AAR Airlift Group, Inc. ("AAR") submits the following comments related to the Bureau of Industry and Security Proposed Rulemaking BIS-2011-0040, "Revisions to the Export Administration Regulations (EAR): Control of Aircraft and Related Items the President Determines No Longer Warrant Control Under the United States Munitions List (USML)", as published in the Federal Register, 76 FR 68675-68690, RIN 0694-AF36 (the "Proposed Rule"). AAR understands that the Proposed Rule is being published in conjunction with a proposed rule of the Department of State, Directorate of Defense Trade Controls, which would amend the list of articles controlled by USML Category VIII, specifically, aircraft, aircraft parts, components and technical data related thereto.

AAR understands that the Proposed Rule is one in a series of rules comprising part of the Administration's Export Control Reform Initiative. That initiative is the result of a comprehensive assessment which found that "current U.S. export control system does not sufficiently reduce national security risk based on the fact that its structure is overly complicated, contains too many redundancies, and tries to protect too much." Fact Sheet on the President's Export Control Reform Initiative (April 20, 2010) ("Fact Sheet"). AAR agrees. The Administration's assessment further identified the goal of the reform effort, specifically: "'to build high walls around a smaller yard' by focusing [] enforcement efforts on our 'crown jewels.'" Fact Sheet. AAR further understands that the Administration has directed that Phase I of its Initiative directs licensing agencies to "implement regulatory-based improvements to streamline licensing processes and standardize policy and processes to increase efficiencies." Fact Sheet (emphasis added).

AAR is uniquely situated to provide comment on national security licensing regimes related to aircraft, aircraft parts, components and technical data related thereto. AAR is the largest provider of commercial intra-theater airlift support to DoD. Over half of our employees are military veterans, and over half are deployed at any given time in direct support of the US military. All of our operational aircraft are civil, are registered with the Federal Aviation Administration, and are operated to the exacting standards of a domestic air carrier under regulatory oversight by the FAA. AAR currently operates aircraft for the purpose of transporting passengers and cargo in Africa, Afghanistan and on US naval vessels at sea. AAR performs all of these operations under US Government Contracts. Our operations are further certified for DoD service by the Commercial Airlift Review Board of the Air Mobility Command. In the performance of these operations, AAR is required to export aircraft and aircraft parts to its own employees to locations worldwide, often on short notice.

AAR applauds BIS for taking steps indicated by the Administration's initiative. AAR believes the licensing improvements can be made that will allow the U.S. Government to focus resources on controlling, monitoring, investigating, analyzing and, where necessary, prohibiting exports and re-exports, while still meeting the Administration's stated directive of increasing efficiency in licensing. Under the Proposed Rule, licensing of the aircraft and aircraft parts that AAR exports will be transferred from the ITAR, USML to the EAR, CCL. However, AAR does not believe the Proposed Rule will result in making licensing of its activities more efficient for two reasons. The Proposed Rule does not make adequate allowance through exemptions for businesses, like AAR's, that involve exports of company-owned equipment for company use by US persons in a foreign country in direct support of US Government national security

contracts. Second, BIS does not appear to have established an expedited processing regime for requests for licenses that are in direct support of defined contingency operations.

Under the Proposed Rule, the burden on the US Government for controlling, monitoring, investigating, and analyzing export license requests will not be reduced. The burden will instead be transferred from the DDTC to BIS. For example, under the Proposed Rule, exporting civil aircraft of the type currently licensed for AAR use by DDTC in Afghanistan will still require a license, with related preparation, review and processing times. The main difference will be the agency conducting that effort. If BIS is able to immediately staff to meet the new licensing regime and to process all applications therefore with the same speed as DDTC, then there might be no net loss in Government efficiency. For the same reason, the Proposed Rule will not produce a long-term increase in efficiency for AAR, and will certainly produce a short-term burden. This is so because AAR's licensed activities with respect to USML aircraft are currently under DDTC jurisdiction. AAR has staffed its Trade Compliance Department with subject matter experts on the ITAR regulations. To comply with the new rule, AAR will be required to expend resources on training its staff on EAR regulations, hire new staff with this expertise or both.

AAR has determined that the Exceptions "GOV" and "STA " will not apply to the types of exports that AAR makes because AAR primarily exports to its own employees, all US , to support the US Government. These are not, however, exports directly to the US Government, a requirement for applicability of relevant exemptions. Under the Proposed Rule, AAR must still submit license requests to BIS. AAR requests that BIS consider modifying the GOV exception to include exports to US Government Subcontractors and their US Subcontractors when such subcontractors are performing services for the US Government.

The majority of transactions that AAR currently submits Licenses to DDTC qualify for expedited processing under that agency's rules relating to processing requests in support of Operation Enduring Freedom. Under the Proposed Rule, AAR believes it will be required to submit the same number of Licenses to BIS as it currently submits to DDTC. However, there does not appear to be analogous processing rules that show that BIS is prepared to give priority to requests in support of defined contingency operations. AAR requests that BIS consider establishing an expedited processing regime for any license requests related to exports in support of contingency operations, such as Operation Enduring Freedom similar to Department of States Expedited Processing of Licenses under Operation Enduring Freedom.

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