

DEFENSE NATIONAL STOCKPILE CENTER

45th General Assembly - Tantalum



Philadelphia, Pennsylvania

October 11, 2004

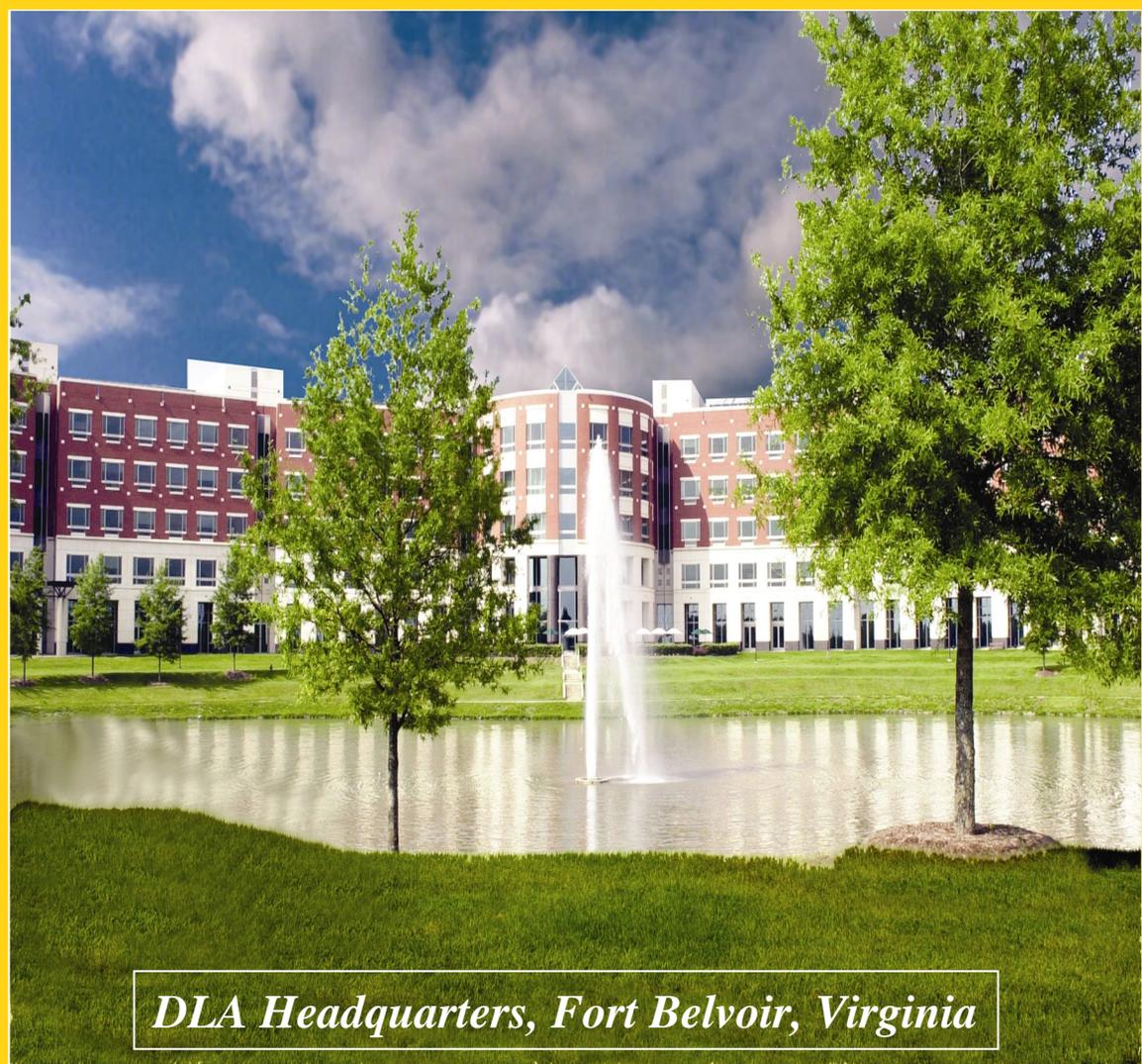


Why a Stockpile...

- DNSC, part of DLA, sells commodities on the open market

- This stockpile of strategic & critical materials was established to reduce US dependence on foreign supply sources during national emergencies

- DNSC currently stores 47 commodities valued at \$1.7 Billion at 41 locations



DLA Headquarters, Fort Belvoir, Virginia



Stockpile Sales...

the law says:

- ➔ *Use competitive sales procedures*
- ➔ So, we can and do accept bids from both domestic & foreign concerns and, occasionally, from a foreign government.
- ➔ *"...avoid undue disruption of the usual markets of producers, processors and consumers..."*
- ➔ *"...protect against avoidable loss..."*



Annual Materials Plan (AMP)

- ❖ Defense Authorization Acts give general authority to sell commodities
- ❖ Annual Materials Plan (AMP) sets specific annual sales ceilings
- ❖ Market Impact Committee advises on AMP



Market Impact Committee

- The *MIC* advises NDS manager on domestic and foreign economic effects of proposed acquisitions and disposals of stockpiled material
- Members: Departments of State and Commerce (Co-Chairs), Agriculture, Defense, Interior, Treasury, Energy and Homeland Security
- The members are chosen for their expertise on materials and markets that could be adversely affected by NDS acquisitions and disposals.
- The *MIC* regularly consults with representatives of producers, processors, and consumers of the materials that could be affected by the AMP.



Tantalum Highlights

- Ta Minerals were purchased in the 1970's from Brazil, Belgian Congo, Portugal, etc. Packaged in burlap bags, drums & kegs.
- Other forms were acquired in the 1990's from various domestic & international sources.



Tantalum Inventory

As of September 30, 2004

Form

Minerals

Metal Powder (Capacitor Grade)

Metal Ingots (Vacuum Grade)

Carbide Powder

Oxide

Columbium Ingot

Quantity

1,118,885 Lbs Ta

34,607 Lbs Ta

20,388 Lbs Ta

12,158 Lbs Ta

40,865 Lbs Ta

60,750 Lbs Cb



Tantalum Inventory by Location

Location	Minerals	Metal Powder	Metal Ingots	Carbide Powder	Oxide	Columbium Ingots
	lbs Ta	lbs Ta	lbs Ta	lbs Ta	lbs Ta	lbs Cb
Binghamton	266,185		20,388			60,750
New Haven	256,575			2,115	40,865	
Scotia	45,990					
Somerville		23,143		8,356		
Warren	550,135	11,464		1,687		
TOTALS	1,118,885	34,607	20,388	12,158	40,865	60,750

Minerals: unlined drums.

Powder: wide-mouth 1 qt. bottles.

Metal Ingots & Columbium: environmentally safe cradles.

Carbide Powder: wooden boxes containing 6 drums.



Tantalum Sales Program

	FY04 AMP	FY05 AMP
Carbide Powder	4,000 Lbs Ta	4,000 Lbs Ta
Metal Ingot (Vacuum Grade)	40,000 Lbs Ta	40,000 Lbs Ta
Metal Powder (Capacitor Grade)	40,000 Lbs Ta	40,000 Lbs Ta
Minerals	500,000 Lbs Ta	500,000 Lbs Ta
Oxide	20,000 Lbs Ta	20,000 Lbs Ta
Columbium Ingot	20,000 Lbs Cb	20,000 Lbs Cb



Tantalum Sales by Form

(Lbs contained metal)

<u>Form</u>	<u>FY 03</u>	<u>FY04</u>
Metal Powder	2,168	38,460
Metal Ingot	40,467	39,772
Carbide Powder	0	0
Oxide	0	20,456
Minerals	438,776	355,555
Columbium Ingot	0	20,006

Total Revenue

FY 03: \$9.6 Million

FY 04: \$16.8 Million

Sales suspended June 2004.

Resumption of sales dependent on legislative authority.



Tantalum Sales Strategy

Spot Sales: Basic Ordering Agreement -BOA

All forms offered

Form & quantity posted on web Thursday by 11:30am

Quotes due, Monday by 11:30am, Awards made Wednesday

Long Term: Negotiated

Only Ta Minerals needing NRC license

Limit: Multiple awards made

Removal Period: Not to exceed one year



BOA

- 🎯 Quotes not released to the public
- 🎯 Some pre-negotiated terms
- 🎯 Only registered companies may participate
- 🎯 Interactive submittals accepted
- 🎯 Only aggregate or provisional contract amounts and company name made public



Advantages - BOA

- Flexible
- Responsive to the market
- Material offered frequently
- Fills a “Spot” need in the marketplace



- DNSC selects quantity and quality of material being offered.
- Pre-qualification and established negotiated special terms and conditions



Section A

Agreement/ Contract Form

- **Agreement/Contract Form:**
an executed copy of the *Basic Ordering Agreement* and the *Quote/Award Form (I.1)* together will constitute a contract
- Material available for sales will be posted Thursdays on the DNSC website <https://dnsc.dla.mil> by 11:30am local time, Fort Belvoir time



Section B

Pre Qualification

- ◆ Companies may register and qualify under the BOA at any time (ongoing process)
- ◆ Submittals to register and qualify:
 - ◆ Applicants must review and agree to conform to the terms and conditions of the Agreement by completing pertinent sections of the BOA cover sheet
 - ◆ Complete Identifications I.4 through I.7
 - ◆ Financial statements and references



Section B

Pre-Qualification

- Based on financial strength of a company, DNSC will determine the financial exposure limit extended to the company and weigh acceptance of requested payment terms
- With payment terms, the Government will factor the cost of money and anticipates an equitable adjustment in quoted price



Section B

PreQualification

- ◆ Notification of payment terms will be forwarded to Applicant by letter within ten (10) working days from receipt
- ◆ Re-evaluation of submittal documents and financial information will occur annually or as otherwise required
- ◆ Representations and Identifications must be renewed annually or when information changes
- ◆ Independent Pricing and Debarred/Suspended status is confirmed on Quote/Award Form (I.1)



Financial Responsibility

- * Financial Exposure Limit
Maximum level of business
- * Cash & Carry is normal payment process



Financial Responsibility Recommendation

- ◆ Establish Financial Exposure Limit for all Companies
 - ◆ Financial Position
 - ◆ Past Performance
 - ◆ References (Suppliers, Financial Institutions)
 - ◆ Credit Reports
 - ◆ Monitor Financial Risks



Subject to negotiation...

✱ **Payment Terms—** *(Up to 30 days from receipt of current complete & accurate shipping instructions)*

✱ **Negotiated – Available, if qualified**

✱ **BOA – Available, if qualified**

✱ **Payment terms are reserved for companies with solid performance & sound financial health**



Payment Methods

- Electronic Funds Transfer (wire transfer)
 - Convenient
 - Accelerates release & shipment of goods
- Company Check
- Under consideration -
Automated/Accelerated Check Processing



Please give us your feedback...



Sales Methodologies



Frequency of offers?



Length of time to formulate business decision?



Which form should we offer first?



Market Conditions



Pricing

Come visit us...

at <https://www.dnsc.dla.mil>

Defense National Stockpile Center Online Commodity Sales

Thursday, February 12, 2004

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Defense National Stockpile Center HQ Fort Belvoir, Virginia



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Get up to date information on all commodities, submit quotes, do online shipping releases.



Def

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