



# **Kansas City Plant**

**Export Control Coordinators Organization Seminar  
Arlington, VA**

## **EQUIPMENT IMPORT ISSUE**

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# EXPORT CONTROL ISSUE

## HISTORY

- **KCP requirement for 5-Axis Horizontal Machining Center to support NNSA Defense Programs schedule for Gas Transfer System products e.g. reservoirs**
- **EAR Classification: ECCN 2B001b.2, milling machine capable of 5-Axis of simultaneous motion—  
Reasons for control: NP, NS, and AT**
- **No U.S. producers exist for this equipment**
- **Key suppliers for equipment are located in: Japan, Switzerland, and Germany**
- **Order placed with Mitsui Seiki, Japan**





## **EXPORT CONTROL ISSUE**

### **History**

- **Equipment regulated by Japan export regulations**
- **Mitsui Seiki requests End Use Certificate from KCP**
- **KCP provides general End Use Certificate specifying prime contractor to DOE, restricts use of equipment to prime contract, and references prime contract number**
- **Mitsui Seiki applies for export license**
- **METI (Ministry of Economy, Trade, and Industry) researches Brookings Institute web site and finds KCP associated with nuclear weapons production**



# EXPORT CONTROL ISSUE

## HISTORY

- **METI advised Mitsui Seiki that exporting the machines to the KCP would be in violation of the Nuclear Non-Proliferation Treaty (NPT)**
  - Rational--Export equipment for the manufacture of nuclear weapons
  - NPT goal is to seek nuclear disarmament
- **The KCP was offered two choices:**
  - Assure METI that these machines would not be used to manufacture parts for nuclear weapons, or
  - Use international diplomacy to settle the matter
- **KCP pursued the international diplomacy option**



## **EXPORT CONTROL ISSUE**

### **ACTIONS**

- **KCP notified NNSA Kansas City Area Office that intervention by NNSA headquarters would be required**
- **Everett H. Beckner, NNSA DP, Toli Welihozkiy, and Rich Goorevich, NA243 were contacted and support the international diplomacy need**
- **The Kansas City area distributor for the machines contacted Kansas Senator Pat Roberts**
- **Senator Roberts wrote a letter to Secretary of State Colin Powell on December 21, 2004 requesting his assistance with the Japanese government**

# EXPORT CONTROL ISSUE

## STATUS

- **The factory acceptance of the machines was successfully completed February 11, 2005**
- **Meeting with NNSA, Senator Roberts' office, and the State Department was held in March 2005**
- **The contract for procurement was eventually terminated**
  - **No cancellation costs incurred**
- **Delayed purchase impact mitigated as production schedules shifted to FY07**
- **New order being pursued with suppliers from Switzerland and Germany at 60% higher cost--\$850K (Japan) vs. \$1.35M**



## **EXPORT CONTROL ISSUE**

### **IMPLICATIONS**

- **The American machine tool industry is a shell of what it was even ten years ago necessitating foreign procurement**
- **Dick Henry, KCP Principal Engineer presented “lessons learned” experiences at an IMOG (Interagency Manufacturing Operations Group) meeting held in April 2005**
- **This issue could have far reaching effects across the NWC for anyone procuring equipment from foreign suppliers**
- **IMOG attendees expressed a critical need to address this issue based on their future purchase needs**
- **Similar equipment (high precision lathe) has been successfully purchased by KCP from foreign suppliers without any export issues**
- **KCP is pursuing the procurement of the 5-Axis machining center from European countries. Both Germany and Switzerland have ratified the Nuclear Non-Proliferation Treaty**

# EXPORT CONTROL ISSUE

## RECOMMENDATIONS

- **NA243 research the state of the U.S. machine industry and impact on future NWC production needs**
  - Present recommendations to NNSA Defense Programs
- **NNSA provide guidance to NNSA contractor sites for purchasing equipment from NPT members**
- **NNSA address the need for uniformity in licensing practices at future NPT/NSG meetings.**
  - Potentially seek an exemption for NNSA NWC equipment requirements
- **NNSA collaborate with the State Department to develop a formal policy for license issues with NPT members for NWC equipment purchases**
- **NNSA promote revival of U.S. machine industry to reduce reliance on foreign suppliers**
- **Insist that the Supplier obtain the export license early in the build cycle.**
- **Have a contingency plan in place when buying export controlled equipment**