



RVOC 2024 – BABA Update



Current Waiver Status

- Since July 21, 2023, the ARF has enjoyed a one-year waiver from BABA compliance.
- This waiver is due to expire on July 20, 2024
- Over the last year an NSF team has been engaged on the issue and working for on-going relief from BABA
- On the NSF side, waivers may be the only tool for granting relief
- We have examined waivers from several angles and approaches
- The market and manufacturing conditions upon which the current waiver was based have not changed in the last year
- Accordingly, our work has focused on extending the current waiver
- Separate from the NSF waiver effort, some ARF operators have engaged their legislative contacts to seek permanent BABA relief by amending the language in the Act

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Waiver Extension Proposal

- Narrowing the scope to manufactured products only
- Requesting a two-year extension
- Focus is on operational safety and reliability of the ARF by pointing out the many systems and equipment required by CFR and subject to regulatory oversight/approval by the USCG and ABS
- A waiver extension must go through a public comment period just as the original waiver did... except that the public comment period must be 30 days (vs. 15)
- We anticipate the waiver extension will soon be posted for public comment
- Everyone with a stake in the operation of the ARF should submit comments in favor of the waiver extension
- Dust-off your comments from last year, update them, or start from scratch

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(Very Brief) Background on Decline of US Manufacturing

- Regarding marine manufactured products, nothing has changed in the last year to bring manufacturing back to the US; in fact, the situation may have worsened
- Post-WWII and through the 1970s most of the things a US ship needed were made here in the US. Why is there now a dearth of US-made marine products?
- Many foreign countries currently subsidize their domestic shipbuilding industries (so did the US to some extent)
- During the Cold War, the US invested heavily in the domestic Defense Industrial Base (DIB). Many domestic manufacturers (large and small) benefited from this steady and predictable long-term investing.
- Over time economic and strategic landscapes and priorities change for many reasons including politics, trade policy, technology, social change, globalization, automation, etc.
- In 1982, the US stopped funding the Construction Differential Subsidy program which paid US shipowners and US shipyards 50% of the difference between building a ship in the US and somewhere else.
- Tax reform in the 1980s eliminated a credit for investing in new equipment
- In 1991 the Soviet Union collapsed leaving the US as the sole global superpower

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(Very Brief) Background on Decline of US Manufacturing (continued)

- Post-1991, strategic thinking in congressional and military circles went to smaller, regional conflicts that did not need massive investments in the DIB. Remember the “peace dividend” of the 1990s?
- About 2000 a very serious decline in US manufacturing started due to competition from foreign nations and offshoring
- Consumer preference for low-cost products from China and other countries hurt US manufacturers
- In more recent times, Congressional use of the Continuing Resolution to fund government does not provide the stability and predictability necessary for companies to make the long-term investments necessary for manufacturing
- These events and others have resulted in an historic contraction of the US DIB with a parallel loss of US-based manufacturing and worker skills
- Numerous contemporary news articles, white papers, and US Government reports confirm this loss and are sounding the alarm due to the rise of new superpowers and threats
- Some analysts estimate it will take 10-15 years to develop the right conditions to bring manufacturing back to the US

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Where does the ARF fit in?

- What affects the US defense industrial base (and all kinds of manufacturing), US Navy shipbuilding (and marine manufacturing in general), also affects the ARF
- As a very small player in this much larger industry, the ARF does not have the purchasing power in volume or dollars to influence marine manufacturers to economically (and profitably) return to US shores
- The ARF needs long-term relief from BABA, not short-term waivers
- Operators – further additions to the parts inventories are welcome. List US- as well as foreign-made items so we can estimate percentages

Questions?