Congress of the United States
Washington, DC 20510

January 28, 2011

Honorable Robert M. Gates
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Gates:

We write to express concern about the availability of rare earth materials. Many of our nation's most important military systems rely on rare earths and high performance magnets. In spite of our dependency on rare earth materials for components critical to weapon system performance, over ninety-seven percent of the worldwide rare earth oxide production is based in China, leaving the United States dependent on an unreliable foreign supplier. For example, Department of Defense (DOD) officials have stated magnets required for precision weapons, like the joint direct attack munition, are sourced directly from China, and there exists no alternative supply domestically or within allied nations.

Clearly, rare earth supply limitations present a serious vulnerability to our national security. Yet early indications are the DOD has dismissed the severity of the situation to date. Based on initial discussions with the DOD Office of Industrial Policy, we understand the effort to precisely ascertain and fully comprehend DOD consumption of certain rare earth elements is still an ongoing effort. In our view, it is a fundamental responsibility of DOD Industrial Policy to have a comprehensive understanding of the security of our defense supply chain, which requires understanding detailed knowledge of the sources and types of components and materials founds in our weapon systems.

As the ultimate customer, the Department has the right and responsibility to require their contractors to provide a detailed accounting of the various rare earth containing components within their weapon systems. This information should then be aggregated into an element by element overall demand for DOD. With that knowledge, DOD could compare expected supply and demand of each rare earth element with overall consumption by the Department to identify critical vulnerabilities in our supply chain. This will enable the Department to establish policies to ensure the defense supply chain has access to those materials. For example, one policy may be for the DOD to establish a limited stockpile of rare earth alloys that are in danger of supply interruption to ensure security of supply of both metals and magnets.

Despite the uncertainty surrounding DOD consumption, DOD Industrial Policy Director Brett Lambert was recently quoted as saying, "the U.S. must only survive a few more years of

Beijing's dominance over rare earths minerals supply and pricing, then American and key allies should be able to turn the tables." He has also argued market forces will naturally bring new supply sources on-line in the foreseeable future. However, the new sources of rare earths projected to be available in the near-term are primarily light rare earths. The recent Department of Energy Critical Materials Strategy notes some of the most critical materials are heavy rare earths.

Therefore, the new sources may not alleviate supply shortages faced by DOD. Additionally, manufacturing capabilities required to convert materials into the components needed for our defense systems are virtually non-existent in the United States today and to our knowledge, no prime contractor has long-term supply agreements to ensure access in a fully secure supply chain. Given the dwindling domestic supply chain and struggle to accurately identify DOD consumption of rare earth elements, we respectfully disagree with Director Lambert's initial assessment.

Our modern technological economy, from hybrid cars to direct drive windmills to consumer electronics, requires rare earth dependent components and will impact product availability. Fully understanding the aggregate demand for rare earth materials and necessity of the demand will be essential to understanding the supply limits, the future market, and formulating U.S. policy on these materials. Therefore, we urge the Department to wholly recognize the national security implications of limited rare earth materials, define aggregate demand by requiring a full accounting of consumption by its contractors, define DOD's current and future demand for these materials by comparing usage to future years weapons inventories, and propose real solutions on rare earth availability in the report due to Congress (Section 843 of Public Law 111-383, the National Defense Authorization Act for Fiscal Year 2011). We also request the expected delivery date of this report so that we can discuss this issue in greater depth and cooperatively address this growing concern.

Sincerely,

Mark Begich
United States Senator

Lisa Murkowski
United States Senator

Mike Coffman
United States Representative