

Congress of the United States
House of Representatives
Washington, DC 20515-2802

December 20, 2011

RECEIVED
ES 140411
2011 DEC 21 AM 10:27
CHAIRMAN'S
CORRESPONDENCE UNIT

Mary L. Schapiro, Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Chairman Schapiro:

The Security and Exchange Commission's (SEC) pending regulation of the Dodd/Frank Act's Conflict-Free Minerals provision may disadvantage U.S. manufacturers by creating unwieldy, unrealistic and cost-prohibitive compliance protocols. I am requesting for the SEC strongly evaluate the true intent of the conflict-free minerals amendment by establishing realistic and transparent requirements considerate of humanitarian and economic realities as you promulgate any rule pertaining to conflict-free minerals.

Although U.S. manufacturing has led the country's economic recovery, many manufacturers are faced with continued hurdles. Regulating section 1502 of the Dodd-Frank Act will create an immediate cost disadvantage against our nine largest trading partners and *still not achieve the statute's intent: enhancing supply chain transparency.*

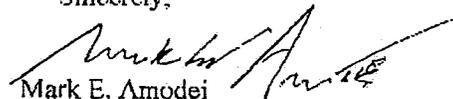
Tungsten is considered a "conflict mineral" only because *some* (a diminimis amount) of the world's supply is mined in conditions of armed conflict and human rights abuses, notably in the Democratic Republic of the Congo (DRC). Most U.S. based manufacturers do not rely on DRC sources and fully support the law's humanitarian aims. China actually controls 85% of the world's tungsten supply and it is cutting back tungsten exports, driving the price up by 130% in 2011. As a result, manufacturers identified a secondary source: recycled scrap. The use of recycled scrap material is an environmental, cost-cutting solution that helps maintain a level playing field when addressing competitive price and access issues related to raw materials. However, as with many recycled materials, tracing its original source is not possible.

Unfortunately, scrap tungsten is not specifically addressed by section 1502. The SEC's proposed rule categorizes scrap as "DRC Conflict-Free," citing formidable challenges to tracing recycled materials' lifecycle. *However, it is the understanding of Congress that the SEC may still impose full (burdensome and costly) disclosure standards.*

There are alternatives, including reconfiguring the auditing requirement\ to exempt recycled scrap from the audit or phasing-in implementation allowing materials already in the supply chain with unknown origin to be properly classified. In fact, exempting recycled scrap encourages manufacturers to engage an environmentally friendly protocol whereas including scrap in an audit may force some buyers to forgo that opportunity. For the sake of U.S. manufacturers and all its downstream customers that rely on tungsten based manufacturing tools and products, please consider these regulatory options.

I appreciate the open dialogue with your office and look forward to hearing from you soon.

Sincerely,


Mark E. Amodei