Administration of the Industrial Expansion Program (Section 402)

<Generated by Google Gemini Deep Research>

Key Points

Section 402 of the Forged Act mandates the Secretary of Defense to establish an industrial expansion program. This program will fund various activities based on a prioritization framework focused on critical needs. Permitted activities under this program include the development and refinement of military specifications and test procedures, mitigation of diminishing manufacturing sources and material shortages, reverse engineering to create technical data packages and manufacturing capabilities, review and validation of technical data rights, qualification and certification processes, advertising and transferring replenishment parts or data, procurement of organic equipment and information systems supporting these activities, and life-of-type buys when a new manufacturing source is anticipated within three years. Funding for these activities must adhere to a specific prioritization order, addressing shortages impacting mission capable rates, sequence-critical production items, items with no qualified sources, items with price ascertainment issues, items needed for core logistics capabilities, and items identified by combatant commanders for point-of-use manufacturing. The Department of Defense is required to expend a minimum of 2 percent of its extramural procurement and sustainment budget in fiscal years 2026 and 2027, increasing to at least 3 percent in fiscal year 2028 and subsequent years. Notably, the requirements and order of preference in subpart 217.75 of the Defense Federal Acquisition Regulation Supplement will not apply to this program, and the prototype authority under section 4022 of title 10, United States Code, is designated as the preferred mechanism for procuring activities, including the transition to production. Key definitions within this section include "extramural budget" and "reverse engineering." The establishment of this program signifies a Congressional directive for the DoD to take a more proactive and investment-oriented approach to managing and expanding the defense industrial base, moving beyond traditional reactive measures. The detailed list of permitted activities and the specific prioritization criteria suggest a focused effort to address critical vulnerabilities within the defense supply chain. The mandated expenditure levels further underscore the seriousness of this initiative and the commitment to bolstering the industrial base.

History of the Recommendation

The United States government has historically engaged in interventions within its defense industrial base (DIB) to ensure the availability of necessary military resources and capabilities for national security.1 This involvement has been shaped by various historical events and the specific challenges they presented.1 For the initial century and a half of the nation's existence, governmental resources allocated to a permanent DIB were limited. While the Army and Navy operated their own arsenals and shipyards, their production capacity was restricted, leading the armed services to heavily rely on private contractors during times of conflict.1 Following each war, a significant contraction occurred as wartime contractors transitioned back to commercial markets.1 The modern framework of the DIB began to take shape in the 1940s with the United States' entry into World War II. This era witnessed an unprecedented industrial

mobilization effort where the federal government collaborated with private firms to convert, expand, or construct numerous facilities dedicated to defense production.1 The government also established its own plants for the manufacture of items deemed difficult or unsuitable for private industry, such as high explosives. This intervention was driven by the pressing need to produce vast quantities of materiel, ranging from basic supplies to specialized weapons systems, to support the war effort.

While some demobilization took place after 1945, the emergence of the Cold War in the late 1940s prompted renewed government investments in military capabilities. Annual defense spending experienced a significant increase, with substantial growth in research, development, test, and evaluation (RDT&E) and procurement. The Korean War further stimulated industrial activity and led to the enactment of the Defense Production Act (DPA).[1] The DPA granted the President authorities to prioritize defense contracts and allocate resources, marking a significant step in formalizing government intervention to ensure the DIB could meet national defense requirements. During the Cold War, commercial firms played a vital role in developing and producing sophisticated technologies and weapons systems, although the Department of Defense (DOD) continued to utilize government-owned production facilities.[1] The increasing importance of these firms raised concerns about their political influence, as famously highlighted by President Eisenhower's warning about the "military-industrial complex" in 1961.[1] With the conclusion of the Cold War, the U.S. government reduced defense spending, resulting in restructuring within the commercial DIB. The government actively encouraged consolidation among defense companies to ensure the sector's continued viability.[1] This intervention led to a considerable decrease in the number of prime contractors. Although defense production declined in the 1990s, it rebounded in the 2000s with the wars in Afghanistan and Iraq. The strategic reorientation towards great power competition in the 2010s and early 2020s has once again brought industrial base matters to the forefront of defense policy discussions.[1] Geopolitical developments, such as competition with China and Russia's invasion of Ukraine, have generated concerns about the health of the DIB and prompted increased government appropriations and other actions to strengthen it. The concept of the DIB as an "arsenal of democracy," capable of supporting both U.S. needs and those of its allies, has also become a rationale for government intervention to ensure sufficient capacity.[1] Section 402 appears to be a continuation of this historical trend, reflecting contemporary anxieties about great power competition and vulnerabilities within the supply chain.

A key mechanism for government investment in industrial base expansion has historically been Title III of the Defense Production Act (DPA).[6] DPA Title III provides the President with the authority to incentivize domestic production of essential materials and goods.[7] Activities funded under this title include loans, loan guarantees,

direct purchases, and the installation of equipment.[6] For instance, DPA Title III played a crucial role in establishing the domestic aluminum and titanium industries in the 1950s and in supporting the semiconductor industry in the 1980s.[7] More recently, it has been utilized to address medical supply shortages during the COVID-19 pandemic.[6]

Characteristic	**Section 402**	**DPA Title III**
Scope	Focused on specific activities within the DoD related to industrial expansion.	Broader authority for the President to incentivize domestic production across various sectors for national defense.
Implementing Agency	Department of Defense (Secretary of Defense).	Administered by the Deputy Assistant Secretary of Defense for Industrial Policy, but authorities can be delegated across the federal government.
Funding Mechanism	Mandated percentage of DoD's extramural procurement and sustainment budget.	Appropriations to the Defense Production Act Fund, which can vary.
Permitted Activities	Specific list including specification development, DMSMS mitigation, reverse engineering, technical data management, qualification, replenishment parts, organic equipment, life-of-type buys.	Broader range including loans, loan guarantees, direct purchases, purchase commitments, equipment installation.
Prioritization	Specific criteria based on mission readiness, production schedules, lack of sources, price issues, and core	Focus on items essential for national defense, with considerations for commercial viability and domestic

	logistics.	capability.

Section 402 shares common objectives with DPA Title III, but its specific emphasis on activities such as military specification development, diminishing manufacturing sources and material shortages (DMSMS) mitigation, and reverse engineering suggests a more direct operational role for the DoD in managing industrial expansion. This could potentially occur alongside or in coordination with existing DPA Title III efforts.

Diminishing Manufacturing Sources and Material Shortages (DMSMS) has emerged as a significant challenge in maintaining the operational readiness of defense systems.[11] The loss of manufacturers or suppliers for critical items can negatively impact readiness rates, project schedules, and overall costs.[14] Proactive management of DMSMS throughout the lifecycle of DoD items is therefore crucial.[14] Section 402 explicitly includes the "mitigation of diminishing manufacturing sources and material shortages" as one of its permitted activities, indicating a strong focus on addressing the increasing problem of obsolescence and ensuring the long-term sustainability of defense systems. This suggests a proactive approach to managing the defense supply chain.

The provision also places emphasis on technical data and reverse engineering. Reverse engineering is a process used to analyze existing parts to understand their manufacturing process, ultimately leading to the creation of technical data packages and manufacturing capabilities.[15] This capability can be particularly important in addressing DMSMS issues and establishing new sources of supply when original manufacturers are no longer viable.[15] Section 402 specifically permits "reverse engineering or re-engineering property to create a technical data package or manufacturing capabilities". Furthermore, it includes the "review and validation of technical data rights, ordering, inspection, and enforcement". The explicit inclusion of reverse engineering and technical data management within Section 402 highlights the importance of the DoD having control over and understanding the design and manufacturing of critical defense items, especially when original sources are unavailable or inaccessible. This suggests a move towards greater self-reliance and enhanced control over the defense supply chain. Reverse engineering has a history of military application, dating back to ancient times when technologies were adopted and adapted for strategic advantage.[19] Modern examples range from the replication of the German "Jerry can" during World War II to the Soviet Union's reverse engineering of the American B-29 bomber.[20] In contemporary defense, reverse engineering is used to address obsolescence in legacy systems and to create form-fit-function

replacements.[21]

Finally, Section 402 includes a focus on military specifications and standards. Military specifications (MIL-SPECs) are documents established by the U.S. Department of Defense to ensure standardization in the design, production, and performance of materials, products, and systems used by the military.[23] These specifications are critical for ensuring compatibility between different systems, guaranteeing quality control during production, facilitating maintenance and repair operations, and ultimately reducing the total cost of ownership through standardization.[23] Section 402 permits the "development, updating, or refinement of military specifications". The inclusion of MIL-SPEC development within this program underscores the continuing need for standardization and quality assurance as the industrial base expands and new sources of supply are brought online. This will help ensure the interoperability and reliability of defense equipment. The history of military specifications dates back to the late 18th century with the adoption of interchangeable parts for weapons.[23] The need for standardization became particularly evident during World War II.[23] While there have been efforts to streamline and reduce the number of military specifications over time, they remain a vital part of defense acquisition.[23]

Desired Effect of the Recommendation

The implementation of Section 402 is anticipated to yield several positive outcomes for the Department of Defense and the defense industrial base.

One primary desired effect is **enhanced mission readiness**. The prioritization of funding for shortages that directly impact a system's mission capable rates below required objectives is intended to directly improve the operational availability of military assets. Furthermore, the permitted activities, particularly the mitigation of diminishing manufacturing sources and material shortages, are expected to reduce system downtime caused by the unavailability of obsolete parts.[14] By proactively addressing these issues, Section 402 aims to ensure that military systems are ready and available when needed. The explicit focus on mission-critical shortages suggests that the program is designed to have a tangible and immediate impact on the operational effectiveness of the armed forces.

Another desired effect is **improved production schedules**. The prioritization of funding for items that are sequence critical or on the driving path for production schedules is intended to streamline manufacturing processes. Ensuring the timely availability of required replenishment parts and associated data, as also permitted under the program, will further prevent potential delays in production. This focus on addressing bottlenecks in the production process suggests an intent to enhance the efficiency and responsiveness of the defense industrial base to meet both current and

future demands. By ensuring a smoother flow of critical components, the program aims to increase the overall output and reduce the time required to produce essential defense equipment.

Increased supply chain resilience is another key anticipated outcome. By prioritizing funding for items that have no qualified sources of supply, Section 402 seeks to reduce the Department of Defense's reliance on single or otherwise vulnerable suppliers.[28] The ability to conduct reverse engineering, also a permitted activity, offers a pathway to create new domestic sources for critical parts, further diversifying the supply base.[15] The challenges associated with sole-source suppliers include potential disruptions, limited negotiating power, and dependence on the supplier's stability.[28] By actively addressing the lack of qualified sources and fostering the development of alternatives, Section 402 aims to make the defense supply chain more robust and less susceptible to disruptions caused by unforeseen events or the actions of individual suppliers.

The program is also expected to lead to **enhanced price negotiation power**. By prioritizing items for which a contracting officer cannot ascertain a fair and reasonable price, Section 402 aims to improve the Department of Defense's ability to negotiate contracts effectively. The creation of alternative sources of supply through reverse engineering can also introduce competition, which can exert downward pressure on costs.[32] When the government lacks insight into pricing data or faces a refusal to provide it, negotiating favorable terms becomes challenging. By addressing these situations and fostering a more competitive environment, Section 402 is anticipated to improve the cost-effectiveness of defense procurement.

Finally, Section 402 is intended to contribute to the **preservation of core logistics capabilities**. The prioritization of funding for items required to retain core logistics capabilities aligns with the statutory requirement for the Department of Defense to maintain government-owned and operated facilities for critical maintenance and repair functions.[33] These core logistics capabilities are deemed essential for national defense, ensuring a ready and controlled source of technical competence and resources.[33] By specifically prioritizing items needed to support these capabilities, Section 402 reinforces the importance of maintaining organic DoD capabilities for essential logistics functions, ensuring a degree of self-reliance and control over critical maintenance and repair processes.

Potential Negative Impacts of the Recommendations

Despite the intended positive effects, the implementation of Section 402 could potentially lead to several unintended negative consequences or challenges.

One potential negative impact is **resource strain and prioritization conflicts**. The significant expenditure amounts mandated by Section 402, requiring the Department of Defense to allocate 2 to 3 percent of its extramural procurement and sustainment budget to this program, could place a considerable strain on existing DoD budgets. This substantial financial commitment might lead to competition for resources among various programs and priorities within the Department. While the increased funding is intended to be beneficial for industrial expansion, its allocation and management could create internal friction as different entities vie for these resources, potentially necessitating difficult choices regarding which programs or needs receive priority.

Another potential challenge involves **bureaucratic complexities and implementation delays**. Establishing a new program of this scale within the Department of Defense's existing bureaucratic structure can be a complex and time-consuming undertaking. This could potentially lead to delays in the program's full implementation and overall effectiveness. Defining the specific prioritization criteria in operational terms and establishing efficient processes for funding and executing the wide range of permitted activities may encounter various bureaucratic hurdles. The intricate nature of the DoD acquisition system and the necessity for coordination across different branches and agencies could potentially slow down both the initial establishment and the ongoing operation of the Industrial Expansion Program.

The new program established under Section 402 might also lead to unintended consequences regarding its **interaction with existing industrial base expansion programs**, such as DPA Title III. There is a possibility of overlap in scope and objectives, which could create confusion regarding the specific roles and responsibilities of each program. Furthermore, challenges in coordination might arise between the Department of Defense and other government agencies that are also involved in broader industrial base expansion efforts. Ensuring synergy and avoiding duplication of effort between the Industrial Expansion Program and existing mechanisms will be crucial for maximizing the overall effectiveness of government initiatives aimed at strengthening the defense industrial base.

The **exemptions from certain Defense Federal Acquisition Regulation Supplement (DFARS) regulations** (specifically subpart 217.75) and the **preference for prototype authority** under 10 U.S.C. § 4022, while intended to streamline processes, could also have unintended negative consequences on contracting practices, the level of competition, and overall oversight. While these measures aim to enhance efficiency and speed up the acquisition process, they could potentially lead to less transparency or reduced accountability in certain aspects of the program. Careful monitoring and evaluation will be necessary to ensure that the intended

benefits of these exemptions and preferences outweigh any potential negative impacts on established acquisition practices and principles.

Finally, **measuring the success and overall effectiveness** of a program with such a broad scope of activities could prove to be challenging. Defining and consistently collecting the necessary data to accurately assess the program's impact across its various objectives might be difficult. Establishing clear and meaningful metrics and directly attributing specific outcomes to the Industrial Expansion Program, as opposed to other ongoing initiatives or external factors, could also present a significant hurdle. Developing robust and measurable metrics will be essential for demonstrating the value and impact of the program over time and for making informed adjustments and improvements as needed.

Mitigations the Organization Will Take to Diminish the Negative Impacts
To mitigate the potential negative impacts identified, the Department of Defense will undertake several proactive measures.
To address the potential for resource strain and prioritization conflicts, a comprehensive resource allocation plan will be developed. This plan will clearly define how the mandated funds from Section 402 will be integrated into the overall DoD budget and aligned with existing strategic priorities. A rigorous process will be established for evaluating funding proposals to ensure they directly support the prioritization criteria outlined in Section 402, thereby maximizing the impact of the allocated resources.

To minimize bureaucratic challenges and implementation delays, a dedicated program office with clear authority and responsibility for implementing and managing the Industrial Expansion Program will be established. This office will develop streamlined processes and procedures for funding allocation, project execution, and coordination with other relevant agencies. The aim is to reduce bureaucratic hurdles and ensure the efficient and timely operation of the program.

To ensure effective interaction with existing industrial base expansion programs, particularly DPA Title III, the DoD will establish clear lines of communication and coordination with relevant agencies, such as the Department of Commerce. Specific roles and responsibilities for the Industrial Expansion Program will be defined to avoid any overlap in efforts and to foster a cohesive government-wide approach to strengthening the defense industrial base.

To manage the potential unintended consequences of the exemptions from DFARS regulations and the preference for prototype authority, the DoD will implement robust

monitoring and oversight mechanisms. These mechanisms will track the impact of these specific provisions on contracting processes and outcomes. A formal process will also be established for periodically reviewing and adjusting these exemptions and preferences if any unforeseen negative consequences arise during the program's implementation and operation.

Finally, to address the challenges in measuring success and effectiveness, the DoD will develop a comprehensive set of both quantifiable and qualitative metrics. These metrics will be designed to assess the program's impact across its various stated objectives. Robust data collection and analysis systems will be put in place to track progress against these metrics. This data-driven approach will enable informed decision-making and allow for necessary adjustments to the program over time to enhance its effectiveness.

DoD Personnel Most Affected
The implementation of Section 402 will most directly affect several categories of personnel within the Department of Defense.
Program Managers will be significantly impacted as they will be responsible for leveraging the Industrial Expansion Program to address issues such as diminishing manufacturing sources and material shortages, production bottlenecks, and dependencies on single-source suppliers within their respective weapon systems programs. They will need to thoroughly understand the new funding mechanisms available through this program and the specific prioritization criteria that govern its use.

Contracting Officers will also be directly affected. They will be responsible for awarding and administering contracts under the newly established program. This will include utilizing the prototype authority as the preferred mechanism and navigating the exemptions from certain DFARS regulations. A comprehensive understanding of the specific requirements and flexibilities provided by Section 402 will be essential for their role in the program's execution.

Engineers and Technical Personnel will play a crucial role in the program's success. They will be heavily involved in activities such as the development and refinement of military specifications, the execution of reverse engineering projects aimed at creating technical data packages, and the thorough review and validation of technical data rights. The workload for these personnel may increase, and they will need to possess the necessary expertise in these specialized areas.

Logistics and Sustainment Personnel are expected to benefit significantly from the

program's focus on addressing critical sustainment shortages and maintaining core logistics capabilities. They will likely be involved in identifying the most pressing needs within their areas of responsibility and working closely with program managers to effectively utilize the program's resources to improve the availability and sustainability of defense systems.

Finally, **Industrial Base Policy Analysts** within the Office of the Secretary of Defense will have a central role in the implementation and oversight of the program. They will be responsible for developing the necessary policy guidance, coordinating the program's activities across different stakeholders within the DoD, and ensuring that it aligns with broader defense industrial base strategies and objectives. Their expertise and guidance will be critical to the overall success of the Industrial Expansion Program.

Stakeholders Opposed and Rationale for Opposition
Several external stakeholders might oppose the implementation of Section 402 for various reasons.

Defense contractors who currently hold established sole-source positions for critical components or systems may view the program as a potential threat to their existing market share. The program's explicit focus on creating new sources of supply and the mandate to review pricing data could reduce their leverage and potentially lead to increased competition.[28] These contractors might argue that the program unnecessarily duplicates existing efforts or that government intervention in this manner could disrupt established and otherwise efficient supply chains.

Companies that generally prefer the existing framework of defense acquisition regulations might express opposition to the exemptions from certain DFARS regulations included in Section 402. They might argue that these exemptions could potentially lead to less transparent or fair contracting processes, despite the intention to streamline acquisitions. These stakeholders may be more comfortable with the established regulatory framework, even if it is perceived as more cumbersome, due to its familiarity and the perceived safeguards it provides.

Stakeholders who generally advocate for less government intervention in the defense industry might oppose Section 402 as an unwarranted expansion of government control over industrial base activities. They may argue in favor of market-based solutions and express concerns about potential inefficiencies or other unintended negative consequences that could arise from increased government involvement in what they believe should be primarily private sector endeavors.

Finally, **companies whose products or services do not align with the specific prioritization criteria** outlined in Section 402 might oppose the program if they believe it will divert valuable funding and resources away from their particular areas of interest. They might argue that their contributions to national defense are equally important and that the program's prioritization criteria are too narrowly defined, potentially overlooking other critical needs within the defense industrial base.

Additional Resources
Successful implementation of Section 402 will necessitate the allocation of several additional resources to the Department of Defense.
Beyond the mandated percentages of the extramural procurement and sustainment budget, **additional funding** will likely be required, particularly for initial startup costs associated with establishing the program office, developing the necessary operational processes and procedures, and initiating the first wave of projects under the program.

A significant need for **personnel** will also arise. A dedicated program office staff will be essential to manage the program effectively. This staff will likely need to include experienced program managers, contracting officers with expertise in defense acquisition, engineers with specialized knowledge in military specifications and reverse engineering techniques, and policy analysts to provide strategic guidance and oversight. Existing DoD personnel may need to be reassigned to these new roles, and potentially, new hires with the required skills and expertise may be necessary.

Training programs will be crucial for ensuring that the personnel involved in the program have the necessary knowledge and skills to implement it effectively. This will include training for program managers and contracting officers on the specific requirements and procedures of the Industrial Expansion Program, including the proper use of prototype authority and a thorough understanding of the implications of the DFARS exemptions. Technical personnel will also require training on the latest techniques and best practices related to military specification development and reverse engineering.

Finally, the DoD may need to acquire or expand its **infrastructure and tools** to support the activities outlined in Section 402. This could include specialized equipment and software required for conducting reverse engineering, as well as enhanced access to relevant technical data and databases that will be essential for various aspects of the program, such as specification development and technical data rights validation.

Measures of Success
The Department of Defense can employ several key metrics and indicators to measure the

success and overall effectiveness of the Industrial Expansion Program established under Section 402 once it is implemented.
One critical measure will be the **reduction in mission critical shortages**. The DoD should track the number and severity of shortages impacting the mission capable rates of defense systems that are successfully addressed through the program's funding and activities. A demonstrable decrease in these critical shortages will indicate a positive impact on operational readiness.

Another important indicator will be the **improvement in production lead times**. The program's effectiveness in streamlining manufacturing processes can be measured by tracking the reduction in lead times for critical items that were previously identified as sequence critical or on the driving path for production schedules. Shorter lead times will suggest increased efficiency and responsiveness within the defense industrial base.

The **increase in qualified sources of supply** for previously sole-sourced items or items with no existing qualified sources will also be a key measure of success. The program should track the number of new qualified sources that are established as a direct result of its activities, particularly through initiatives like reverse engineering and qualification efforts.

Cost savings achieved through improved price negotiation will be another important metric. The DoD should monitor instances where the program's activities, such as creating alternative sources or providing better insight into pricing, have enabled more effective price negotiation or resulted in demonstrable cost reductions for items that were previously sole-sourced or priced unreasonably high.

The program's contribution to the **retention of core logistics capabilities** can be assessed by tracking the workload performed within government-owned and operated facilities for essential logistics functions, particularly for items prioritized under Section 402. An increase or sustained level of workload in these facilities for critical capabilities will indicate success in this area.

The **number of successful reverse engineering projects** completed under the program that result in viable technical data packages and the establishment of new manufacturing capabilities will also be a direct measure of the program's effectiveness in addressing DMSMS and creating alternative supply sources.

Finally, the program's output in terms of **newly developed, updated, or refined military specifications** for critical items will indicate its impact on standardization and quality assurance within the expanding industrial base. Tracking the number and

relevance of these specification updates will be an important measure of the program's technical contributions.

Alternative Approaches
While Section 402 proposes a specific framework for an industrial expansion program within the DoD, several alternative approaches or existing programs could potentially achieve similar outcomes, though with varying degrees of effectiveness and efficiency.
One alternative approach would be to **enhance the utilization of the existing Defense Production Act (DPA) Title III authorities**. Instead of creating a new, distinct program within the DoD, efforts could be focused on advocating for increased funding and a more targeted application of DPA Title III to address the specific goals outlined in Section 402. DPA Title III already has established mechanisms and a broader scope for incentivizing domestic production for national defense.[6] However, it might lack the specific operational focus on activities like military specification development and reverse engineering that Section 402 emphasizes.

Another approach could involve **expanding strategic stockpiling and implementing more proactive inventory management practices**. By increasing the strategic reserves of critical materials and components and adopting more sophisticated inventory management techniques, the DoD could potentially mitigate some of the supply chain vulnerabilities that Section 402 aims to address. While stockpiling can provide a buffer against immediate shortages, it does not necessarily create new domestic production capabilities or address the long-term challenges of DMSMS.

The government could also consider implementing **broader economic policies aimed at incentivizing domestic manufacturing** of critical defense-related goods. This could include targeted tax breaks, subsidies, or other financial incentives designed to encourage companies to establish or expand their production capabilities within the United States. While this approach might stimulate domestic manufacturing, it would be less direct and potentially less controlled by the DoD compared to the focused program outlined in Section 402.

Finally, fostering **stronger public-private partnerships and collaborative initiatives** with industry could be another way to enhance industrial base capabilities. This could involve collaborative research and development projects, long-term agreements with key suppliers, and initiatives aimed at sharing best practices and fostering innovation within the defense industrial base. While these partnerships can be valuable, they might not have the same level of direct government control and dedicated funding authority as the program envisioned in Section 402.

Section Specific Question 1: What changes does Section 402 make to the

management, funding, or priorities of industrial base expansion programs (like DPA Title III)? How might this affect Program Managers relying on constrained industrial sectors?

Section 402 introduces several key changes to the management, funding, and priorities of industrial base expansion programs, particularly when compared to existing mechanisms like DPA Title III. Firstly, it mandates the establishment of a specific industrial expansion program directly within the Department of Defense, under the purview of the Secretary of Defense. This represents a more direct organizational structure within the DoD compared to DPA Title III, which is administered by the Deputy Assistant Secretary of Defense for Industrial Policy but can be utilized across various federal agencies.[7] Secondly, Section 402 establishes a dedicated funding stream tied to a specific percentage of the DoD's extramural procurement and sustainment budget. This dedicated funding may provide a more consistent and predictable source of resources for industrial base expansion compared to the more discretionary nature of appropriations to the DPA Fund.[8] Thirdly, the priorities outlined in Section 402 are quite specific, focusing on immediate mission readiness, resolving production bottlenecks, addressing the lack of qualified suppliers, resolving price ascertainment issues, and retaining core logistics capabilities. This contrasts with the broader national defense focus of DPA Title III, which aims to create assured, affordable, and commercially viable production capabilities for items essential for national defense.[6]

For Program Managers who rely on constrained industrial sectors, Section 402 could offer a valuable new avenue for addressing critical challenges. The explicit prioritization of issues like DMSMS, production bottlenecks, and the lack of qualified suppliers may make it easier for them to secure funding and resources for initiatives such as reverse engineering, the establishment of new sources of supply, or the development of necessary military specifications. The dedicated funding mechanism could also lead to more readily available resources for these types of projects. However, Program Managers will need to familiarize themselves with the new program's specific processes and understand how it interacts with existing mechanisms like DPA Title III to effectively leverage its capabilities. Additionally, the potential for increased DoD involvement in areas like specification development and technical data management could alter the traditional relationships between Program Managers and their industry partners, requiring adaptation and a clear understanding of the new program's operational procedures.

Summary
Section 402 of the Forged Act mandates the creation of an Industrial Expansion Program

within the Department of Defense, signaling a significant Congressional emphasis on proactively strengthening the defense industrial base. This program, with its dedicated funding and specific prioritization criteria, aims to address critical vulnerabilities such as mission-critical shortages, production bottlenecks, reliance on single-source suppliers, and the erosion of core logistics capabilities. By permitting a range of activities including military specification development, DMSMS mitigation, and reverse engineering, Section 402 provides the DoD with a direct mechanism to enhance the resilience and responsiveness of its supply chain. While the program holds the promise of significant benefits, its implementation will require careful attention to resource allocation, bureaucratic processes, and coordination with existing initiatives. Addressing potential opposition from stakeholders and establishing robust measures of success will be crucial for ensuring the program achieves its intended outcomes and effectively contributes to national security.

Recommendation Text from Forged Act follows:

SEC. 402. ADMINISTRATION OF THE INDUSTRIAL EXPANSION PROGRAM.
(a) Requirement.—The Secretary of Defense shall establish an industrial expansion program that funds activities under subsection (b) according to the prioritization of property or services under subsection (c). (b) Activities Permitted.—The industrial expansion program established under subsection (a) shall include the following activities: (1) The development, updating, or refinement of military specifications, to include military details, military performance specifications, and technical publications, and test procedures. (2) Activities associated with the mitigation of diminishing manufacturing sources and material shortages. (3) Reverse engineering or re-engineering property to create a technical data package or manufacturing capabilities. (4) Review and validation of technical data rights, ordering, inspection, and enforcement, including the challenge of improper markings and rights assertions. (5) Qualification, certification, testing, and associated oversight. (6) Advertising, loaning, or transferring required replenishment parts or data to potential sources of supply. (7) Procurement of organic equipment and development of organic information systems associated with activities described in paragraphs (1) through (6) that support capabilities described under section 2464 of title 10, United States Code. (8) Life-of-type buys if there is reasonable expectation that a manufacturing source will have to be created and qualified within the next three years. (c) Prioritization.—The Secretary of Defense shall ensure that funding for activities under subsection (b) shall be prioritized for the following needs: (1) Shortages in sustainment impacting a system's mission capable rates below required objectives. (2) Items that are sequence critical or on the driving path for production schedules. (3) Items that have no qualified sources of supply. (4) Items for which a contracting officer cannot ascertain a fair and reasonable price, or for which a contractor has refused to provide cost or pricing data. (5) Items required to retain core logistics capabilities. (6) Items identified by combatant commanders as critical for point-of-use manufacturing under conditions of contested logistics. (d) Expenditure Amounts.—The Department of Defense shall expend in connection with the program required under subsection (a)—(A) not less than 2

percent of its extramural procurement and sustainment budget in each of fiscal years 2026 and 2027; and (B) not less than 3 percent of its extramural procurement and sustainment budget in fiscal year 2028 and each fiscal year thereafter. (e) Exemptions.—The requirements, approvals, and order of preference in subpart 217.75 of the Defense Federal Acquisition Regulation Supplement and related procedures and guidance shall not apply. (f) Preference.—The prototype authority under section 4022 of title 10, United States Code, shall be the preferred mechanism for procuring activities under the program required under subsection (a), including with respect to a transition to production. (g) Definitions.—In this section: (1) Extramural budget.—The term ""extramural budget"" means the sum of the total obligations minus amounts obligated for such activities by employees of the agency in or through Government-owned, Government-operated facilities, except that for the Department of Energy it shall not include amounts obligated for atomic energy defense programs solely for weapons activities or for naval reactor programs. (2) Reverse engineering.—The term ""reverse engineering"" means a process by which parts are examined and analyzed to determine how they were manufactured, for the purpose of developing a complete technical data package, typically for purposes of enabling manufacture of an item by new sources.

Conclusions

The establishment of the Industrial Expansion Program under Section 402 of the Forged Act represents a significant policy initiative aimed at bolstering the resilience and capacity of the defense industrial base. By mandating a dedicated funding stream and prioritizing specific critical needs, Congress is directing the Department of Defense to take a more proactive and investment-oriented approach to addressing long-standing challenges such as diminishing manufacturing sources, supply chain vulnerabilities, and production bottlenecks. The program's emphasis on technical capabilities like military specification development and reverse engineering underscores the importance of maintaining control over the design and manufacturing of essential defense items. While the intended outcomes of enhanced mission readiness, improved production schedules, increased supply chain resilience, and better price negotiation power are laudable, the successful implementation of this program will require careful planning, efficient execution, and robust oversight to mitigate potential negative impacts and ensure its long-term effectiveness in strengthening the nation's defense industrial base. The program's interaction with existing mechanisms like DPA Title III will also need to be carefully managed to maximize synergy and avoid duplication of effort. Ultimately, the Industrial Expansion Program has the potential to be a valuable tool for the Department of Defense in ensuring a robust and responsive industrial base capable of meeting current and future national security demands.

Works cited

1. The U.S. Defense Industrial Base: Background and Issues for ..., accessed March 31, 2025, https://crsreports.congress.gov/product/pdf/R/R47751
2. The History of The U.S. Defense Industrial Base - Cevians, accessed March 31, 2025, https://www.cevians.com/the-history-of-the-u-s-defense-industrial-base/

3. US Defense Innovation and Industrial Policy - Marine Corps University, accessed March 31, 2025, https://www.usmcu.edu/Outreach/Marine-Corps-University-Press/Expeditions-with-MCUP-digital-journal/US-Defense-Innovation-and-Industrial-Policy/
4. Military–industrial complex - Wikipedia, accessed March 31, 2025, https://en.wikipedia.org/wiki/Military%E2%80%93industrial_complex
5. How to ensure the defense-industrial base and supply chain resiliency, accessed March 31, 2025, https://www.defensenews.com/opinion/2023/09/19/how-to-ensure-the-defense-industrial-base-and-supply-chain-resiliency/
6. DEFENSE PRODUCTION ACT TITLE III – Air Force Research ..., accessed March 31, 2025, https://afresearchlab.com/technology/successstories/defense-production-act-title-iii/
7. Defense Production Act (DPA) Title III, accessed March 31, 2025, https://www.wsgr.com/PDFSearch/defense-production-act-title-iii.pdf
8. The Defense Production Act of 1950: History, Authorities, and ..., accessed March 31, 2025, https://www.congress.gov/crs-product/R43767
9. The Defense Production Act of 1950: History, Authorities, and Considerations for Congress, accessed March 31, 2025, https://crsreports.congress.gov/product/pdf/R/R43767
10. Defense Production Act of 1950 - Wikipedia, accessed March 31, 2025, https://en.wikipedia.org/wiki/Defense_Production_Act_of_1950
11. Industrial base and supply chain readiness among hot topics at AUSA panel - DLA, accessed March 31, 2025, https://www.dla.mil/About-DLA/News/News-Article-View/Article/4034697/industrial-base-and-supply-chain-readiness-among-hot-topics-at-ausa-panel/
12. Fortifying the Defense Industrial Base (DIB) Supply Chains Counterintelligence Risks - DNI.gov, accessed March 31, 2025, https://www.dni.gov/files/NCSC/documents/supplychain/dod-supply-chain-spotlight-2022-4C850B07-.pdf
13. Defense Industrial Base Health Concerns | www.dau.edu, accessed March 31, 2025, https://www.dau.edu/library/damag/september-october2022/defense-industrial-base-health-concerns
14. DSP :: DMSMS - Defense Standardization Program, accessed March 31, 2025, https://www.dsp.dla.mil/Programs/DMSMS/
15. INSTITUTE FOR DEFENSE ANALYSES Diminishing Manufacturing Sources and Material Shortages (DMSMS) Fundamentals - DTIC, accessed March 31, 2025, https://apps.dtic.mil/sti/trecms/pdf/AD1206898.pdf
16. Diminishing Manufacturing Sources and Material Shortages (DMSMS) | www.dau.edu, accessed March 31, 2025, https://www.dau.edu/acquipedia-article/diminishing-manufacturing-sources-and-material-shortages-dmsms
17. SD-22 Diminishing Manufacturing Sources & Material Shortages (DMSMS)

Guidebook, accessed March 31, 2025, https://www.dau.edu/tools/sd-22-diminishing-manufacturing-sources-material-shortages-dmsms-guidebook
18. Diminishing Manufacturing Sources and Material Shortages - DLA, accessed March 31, 2025, https://www.dla.mil/Portals/104/Documents/LandAndMaritime/V/VA/PSMC/LM_SD22FINAL_151030.PDF
19. What is reverse engineering? | Creaform's blog, accessed March 31, 2025, https://www.creaform3d.com/en/resources/blog/what-is-reverse-engineering
20. Reverse engineering - Wikipedia, accessed March 31, 2025, https://en.wikipedia.org/wiki/Reverse_engineering
21. The Art of Reverse Engineering Yesteryear for Aerospace and Defense Data Storage Drives, accessed March 31, 2025, https://www.mobilityengineeringtech.com/component/content/article/52529-the-art-of-reverse-engineering-yesteryear-for-aerospace-and-defense-data-storage-drives
22. Reverse Engineering - DLA, accessed March 31, 2025, https://www.dla.mil/Aviation/Offers/Engineering/Reverse-Engineering/
23. The Meaning and Importance of "Military Spec" - NHOU, accessed March 31, 2025, https://nhoilundercoating.com/military-spec/
24. The History of the Mil-Spec | Allied University, accessed March 31, 2025, https://www.awcwire.com/allied-university/cable-chronicles/mil-spec
25. MIL-spec standards in the defense industry - Perspectiva Solutions, accessed March 31, 2025, https://perspectivasolutions.com/mil-spec-standards-in-the-defense-industry/
26. About the DSP - Defense Standardization Program, accessed March 31, 2025, https://www.dsp.dla.mil/Home/History-of-the-DSP/
27. The Life and Times of Configuration Management: A Brief History - Automox, accessed March 31, 2025, https://www.automox.com/blog/the-life-and-times-of-configuration-management-a-brief-history
28. Defense Supply Chain: DOD Needs Complete Information on Single Sources of Supply to Proactively Manage the Risks - Government Accountability Office (GAO), accessed March 31, 2025, https://www.gao.gov/products/gao-17-768
29. The Dangers of Single Sourcing in Your Supply Chain - Resilinc, accessed March 31, 2025, https://www.resilinc.com/blog/the-dangers-of-single-sourcing-in-your-supply-chain/
30. What is a Sole Source Contract? - GovBrew, accessed March 31, 2025, https://govbrew.co/p/what-is-a-sole-source-contract
31. Single Sourcing - Transparency International Defence & Security, accessed March 31, 2025, https://ti-defence.org/wp-content/uploads/2016/03/140910-Single-Sourcing.pdf
32. Sole Sources and Their Danger to Manufacturers - Datalynq, accessed March 31, 2025,

https://datalynq.com/post/sole-sources-and-their-danger-to-manufacturers
33. 10 U.S. Code § 2464 - Core logistics capabilities - Legal Information Institute, accessed March 31, 2025, https://www.law.cornell.edu/uscode/text/10/2464
34. § 2464. Core logistics capabilities - LegalFix, accessed March 31, 2025, https://www.legalfix.com/uscode/text/10/2464
35. 10 U.S.C. § 2464 - U.S. Code Title 10. Armed Forces § 2464 - Codes - FindLaw, accessed March 31, 2025, https://codes.findlaw.com/us/title-10-armed-forces/10-usc-sect-2464/
36. Core Logistics Capability Assurance, accessed March 31, 2025, https://www.sae.org/events/dod/presentations/2007ColAndrewStarr.pdf
37. Core Logistics Capabilities | www.dau.edu, accessed March 31, 2025, https://www.dau.edu/glossary/core-logistics-capabilities