

Defense Logistics Agency



Transforming National Defense Stockpile to Strategic Materials Security Program

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*Warfighter
Support*

*Stewardship
Improvements*

*Business Process
Refinements*

*Workforce
Development*



National Defense Stockpile History

- National Defense Stockpile (NDS) Program established in 1939
- Purpose: to preclude dependence on foreign sources of supply in time of national emergency
- 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
- Market value of remaining NDS inventory is approx \$1.6 billion
- Formal review of U.S. stockpiling strategies began in 2006



National Defense Stockpile Program Reviews

- In 2006, House Armed Services Committee (HASC) asked for a review of current DOD policy to dispose of NDS materials
- In 2007, Independent Study conducted by National Materials Advisory Board (National Academy of Sciences)
 - Concerns raised about DOD's ability to supply material for defense programs given current market conditions & increasing reliance on foreign sources of supply
- In 2008, Senate Appropriations Committee (SAC) asked DoD to:
 - Describe materials critical to strategic defense interests
 - Describe domestic suppliers and their reliance on foreign sources of production
 - Describe foreign countries' efforts to stockpile critical material
 - Describe steps to ensure availability during protracted conflict
- In 2008, USD (AT&L) established a Working Group (WG) to review NAS report findings and address issues raised by Congress



Working Group Conclusions

- Conclusions included in Report to Congress
 - 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 and to ensure essential strategic materials are available to respond to current and future needs and threats



Strategic Materials Security Program Process

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



Risk Mitigation Strategies

- 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



SMSP Benefits

- 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 material supply
- Cost Reductions/Savings
 - Aggregate quantity of material services wide under one contract
 - No added charges to material
 - Implement “right to recover”



BACKUP



Example of Strategic Sourcing Contract Titanium Contract for Army/Navy

- 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;
- Solicitation incorporated:
 - Army receive a “credit” for the offal material provided as feedstock or the offal material
 - “right to recover” opportunity included
- Contract resulted in cost savings for Army and Navy