January 20, 2011

Via E-Mail (publiccomments@bis.doc.gov)

Attn: Regulatory Policy Division
Bureau of Industry and Security
U.S. Department of Commerce
Room 2099B
14th St. and Pennsylvania Ave., NW
Washington, DC 20230

Re: RIN 0694-AF41: Comments on Proposed Revisions to the Export Administration Regulations (EAR): Control of Gas Turbine Engines and Related Items the President Determines No Longer Warrant Control Under the United States Munitions List (USML)

Lockheed Martin Corporation (Lockheed Martin) is pleased to submit comments on the proposed rules issued by the U.S. Department of Commerce, Bureau of Industry and Security and by the U.S. Department of State, published in the Federal Register on Tuesday, December 6, 2011 (76 Fed Reg. 234.) Taken together, the proposed rules establish a new Category XIX on the U.S. Munitions List (USML) for gas turbine engines and associated equipment and address how articles that are no longer controlled on the USML would be controlled under the Commerce Control List (CCL).

The proposed rules to create Category XIX continue the significant effort undertaken by the Departments of State and Commerce to create an export control system that strengthens U.S. national security and focuses export license requirements on the items of greatest sensitivity.

Lockheed Martin's Aeronautics Company is known for building the finest military aircraft in the world, including the F-16 Fighting Falcon; C-130J; and the 5th Generation fighters, F-22 Raptor and F-35 Lightning II. Lockheed Martin uses the latest in engineering technology, including the leading edge engines that power these aircraft. Under the new rules, these engines will remain controlled on the USML. Like the proposed changes to Category VIII that controls aircraft and related components, Lockheed Martin does not expect the proposed controls on engines to have a direct impact on export licensing for our military aircraft systems. However, the proposed reforms will continue efforts to streamline the ability of suppliers for Lockheed Martin to resupply some of these programs with certain parts and components.

Lockheed Martin continues to encourage the Departments of State and Commerce to implement export control reforms that will have a more immediate and direct impact on how the United States licenses the export of defense systems and equipment to allies and partners throughout the

world. As we have stated in previously submitted comments, without implementation of additional reform measures to address how licensing can be managed in a more streamlined manner, the proposed control list changes will have only a modest effect on facilitating international defense sales and programmatic collaboration with our friends and allies. Coupled with control list reform, implementation of a successful "program licensing" framework, for example, would increase the efficiency, predictability, and transparency of the U.S. export control system, thereby facilitating the supply of the engines that remain controlled on the USML to priority joint international programs and resulting in the systematic and comprehensive reform envisioned by the President.

I. RECOMMENDED CHANGES TO THE PROPOSED RULES

A. Relationship of Category VIII and Category XIX

In response to the Departments of State and Commerce request for comments on the creation of a new Category XIX to control gas turbine engines, Lockheed Martin recommends retaining gas turbine engines and associated equipment in the applicable USML categories which control the end-item platform (*i.e.* Category IV for missiles, Category VII for vehicles, and Category VIII for aircraft). This is the preferred approach. The creation of a new category to control this equipment is unnecessary and may result in additional supply chain and compliance costs for U.S. industry. Moreover, in some cases, delineating between the end-item platform (*e.g.*, "aircraft") and the "engine" components may be difficult. Consolidation within a single USML Category would help to address these concerns.

B. Category VIII: Note on Section 17(c) of the Export Administration Act (EAA)

If the Departments of State and Commerce determine that the creation of a new Category XIX is the best course of action, Lockheed Martin recommends including the existing Category VIII note regarding the compliance with Section 17(c) of the EAA, as amended. Removal of the note could be interpreted that Federal Aviation Administration (FAA) certification is no longer applicable as a means by which to determine licensing jurisdiction for aircraft engines. This omission could be interpreted to mean that items which currently are controlled under the Export Administration Regulations (EAR) will move back to the USML. We understand that the Administration generally does not intend such a "roll-back" effect.

C. Category XIX (f)(2): Hot Section Parts/Components

The new definition of "hot section" contained in the proposed rule is a significant expansion of controls on these items that would capture standard parts and components not considered representative of "engine hot section" technology. The current definition of "hot section" technology has been in use and accepted by the U.S. Government and industry for the past two decades. The proposed change would result in the reclassification of many engine parts – such as uncooled nozzles, cowls, diffuser, liners, shells, etc. – that would place a significant new compliance burden on U.S. industry. The new definition would also result in removing these items from Section 17(c) eligibility and establish the need for the exporters to obtain DSP-83 end use certificates for these items. Expanding the definition would require additional time and

expense for U.S. exporters without an identified national security benefit. Both the Departments of State and Commerce have made clear that the intention of the export control list review and reclassification effort is not to "roll back" controls by expanding the scope of items controlled on the USML. We believe that the change in the definition for "hot section" technology is such a roll-back that would have an adverse effect on our ability to export and resupply Lockheed Martin aircraft. Accordingly, Lockheed Martin recommends the reinstatement of the existing definition, revisited in 2008, as follows:

(f) Components, parts, accessories, attachments, or associated equipment as follows:

*(2) hot section components (i.e., combustion chambers and liners, high pressure turbine blades, vanes, disks and related cooled structure**;** ~~shrouds)~~ cooled low pressure turbine blades, vanes disks and related cooled structure; cooled augmenters; and cooled nozzles). However, if such military hot section components are manufactured to engineering drawings dated on or before January 1, 1970, with no subsequent changes or revisions to such drawings, they are not controlled under the USML. ~~"specially designed" for gas turbine engines controlled this category and related cooled components (i.e., cooled low pressure turbine blades, vanes, disks; cooled augmenters; and cooled nozzles) "specially designed" for gas turbine engines controlled in this category. The cowl, diffuser, dome, chamber, shells, and liners for the combustors are also controlled by this paragraph.~~**;**

II. CONCLUSION

Thank you again for the opportunity to provide comments on the proposed rules. Lockheed Martin remains committed to supporting the ongoing comprehensive export control reform effort, and we look forward to reviewing additional proposed rules that will have a substantial, positive impact on our ability to support U.S. national security programs and international defense trade priorities.

Sincerely,

For Lockheed Martin Corporation
Gerald Musarra
Vice President
Government and Regulatory Affairs