

April 11, 2022

Dear Conferee:

As the North American-based international trade group representing off-road equipment manufacturers and suppliers, with more than 1,000 companies and more than 200 product lines in the agriculture and construction-related industry sectors worldwide, the Association of Equipment Manufacturers (AEM) urges you to expeditiously reach a conference agreement between the recently passed *America Creating Opportunities for Manufacturing Pre-Eminence in Technology and Economic Strength (COMPETES) Act of 2022* (H.R. 4521) and the *United States Innovation and Competition Act (USICA) of 2021* (S. 1260), and craft a comprehensive, bipartisan bill that enhances U.S. innovation and global competitiveness.

AEM supports a global competition bill that incentivizes domestic semiconductor manufacturing and research and development, delivers tariff relief to U.S. manufacturers, strengthens America's critical supply chains, and invests in the next generation of skilled workers. As you confer, we ask that you prioritize several provisions that are critical to the U.S. equipment manufacturing industry.

Domestic Semiconductor Manufacturing and R&D Investment

AEM supports provisions that will help alleviate supply chain issues caused by the global chip shortage, such as the *Creating Helpful Incentives for the Production of Semiconductors (CHIPS) for America Act*. In a recent survey of equipment manufacturers, 80 percent cited an inability to access intermediate components, including semiconductors, as a major bottleneck to production. The incentives authorized by the CHIPS Act are key to accelerating the domestic production of critical components for our member companies' technologically advanced equipment.

Section 301 Tariff Exclusion Process

AEM strongly prefers the *USICA* trade title, particularly the provision that directs the U.S. Trade Representative to improve transparency and administration of trade programs, including establishing a process to petition for Section 301 tariff exclusions. Manufacturers of all sizes should be able to petition the federal government to request exclusions on critically needed products not available domestically.

Supply Chains

AEM supports the inclusion of the subsection in the *COMPETES Act* that would create the *Office of Manufacturing Security and Resilience* at the U.S. Department of Commerce charged with leading a governmentwide effort to identify and address supply chain vulnerabilities before they become full-blown crises.

The ongoing supply chain disruptions and parts shortages continue to wreak havoc on equipment manufacturers who are struggling to meet the demand for their products domestically and globally. Nearly 30 percent of equipment manufactured in the United States is destined for export. On average, 60 percent of new equipment rolling off the production line is missing at least one component due to supply chain delays. That equipment cannot be sold or delivered to customers domestically or overseas. Additionally, the lead time for service components is five to six times what it was in 2019, placing significant supply constraints on used equipment or equipment in need of repair.

U.S. manufacturers of all sizes need federal assistance to prevent and limit future supply chain disruptions undermining the economic viability and security of our national manufacturing base. At the start of the COVID-19 pandemic, AEM outlined a similar proposal to create a national manufacturing strategy, one that would provide for the long-term industrial security of our nation. AEM has since been a leading voice in support of bipartisan legislation that would create a federal hub to coordinate manufacturing policy across agencies.

As exacerbated by the COVID-19 pandemic, and now with major national security threats overseas, more must be done to protect the resiliency of critical U.S. manufacturing supply chains. This subsection is an important step in finally making domestic manufacturing policy a top priority within the federal government.

Workforce Development

AEM applauds the intent of *COMPETES* to address a major, but often overlooked supply chain concern when it comes to a lack of skilled workers and supports inclusion of policy in the global competition bill that will help create a workforce that will meet the needs of the 21st century economy.

Although not perfect in its current form, AEM urges conferees to make a good faith effort in future bipartisan negotiations to reauthorize the *National Apprenticeship Act*. Modernizing our national apprenticeship system would help more manufacturers establish apprenticeships and provide workers with access to tools, work attire, transportation, childcare services, and mentorship support. AEM also believes the addition of grants targeted to the infrastructure industry is an important provision to preserve. Modeled after the AEM-supported *BUILDS Act* (S.1078/H.R. 2459), this would help workers get the skills needed to fill in-demand jobs created by generational investments made by the *Infrastructure Investment and Jobs Act*. Overall, as discussions continue, AEM would like to see greater flexibility given to employers to use the apprenticeship system and enhanced opportunity for industry to provide meaningful input throughout the entire process.

AEM also supports the Levin/Gonzalez amendment added to *COMPETES* based on the *JOBS Act* (S. 864/H.R. 2037) that expands Pell Grant eligibility for high-quality, short-term programs. This would serve as a vital recruitment and retention tool for equipment manufacturers.

On behalf of the equipment manufacturing industry, AEM looks forward to constructively engaging in the consideration of this important legislation and supporting efforts by the U.S.

Senate and U.S. House to expeditiously produce a durable, bipartisan law that helps all manufacturers meet the challenges of the global economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Kip Eideberg". The signature is fluid and cursive, with the first name "Kip" being the most prominent.

Kip Eideberg
Senior Vice President, Government & Industry Relations
Association of Equipment Manufacturers