SEC. 317. AUTHORITY TO DISPOSE OF CERTAIN MATERIALS AND TO ACQUIRE ADDITIONAL MATERIALS FOR THE NATIONAL DEFENSE STOCKPILE.

(a) DISPOSAL AUTHORIZATION.—Pursuant to section 5(b) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98d(b)), the National Defense Stockpile Manager may dispose of the following materials contained in the National Defense Stockpile in the following quantities:

(1) 18 short tons of beryllium.

(2) 39,000 short tons of chromium ferroalloy.

(3) 8,389 troy ounces of platinum.

(4) 275,741 pounds of contained tungsten metal powder.

(5) 15,315,708 pounds of contained tungsten ores and concentrates.

(b) AUTHORITY.—Using funds available in the National Defense Stockpile Transaction Fund, the National Defense Stockpile Manager may acquire the following materials determined to be strategic and critical materials required to meet the defense, industrial, and essential civilian needs of the United States:

(1) High and Intermediate Modulus Carbon Fibers.

(2) Tantalum.

(3) Germanium Metal.

(c) AMOUNT OF AUTHORITY.—The National Defense Stockpile Manager may use up to $50,000,000 of the National Defense Stockpile Transaction Fund for acquisition of the materials specified in subsection (b).

(d) FISCAL YEAR LIMITATION.—The authority under subsection (b) is available for purchases during fiscal year 2015 through fiscal year 2020.

Section-by-Section Analysis

DISPOSAL

This proposal would authorize the National Defense Stockpile (NDS) Manager to dispose of materials that have been determined, based upon the analysis required by section 14 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h-5) (Act) to be excess to requirements and no longer needed. These materials cited in the proposal are among those that had been previously authorized for disposal under section 3303 of Public Law 105-261, the Strom Thurmond National Defense Authorization Act for Fiscal Year (FY) 1999. The revenue goal associated with that authorization has been met, and disposals of these materials were not required to meet the revenue goal.

The previous authorization directed the specific revenue amounts generated from disposals to the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund through FY 2005. Amounts over those specified in the authorization were directed to the General Fund of the Treasury. None of the proceeds from these disposals was returned to the NDS program; and none of the revenue could be used to either support additional NDS acquisitions or fund NDS operations.

This proposal would allow disposals of these materials to continue, but would direct the revenue to the NDS Transaction Fund (T-Fund) to be used to: acquire other materials currently identified as needed for the NDS; and fund the activities associated with NDS operations (e.g., storage, transportation, maintenance of NDS materials, environmental requirements). Returning the revenues from these disposals to the T-Fund will support continued NDS operations. Use of sales proceeds in this manner is consistent with the overall design and purpose as noted in section 2(c) of the Act: "The purpose of the National Defense Stockpile is to serve the interest of national defense only. The National Defense Stockpile is not to be used for economic or budgetary purposes."

ACQUISITION

This proposal would also provide authority under section 5(a)(1) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98d(a)(1)) (Act) to acquire strategic and critical materials for the National Defense Stockpile (NDS).

The three materials for which acquisition authority is requested have been identified as necessary to meet the military, industrial, and essential civilian needs of the United States as the result of a thorough analytical requirements determination processes. High modulus carbon fibers, tantalum, and germanium metal shortfalls have been identified in "Biennial Report to the Congress on Stockpile Requirements" (Report) that was prepared pursuant to section 14 of the Act. This section requires the application of a rigorous analytical process to identify strategic and critical materials required to sustain the United States during various military conflict scenarios, which have been developed by the Under Secretary of Defense for Policy.

<u>High and Intermediate Modulus Carbon Fibers</u>. High and intermediate modulus carbon fibers are used in various critical Department of Defense (DOD) and National Security Space (NSS) applications such as rocket motors, missiles, pressure vessels, manned and unmanned

military aircraft, helicopters blades, commercial launch vehicles, wing structures and satellites. These systems are critical for global ISR and sustained engagement capabilities. The only producer of both NSS and DOD qualified high-modulus fibers, M46J and M55J, as well as the high-strength, intermediate-modulus fiber, T1000G, is Toray Industries, Inc. located in Ehime, Japan. Toray operates at capacity with material lead times for all three fibers of approximately twelve months, which substantially limits supply chain agility and responsiveness to United States military and space operational requirements. United States defense industry consumers are dependent on this single, foreign source of supply; thus, any supply disruptions, from a natural disasters, conflicts, increased demands or policy changes may place DOD and NSS platforms at risk.

Tantalum. Tantalum is used in various critical defense systems, including super-alloys for high-temperature sections of jet engines, shaped-charge and explosively-formed penetrator lines, missile systems, ignition systems, night vision goggles and global positioning systems. Defense demand for tantalum is split equally between aircraft engines and parts and electronic components. There is no domestic mining of tantalum despite the fact that the United States is the world's largest consumer, accounting for a third of global demand. The needs of the large domestic downstream processing industry are met by imports of tantalum, mainly from Australia, Canada and Mozambique. The United States is totally reliant upon imports for this product.

Germanium Metal. High-purity germanium is a critical component in the manufacture of lenses for infrared devices and solar cells. These systems are critical for national defense surveillance, reconnaissance and nighttime engagement capabilities. There currently is only one domestic producer of high-purity germanium; however, production capacity is limited and cannot accommodate a surge in demand caused by a national emergency. The FY 2013 Report forecasts a potential material shortage of 12,526 kilograms over a four-year period (FY 2015-FY 2018) , when discounting for material currently under contract for upgrade. Commodity markets, however, become strong as new supplies are brought on and off-stream to meet changing demands. Given market dynamics of the markets, increasing germanium metal from 13,362 kilograms to 19,708 kilograms is needed.

Budget Implications: Operations, maintenance and new materials requirements will increase obligations by $49.9 million over the Future Years Defense Program (FYDP). This includes material acquisitions included in the National Defense Authorization Act for FY 2014 (Public Law 113-66). The data provided in the below table includes proposed funding for three forms of high modulus carbon fibers, tantalum, and germanium metal each identified in the 2013 Report.

Budget Implications: The table below provides the baseline funding and outlays for the Stockpile. It also details the new authorized collections and outlays associated with this proposal. If enacted in its entirety, as shown in the second table the proposal provides a $233 million five-year PAYGO offset and a $262 million five-year PAYGO offset over the program baseline.

Proposed Sales and Acquisitions only											
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY15-FY24
Proposed sales	$45.6	$52.3	$59.1	$59.1	$59.1	$36.8	-	-	-	-	$312.0
Proposed buys	$0.0	($12.8)	($12.8)	($8.1)	($8.1)	($8.1)	-	-	-	-	($49.9)
PAYGO Offset	$45.6	$39.5	$46.3	$51.0	$51.0	$28.7	$0.0	$0.0	$0.0	$0.0	$262.1
Five-year blocks	*$233.4*					*$28.7*					

Changes to Existing Law: This proposal would not change the text of any existing statute.