

# Defense Logistics Agency

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## Transforming the National Defense Stockpile to Meet 21<sup>st</sup> Century Requirements

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**Warfighter  
Support**

**Stewardship  
Improvements**

**Business Process  
Refinements**

**Workforce  
Development**

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# Agenda

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- Bottom Line Up Front
- National Defense Stockpile (NDS) Overview
- NDS Study Background & Timeline
- DoD Working Group Conclusions
- Strategic Materials Security Program (SMSP)
- Risk Mitigation Strategies
- Benefits of the SMSP
- Why DNSC?



# Bottom Line Up Front

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- Global demand for scarce raw materials has escalated
  - Industrial surges in China, India, Russia, Brazil, and other developing countries are depleting established resources of materials
- Must establish new, integrated and dynamic system to identify and manage supply of strategic and critical materials to meet DoD requirements
  - Integrate into current defense planning
  - Identify long and short term needs
  - Evaluate recycling and substitutions
  - Identify supply chain risks and vulnerabilities
- Why DNSC?
  - Successfully managed a multi-million dollar commodity sales program for DoD
  - Knowledge of material, market dynamics, industry practices and acquisition excellence to develop contracting strategies to leverage buying opportunities to support Military Services.



# National Defense Stockpile

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## History

- NDS Program established in 1939
- Purpose: to preclude dependence on foreign sources of supply in time of national emergency
- Prior to 1988, jointly managed by Federal Emergency Management Agency and General Services Administration
- Executive Order 12626 – President Reagan designated the Secretary of Defense as the “Stockpile Manager”
- Starting in Fiscal Year (FY) 1994, Congress began authorizing the sale of excess NDS inventory
- Since 1994, commodity sales have totaled approx \$7 billion
- Formal reviews of U.S. stockpiling strategies began in 2006



# NDS Study Timeline

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- In 2006, Congress asked for a review of current DOD policy to dispose of NDS materials.
- In 2007, Independent Study was conducted by National Materials Advisory Board (National Academy of Sciences).
  - Report raised concerns about DOD's ability to supply material for defense programs given current market conditions & increasing reliance on foreign sources of supply for defense needs
- In 2008, Senate asked for info on materials critical to strategic defense interests, commodity suppliers, and availability of material during times of conflict.
- In 2008, USD (AT&L) established a Working Group to review report findings and to address issues raised by Congress.



# Working Group Conclusions

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- Reconfigure the National Defense Stockpile to be the Strategic Materials Security Program (SMSP)
- Modify the Stock Piling Act to grant the SMSP programmatic flexibility to:
  - Efficiently and effectively acquire the right materials
  - Ensure essential strategic materials are available to respond to current and future needs and threats



# Strategic Materials Security Program

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- Constant surveillance of global marketplace and assess ever-changing material needs
- Evaluate material requirements
  - Military conflict scenarios
  - Peacetime scenarios
- Dynamic list of material needs
- Country reliability
  - Willingness and/or ability to sell to US
- Risk mitigation strategies to ensure material availability



# Risk Mitigation Strategies

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- Strategic Sourcing
  - Leverage the buying power of DoD by aggregating materials requirements and negotiating long-term procurement agreements
- Traditional Stockpiling
  - Holding quantities of critical materials long term to ensure availability when needed
- Partnering with foreign nations
  - Establish agreements to enhance DoD's ability to ensure current/future availability of materials not available domestically



# Strategic Materials Security Program Benefits

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- Monitor/identify changes in supply/demand concerns relative to material requirements and supply chain disruptions
- Flexibility of risk mitigation strategies
  - Strategic sourcing, traditional stockpiling, partnering with foreign nations
- Reduce lead time by establishing contract vehicles to ensure continuity of supply
- Cost Reductions/Savings
  - Aggregate quantity of material under one, Military Services-wide contract
  - No added charges to material
  - Implement “right to recover”



## Example of Strategic Sourcing Contract (Titanium for Army/Navy)

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- DNSC issued solicitation to procure titanium:
  - Navy Requirement: 50,400 to 268,800 lbs over 4 years
  - Army Requirement: 10,000 to 100,000 lbs annually  
(provided 10,000 lbs of offal material as feedstock)
    - IDQ with EPA for base year and four one year options
- Solicitation incorporated:
  - Army to receive a “credit” for the offal material provided as feedstock
  - “Right to recover” opportunity included
- Contract resulted in cost savings for Army and Navy



# Benefits to Military Services

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- DNSC, operating as a buying agent, can move discreetly in/out of markets without causing undue market disruption
- DNSC can facilitate release of materials to DoD contractors as Government furnished material, shielding the defense contracts from surging market prices
- DNSC can support the Military Services by ensuring timely availability of materials needed to satisfy defense contracts



# Why DNSC?

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- Recognized and respected by DoD and industry as commodity experts
  - Extensive market exposure through robust sales programs
  - Sales vehicles developed to maximize market contacts
  - Military Services requested DNSC's assistance in procuring materials; e.g., titanium to support Army and Navy programs
- Pertinent staff capabilities available to:
  - Evaluate industry practices
  - Assess market needs/demands; pricing trends; timing in market
  - Evaluate recycling and substitution options
  - Measure consumption/production levels
  - Identify global sources of materials
  - Analyze potential geopolitical and logistical disruptions
  - Monitor markets for intelligence on new applications or uses for materials
  - Assess supply chain risks and vulnerabilities



# QUESTIONS?

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