NATIONAL SECURITY SPACE ASSOCIATION

MITIGATING COVID-19 IMPACTS TO THE NATIONAL SECURITY SPACE INDUSTRIAL BASE

ISSUE:

In addition to the established threats to our national security space systems from adversarial nations like China and Russia, the United States national security space industrial base is now further impacted by an unprecedented threat: the COVID-19 pandemic.

DISCUSSION:

Space systems are an invisible yet vital part of America's infrastructure, with military and commercial space closely linked and often one and the same. The Global Positioning System (GPS), operated by the United States Space Force, is so critical to financial transactions and communications that a few seconds of outage would cost billions. Commercial communication satellites link together our entire national infrastructure; the military has specialized communication satellites, yet much of DoD communications travel on commercial satellites. Meteorological satellites save countless lives by tracking the paths of hurricanes, but also help military operations planning. Intelligence satellites provide critical information to national leadership, and can provide valuable disaster relief information. Commercial remote sensing systems provide unclassified insights for U.S. business, defense, and homeland security, while also supplementing and augmenting critical U.S. national security mission requirements. All of these are supported by companies that provide the launch systems to get them into space. The national security and commercial space industries use common technologies, common supply chains, and depend on a common, small, highly skilled workforce.

The long-term ramifications of the COVID-19 virus have yet to be determined but the crisis has already created significant impacts and threats to the national security space industrial base. From dramatic disruptions to existing contracts and critical production lines, to the shrinking of capital markets that fuel the new space economy, the economic and national security threats to the space industrial base from the pandemic are clear and present. Companies lacking cash reserves will furlough their workers, declare bankruptcy, or become targets for foreign capital or takeover.

Our nation's adversaries are aware of the readiness challenges COVID-19 presents to our national security space enterprise. Now, more than ever, our country needs the intelligence and defense enabling capabilities of space, both government and commercial systems. It would be a supreme irony if China's space ambitions were the principal beneficiary of the COVID-19 pandemic.

Safeguarding our national security space industrial base in the face of the economic downturn warrants proactive measures to inject funding and sustain critical commercial space companies and capabilities. This includes considering appropriate measures to provide flexibility for ongoing contracts, accelerating award of funding and contracts under existing authorities, and supplemental funding and policy changes to support the space industrial base in a potential future legislative package in response to the crisis. The new United States Space Force is depending on both the agility of small companies and the strong heritage of large ones to build a more resilient space posture.

Now is the time to act aggressively in critical areas, reconsider prior policies and eliminate any threats to our nation's ability to maintain space dominance. Doing so will not only strengthen our national security space industrial base, it will also provide much needed support to the DoD and the IC as they carry out their important missions during this unprecedented time of crisis.

RECOMMENDATIONS:

NSSA believes the Executive Branch and Congress should act swiftly to respond to the threat with a comprehensive approach that addresses the variety of issues impacting the national security space industrial base, including: 1) **Fiscal Policy & Funding, 2) Contracting & Acquisition Policy** and 3) **Workforce Security & Personnel Development.** We believe the sum of our recommendations would represent a small fraction of proposed spending on stimulus and/or recovery but would have an outsized, positive impact on our national security.

1. FISCAL POLICY & FUNDING

Fiscal Policy Proposals:

- **Eliminate full funding requirements** for all National Security Satellite system procurements
    - Unnecessary restrictions with no redeeming benefits to adjust to evolving threats on our systems
    - Restrictions dramatically remove flexibility to adjust dynamic budget processes
    - Direct upcoming acquisitions to remove all full funding restrictions and purchase quantities that otherwise would have been accomplished had incremental funding been authorized
- **Direct the acceleration of all program of record satellite systems** to ensure subcontractor, small business suppliers are identified and financially protected to ensure production continuity
- **Provide government guarantee loans to selected U.S. new space companies**
    - Commercial credit and venture capital have dried up
    - OneWeb bankruptcy is the first of many likely near-term problems
    - Distressed companies are targets for adversaries like China, who can buy the IP for pennies on the dollar without CFIUS (foreign investment policy) reviews
- **Extend the life of FY 2020 Operations & Maintenance through EOY FY 2021**
- During COVID-19 period, **authorize unlimited Below Threshold Reprogramming (BTR) authorities** for universal movement of existing funding
    - Notify Congress, but BTRs only
    - No Above Threshold Reprogramming (ATR) for all current appropriated funds
- Apply **"Buy American" domestic content regulations** to national security space acquisitions without impairing the authority to utilize non-availability and public interest exceptions

Funding Proposals:

NSSA believes a supplemental funding initiative to sustain development of critical capabilities, protect the national security space industrial base and mitigate economic impacts of the crisis, could include:

- **+$1.0B** to **finance all FY 2021 Space Force Unfunded Requirements** (details attached)
- **+$500M** to **accelerate existing programs of record** (apportioned by Space Force)
- **+$500M** for **commercial collection and communications services from space**
    - Protect and preserve commercial SATCOM and remote sensing capabilities; established and emergent SATCOM and remote sensing companies are driving important change, leveraging hundreds of millions in private investment to augment current government systems; protecting this vital and new affordable supply chain and opportunities for significant job growth across the US is paramount to our space enterprise
    - Designate **$125M** for **NRO's Commercial Systems Program Office (CSPO) to support the commercial space-based remote sensing acquisition strategy of the Intelligence Community**; fulfill requirements and expanding demand of the user community for unclassified/shareable commercial satellite remote sensing data, including commercial RF data; NRO CSPO is the main customer of many U.S. small businesses in the space remote sensing industry; prohibit reprogramming of any funds in the NRO CSPO account, the only funding source for acquisition of commercial data at the NRO
- **+$300M** for **large launch service providers**, and **+$200M** for **resilient small launch providers**
    - USG must feed the supply chain for existing capabilities and protect the option to use small launch providers in the future
    - Absence of either adds high risk to future assured and resilient access to space

2. CONTRACTING & ACQUISITION POLICY

- **Accelerate contract awards** as much as feasible **over next two months**, using emergency **Undefinitized Contract Actions (UCA)** and **Industrial Base Justification & Award (J&A)** authorities; award all pending UCAs, extend existing UCAs indefinitely
- Ensure maximum **flexibility on existing contracts**
    - offering no-cost POP extensions to companies who request them due to COVID work slowdowns
    - modifying contracts to add telework options whenever feasible
    - keeping government classified facilities open, implementing distancing and hygiene recommendations, to allow contractors to continue work

- Aggressively **expand use of innovative contracting methods** such as **the Department of Defense Space Enterprise Consortium (SpEC)**, Other Transactions Agreements by the **Defense Innovation Unit (DIU) and DARPA**, and expanded **Sec. 804 rapid prototyping authorities**
    - Streamline oversight and regulatory approval of use of Sec 804 authorities
    - Direct Senior Acquisition Executives (SAEs) to aggressively expand use of innovative contracting authorities to the maximum extent practicable
- **Extend existing law (Title 10, United States Code Section 2306(c))** that allows for O&M funding for commercial services to extend **to commercial services from space**
    - For example, the NextView contract is not one contract, it is a one-year contract with multiple one-year options
    - USG can avoid the requirement to fund cancellation ceilings, termination payments and contingent liabilities of multiyear contracts via the statutory relief and congressional notification procedures already in place under 2306(c)

Designate that all **protests will be accepted but not acted upon unless they will slow or decrease the response to the COVID-19 virus**; all protests must be submitted in accordance with Virus effects inclusive or will not be honored/accepted

Systems Engineering, Integration, Technical Assistance and Advisory Services

- **Sustain critical Systems Engineering & Integration (SE&I), Systems Engineering & Technical Assistance (SETA), and Federally Funded Research and Development Center (FFRDC) industrial base** to the maximum extent practical
    - Continue existing contracts throughout the COVID-19 crisis period
    - Extend all existing contracts with periods of performance expiring in 2020 or 2021 at least one additional year
    - Novate all space related, Department of the Air Force/Space Force contracting authorities, including AF/DW, to the USSF
    - Re-establish future acquisition strategies for support contracts to hold as the first priority, ensuring our nation's total, worldwide dominance margin in space, using past performance as high priority criteria, and reduce DoD SBSA goals by 10% from existing levels for all contracts competed and awarded in 2020 and 2021.

3. WORKFORCE SECURITY & PERSONNEL DEVELOPMENT

Space Industrial Base Security

- **Expand and expedite security clearances and FCLs** for industry supporting our national security space enterprise
    - Extend the two-year clearance inactivity duration to allow personnel who have been debriefed for more than two years to remain eligible for access on a case-by-case basis if they would fill a critical, immediate need

  - Apply Continuous Evaluation to as many SCI and SAP briefed personnel as possible across the "National Security Space Enterprise", extending SCI and SAP security review clearance cycles, and delaying Periodic Reinvestigation periods indefinitely
  - Consider applying new technologies in personnel vetting that are rapid, repeatable, and efficacious in identifying potential risk
  - Ease sponsorship requirements for new applications for security clearances; allow companies with FCLs to submit new STEM degreed interns and employees who have never had a clearance without having a specific contract to place them on initially

- **Emphasize Supply Chain Risk Management (SCRM) as supply chains become disrupted**
  - Space has some of the most critical, highest priority components within the National Security supply chain; components are highly sought after by certain countries for fraudulent duplication and insertion into supply chains
  - The enterprise must be protected from such threats and the government should consider direct funding to better protect high priority components and supply chains

Space Workforce Development

- **Develop a Space Intern and New Hire Initiative** to immediately boost the depth and breadth of the future USSF engineering cadre while ensuring that new STEM graduates this year and next have solid employment options in the national security space industry
  - Space companies of all sizes are reducing discretionary expenditures across the board, damaging employment prospects in the space industry; **companies are scaling back or eliminating summer intern programs while also reducing plans for hiring** recent graduates into new, full time positions
  - For FY20 and FY21, **block grants** could be provided to any company engaged in national security or commercial space **to fund intern programs for up to 100 consecutive days**
    - Grant size would scale by company size measured by current full-time employees
    - For example, companies with 100 employees or less would receive grants up to $50K, companies with 100-500 employees would receive $200K, etc.
  - For FY20 and FY21, **non-taxable grants** of $20K per new employee could be provided **to space industry companies hiring new college graduates** with STEM degrees and $10K for new college graduates with other degrees.
  - **Block grants** of $200K could be provided **to HBCUs and other colleges and universities with minority student composition or degree programs in any STEM discipline** to assist in implementation of this program