revise the regulations as necessary pending the outcome of the review. Importantly, the provision required the Department to consider Congressional intent in its review. To that end, many of us wrote to the Department over a year ago expressing our concerns and calling for a revised definition—one which was subsequently included in last year's House-passed defense authorization bill.

As the Department conducts its review, please keep in mind our unequivocal view that armor steel plate must be melted in the United States in order to qualify as having been "produced" domestically under the Specialty Metals Amendment. Additionally, we strongly encourage you to

comply with the statutory deadline imposed by the FY11 NDAA and look forward to seeing a revised definition, one that requires melting in the United States, finalized by October 6, 2011.

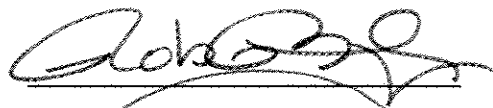
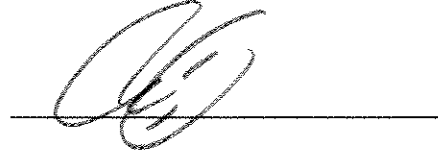
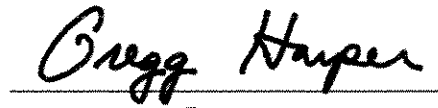
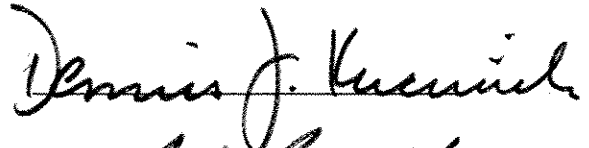
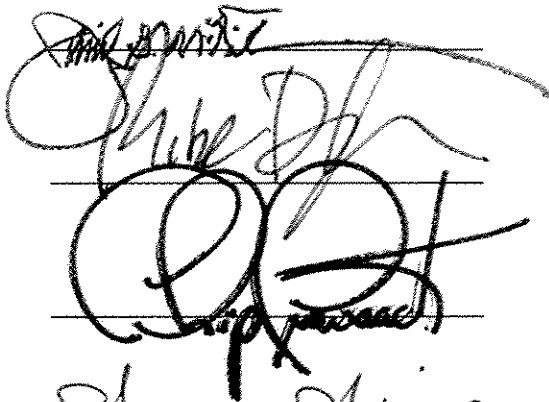
Sincerely,



Tim Murphy
Chairman
Congressional Steel Caucus



Peter J. Visclosky
Vice-Chairman
Congressional Steel Caucus



AR-02



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