

April 14, 2021

The Honorable Nancy Pelosi
Speaker, U.S. House of Representatives
H-232, The Capitol
Washington DC 20515

The Honorable Charles Schumer
Majority Leader, U.S. Senate
322 Hart Senate Office Building
Washington DC 20510

The Honorable Kevin McCarthy
Republican Leader, U.S. House of
Representatives
H-204, The Capitol
Washington DC 20515

The Honorable Mitch McConnell
Republican Leader, U.S. Senate
317 Russell Senate Office Building
Washington DC 20510

Dear Speaker Pelosi, Leader Schumer, Leader McCarthy, and Leader McConnell:

The undersigned signatories represent major sectors of the American economy that rely on a secure supply of semiconductors to innovate, manufacture, and provide products and services to Americans and the U.S. government alike. We write today regarding Congressional consideration of appropriations for the *CHIPS for America Act* to support the diversification, expansion, and resiliency of the U.S. semiconductor supply chain.

Semiconductors are a critical technology for nearly every sector of the economy in today's plugged-in and interconnected world, but they are more than just critical components to our electronics, home appliances, and automobiles and trucks. Semiconductors are vital to U.S. economic competitiveness and national security. They power technologies such as 5G, Internet of Things (IoT), clean energy applications, Artificial Intelligence (AI), quantum computing, and supercomputer development.

The demand that skyrocketed across nearly all semiconductor-consuming industries at the beginning of the pandemic continues to outstrip global supply, demonstrating the urgent need to invest in this critical supply chain. We support President Biden's \$50 billion funding request for the *CHIPS for America Act*, and we request that you ensure the incentives made available through the appropriations of these programs be accessible to all U.S. and multi-national chip manufacturers that meet the eligibility requirements set forth in the *CHIPS for America Act*.¹ The primary policy motivation behind the *CHIPS for America Act* is to increase and make resilient the semiconductor supply chain as it relates to long-term national security and economic competitiveness. The U.S. should welcome and encourage the investment in and production of semiconductor technology by all eligible companies to achieve this goal.

Further, we strongly urge you to guard against unprecedented market interference through direct mandates of "set-asides" in new manufacturing capacity. So long as market demand to manufacture at all nodes remains, there is no reason to anticipate the elimination of existing manufacturing capacity for legacy chips, the stated rationale for "set-asides." The market-distorting effect of "setting aside" a portion of new capacity for legacy chips for any single, private sector would squeeze the remaining chip-consuming industries into the remaining new manufacturing capacity, artificially constraining supply.

¹ See William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021, Pub. L. No. 116-283, § 9902 (2020).

The competition among the rest of America’s chip-consuming industries for this artificially tightened chip supply will translate into higher costs for companies and their customers, including American taxpayers. At the same time, any benefactor of a “set-aside” would be insulated from supply and demand availability and price pressures.

The time to invest in long-term semiconductor supply chain solutions for U.S. economic competitiveness and national security needs is now. We urge you to move swiftly to fund the *CHIPS for America Act* and ensure its benefits are widely available and implemented in a technology- and industry-neutral fashion, without the government picking winners and losers.

Sincerely,

Alliance for Digital Innovation
Associated General Contractors of America
BSA | The Software Alliance
CTIA
GovEvolve
Information Technology Industry Council (ITI)
Security Industry Association (SIA)
Software and Information Industry Association (SIIA)
Tech CEO Council
USTelecom – The Broadband Association

cc:

The Honorable Gina Raimondo
Secretary of the U.S. Department of Commerce

Mr. Brian Deese
Assistant to the President for Economic Policy

Mr. Jake Sullivan
Assistant to the President for National Security Affairs