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February 15, 2017

Michael S. Piwowar
Acting Chairman
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

RE: COMMENTS ON RECONSIDERATION OF DODD-FRANK SECTI0N 1502, THE CONFLICT MINERALS RULE

Acting Chairman Piwowar:

The National Association of Wholesaler-Distributors (NAW) is pleased to submit this comment letter in response to your January 31st, 2017 statement regarding Section 1502 of Dodd-Frank and your direction to the SEC staff to "reconsider whether the 2014 guidance on the conflict minerals rule is still appropriate and whether any additional relief is appropriate." For the reasons stated below, NAW encourages the SEC to take quick action and rescind this counter-productive, burdensome and costly regulation.

Introduction:

NAW is the "national voice of wholesale distribution," an association comprised of employers of all sizes, and national, regional, state and local line-of-trade associations spanning the $5.6 trillion wholesale distribution industry that employs more than 5.9 million workers in the United States. Approximately 40,000 enterprises with places of businesses in all 50 states and the District of Columbia are affiliated with NAW.

We commend you for re-opening the debate on the conflict minerals rule, and for providing the opportunity for affected companies and industries to provide comment on the rule and the unnecessary and unproductive burden it has placed on many businesses of all types and sizes, **not just SEC-reporting publicly-traded companies.**

NAW member companies both sell to and purchase from the manufacturing sector, and move through the supply chain most, if not all, of the products that are impacted by the conflict minerals rule. We have heard from a broad spectrum of NAW members about this rule, from the obvious distributors of electrical supplies, high-tech products and industrial materials to the grocery industry distributors whose product lines include canned goods.

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The concerns expressed to us by NAW members are repeated across all impacted commodity lines: The cost of compliance with the conflict minerals rule is prohibitive, the data required for compliance is generally not readily available to wholesaler-distributors and is often not available at all, their relationships with their vendors have become strained as a result of their efforts to obtain that information, and their relationships with their customers are equally strained as the customers demand data the distributors do not have and frequently cannot obtain.

The cost of compliance with the rule is particularly harmful to wholesaler-distributors, whose average after-tax profit is about 2 percent. With such slim profit margins, resources necessary to meet Section 1502 compliance costs inevitably have to be diverted from other purposes more essential to business profitability. The frustration NAW members express about their efforts to comply with a costly and ineffective rule is reinforced by the consistent reports that the regulation has not measurably helped those it was intended to help, and in fact may have done more harm than good.

Impact of the Rule on Distribution Industry Companies:

One NAW member, an industrial supply company, told us that their compliance costs have been substantial: They have hired one full-time employee to manage their program at a cost of about $125,000, and have incurred $250,000 in "legal fees and disbursements to prepare, due diligence and make the annual filing."

And this company reports significant non-dollar costs of compliance:

> In addition, compliance with the regulation has strained our relationships with our customers and suppliers. We have to constantly reach out to our 4,000 suppliers for the necessary information, which they don't want to provide and in many cases do not have. In addition, our public company customers have to constantly reach out to us to attempt to obtain the necessary information about the products we sell them. As we do not have complete information from our suppliers, our customers find this very frustrating.

Another NAW member similarly expressed frustration with the cost and difficulty of compliance with the rule:

> From the second half of 2012 through much of 2013, we spent substantial time and incurred significant expense evaluating the requirements of the SEC's Conflict Mineral Rule, its potential application to our businesses, and its potential impact on our supplier and customer relationships. We engaged outside counsel and incurred significant legal and internal expense as part of this effort in an attempt to determine how the Rule would be applied to distributors. We spent substantial internal resources investigating our product portfolio. We developed a Conflict Mineral Policy. We passed the requirements of that policy on to thousands of our product suppliers. We also engaged a third-party to conduct supplier surveys and developed processes and devoted dedicated resources to respond to customer inquiries, which were initially very challenging because of the lack of a clear understanding on the part of many customers concerning the requirements of the SEC rule and its applicability to their business with us.

Another NAW member company, an electrical supply company, had a similar experience in terms of the cost and difficulty of compliance, noting the particular difficulty a non-public company faces in its interactions with SEC-reporting companies:

> [Our company] has been profoundly and negatively impacted by the Dodd-Frank Act. The level of burden this puts on non-SEC reporting companies like ours is breathtaking and overwhelming. The law has been misunderstood due to its complexity and ambiguity. It has caused the interaction with SEC reporting firms, and all that support them, to be caught up in a vortex of reporting requirements.

This company reports that its customers' demands for compliance reports are overwhelming and illogical:

> The companies we have as customers push the law's requirements downhill with no regard to the type of items in the request. They rigorously request a compliance CMRT from every company that sold any products to their firm. They impose this requirement regardless of whether the item was an MRO item or a finished goods product component.

This company provided us with a detailed example of a request they had received from a plastic manufacturer which purchased just $4,800 in electrical supplies from them last year. Their customer demanded compliance reports on virtually every item in the purchase order, most of it basic electrical supplies with little or no connection to conflict minerals or the countries which mine them. Further, the materials were not going to be used as part of a manufacturing process, but were to be used in maintaining the manufacturers' equipment or facilities, despite the fact that material purchased for internal company use is specifically not covered by the rule.

The NAW member company described the process engaged in by their customers as "carpet bombing" in an overly-zealous effort to comply with an ill-conceived rule. As a result of the demands of their customers for compliance reports on an unnecessarily-broad array of products, the company is required to "contact every supplier, receive an updated CMRT declaration from them, and roll up those reports into the finished CMRT we must produce to comply with the customer's request."

And according to this company, "We distribute products made by manufacturers, we make no products, yet are forced into the complex execution of this law. Each year the requirements for compliance have moved from archaic, to Byzantine, and now to the bizarre."

Another NAW member company reports similar challenges with compliance with the rule. Like the previously-cited company, they report that although the rule only applies to materials involved in the manufacturing process, "some customers have adopted a policy of applying the rule across all of the materials purchased regardless of the use, which has expanded the scope of diligence and reporting."

This company also noted that the rule imposes additional challenges on wholesaler-distributors as opposed to the manufacturers it is intended to cover. Specifically, distributors have to rely on their suppliers or manufacturers for the data, which is often not provided in the CMRT format. Moreover, their customers often ask that they (the distributor) submit the CMRT rather than accepting the CMRT from the manufacturer, and further ask that they submit only one CMRT across everything that they sell to that customer regardless of how many manufacturers they sourced the material from.

This company also noted that:

> Many non-public manufacturers, even minority owned, disadvantaged, small and large family-owned businesses, are being required to provide the information when they have a public company customer (directly or through distribution), and they are burdened with completing their own investigations into their supply chain. Resources are consumed in the process, which restricts growth in other areas – such as the ability to do business and create jobs.

Finally, this company commented on the reports that the conflict minerals rule may have worsened the plight of the people it was intended to help, further complicating compliance, because "that assessment has been publicly available for a considerable amount of time, making this regulation especially unpopular and difficult to push out to our suppliers."

Conclusion:

Distribution companies are conscientious employers who consistently focus on the well-being of their employees/associates. As such they are not immune to the horror stories of poverty, misery and abuse in some of the mines of the Congo and surrounding areas and in the conflicts that the profits from those mines are said to help finance.

Proponents of the conflict minerals rule, particularly lead advocate group *The Enough Project* and their partners, claim that the conflict minerals rule has had the desired effect – that the number of conflict-free mines has risen and the plight of the mine workers significantly improved.

However, there is substantive and authoritative reporting that suggests that the plight of the miners in the Congo and neighboring countries has not only not improved, it has worsened.

In November, 2014, the Washington Post published a story with the headline: "*How a well-intentioned U.S. law left Congolese miners jobless/Critics say the U.S. Dodd-Frank Act has played a role in mine closures and low mineral prices, depriving millions of Congolese miners and their families of an adequate living."*

The story goes on to report that "[T]he legislation . . . set off a chain of events that has propelled millions of miners and their families deeper into poverty, according to interviews with miners, community leaders, activists, and Congolese and Western officials, as well as recent visits to four large mining areas." Tragically, some of the displaced miners, now without any other source of income, are joining the very militias the rule hoped to curtail.

On February 2, 2015, *Foreign Policy* published a lengthy report entitled "*How Dodd-Frank is Failing Congo/ The campaign to stop conflict minerals is supposed to be protecting people's lives in one of the most fragile parts of Africa. In fact, it seems to be doing the opposite."*

In the article, author Lauren Wolfe wrote that: "At the root of this dilemma is a series of loudly propagated myths about what is going on in Congo's mines . . . It is high time these myths were dispelled."

These high-profile stories reporting on the failure of Section 1502 to accomplish its positive mission are not lost on U.S. companies which are diverting scarce resources from their businesses to attempt to comply with the misguided conflict minerals rule.

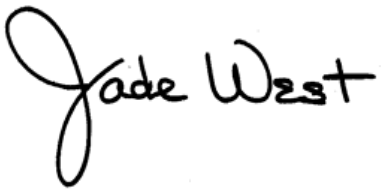
As the industrial distributor cited at the beginning of this comment letter stated:

> *Finally, our understanding is that the conflict minerals regulation has had the substantial, unintended consequence of causing companies not to purchase 3TG from the conflict region, further plunging them into poverty. A lot of time, effort and money has been spent to make people in the conflict region poorer than they already were.*

It is clearly time to review the impact of this rule both on targeted areas of Africa and on U.S. companies, and to revise or rescind it if it is imposing significant cost on the economy of the United State while doing harm to impoverished miners in Africa.

Again, we commend you for re-opening the discussion on this subject, and appreciate the opportunity to submit this comment letter on behalf of NAW and our member companies.

Respectfully Submitted,



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