

November 18, 2021

The Honorable Maria Cantwell  
Chairwoman  
Committee on Commerce, Science,  
& Transportation  
511 Hart Senate Office Building  
Washington, DC 20510

The Honorable Roger Wicker  
Ranking Member  
Committee on Commerce, Science,  
& Transportation  
555 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Frank Pallone, Jr.  
Chairman  
Committee on Energy and Commerce  
2107 Rayburn House Office Building  
Washington, DC 20515

The Honorable Cathy McMorris Rodgers  
Ranking Member  
Committee on Energy and Commerce  
1035 Longworth House Office Building  
Washington, DC 20515

Dear Chairwoman Cantwell, Ranking Member Wicker, Chairman Pallone, and Ranking Member McMorris Rodgers:

It is absolutely imperative that Congress fund the CHIPS for America Act by the end of 2021. Federal support is urgently needed to address supply chain weaknesses at the core of the global chip shortage. Funding the CHIPS Act will enable U.S. operators to build out semiconductor production capacity, and will provide critical support to the Information and Communications Technology (ICT) companies that have kept us connected throughout the pandemic.

Semiconductors power the devices that connect our lives. America's reliance on these chips is set to increase dramatically in the coming years as four transformative technologies—cloud, mobility fueled by 5G, artificial intelligence, and the intelligent edge—change the world. Semiconductors will underpin each.

Despite the central role of semiconductors, the U.S. capacity to produce them is falling behind other nations. America's share of global semiconductor production has declined from 37% to 12% since 1990. This drop has largely been driven by foreign government incentives, offered by countries like China, that have created a 30-50% cost disadvantage to manufacturing chips in the U.S. As a result, the U.S. economy largely relies on semiconductors manufactured overseas.

The current global chip shortage has brought these challenges into focus. COVID-19 has accelerated digitization while disrupting supply chains, creating twin pressures on both the supply and demand of semiconductors. The resulting global chip shortage has impacted companies in nearly all sectors, with particular challenges for companies in the ICT space.

Broadband providers have worked around the clock and invested billions of dollars in networks to keep Americans connected to school, healthcare, and commerce throughout the pandemic. Growth in video conferencing and other remote options led to a record-breaking increase in traffic. This boom in consumer and business demand has contributed to shortages in a sector where semiconductors are used at every level of the ICT ecosystem.

As a direct consequence of current shortages and at the time they are needed most, ICT companies have had to change their operations and how they work. Broadband providers have been forced to acquire alternate suppliers and release orders up to 15 months in advance—the prior industry standard was three months. These changes have caused the costs of products, transportation, and inventory storage to skyrocket.

Leading ICT companies have already taken steps to mitigate the effects of these shortages—from short-term measures to improve supply chain transparency and increase inventory of essential components, to adding new U.S.-based chip making capacity to meet growing demand. But these challenges cannot be addressed by the private sector alone. There is an urgent need for government partnership and the CHIPS Act enables Congress and major corporations to work together in pursuit of long-term, structural change to the domestic production of digital infrastructure.

The shortage of necessary ICT components is directly caused by the lack of adequate semiconductor supply and the only sustainable solution is a ramp-up in domestic semiconductor manufacturing capacity. Federal support is required to do so. Without it, U.S. semiconductor producers will continue to operate at a cost disadvantage, production capacity will continue to plateau, and companies in every industry will remain vulnerable to supply disruptions.

We commend Congress for its bipartisan attention to address the chip shortage. We urge Congress to act now and fully fund the CHIPS for America Act before the end of the year.

Sincerely,

A handwritten signature in black ink that reads "Jonathan Spalter". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Jonathan Spalter