Advancing the Domestic Drone Industry

Commercial Drone Alliance Policy Recommendations To Promote U.S. Drone Dominance

Purpose

The Commercial Drone Alliance (CDA)[1] proposes urgent industrial policy reforms to support the U.S. commercial drone industry in bolstering domestic manufacturing and reducing reliance on foreign critical components. The Administration's recent action banning foreign drones and components sends a clear signal to the domestic ecosystem about the importance of domestic drones to the federal government. The next step is providing the domestic industry with the resources it needs to thrive in this new regulatory environment. The CDA promotes a whole-of-government approach to support the industry and the Administration in achieving our collective goal of American drone dominance.

Current State of the U.S. Drone Industry

The domestic commercial drone industry is at a pivotal point in its evolution. Commercial drones add substantial value for a growing number of vertical market sectors, including agriculture, infrastructure resilience, public safety, logistics and more. As foreign adversaries make critical advancements in bringing the power of Artificial Intelligence (AI) to the physical world through rapid scaling of robotics and significant manufacturing investments,[2] it is a national and economic imperative that the American commercial drone industry succeed, which among other benefits will also bolster U.S. dominance in the physical AI space.

However, manufacturers and operators continue to face structural headwinds as the industry promotes widespread adoption. These challenges come from both the demand side and the supply side of the equation.

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[1] The CDA is the leading advocacy organization representing domestic and allied commercial UAS manufacturers and operators in the United States. The CDA's focus is on restoring U.S. leadership in commercial drones, buttressing the domestic drone industrial base, and enabling scaled operations of commercial drones nationwide.

[2] *See* "China Could Dominate the Physical AI Future," *Time Magazine*, March 3, 2026, available at https://time.com/7382151/china-dominates-the-physical-ai-race/.

Operators Face Regulatory Challenges, Causing Demand-Side Headaches. Regulations to enable more scalable, nationwide commercial drone use are evolving, but the future regulatory environment for routine drone use remains undefined. Without the ability to scale operations on predictable timelines, operators face uncertainty when considering whether to invest in drone technology. This has artificially dampened the demand signal for domestic drones and hindered domestic manufacturers from benefiting from efficiencies of scale.

Manufacturers Face Supply Chain Challenges, Causing Supply-Side Uncertainty. A quarter century of off-shoring manufacturing practices in the consumer electronics industry has made the U.S. heavily reliant on imported drone products and components, particularly from countries with advanced electronics and drone manufacturing capabilities. The design and production of many high-performance critical components—flight controllers, cameras, sensors, motors, and batteries, as well as the building blocks of all electronics like printed circuit board assembly (PCBA)—predominantly takes place overseas, especially at scale. Additionally, the cost to stand up manufacturing capacity for PCBA, batteries, and processing facilities for magnets in the United States are exceedingly costly for any one company. This reality, combined with a weakened domestic demand signal, creates significant challenges for American manufacturers to compete against international manufacturers, especially those with a globally diverse supply chain.

The Federal Communication Commission's (FCC) recent action to add all foreign drones and critical components to its covered list necessitates a rapid transition to domestic manufacturing and industrial base development, presenting opportunities for innovation and growth. Now the Administration must couple the FCC action with a coherent industrial strategy and appropriate economic incentives. A fully domestic ecosystem requires intentional engagement, investment, and planning across the Federal government and the industry over the next decade.

Challenges in Transition

Reducing reliance on foreign adversary technology is essential to maintaining our national security and building a robust domestic industry. Transitioning to domestic production requires overcoming several obstacles:

- Cost Barriers: Domestic manufacturing often entails higher labor and material costs, potentially impacting price competitiveness and broad market adoption.
- Regulatory Compliance: Navigating new FCC requirements alongside other federal regulations and standards adds complexity for domestic manufacturers and operators, increasing timeline uncertainty and investment risk.
- Supply Chain Fragmentation: The absence of integrated domestic suppliers complicates the sourcing of high-quality components and materials.

- Workforce Development: The U.S. has a shortage of skilled labor in precision manufacturing, electronics assembly, and drone-specific engineering.
- Technology Gaps: U.S. manufacturers may lack access to advanced technologies and intellectual property that underpin competitive drone products, including the "machines that make the machines."

The CDA's policy recommendations described below are designed to confront these challenges.

CDA Policy Recommendations

As noted above, while the FCC's recent action provides a signal to the community about the importance of domestic drones to the U.S. government, this action alone does not provide the industry with the resources it needs to succeed. To overcome these challenges and accelerate the transition to domestic manufacturing, the CDA urges Congress and the Administration to actively promote a whole-of-government approach designed to buttress the domestic industrial base. Without the appropriate support and incentive structure, we risk falling further behind our adversaries in developing and producing at the scale needed for drone dominance.

1. **Create Whole of Government Accountability for Drone Dominance.**

   - **Launch a White House-led Interagency Drone Dominance Task Force.** Like many emerging technologies, the domestic drone ecosystem is impacted by policies developed and implemented within multiple departments across the federal government. It is critical that these various policies be cohesive and coordinated and not work at odds with one another. The Administration should build on the success of the Airspace Sovereignty Task Force by creating a Drone Dominance Task Force, chaired by the Office of Science and Technology Policy, to organize interagency policy efforts and provide leadership to focus departments' resources on this critical national security imperative. The scope of this Task Force should include all elements of EO 14307, including but not limited to coordination of industrial policy, aviation safety, and expanding and supporting market access to drone technology. The Drone Dominance Task Force should also coordinate with the Airspace Sovereignty Task Force to ensure a coherent approach.

2. **Strengthen the Domestic Demand Signal.**

   - **Provide Capital to End User Community to Bolster Demand**. Federal agencies can support end users of commercial and public safety drones – including states, localities, law enforcement agencies, critical infrastructure operators, farmers, and

more – by providing them with access to resources to replace and buttress their drone fleets. Relevant initiatives include:

- Allocate a percentage of existing Department of Homeland Security (DHS) and Department of Justice (DOJ) grant programs for public safety to support the acceleration of American-made drone technology for law enforcement, fire response, and search and rescue.
- Create a new Drone as First Responder (DFR) Grant Program for state and local public safety agencies building on the early success of DFR programs to significantly reduce response times and crime rates.
- Expeditiously establish and implement the Department of Transportation (DOT) Drone Infrastructure Inspection Grant (DIIG) Program[3], and expand appropriations requests in future budget proposals.
- Leverage Department of Energy (DOE) Grid Resilience grant programs, and expand appropriations requests in future budget proposals for drone initiatives.
- Leverage other relevant DOT, DOE, USDA, DHS, and DOJ grant programs as appropriate, and expand appropriations requests in future budget proposals for drone initiatives.

Congress and the Administration should also work with the industry to develop legislative proposals for additional financing options in the FY27 budget cycle.

- **Reduce Regulatory Barriers to Drone Use.** Safety requirements for new aviation entrants are *de facto* industrial policy in that the burden of such requirements have significant impacts on domestic manufacturing demand and use.[4] The lack of clear standards for manufacturing and operating drones beyond simple close-range settings creates investment uncertainty and dampens domestic demand. The Administration must establish clear, harmonized standards for drone manufacturing and operations that intentionally enable high volumes of operations to support domestic manufacturing demand. This includes:
    - The Federal Aviation Administration (FAA) finalizing its rule to enable scaled beyond visual line of sight operations, with changes supported by the CDA during the public comment process, to enable safe operations while reducing administrative burdens, enhancing certainty for the marketplace, bolstering the domestic demand signal, and facilitating market entry for domestic

[3] Codified in Section 912 of P.L. 118-63.
[4] See Policy Brief *From Waivers to Scale: How BVLOS Modernizes America's Low Altitude Infrastructure*, Coalition for Reimagined Mobility, February 2026, https://www.commercialdronealliance.org/file/secure/remo-bvlos-issue-brief-final-2.11.26.pdf.

producers. In particular, the final rule must not contain elements that would inhibit the tens of thousands of UAS being used today to perform valuable missions across various industries.

- The Transportation Security Administration (TSA) scaling back its proposed rule and instead engaging with the industry to develop right-sized and collaborative security measures for commercial drone operations.
- The FAA finalizing a common sense rule to implement Section 2209 of the 2016 FAA Reauthorization Act, protecting sensitive fixed sites from malicious drone use while enabling widespread authorized commercial drone use nationwide.
- The FCC finalizing its rule to expand dedicated spectrum access for domestic drone operations under 47 CFR Part 88.
- The Interagency regularly engaging with trusted commercial drone associations to gauge commercial sector impacts of drone operating restrictions or other limiting policies *prior to* enactment, to ensure such measures do not impede authorized commercial drone operations and thus inadvertently interfere with the Administration's drone dominance objectives.

3. Provide Financing Options for Domestic Production.

- **Expand Access to Capital for Domestic Industry.** Onshoring and purchase of more expensive American components will, in the short term, challenge the growing domestic drone industry. The Administration has several tools it could use to supply low-interest loans and capital infusion to the industry, including through the Department of War's Office of Strategic Capital or Defense Production Act Title III authorities; the Export Import Bank "Make More in America" initiative; the Small Business Administration's 7(a) Manufacturer's Access to Revolving Credit (MARC) loan program, 504 loan program, or Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) programs; the Department of Agriculture (DOA) Rural Development Business Programs; and others. The EOP should, at a minimum, engage these initiatives and clearly communicate the Administration's priorities around strengthening the domestic drone supply chain. Ideally, the Drone Dominance Task Force should work with the domestic manufacturing base to create and execute a coherent public-private investment strategy that supports both defense and civil sectors' supply chain needs.

- **Support 45X Tax Credit Amendments**. Congress and the Administration should work with industry to enact targeted tax incentives for companies that manufacture drones and components in the U.S., as well as companies that purchase domestically

produced components. These can be timebound incentives to bridge short-term cost increases while the domestic supply chain is developing and scaling.

4. **Provide Business and Investment Certainty.**

- **Collaborate with Industry to Facilitate Business Planning and Investment.** Companies, especially small and medium sized firms heavily reliant on private funding, need both predictable compliance frameworks and the flexibility to meet objectives in creative ways. The Administration should conduct an industrial base survey of the drone industry and use the results as a basis to develop a more granular platform and critical component transition plan, accounting for realistic onshoring timelines, in coordination with both operators and manufacturers. Survey results could also be used to explore the efficacy of designating regional manufacturing hubs and incubators to focus on advanced manufacturing of drone components. DHS and Department of War (DOW) should reflect these pre-coordinated timelines in approving conditional approvals as well. Alternatively, the Administration should maintain and expand the exception for domestic end products that meet the Buy America standard, as well as for vehicles that are on the Blue List, through 2029 to ensure companies can plan accordingly. The Commerce Department should also leverage access to its SelectUSA Program resources to connect businesses with domestic suppliers to the greatest extent possible.

- **Provide Ongoing User Feedback.** Federal agencies that use drones to enhance safety and efficiencies have important experience in the marketplace that can be leveraged to share best practices and promote technology optimization among end users. Agencies such as DOW, DOJ, Department of Interior (DOI), and others should provide feedback to industry on what technology works where (for end users) and capability/reliability gaps (for manufacturers). The Administration should use this consolidated feedback loop to fast-track all necessary approvals for drones to be used to meet regulatory requirements in other sectors (e.g., infrastructure inspections).

5. **Reduce Regulatory Barriers for Domestic Manufacturers.**

- **Remove Cost Inefficiencies that Increase Start-up Costs for Domestic Manufacturing.** The U.S. Trade Representative (USTR) should facilitate expansion of domestic manufacturing by allowing offset credits or waiving tariffs on critical components and equipment used to facilitate the expansion and developing of domestic manufacturing facilities in the short term. Doing so will reduce start-up costs and preserve capital for labor. For the same reasons, USTR and the Department of Commerce (DOC) should also refrain from levying additional tariffs on drone

components and advanced manufacturing equipment in the short term. The Environmental Protection Agency (EPA) should also streamline or alleviate National Environmental Policy Act requirements for domestic manufacturing facilities making UAS critical components and platforms.

- **Reform Export Control and Promote U.S. Exports.** The Administration can support domestic drone manufacturers in accessing international markets through export financing from the Export Import Bank, favorable trade terms supported by USTR, and promoting international reciprocity of domestic safety requirements through ICAO and other bilateral aviation safety agreements. Additionally, the DOC should build upon the recent changes to export rules for drones by further amending the Export Administration Regulations (EAR) to recognize the commoditization of certain ubiquitous small UAS technologies and streamline domestic manufacturers' ability to responsibly export these systems. The CDA recently provided comments to the DOC Bureau of Industry and Security (BIS) outlining several critical proposed reforms**.**

6. **Partner with Industry to Ensure Physical Infrastructure, Technology Development, and Workforce Needs Keep Pace.**

- **Promote Public-Private Partnerships to Focus on Workforce Development and Infrastructure Retooling.** The Administration should work with industry and trade associations to foster collaboration between government agencies, industry leaders, and academic institutions to advance technology development and workforce readiness. The Administration should leverage Department of Labor (DOL) manufacturing workforce development programs and work with the FAA to implement a drone workforce training program in partnership with the UAS Collegiate training initiative.[5] At the same time, industry should partner with the National Institute of Standards and Technology Manufacturing AI Accelerator Initiative to support co-development of advanced manufacturing capabilities that can be broadly shared and widely adopted.

- **Leverage Existing Partnerships to Close Technology Gaps.** Today, the civil and defense sectors conduct UAS research and development independently, largely because the Federal Government does not coordinate its development objectives or share results from research or testing efforts. Additionally, both have partnerships with test sites and research institutions across the country that they leverage, with varying degrees of overlap. The Administration should conduct a technology gap assessment for both civilian and defense UAS technologies and create a coordinated

[5] See Section 913 of P.L. 118-63.

testing and development plan to close any gaps within 1-3 years, with results benefiting both civil end users as well as defense applications.

- **Partner with Industry to Aggregate Demand and Foster a Viable, Sustainable Industrial Base.** As the defense sector builds out the domestic small UAS industrial base through the influx in funding recently provided by Congress, partnership with the civil sector is vital. To assist in aggregating commercial and civil demand for drone components, the Administration should formalize collaboration processes to identify domestic production needs and component specifications in order to achieve the shared goal of a robust and reliable domestic production capability. The civilian market can support the defense industrial base with consistent and growing demand for these components year over year while ensuring sustainable production and long-term viability of the industrial base.

Implementation Roadmap

Coordinated action among government, industry, and stakeholders is critical for a successful transition to domestic drone dominance. The Drone Dominance Task Force we recommend here should be tasked to formalize coordination and communication between government agencies and industry representatives to carry out next steps on the initiatives described here. As always, the CDA remains a resource to the Administration and Congress on the implementation of these initiatives.

Conclusion

With the right accompanying policy changes, and support from Congress, the Administration's recent regulatory action banning all foreign drones and components can serve as a catalyst for U.S. commercial drone dominance. Positive support in addition to punitive measures are needed. By enacting robust industrial policies and nurturing domestic supply chains, the federal government can secure our nation's technological future, enhance economic competitiveness and national security, and safeguard critical infrastructure. Policymakers, industry leaders, and regulators must collaborate to implement these recommendations, ensuring that the U.S. drone sector emerges stronger, more innovative, and resilient in the face of evolving global dynamics. The CDA remains ready to work with Congress, the White House, DHS, DOW, FCC, DOT, FAA and other federal stakeholders to make United States drone dominance a reality.