Moving Toward a Faster and More Predictable Process of Licensing Defense Articles and Services for Export

Recommendations for Government and Industry
Moving Toward a Faster and More Predictable Process of Licensing Defense Articles and Services for Export

Although defense industry leaders believe that U.S. export control laws and regulations are needed and effective in protecting U.S. national security interests, they remain highly critical of attributes of the export licensing process, particularly the uncertainty and time associated with decisions regarding license applications. These and other findings were derived from a Booz Allen Hamilton survey of executives at 75 corporate aerospace and defense identities in North America, Europe, Asia, and Australia. Booz Allen conducted this survey to:

- Better understand the strategic business implications of global export control laws and regulations on an increasingly global aerospace and defense industry;
- Capture industry and government views on how the U.S. export control system can be made more effective and efficient; and
- Stimulate a constructive discussion between industry and government officials.

Key Results

In addition to regarding export control laws and regulations as both necessary and effective in protecting national security interests, industry executives do not feel burdened by the personnel and overhead investments required to adhere to export control laws and regulations (Exhibits 1 and 2). They believe that these investments are justified to conduct business internationally.

As Exhibits 3 through 6 demonstrate, however, U.S. business leaders expressed dissatisfaction with the regulations and processes that their companies are subject to, particularly:

- The unpredictable, and over the last 2 years, increasing amount of time that it takes to obtain an export license, and the subsequent impact on a company’s strategic decision-making.
- The inability of government regulators to provide timely responses to requests for guidance.

Survey responses and subsequent discussions with corporate executives and government officials guided the formulation of the following recommendations for improving and expediting the licensing process.

Exhibit 1

The export control laws and regulations and appropriate licensing procedures to which my company must adhere effectively protect my country's national security interests.

Recommendations to Government

Provide more personnel resources to the Department of State’s Directorate of Defense Trade Controls (DDTC).

The DDTC is inadequately funded, and requires additional personnel to address steady increases in license applications. Although license applications have increased by 25 percent over the last 3 years, Congress has not provided the DDTC with additional funding to enable it to hire more personnel. The augmentation of DDTC staff could have the following benefits to both government and industry:

- The Department of State will be able to review and approve licenses more quickly.
- The transparency of the licensing process will increase. If a license application is in danger of denial, applicants may be able to determine the circumstances surrounding the problem and discuss it with DDTC licensing officers in a timely manner.
- The DDTC could transition its “Response Team” (which frequently suffers from staff shortages) into a highly effective “DDTC Hot Line.” Such a Hot Line could give companies real-time access to regulators, subsequently enabling them to obtain guidance and advice on specific licensing and compliance issues.

Department of State officials, in conjunction with officials from the Department of Defense (DoD) Defense Technology Security Administration (DTSA), should articulate to the Office of Management and Budget (OMB) the licensing demands that have materialized over the last few years. The DDTC should present OMB with a detailed plan that outlines how additional funding would be spent, and the benefits to both government and industry. The OMB should subsequently request additional appropriations in the President’s FY2008 budget to enable the hiring of additional DDTC personnel.

Develop a Structured Career Path for Export Control Officials.

The Department of State, perhaps in conjunction with the DoD, should develop a professionalized and structured career path for export control officials to ensure that highly competent and effective personnel are retained and rewarded. Such a career path could be modeled on that of the Foreign Service, albeit on a different scale. This career path could incorporate cross DoD/Department of State mobility efforts and other exchange opportunities.
Encourage Congress to Review Requirements, Procedures and Notification Thresholds.
The Department of State, in conjunction with the DoD and OMB, should request that the Congress review overall export license requirements and procedures, and identify any commodities and transactions that could be exempted from congressional notification requirements. In addition, executive branch agencies should encourage the Congress to evaluate whether the monetary thresholds on license applications that require congressional notification are appropriate or need to be raised.

Recommendations to Industry

Improve the Quality of License Applications.
Companies will speed the export license process if they improve the quality of their license applications. Senior DDTC officials indicated that they would like to award licenses more quickly, but cannot do so because too often the nonelectronic license applications that they receive are poorly written, provide inadequate justification, or are incomplete. Higher quality and more thorough applications will lead to fewer government requests for information, and will subsequently increase the speed of the process. The less time government regulators spend on poorly crafted applications, the more time they will have to expedite properly written ones.

Use the Government’s Automated Licensing System.
Licenses will also be approved more quickly if companies rely less on paper applications, and use D-Trade, the Department of State’s fully automated licensing system, which was established in early 2004. Currently, only 15 to 20 percent of all export licenses are processed through D-Trade. The system is currently used only for the permanent export of unclassified hardware, but will be expanded for software, intellectual capital, commodity, and agreement applications by the end of 2006.

Companies will benefit if they submit automated applications in the future. DDTC officials believe that it will take 50 percent less time to process D-Trade license requests than paper requests. This is largely because the D-Trade system enforces quality control at every step of the process (e.g., a license will not be “accepted” unless the relevant portions are filled out).

Companies will also benefit if they either hire personnel who are already highly proficient in the D-Trade system or provide D-Trade training to existing employees.
Refrain From Claiming That Most or All License Applications Are Emergencies.

U.S. companies must have clear priorities about which of their applications are indeed critical. They must also be able to articulate to U.S. regulators the criticality of those applications. Companies will lose credibility with DDTC staff if they claim that every application is an emergency. Such behavior is unfair to both licensing officers and to other companies awaiting a license. Moreover, companies should designate a single point of contact to interact with the DDTC on licensing matters. DDTC staff time is too often wasted responding to multiple inquiries from within the same company.

Refrain From Engaging Congress.

Congressional inquiries about licensing delays are a major consumer of DDTC staff time and are frequently not justified. Companies that do not feel that their applications are being processed promptly enough should work with the DDTC to the maximum extent possible before engaging Congress.

Exhibit 6

Government regulators provide timely responses to requests for guidance.


Refrain From Claiming That Most or All License Applications Are Emergencies.

U.S. companies must have clear priorities about which of their applications are indeed critical.
What Booz Allen Brings

Booz Allen Hamilton has been at the forefront of management consulting for businesses and governments for more than 90 years. Booz Allen is the one firm that helps clients solve their toughest problems, working by their side to help them achieve their missions. Booz Allen is committed to delivering results that endure.

With 17,000 employees on six continents, the firm generates annual sales that exceed $3.5 billion. Booz Allen has been recognized as a consultant and an employer of choice. In 2005 and in 2006, Fortune magazine named Booz Allen one of the “The 100 Best Companies to Work For,” and for the past seven years, Working Mother has ranked the firm among its “100 Best Companies for Working Mothers.”

To learn more about the firm, visit the Booz Allen Web site at www.boozaallen.com. To learn more about the best ideas in business, visit www.strategy-business.com, the Web site for strategy+business, a quarterly journal sponsored by Booz Allen.

Marty Bollinger is a Senior Vice President of Booz Allen Hamilton. He leads the firm’s consulting work with aerospace and defense corporate clients and also supports government clients in the defense, aerospace and national security domains. He has 20 years experience at Booz Allen and is based in McLean, Virginia.

Joshua Boehm is an Associate with Booz Allen Hamilton. He supports clients within the Office of the Secretary of Defense, Combatant Commands, and Defense Agencies, as well as commercial defense clients. From 2001 to 2004 he served as the Special Assistant to the Under Secretary of Defense (Comptroller).
<table>
<thead>
<tr>
<th>City</th>
<th>Country</th>
<th>Name</th>
<th>Telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abu Dhabi</td>
<td></td>
<td>Charles El-Hage</td>
<td>971-2-6-270882</td>
</tr>
<tr>
<td>Amsterdam</td>
<td></td>
<td>Marco Kesteloo</td>
<td>31-20-504-1900</td>
</tr>
<tr>
<td>Atlanta</td>
<td></td>
<td>Lee Falkenstrom</td>
<td>404-659-3600</td>
</tr>
<tr>
<td>Bangkok</td>
<td></td>
<td>Tim Jackson</td>
<td>66-2-653-2255</td>
</tr>
<tr>
<td>Beijing</td>
<td></td>
<td>Edward Tse</td>
<td>8610-8520-0036</td>
</tr>
<tr>
<td>Beirut</td>
<td></td>
<td>Charles El-Hage</td>
<td>961-1-336433</td>
</tr>
<tr>
<td>Berlin</td>
<td></td>
<td>Rene Perillieux</td>
<td>49-30-88705-0</td>
</tr>
<tr>
<td>Bogotá</td>
<td></td>
<td>Carlos Navarro</td>
<td>57-1-628-5050</td>
</tr>
<tr>
<td>Boston</td>
<td></td>
<td>John Harris</td>
<td>617-428-4400</td>
</tr>
<tr>
<td>Brisbane</td>
<td></td>
<td>Tim Jackson</td>
<td>61-7-3230-6400</td>
</tr>
<tr>
<td>Chicago</td>
<td></td>
<td>Vinay Couto</td>
<td>312-346-1900</td>
</tr>
<tr>
<td>Cleveland</td>
<td></td>
<td>Mark Moran</td>
<td>216-696-1900</td>
</tr>
<tr>
<td>Colorado Springs</td>
<td></td>
<td>Gien Bruels</td>
<td>719-597-8005</td>
</tr>
</tbody>
</table>