September 13, 2011

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

By e-mail: publiccomments@bis.doc.gov

Subject: RIN 0694-AF17

From: Composite Working Group

Dear Mr. Mooney:

I am submitting this paper on behalf of the industry group described herein. Thank you for the opportunity to provide these comments.

Sincerely yours,

Kimberly A. DePew
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BACKGROUND

In response to the request for public comment, members of the Composite Working Group which is sponsored by the Materials Technical Advisory Committee and the Transportation Technical Advisory Committee met to discuss the benefits and challenges of the proposed rule to move USML items to the CCL. The network of representatives includes companies involved in the production and use of various materials, parts, components, and manufacturing equipment. Overall, we are very much in favor of the proposed rule. Although there are a few points that we believe should be addressed, this approach will keep the export reform effort moving in the right direction which is vital to industry.

Although not necessarily the company position, individuals from the following companies, as well as others, participated in the development of this paper:

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| Airbus Americas | GE - Energy |
| Boeing | Hamilton Sundstand |
| Electroimpact | Toho Tenax, America |
| GE – Aviation | |

COMMENTS

The group has developed a position with the following points:

- Many companies have experienced lost business opportunities due to customers' desire to avoid US ITAR regulations and even US export control regulations in general. Often this avoidance is due to restrictions on items that are non-consequential from a military or intelligence-advantage point of view. This new proposal would put into place the framework required to sort through the various items controlled on the ITAR today in order to determine which are really important to control and to update the regulations accordingly. We believe that making the changes to reduce the number of items on the USML will greatly facilitate the administration's desire to both protect national security and expand international trade.

- The proposed alignment of numbering with Wassenaar is particularly helpful as it allows global companies and companies with global partners, suppliers, and customers to speak the same language with regards to export controls. It simplifies efforts when trying to classify items against various country regulations simultaneously.

- Similarly, the proposed numbering which aligns with the current USML structure will assist companies that are more familiar with the USML than the EAR. Having said that, we recognize that there are companies that work solely with the USML today and may not be familiar with the CCL. The numbering and detail in the CCL may seem overwhelming. We suggest that to assist these companies, the DOC consider hosting various training sessions and provide for a transition period to allow current ITAR classifications and authorizations to remain valid for some time before reclassification is mandatory.

- We appreciate that industry will finally have a definition for "specially designed", and that it provides clarification for the majority of entries that invoke the term. Although we understand the direction being taken with this term, the proposed definition may have unintended consequences for parts and components. For example, the definition does not take into account past CCATs or CJs. Some sort of a grandfather clause should be included to avoid introducing additional controls on such items. Programs under way at the time of the release of the final rule should be allowed to rely on previous regulatory decisions until the commercial program containing "specially designed" parts and components (which could also be used on a 600 series end item) enters serial production. This will eliminate the need to change the export markings on a large volume of existing parts only to have the classifications change back as soon as the item enters serial production.

- Further, based on the proposed definition, in some cases, an item in a non-600 series CCL entry may fit the criteria to be classified as both an "end item" and a specific "part" or "component". Clarifying the language or training could help on

this point. Finally, an item not controlled or AT-only controlled today on the EAR appears to become controlled during development until the associated end item reaches serial production. Although, the serial production exclusion does help mimic the 17c rule implemented for the aerospace community, it appears to expand controls by reaching into activities associated with the development of parts and components that will be common to purely commercial and enumerated items. We do not believe this was intended and would be happy to work with BIS to revise the definition accordingly.

- Another benefit of the proposed rule along with subsequent efforts to move USML categories to the CCL is that small companies such as "farmout" machine shops will not be burdened by the cost and time involved in DDTC registration, and may enjoy more opportunities for producing more parts for US and foreign customers if they are able to complete "ITAR-free" certifications and feel confident that they can pursue more opportunities without worrying about export violations. In addition fewer items will have to be reviewed for ITAR content when completing ITAR-free certifications.

In summary, the industry group hopes that the rule will proceed in support of export reform. We also suggest a few modifications be considered, including making the definition of "specially designed" more robust to avoid unintended consequences such as potentially expanding the number of items controlled on the CCL via the items in the "y" list. Members of this team would support working meetings (even multi-day) to help with any modifications which need to be made. Taking another look at "specially-designed" might be a candidate for such a session. We would also entertain hosting training sessions that the DOC might want to hold in different US regions or even countries. Industry hopes that we can continue working these proposed rules together to take our export controls into the 21st century.