

**ORAL STATEMENT OF RONNIE FAVORS
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DEFENSE LOGISTICS AGENCY STRATEGIC MATERIALS**

Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
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Good afternoon Chairman Gosar, Ranking Member Lowenthal, and distinguished members of the Committee. I am Ronnie Favors, Administrator of the National Defense Stockpile (NDS) Program at the Defense Logistics Agency (DLA) Strategic Materials.

Congress authorized the creation of the NDS Program in the summer of 1939 via the *Strategic and Critical Materials Stock Piling Act*, currently enacted via title 50, United States Code, section 98. The Act defines strategic materials as certain materials that are deficient or insufficiently developed domestically to supply the military, industrial, and essential civilian needs of the United States during a national emergency. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD-AT&L) serves as the NDS Manager and the DLA Strategic Materials' operational role of the NDS Program is to provide for the acquisition and retention of stocks of certain strategic and critical materials; encourage conservation and development of such materials within the United States; and decrease and preclude, when possible, a dangerous and costly dependence by the United States upon foreign or single sources for supplies of such materials in times of National Emergency. Key actions to accomplish this mission are purchasing and selling materials, contracting for the processing or upgrade of material to prevent obsolescence, qualification of sources of supply, and reclamation of materials from end-of-life or excess-to-need Government items. AT&L's Office of Manufacturing and Industrial Base Policy (MIBP) provides support in a number of industrial base and supply chain areas of strategic and critical materials risk mitigation including policy, assessments and industry investment programs.

Accomplishing this mission requires close collaboration with program offices across the Department of Defense, as well as our non-defense partners, such as the National Minerals Information Center of the U.S. Geological Survey, the Bureau of Industry & Security and the U.S. International Trade

Administration at the Department of Commerce, the Bureau of Energy Resources at the Department of State, and multiple offices of the Department of Energy. I also would be remiss if I did not express my gratitude to the hundreds of companies, U.S. and foreign, that support our industrial base assessments. We ask a lot of them, and their assistance is all the more impressive since most of them do not have a direct business relationship with the Department.

The NDS Program stress-tests defense and commercial supply chains for strategic and critical materials under classified National Emergency scenarios, provided to us by the Office of the Secretary of Defense with additional input from the Joint Staff and the Intelligence Community. I can discuss the broad findings contained within a publicly-available summary memo of the *Strategic and Critical Materials 2017 Report on Stockpile Requirements*.

The NDS Program assessed 130 minerals and processed materials under National Emergency scenario conditions. Restrictions may result as any of a combination of factors, such as a single point of failure in a supply chain, interdiction of commercial shipping, the extent to which a country is able or willing to sell material, war damage, and infrastructure bottlenecks. We also account for market forces that may mitigate strategic and critical constraints naturally, such as increased recycling, substitution, and thrifting. This analysis is conducted by the Market Impact Committee, which is co-chaired by State and Commerce and which reviews and provides recommendations to the NDS Annual Materials Plan. If supply is unable to meet National Defense or essential civilian demand after applying all of these factors, then the result is a “net shortfall”.

DLA Strategic Materials maintains a “Watch List” of materials- those materials that have the potential for supply disruption. Materials are evaluated on certain criticality, impact and fragility thresholds. Criticality thresholds include concentration of production, U.S. import vulnerability, the degree of substitution, and level of concern from a program office. Impact assessments evaluate the consequences of a material shortfall to the Department while fragility analyzes the health of and risks to particular node(s) of the supply chain of concern to the Department. Taken together, these form the underlying methodological approach to strategic and critical material supply chain risk assessments.

I would like to thank Chairman Gosar and Ranking Member Lowenthal for the invitation to testify today, and I would be happy to answer any of your questions.