

Army Regulation 700–90

Logistics

**Army
Industrial
Base
Process**

**Headquarters
Department of the Army
Washington, DC
30 January 2020**

UNCLASSIFIED

SUMMARY of CHANGE

AR 700–90

Army Industrial Base Process

This expedited revision, dated 30 January 2020--

- o Adds a paragraph on records-management requirements (para 1–5).
- o Updates responsibilities (paras 2–1*k*, 2–8, 2–9*d*(4), 2–9*i*, 2–9*s*, 2–12*e*, and 2–12*k*).
- o Adds responsibilities (paras 2–1*q* through *s*, 2–4, 2–5*h*, 2–9*t*, 2–9*u*, and 2–12*l*).
- o Adds new policies on using Army factories and arsenals, depot-maintenance-workload distribution and reporting, and make-or-buy analysis for Army programs of record (paras 2–12*a*, 2–12*r*, and 3–7, respectively).
- o Incorporates Department of Defense Instruction 5230.24 (para 3–11).
- o Updates information on Defense Production Act compliance programs (paras 4–2 through 4–4).
- o Adds risk-assessment guidance (para 5–8*t*).
- o Expands minimum sustaining manufacturing workload guidance (para 5–9*b*).
- o Adds a timeline for updating critical manufacturing capabilities and a website address for sharing approved capabilities (paras 5–9*c* and *d*).
- o Updates operation and maintenance, Army industrial preparedness operations (para 6–3*f*).
- o Updates industrial mobilization capacity policy and adds a policy on waivers to AR 700–90 for program managers to assess private industry potential as part of an industrial mobilization capacity requirement submission (para 6–4).
- o Updates industrial base websites (app F).
- o Updates internal-control evaluation test questions (app para G–4).

Logistics

Army Industrial Base Process

By Order of the Secretary of the Army:

JAMES C. MCCONVILLE
General, United States Army
Chief of Staff

Official:


KATHLEEN S. MILLER
Administrative Assistant
to the Secretary of the Army

Title 10, United States Code; DODD 4200.15; DODD 4275.5; DODD 4400.01E; and DODI 5000.60.

Applicability. This regulation applies to the Regular Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve, unless otherwise stated.

Proponent and exception authority.

The proponent of this regulation is the Assistant Secretary of the Army (Acquisition, Logistics and Technology). The proponent has the authority to approve exceptions or waivers to this regulation that are consistent with controlling law and regulations. The proponent may delegate this approval authority, in writing, to a division chief within the proponent agency or its direct reporting unit or field operating agency, in the grade of colonel or the civilian equivalent. Activities may request a waiver to this regulation by providing justification that includes a full analysis of the expected benefits and must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to

the policy proponent. Refer to AR 25–30 for specific guidance.

Army internal control process. This regulation contains internal control provisions in accordance with AR 11–2 and identifies key internal controls that must be evaluated (see appendix G).

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (SAAL–IB), 2800 Crystal Drive, Arlington, VA 22202–3911.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms), directly to Assistant Secretary of the Army (Acquisition, Logistics and Technology) (SAAL–IB), 2800 Crystal Drive, Arlington, VA 22202–3911.

Distribution. This publication is available in electronic media only and is intended for the Regular Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve.

History. This publication is an expedited revision.

Summary. This regulation implements Army objectives and policies regarding national policy on the national technology and industrial base. This regulation focuses on the manufacturing industrial base and policies associated with assessing its ability to effectively support operation, surge, and sustainability. This regulation implements Sections 2208, 2440, 2464, 2466, 2469, 2474, 2500, 2501, 2503–2506, 2535, 2563, 4151, 4532, 4541–4544, and 4551–4555,

Contents (Listed by paragraph and page number)

Chapter 1

Introduction, page 1

Purpose • 1–1, page 1

References and forms • 1–2, page 1

Explanation of abbreviations and terms • 1–3, page 1

Responsibilities • 1–4, page 1

Records management (recordkeeping) requirements • 1–5, page 1

Industrial base vision • 1–6, page 1

Overarching industrial base strategy • 1–7, page 1

General industrial base policy • 1–8, page 2

Chapter 2

Responsibilities, page 3

Assistant Secretary of the Army (Acquisition, Logistics and Technology) • 2–1, page 3

Assistant Secretary of the Army (Financial Management and Comptroller) • 2–2, page 4

Assistant Secretary of the Army (Installations, Energy, and Environment) • 2–3, page 4

Deputy Chief of Staff, G–2 • 2–4, page 4

*This publication supersedes AR 700-90, dated 18 June 2018.

Contents—Continued

Deputy Chief of Staff, G-3/5/7 • 2-5, *page 4*
Deputy Chief of Staff, G-4 • 2-6, *page 5*
Deputy Chief of Staff, G-8 • 2-7, *page 5*
Deputy Chief of Staff, G-9 • 2-8, *page 5*
The Commanding General, U.S. Army Materiel Command • 2-9, *page 6*
Commanding General, U.S. Army Space and Missile Defense Command • 2-10, *page 7*
Commanding General, U.S. Army Corps of Engineers • 2-11, *page 7*
Program executive officers, program, project, and/or product managers • 2-12, *page 7*

Chapter 3

Industrial Base Assessments and Planning, *page 9*

General • 3-1, *page 8*
Requirements • 3-2, *page 9*
Industrial base integration into the acquisition process • 3-3, *page 9*
Industrial capabilities assessments • 3-4, *page 9*
Industrial preparedness planning list • 3-5, *page 10*
Production base plan • 3-6, *page 10*
Make-or-buy policy • 3-7, *page 10*
Public-private partnering at Government-owned, Government-operated industrial installations • 3-8, *page 11*
Diminishing manufacturing sources and materiel shortages • 3-9, *page 12*
Restricting acquisition to establish or protect the industrial base • 3-10, *page 13*
Security • 3-11, *page 13*
Merger assessment • 3-12, *page 13*

Chapter 4

Defense Production Act Programs and National Defense Stockpile, *page 14*

General • 4-1, *page 14*
Defense Production Act Title I program • 4-2, *page 14*
Defense Production Act Title III program • 4-3, *page 14*
Defense Production Act Title VII program • 4-4, *page 15*
National defense stockpile of strategic and critical materials' authority • 4-5, *page 15*

Chapter 5

Management of Government-Owned Production Industrial Base, *page 15*

General • 5-1, *page 15*
Justification for Army-owned industrial facilities • 5-2, *page 15*
Sizing industrial capacity • 5-3, *page 16*
Government-furnished property • 5-4, *page 16*
Ammunition-peculiar equipment • 5-5, *page 16*
Capital investments • 5-6, *page 16*
Phase-down of Government-owned property • 5-7, *page 17*
Commercial use of Government-owned industrial installations • 5-8, *page 17*
Arsenal critical manufacturing capabilities and minimum sustaining manufacturing workload • 5-9, *page 18*

Chapter 6

Funding the Army Industrial Base Activities, *page 18*

General • 6-1, *page 18*
Government-owned contractor-operated facility projects • 6-2, *page 18*
Operation and maintenance, Army-industrial preparedness operations • 6-3, *page 19*
Army industrial mobilization capacity • 6-4, *page 19*
Disposal of excess government-owned industrial facilities (operation and maintenance, Army-Installation Program Evaluation Group, Management Decision Package "EXCS," Program Element 131079N00) • 6-5, *page 19*
Dual-use science and technology • 6-6, *page 20*
Manufacturing technology (research, development, test, and evaluation) • 6-7, *page 20*
Procurement appropriation hardware • 6-8, *page 20*
Production base support program • 6-9, *page 20*

Contents—Continued

Military construction, Army Program • 6–10, *page 21*

Sale and out-lease account • 6–11, *page 21*

Operations and maintenance, Army, environmental restoration, Army account • 6–12, *page 22*

Defense Production Act, Title III account • 6–13, *page 22*

Depot maintenance • 6–14, *page 22*

Appendixes

A. References, *page 23*

B. Department of Defense Instruction 5000.60 Excerpt: Industrial Capabilities Assessments Criteria, *page 29*

C. Business Strategy, *page 30*

D. Federal Acquisition Regulation Policy on Providing Facilities, *page 35*

E. Synopsis of Public-Private Partnering Authorities Available to Government-Owned, Government-Operated Industrial Installations, *page 36*

F. Industrial Base-Related Websites, *page 39*

G. Internal Control Evaluation, *page 41*

Glossary

Chapter 1 Introduction

1–1. Purpose

This publication establishes Headquarters, Department of the Army (HQDA) basic policies and responsibilities governing management and operation of the Army industrial base, both commercial and Government-owned (organic), including production and depot maintenance operations. It is intended to provide a framework for integrating industrial base considerations into Army planning to include identifying, developing, and sustaining the industrial base. It also includes Army policy for the following activities: market research, industrial capabilities assessment (ICA); Defense Priorities and Allocations System (DPAS); Defense Production Act (DPA), Title I, Title III, and Title VII; strategic and critical materials; managing Army industrial equipment, plant equipment packages, and Army Reserve plants; production base support; selected production engineering; public-private partnerships, and related programs.

1–2. References and forms

See appendix A.

1–3. Explanation of abbreviations and terms

See the glossary.

1–4. Responsibilities

Responsibilities are listed in chapter 2.

1–5. Records management (recordkeeping) requirements

The records management requirement for all record numbers, associated forms and reports required by this regulation are addressed in the Army Records Retention Schedule—Army (RRS–A). Detailed information for all related record numbers, forms, and reports are located in ARIMS/RRS–A at <https://www.arims.army.mil>. If any record numbers, forms, and reports are not current, addressed, and/or published correctly in ARIMS/RRS–A, see DA Pam 25–403 for guidance.

1–6. Industrial base vision

The industrial base vision is a complementary and synergistic industrial base (commercial-owned and Government-owned) that has the capability and capacity to satisfy the Joint Warfighter’s materiel requirements in peacetime, wartime, and during national emergencies. Materiel must be available, reliable, sustainable, and affordable.

1–7. Overarching industrial base strategy

a. In the acquisition of materiel, the Army should employ life cycle strategies that effectively use market research of worldwide capabilities and capacities to achieve a responsive, innovative, and efficient industrial base.

b. Recognize the inherent advantages of competition and commercial capability and capacity to meet the Army’s materiel needs to the maximum extent practicable. Establish organic core depot-level maintenance and repair capacity as an essential component to meet national defense requirements. Focus organic industrial capability on mitigating the risk associated with reliance on private sector capacity. An essential nucleus of organic capacity will be established and sustained in compliance with statutory mandates and readiness requirements.

c. Utilize public-private partnering (PPP), as permitted by statutes or other authorities, when appropriate to ensure a healthy, capable, and efficient industrial base.

d. Provide a comprehensive and continuous program for the future safety and for the defense of the United States by providing adequate measures whereby the private sector and an essential nucleus of Government-owned industrial activities and depots can supply the needs of the armed forces in time of national emergency. This essential nucleus is mandated by several statutes, most notably Section 2535, Title 10, United States Code (10 USC 2535), that states the intent of Congress to maintain a comprehensive and continuous program to provide for such defense measures. The statute establishes that to the maximum extent practicable, reliance will be placed upon private industry for support of defense production, yet government industrial manufacturing capability for production of critical items may be maintained to provide production capacity not available in private industry or to assist private industry in time of national disaster.

1–8. General industrial base policy

a. The Army's industrial base process assesses the critical sectors of the national technology and industrial base (NTIB) (see para 3–4). The assessment will discuss global capacity and capability, cost, and technology risk in the market research.

b. The primary focus is the ability of the production and maintenance industrial base to support Future Years Defense Program (FYDP) and surge requirements. This focus includes surge planning and contracting (see para 3–2a(1)(c) and para C–17).

c. The secondary focus is the ability of the industrial base to support requirements above FYDP and surge requirements (for example, emergency actions and contingencies).

d. Consistent with 10 USC 2535, rely, to the maximum extent practicable, upon the commercial NTIB to meet the national security objectives in paragraphs 1–7b and 1–7c. Reduce reliance on technology and industrial base sectors that are economically dependent on DOD business, and reduce barriers to use of commercial processes, products, and standards (see 10 USC 2501(b)).

e. Statutes for core logistics and depot-level maintenance and repair are a notable exception to the rule of reliance on the private sector to the maximum extent possible. Organic base government-owned, government-operated facilities will be sized, and capabilities will be determined, through core methodology for military weapon systems and equipment, in accordance with 10 USC 2464 (see Army Regulation (AR) 750–1). Logistics capabilities determined to be core will be present in the organic base no later than 4 years after achieving initial operational capability. Not more than 50 percent of funds made available in a fiscal year (FY) to the Department of Defense (DOD) for depot-level maintenance, and repair may be used to contract with non-Federal Government personnel, pursuant to 10 USC 2466 unless a waiver is approved by the Secretary of Defense.

f. When market research reveals a problem with supplying Warfighter's needs, an ICA will be accomplished using criteria at appendix B. This assessment will address both public and private sources. Policy for furnishing government-owned facilities to contractors is in appendix D. Authority for retaining reserve capacity is 10 USC 2535.

g. Factories or arsenals owned by the United States will be used when economically feasible to manufacture items needed by the Department of the Army (DA), in accordance with 10 USC 7532 (see para 3–7). Arsenals will maintain critical manufacturing capabilities (CMC) through minimum sustaining manufacturing workload (MSMW) (see para 5–9).

h. Several statutes authorize Army industrial installations to enter into legally binding agreements to sell goods and services or enter partnering agreements with commercial entities. All of these authorities must be evaluated to ensure the agreements yield a benefit to the Army, not just the installation (see para 3–8 and app E).

i. Consolidate missions onto organic industrial installations to minimize infrastructure costs. This may require locating multiple and Joint Service missions on the same installation. Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA (ALT)) will approve realignment of industrial missions unless the action must comply with the Base Realignment and Closure (BRAC) legislation (see 10 USC 2687). The BRAC process may study any organic production or maintenance installation and recommend realigning capability. If those recommendations are adopted, they will have the force and effect of law. Maintain efficient organic industrial base capabilities and capacity that provide superior customer service to the Joint team by adopting sound business management strategies, constantly trying to improve quality and efficiency of process outputs, modernizing facilities, and proactively teaming with commercial industry via PPP (see para 3–8). If consolidated missions justify it, the installation commander will request a name for the installation that best describes the current missions. The process for renaming an installation will use the same channels as used for memorializations (see AR 1–33).

j. Organic Government technical expertise will be nurtured such that the Army is not overly dependent on any particular supplier. Government partnership with a single source supplier is an effective method to establish in-house capability. This in-house capability is essential to enable the Army to conduct a future competition, when that competition is in the best interest of the Army (see para C–11).

k. Army ownership of industrial property will be assessed for divestiture. When needs no longer exist to own capability, plans will be developed to—

(1) Dispose of the excess property in accordance with DODD 4275.5, AR 405–45, and AR 405–90.

(2) Justify why retained property is needed for peacetime and emergency requirements and will include how the property will be kept efficient and relevant.

(3) Dispose of Government-furnished property (GFP) with an acquisition cost less than \$5,000 at Government-owned, contractor-operated (GOCO) and contractor-owned, contractor-operated (COCO) facilities unless each item can explicitly demonstrate characteristics listed in appendix D.

l. Integrate industrial base planning into all phases of the acquisition system's life cycle. Relevant information will be gathered and maintained in order to describe the current industrial base, identify critical sectors and producers, document major shortfalls, identify trends, recommend corrective actions, and identify areas of concern for further study based on

future armed forces requirements, if needed. Risk analysis, using industrial capability criteria in the excerpt from Department of Defense Instruction (DODI) 5000.60 will help make sound affordability decisions (see app B).

m. Products and services will be acquired competitively from the private sector unless authorized or required by statute (see paras 3–7, 3–8, and 3–10).

n. Depot-level maintenance and repair workload assigned to a Government-owned, Government-operated (GOGO) will continue at that GOGO unless changed in accordance with 10 USC 2469. Depot-level maintenance and repair workload that is in excess of \$3 million (including the cost of labor and materials) and is being performed by a depot-level activity of the DOD may not be changed to performance by another depot-level activity of the DOD or performance by a contractor unless the change is made using:

(1) Merit-based selection procedures for competitions among all depot-level activities of the DOD; or
(2) Competitive procedures for competitions among private and public sector entities. Office of Management and Budget Circular A–76 (or any successor administrative regulation or policy) does not apply to the change of depot-level maintenance and repair workload.

o. The Army will define and effectively manage the environmental impact during acquisition, use, and disposal of Government-owned industrial facilities.

p. Depots will shape themselves using core metrics to ensure that they have the right number of workers and/or skillsets to maintain workload on standard Army systems. Core determination is based on density of supported Army equipment and frequency and level of repair of that equipment. Army depots should be designated Center for Industrial and Technical Excellence (CITE) in their core competency (see 10 USC 2474).

Chapter 2 Responsibilities

2–1. Assistant Secretary of the Army (Acquisition, Logistics and Technology)

ASA (ALT) will—

- a.* Establish policy and goals for the Army Industrial Base Program.
- b.* Establish an industrial base metric scheme in conjunction with program executive officers (PEOs); program, product, and/or project managers (PMs); U.S. Army Materiel Command (AMC); and U.S. Army Space and Missile Defense Command (SMDC). The metric scheme will measure the ability of the industrial base to support acquisition and sustainment functions as they affect the readiness of Army materiel. ASA (ALT) will evaluate the Army’s performance against the metrics.
- c.* Serve as the Army’s focal point for the annual DOD report to Congress mandated in 10 USC 2504.
- d.* Evaluate industrial deficiencies and/or problems in conjunction with the Deputy Chief of Staff (DCS), G–3/5/7 and DCS, G–4 and assign the lead for selected assessment of industrial capacity to PEOs, AMC, or the SMDC depending on the scope of problems and assessments. The PEO will use program funds. The AMC will use the industrial preparedness operations (IPO) account to fund assigned assessments (see para 6–3).
- e.* Approve determination and findings of GOCO facility projects valued at \$10 million or less and validate and forward GOCO facility projects valued at over \$10 million to the Under Secretary of Defense (Acquisition and Sustainment) for approval (see para 6–2).
- f.* Ensure a centralized and uniform review and control of industrial facility projects regardless of fund source (for example, research, development, test and evaluation (RDT&E), procurement appropriations (PA), and operation and maintenance, Army (OMA) (see DODD 4275.5)). The Deputy Assistant Secretary of the Army (Acquisition Policy and Logistics) must approve resource requests that involve exceptions to industrial base policy.
- g.* Assess annually which GOCO factories and idle equipment for COCO factories require recertification for continued retention in accordance with DODD 4275.5. Evaluation will be conducted with all key members of the materiel enterprise.
- h.* Provide interface with the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff, and other Services on Joint industrial base matters.
- i.* Ensure Army elements evaluate the ability of the industrial base to support transitioning to the future force structure.
- j.* Review and approve industrial base procedures that are to be added to the Army’s AMC industrial base Website available at <https://ibwebportal.ria.army.mil/>.
- k.* Review the PEO or milestone decision authority (MDA) make-or-buy executive summary (EXSUM) to validate whether Army materiel will be manufactured in an Army arsenal (make) or procured commercially (buy). These make-or-buy analyses are accomplished under the authority of 10 USC 7532
- l.* Serve as the Army’s point of contact to OSD on the impact of proposed defense industry mergers and acquisitions, to include foreign direct investments and coordinate with Headquarters, AMC and applicable PEOs (see para 3–12b).

m. Serve as the single manager for conventional ammunition (SMCA) (DODD 5160.65), consistent with the applicable delegation of authority or charter. This includes the authority, in accordance with Section 806, Public Law 105–261, and 10 USC 2304, to limit specific procurements of conventional ammunition to sources within the NTIB when such limitation is necessary to maintain a facility, producer, manufacturer, or other supplier available for furnishing an essential item of ammunition, or ammunition component, in case of national emergency or to achieve industrial responsiveness.

n. Manage the Army’s Manufacturing Technology (ManTech) Program.

o. Nominate key assets in the defense industrial base (DIB) critical infrastructure list for the Defense Logistics Agency (DLA) to analyze for protection, under the requirements of DODD 3020.40. Army Defense Critical Infrastructure Program efforts will be coordinated with the DCS, G–3/5/7 for Army-owned or Army-operated DIB assets in accordance with AR 525–26.

p. Provide programming guidance to PEOs, PMs, and item managers for ICAs, based on priorities validated by DCS, G–3/5/7 and DCS, G–4. The PEOs, PMs, and item managers will base their budget and program objective memorandum (POM) submissions to DCS, G–8 on this guidance and the industrial base’s ability to successfully execute.

q. Exercise DPAS authority for the Army (see para 4–2a(2)).

r. Serve as the Army coordinating office for DPA Title III cases and DPA Title VII cases (see paras 4–3a and 4–4b).

s. Establish policy to develop and validate industrial mobilization capacity (IMC) requirements.

2–2. Assistant Secretary of the Army (Financial Management and Comptroller)

The ASA (FM&C) exercises comptroller functions and manages financial activities and operations. ASA (FM&C) will—

a. Prepare the Army’s industrial base budget estimates.

b. Oversee cost and economic analysis function and Planning, Programming, Budgeting, and Estimating System activities in support of systems acquisitions.

c. Advise PEOs and/or PMs and Army commands on deadlines for program and budget requests.

d. Issue policy on the Army management structure and the sale of Army assets (see Defense Finance Accounting System (DFAS)–IN Manual 37–100).

2–3. Assistant Secretary of the Army (Installations, Energy, and Environment)

ASA (IE&E) will—

a. Provide Army policy on real property, installation management, safety, energy, security, and environmental management.

b. Act on requests to remove excess industrial installations that are identified as no longer needed for a materiel mission. This includes screening Army and other DOD Services for reutilization, transferring the real estate to other defense entities with a need, or obtaining Secretary of the Army approval to declare the installation excess to the Army’s need. When applicable, these actions must comply with 10 USC 2687.

2–4. Deputy Chief of Staff, G–2

DCS, G–2 will—

a. Provide pertinent information to the ASA (ALT) to develop the Army’s position on cases presented to the Committee on Foreign Investments in the United States (CFIUS) (see paras 4–4b and 4–4c).

b. Participate with DCS, G–3/5/7 on issues that include critical infrastructure protection, physical security, and anti-terrorism.

2–5. Deputy Chief of Staff, G–3/5/7

DCS, G–3/5/7 will use the Chairman of the Joint Chief of Staff Instruction (CJCSI) 5123.01H to—

a. Provide guidance on materiel requirements and validate, approve, and prioritize requirements for ICAs. This includes guidance and prioritization regarding identified shortfalls, surge, replenishment, reconstitution, and identified contingencies.

b. Plan for analysis of industrial base responsiveness during exercise play.

c. Develop and publish priorities for hardware programs, war reserve stocks, and industrial preparedness measures that support war reserve and replenishment objectives.

d. Develop requirements for Class V (munitions) and Class VII (major end items).

e. Develop and maintain the Department of the Army critical items list (DACIL).

f. Review ICAs as they pertain to augmentation of war reserve stocks.

g. Provide Army Protection program and policy information to include critical infrastructure protection, physical security, antiterrorism, and emergency management related to the defense industrial base to ASA (ALT) (SAAL-IB), when requested.

h. Provide pertinent information to the ASA (ALT) to develop the Army's position on mergers, acquisitions, or takeovers presented to the CFIUS (see paras 4-4*b* and 4-4*c*).

2-6. Deputy Chief of Staff, G-4

DCS, G-4 will—

a. Evaluate logistics program for opportunities to improve readiness and sustainability with industrial preparedness measures.

b. Review ICAs as they pertain to sustainability and augmentation of war reserves under their purview.

c. Assist the DCS, G-3/5/7 staff to develop guidance on materiel requirements for logistics planning.

d. Manage the industrial mobilization capacity and IPO accounts. Use the DCS, G-3/5/7 priorities to prepare program and budget guidance for these assigned accounts. This includes POM and budget requests that affect industrial base budget lines.

e. Develop and publish requirements for those classes of supply under the DCS, G-4's purview, indicate priorities, and prepare guidance, such as end of POM, near-term combatant commanders' shortfalls, surge, replenishment, reconstitution, and contingencies.

f. Serve as the Army's point of contact for the Defense Strategic and Critical Materials and National Stockpile Program.

g. Support the ASA (ALT)—

(1) By establishing policy and goals for the depot maintenance industrial base.

(2) In developing metrics for the depot maintenance industrial base. Report performance of depot maintenance against the metrics.

(3) In matters relating to depot maintenance industrial base with the OSD, the Joint Chiefs of Staff, and other Services.

h. Develop the Depot Maintenance Requirements Plan (OP-30) in coordination with AMC and the ASA (ALT) and submit for funding to the sustainment program evaluation group (PEG).

i. In coordination with DCS, G-3/5/7, help AMC to develop and validate future core requirements.

2-7. Deputy Chief of Staff, G-8

DCS, G-8 will—

a. Receive and process the PEOs', PMs', and item managers' budget and POM submissions for ICAs.

b. Identify unfunded requirements for programs. ASA (ALT) will ensure PEOs and/or PMs and item managers certify that industrial base capacity can surge to execute unfunded program quantities before the Army Chief of Staff and PEG managers approve the unfunded requirements.

2-8. Deputy Chief of Staff, G-9

The DCS, G-9 is the principal military advisor to the ASA (IE&E) on a broad array of programs, including management of facilities and infrastructure, environmental programs, housing, installation logistics, public and private partnerships, and energy and water security and sustainability. The DCS, G-9 is the principal Army Staff advisor to the Chief of Staff of the Army on installation and Family support matters. The DCS, G-9 also acts as the agent of the Secretary of the Army to carry out approved plans and recommendations. DCS, G-9 will—

a. In coordination with the ASA (IE&E), ASA (FM&C), and ASA (M&RA), plan, develop, implement, resource, oversee, and evaluate the execution of strategies, policies, plans, and programs for the delivery of installation services and infrastructure to support readiness. The DCS, G-9 is assigned responsibility for planning, developing policy, resourcing, implementing, and evaluating installation management operations, facilities' investment, environmental programs, excess installation property, real property management, master planning, Joint basing, and energy and water security, sustainability, installation safety, and installation logistics in coordination with the ASA (IE&E). The DCS, G-9 will also ensure the execution of approved operational programs for the reorganization, realignment, and closure of installations in coordination with the ASA (IE&E).

b. Approve of, and coordinate for, disposal of non-BRAC excess real property.

c. Ensure real property accountability and reporting is overseen at special installations (see AR 405-45).

d. Oversee proponent implementation and execution of the National Environmental Policy Act (NEPA) requirements (32 CFR Part 651).

2–9. The Commanding General, U.S. Army Materiel Command

CG, AMC will—

a. Ensure that agreements for providing matrix support to PEOs and PM address all aspects of industrial base planning and support.

b. Conduct ICAs and risk assessments for assigned commodities. Perform surge planning to enable accelerated production and maintenance of assigned items (see para C–17).

c. Conduct “selected assessments” of industrial base capacity based on taskings from the ASA (ALT) using IPO funds. To ensure a common operating picture, coordinate with other Services, DLA, Department of Commerce, other agencies, and industry to gather information required for evaluating the ability of the industrial base to respond to military materiel needs as well as for homeland defense.

d. Exercise command and control over Army GOGO production installations consistent with PEO and/or PM industrial base support agreements. This includes the following:

(1) Developing and implementing a strategy, in collaboration with affected PEOs, to assure facilities are modernized, as necessary to enhance operational effectiveness and efficiencies. Capital investment policy is in chapter 5, and if direct funding is justified, chapter 6 has guidance for programming Production Base Support Program (PBSP) or application of production funds. Execute PBSP projects. Coordinate with U.S. Army Corps of Engineers (USACE) on construction projects as appropriate. The AMC installation commander will supervise a staff that will be held accountable to common real property standards (see AR 210–20), installation design standards, and Army baseline standards.

(2) Planning, programming, and budgeting activities for IPO, and industrial mobilization capacity (IMC) funding (see paras 6–2 and 6–3). Coordinate appropriate program elements of IPO and IMC with PEOs and PMs that benefit from the industrial base planning and production capacity.

(3) Matching materiel requirements from all customers and foreign military sales to industrial capacity.

(4) Prepare make-or-buy analysis for systems in sustainment, and coordinate with applicable PEOs and/or PMs with life cycle responsibility. For new weapon systems acquisition or program modifications, ensure arsenals fully participate in the make-or-buy process, in accordance with paragraph 3–7.

e. Exercise command and control over Army GOCO production installations. This includes the following:

(1) Performing contracting functions for materiel development, production missions, and, installation functions; executing PBSP projects, in accordance with industrial base support agreements with individual PEOs; and ensuring contracts are in support of program acquisition strategies, capital investment policy in chapter 5, and paragraphs 2–11*d* and 2–11*f*. Fully coordinate with PEOs on GOCO facility projects.

(2) Implementing Armament Retooling and Manufacturing Support (ARMS) partnering programs at GOCO ammunition plants, in accordance with paragraph 5–8, and PEO and/or PM support agreements (see 10 USC 2472, 10 USC 2474, 10 USC 7551, 10 USC 7552, 10 USC 7553, 10 USC 7554, and 10 USC 7555).

f. Develop and implement a phase-down of ownership plan for Army-owned production installations that have been declared excess by the materiel enterprise in coordination with applicable PEOs and/or PMs. The phase-down of ownership plan will be consistent with acquisition plans for affected programs (see para 2–11*f*). Prepare justifications for continued ownership when the ASA (ALT) requests recertification (see DODD 4275.5). Prepare reports of excess and other appropriate real estate disposal information and submit to DCS, G–9 for action.

g. Manage automated information systems to support the Army Industrial Base Program.

h. Help the ASA (ALT) to assess the impact of proposed defense mergers and acquisitions.

i. Provide technical assistance in direct support of HQDA for the Defense Production Act of 1950, as amended (50 USC 4501 et seq.), (see paras 4–2 and 4–3) and diminishing manufacturing sources and materiel shortages (DMSMS) (see para 3–9).

j. Serve as the proponent for management and administration of the Government Industry Data Exchange Program (GIDEP) within the Army.

k. Aggregate and publish an Army industrial preparedness planning list (IPPL) comprised of items and components identified by PEOs and as recommended by the AMC commodity managers as necessary to either monitor or take action to ensure sufficient capacity for operational, combat, and contingency requirements. The aggregate IPPL should include Class VII end items identified by the DACIL, as well as Class II, Class V, Class VIII, and Class IX items and components identified by the PEOs and recommended by the AMC commodity managers.

l. Develop a Production Base Plan (PBP) with PM and/or PEO support utilizing the aggregate IPPL.

m. Manage the Army’s industrial base website (<https://ibwebportal.ria.army.mil/>), which contains industrial base procedures as guides for field activities.

n. Support the ASA (ALT) in developing an industrial base metric scheme and measure performance against metrics applicable to AMC’s mission.

- o.* Contribute to the development of the Depot Maintenance Requirements Plan (OP–29) and execute the funded program.
- p.* Request and secure funding for those Army facilities identified as critical to the defense effort. For GOCOs, ensure that this requirement, including the need for contractor employee training, is included in facility use agreements or enhanced use leases.
- q.* Assign organic depot facilities to support depot maintenance workloads required to meet core logistics statutory requirements (see 10 USC 2464). Ensure that depots are sized to meet core requirements.
- r.* Assist PEOs and PMs in completion of the core logistics documentation required for milestones B and C.
- s.* Assist ASA (ALT) on DPAS-related inquiries.
- t.* Ensure development of valid IMC requirements, in accordance with para 6–4.
- u.* Manage the PPP program to track activities and prepare outcome-focused performance metrics that will quantify the benefits of the PPP program.

2–10. Commanding General, U.S. Army Space and Missile Defense Command

CG, SMDC will—

- a.* Ensure that agreements for providing matrix support to PEOs and PM address all aspects of industrial base planning and support.
- b.* Conduct ICAs for assigned commodities.
- c.* Conduct selected assessments of industrial base capacity based on tasking from the ASA (ALT) using IPO funds.
- d.* Help the ASA (ALT) assess the impact of proposed defense mergers and acquisitions.
- e.* Support the ASA (ALT) in developing an industrial base metric scheme and measure performance against metrics applicable to SMDC’s mission.

2–11. Commanding General, U.S. Army Corps of Engineers

CG, USACE will—

- a.* Provide technical advice and assistance on real property matters, including acquisition, maintenance, and disposal.
- b.* Manage and execute facilities design and construction programs at GOGO installations. Review design of construction projects at GOCO installations and monitor execution.
- c.* Develop and issue leases, licenses, easements, and other appropriate real estate documents.
- d.* Execute and supervise real property engineering, construction, and real estate services for the Army.
- e.* Obtain approvals related to construction, such as architect and/or engineer selections.
- f.* Manage the Enhanced Use Lease Program, pursuant to 10 USC 2667.

2–12. Program executive officers, program, project, and/or product managers

PEOs and PMs will—

- a.* Assess the ability of the industrial base to support approved life cycle sustainment plans for assigned programs in accordance with AR 700–127. Ensure an ICA is conducted when a potential problem exists. This includes collaboration with DLA or other Military Departments who have a requirement for an item, component, or system managed by the Army PM. For production requirements, rely on the private sector to the maximum extent practicable unless Army-owned factories or arsenals can make those supplies on an economical basis. For depot maintenance requirements, including periodic maintenance, ensure organic depot facilities are equipped and work loaded to meet statutory core logistics requirements. Consider the NTIB early in the development and implementation of acquisition plans for each major defense acquisition program (see 10 USC 2440 and app C). Collaborate with the Army’s organic base installation proponents on data required to develop the best approach. Perform core logistics analyses and core depot assessments for new systems and major upgrades (see AR 70–1 and AR 700–127).
- b.* Identify end items and components needing monitoring or actions to ensure sufficient capacity is sustained to satisfy life cycle requirements. The aggregate of these end items and components is published by AMC in the Army’s IPPL. Perform surge planning to enable accelerated production and maintenance of assigned programs (see para C–17). The PEO must approve quantities in surge options that flow from the PM’s risk assessment.
- c.* Monitor the health of critical elements of the industrial base supporting their programs and elevate industrial base deficiencies and/or problems to the ASA (ALT) and CG, AMC staffs when problems have a potential impact on other DOD programs. This includes spare parts and components purchased or managed by DLA and other PMs and AMC commodity managers not identified by the DACIL.

d. Plan, program, and budget RDT&E and PA subject to normal HQDA review and approval. Manage PBSB for assigned programs. Review AMC's budget requests for IPO and IMC-funded activities to confirm the planning is needed and the production requirement being protected is valid. Potential financial accounts involved are listed in chapter 6.

e. Perform make-or-buy analysis for all Army programs of record as prescribed in paragraph 3–7. Provide DASA (APL) a summary of all make-or-buy decisions during the past fiscal year and the total workload provided to Army Arsenals to include past fiscal year, year of execution, and projected workload no later than 31 October. Review make-or-buy analyses for AMC-managed items that are part of the PEO's and/or PM's life cycle management responsibility. Submit analyses to ASA (ALT) for a decision when PEO and/or PM and AMC disagree (see paras 2–1j and 2–9d(4)).

f. Develop and implement a strategy to provide incentive to industry to compete, invest, and modernize the industrial base for assigned programs. Consider the use of PPP to ensure the Army-owned industrial base production facilities are modernized as necessary to enhance operational effectiveness and efficiencies and to meet emerging requirements. The PEOs and/or PMs will collaborate with AMC according to support agreements. Capital investment policy is in chapter 5, and if direct funding is justified, chapter 6 has guidance for programming PBSP or production funds.

g. Assist the ASA (ALT) in assessing the impact of proposed mergers and acquisitions.

h. Develop and implement a phase-down of ownership plan, modernization plan, and justification for continued ownership of Army-owned equipment at COCO factories that exists to manufacture materiel assigned to the PEO and/or PM. Based on acquisition strategy for assigned programs, identify Army GOGO or GOCO phase-down of ownership candidates to AMC for action (see DODD 4275.5).

i. Integrate industrial base considerations into the acquisition process in accordance with appendix C of this regulation.

j. Support the ASA (ALT) in developing industrial base metric scheme. Report performance of assigned programs against the metrics.

k. Assist ASA(ALT) on DPAS-related inquiries.

l. Support AMC efforts on GIDEP and DMSMS matters. Proactively assess assigned programs according to DMSMS Program metrics to earn a “green rating” from AMC. Plan and budget RDT&E and PA funds for corrective actions related to assigned programs.

m. Support AMC in developing and maintaining a PBP, as required by paragraph 3–6. The plan identifies capacity weaknesses for a program, proposed actions to solve problems, and the status of those actions.

n. Budget and program military construction, Army, and PA funds, as appropriate, to equip GOGOs for core depot maintenance capacity in support of new starts (see paras 6–7 and 6–9). Coordinate with depots to provide timely workload between FYs. PMs will attempt to workload depots at the beginning of a FY to ensure an even workload throughout the year.

o. Establish industrial base support agreement with the applicable AMC or SMDC elements. The agreements will address the full spectrum of industrial base planning and support throughout the program's life cycle to include performance based logistics policies in AR 700–127. The agreements will also identify funding and manpower requirements associated with industrial base planning and support (see para 6–2).

p. Coordinate with the DCS, G–3/5/7 and AMC effort to ensure resources of validated protection projects are prioritized, programmed, and executed.

q. In support of the Army's functional designation as the SMCA, coordinate and establish all required capabilities to ensure ammunition knowledge and critical component “Centers of Excellence” (for example, energetic and fuse) are established and maintained within the Army, and that the appropriate AMC subordinate commands are assigned to coordinate new technologies and products with each Service.

r. Comply with Title 10, United States Code 2466 (see AR 750–1) and prevent recurring depot maintenance workload distribution (DMWD) 50/50 (see glossary) reporting errors—

(1) Assign a primary and alternate employee responsible for 50/50 reporting and complete DCS, G–4 depot maintenance workload 50/50 reporting training annually.

(2) Determine and implement methods, which are consistent with DCS G–4 DMWD 50/50 reporting training and 50/50 standard operating procedure, to ensure the reports are prepared properly and reviewed prior to submission.

(3) Prepare an annual compliance report to be submitted not later than 30 April of each year. The report will include personnel assigned to DMWD, dates of training, and method used to review the submission of DMWD prior to submission to the DCS, G–4. Reports will be submitted to the Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (SAAL–IB), 2800 Crystal Drive, Arlington, VA 22202. Copies will be furnished to the HQDA DCS, G–4, Office of the Director for Maintenance Policy, Programs, and Processes (DALO–MNS).

Chapter 3

Industrial Base Assessments and Planning

3–1. General

This chapter implements requirements for market research and ICAs in statute and as specified in various DOD directives, regulations, and implementing guidance documents, including the Strategic Planning Guidance, the Defense Planning and Programming Guidance, the Federal Acquisition Regulation (FAR), DODD 4275.5, DODD 5000.62, DODI 5000.60, and policy letters. Core logistics planning policies are in AR 700–127 and AR 750–1.

3–2. Requirements

The Army’s industrial base process will assess the NTIB in accordance with the following policy and appendix C:

- a.* The NTIB will meet the following national security objectives:
 - (1) Supplying and equipping the force structure of the armed forces so that the following may be achieved:
 - (a)* The objectives set forth in the National Defense Strategy.
 - (b)* The objectives of the Strategic Planning Guidance and the Joint Programming Guidance.
 - (c)* The objectives of the FYDP and surge. The FYDP requirements in the funded level of the POM are clear in terms of quantity and timeframes. Surge requirements emanate from two venues. Official unfunded requirements that are prepared by the DCS, G–8 and validated by DCS, G–3/5/7, as well as risk assessments prepared by PMs and item managers to support deployed forces. Surge planning policies in paragraph C–17 ensure that contract mechanisms and organic industrial capabilities are established to enable effective acceleration of production or maintenance to satisfy surge requirements that get funded.
 - (2) Sustaining production, maintenance, repair, and logistics for military operations of various duration and intensity.
 - (3) Maintaining advanced research and development activities to provide the armed forces with systems capable of ensuring technological superiority over potential adversaries.
 - (4) Reconstituting, within a reasonable period, the capability to develop and produce supplies and equipment, including technologically advanced systems in sufficient quantities to prepare fully for war, national emergency, or mobilization of the armed forces before the commencement of war, national emergency, or mobilization.
 - (5) Providing for development, manufacture, and supply of items and technologies critical to the production and sustainability of advanced military weapon systems within the NTIB.
- b.* The NTIB will attain civil-military integration through acquisition policy reforms that have the following objectives:
 - (1) Relying, to the maximum extent practicable except as required by statute (see para 1–8*e*), upon the commercial NTIB that is required to meet the national security needs of the U.S.
 - (2) Reducing the reliance of the Army on technology and industrial base sectors that are economically dependent on DOD business.
 - (3) Reducing Federal Government barriers to the use of commercial products, processes, and standards.

3–3. Industrial base integration into the acquisition process

AR 70–1 requires integrating industrial base considerations into the acquisition system. Appendix C of this regulation provides policy for industrial base business strategies assessment of the NTIB in the acquisition strategy will be summarized to include actions recommended in the PBP. Economic order quantities will be clearly identified for unique defense materiel to assist the DCS, G–8 in budgeting and programming efficient buys. DPA Title III projects will be considered when special incentives are required to satisfy requirements.

3–4. Industrial capabilities assessments

The PM will develop and document a business strategy, as part of the acquisition strategy, using policies in appendix C.

- a.* Market research is the first step in conducting the ICAs (see FAR). Traditional market research relies on interested businesses to respond to advertisements in the FedBizOpps that is available at <http://www.fbo.gov/>. If the initial results from FedBizOpps indicates a gap in capability or capacity for program requirements, then a proactive market research technique will be employed to locate additional capability and capacity to meet Army materiel requirements. Market research will also identify barriers discouraging industry from participating in competition for program procurements (see app C). Consideration will be given to the use of the organic industrial base in order to maximize utilization of existing capabilities and to retain essential capabilities (see paras C–8 and C–9).

- b.* The assessment process will ensure that ICAs—

- (1) Describe sectors or capabilities and their underlying infrastructure and processes.

(2) Analyze present and projected financial performance of industries supporting the sectors or capabilities in the assessment.

(3) Identify technological and industrial capabilities and processes for which there is potential that NTIB will not be able to support the achievement of national security objectives.

(4) Assess the extent of dependency on foreign sources and for which there is no immediately available source in the U.S. or Canada. The discussion and presentation regarding foreign dependency will identify cases that pose an unacceptable risk of foreign dependency and present actions being taken or proposed to remedy the risk.

(5) Identify interdependence between and within commodities of the Industrial Base Supply Chain.

c. Categories of ICAs are—

(1) *Selected assessments of industrial base capacity.* Each FY, ASA (ALT) will initiate selected assessments of the capability of the NTIB to attain the national security objectives set forth in paragraph 3–2a (see 10 USC 2505). The OSD consolidates study results in an annual report to Congress in accordance with 10 USC 2504.

(2) *Acquisition planning assessments.* Acquisition planning ICAs will be performed in support of milestone decision reviews (see app C).

(3) *Industrial capability preservation assessments.* Conduct focused analyses in accordance with appendix B to identify industrial capability preservation actions (see DODI 5000.60). This includes actions such as acquisitions restricted to establish or protect industrial sources, objections to proposed mergers, and retention of Government-owned facilities.

3–5. Industrial preparedness planning list

The IPPL is an annual publication which identifies critical end items and components needing monitoring to assure sufficient capacity is sustained to satisfy life cycle requirements. The aggregate of these end items and components is defined as the IPPL. The basis for the IPPL is the DACIL. AMC provided an item list to DA for inclusion in the IPPL.

3–6. Production base plan

a. The PBP will ensure that the production industrial base will be identified to meet projected FYDP requirements and that the base can be rapidly expanded in a balanced fashion to meet national emergencies.

b. The PBP will consider items in development, to adjust legacy item capacity for the critical item list items that will be displaced, and to make maximum use of prototype processes to retain defense-unique manufacturing expertise while minimizing the investment in fixed facilities that must be maintained through work loading or layaway. Specifically, the plan will address the conclusions from monitoring IPPL end items and components, the proposed action when a problem exists, and the status of that action. An action to correct an industrial base deficiency is defined as an industrial preparedness measure. The PBP is to be updated every 2 years. Examples of industrial preparedness measures are as follows:

(1) Change specifications, skills, tools, or substitute materials or parts. Changes in specifications should not alter the quality or performance of the commodity being produced and/or procured or result in inferior products.

(2) Remove barriers discouraging innovative companies from competing in military market.

(3) Design virtual factories to expeditiously replicate capacity for defense materiel on commercial facilities. By capturing the manufacturing processes, communicating these operational needs to remote sites, including commercial sites, rapid spin-off of technology necessary for replenishment can be attained.

(4) Increase use of commercial items or components.

(5) Retain or invest in unique long lead-time industrial facilities. In unique and/or critical manufacturing technology areas, establish and retain pilot, and/or prototype-manufacturing capability.

(6) Stockpile raw materials (see para 4–4).

(7) Stockpile long lead-time components. Characteristics such as obsolescence, aging configuration, and cost must be evaluated for this industrial preparedness measure.

(8) Coordinate future known requirements of critical rare earth material that are reasonably available only outside the continental United States with DLA Stockpile Office so that purchase and storage can be appropriately planned.

(9) Prepackage solicitations or contract options to minimize administrative lead-time between receipt of funds and production deliveries.

3–7. Make-or-buy policy

a. *General make-or-buy policy for factories and arsenals.* 10 USC 7532 provides that, “the Secretary of the Army shall have supplies needed for the Department of Army (DA) made in factories or arsenals owned by the United States, so far as those factories or arsenals can make those supplies on an economical basis.” Section 7532 does not define the term “supplies.” The definition of “supplies” is found in 10 USC 101(a)(14). It states that, “the term ‘supplies’ includes material, equipment, and stores of all kinds.” However, due to the extremely wide variety of “supplies” that the Army uses in the

full spectrum of its operations, it is clear that the arsenals and factories cannot provide absolutely all of the “material, equipment, and stores of all kinds” that the Army requires. The scope of the “supplies” that arsenals and factories can manufacture is limited to those they are capable (sufficiently equipped and staffed) of manufacturing and the supplies to be produced must be consistent with the general capabilities of the arsenal and/or factory. The ASA (ALT), acting on behalf of the Secretary of the Army, retains authority to determine which supplies the Army can and should make. An economical determination will be made based on cost provided program objectives are met to include schedule, performance, and risk.

b. Specific Army arsenal make-or-buy policy. It is advantageous for the Army to have the Army arsenals as a source of supply, because it reduces risk over the program life cycle, preserves critical capabilities in the organic industrial base, and improves operational efficiencies. Program executive officers (PEOs) and program managers (PMs) will give thorough consideration to Army arsenals and their manufacturing capabilities, to meet program requirements, on an economical basis, for both end items and component parts. Economical basis is determined at the specific program risk level based on performance, cost, and schedule requirements. PEOs and PMs will perform make-or-buy analyses to determine if an Army requirement will be manufactured (make) at an Army arsenal (Rock Island Arsenal Joint Manufacturing and Technology Center (RIA-JMTC), Watervliet Arsenal (WVA), and Pine Bluff Arsenal (PBA), or procured commercially (buy)). Army requirements covered under 41 USC 8501 et seq. (Javits-Wagner-O’Day Act of 2010) are exempt from the Army make-or-buy policy.

(1) PEOs and PMs will ensure all aspects of arsenal capabilities are considered for all Army programs of record. During make-or-buy analyses, PEOs and PMs will send each Army arsenal a request for information to provide the arsenals the opportunity to submit a proposal. PEOs and PMs will make certain that approved arsenal CMC are taken into account during make-or-buy analyses under both competitive and noncompetitive environments.

(2) To inform prospective vendor(s) of Army make-or-buy policy conditions, all requests for proposals (RFP) must include a tailored contract data requirements listing (CDRL) declaring that if a vendor is awarded a contract then the vendor will be required to meet directly with an arsenal to assess the capabilities and identify candidate components of an end item that the arsenal is well-positioned to produce. The RFP will state that the awarded contractor will seek public-private partnership opportunities with Army arsenals.

(3) PEOs and PMs will include the U.S. Army Materiel Command and other stakeholder organizations in the make-or-buy formulation process as part of thorough market research to accurately determine capabilities that exist in both the commercial and organic industrial base. The make-or-buy analyses must address the full range of a program’s end items and components. PMs will submit make-or-buy recommendations to the MDA and the MDA will decide the make-or-buy determination. The MDA will ensure key stakeholder recommendations are considered in the final make-or-buy decision.

(4) If a buy decision has been made, PEOs and PMs will include a contractor deliverable in the performance work statement (PWS) for arsenals components production. The PWS will detail that proposed contract modifications may adjust the scope of work to the arsenal and outline the process for any required price adjustments for the Government. Key stakeholders will be given an opportunity to provide their comments prior to the MDA decision to modify the contract.

(5) The MDA will submit an EXSUM to inform the Army Acquisition Executive (AAE) within 5 business days of the make-or-buy determination (at usarmy.pentagon.hqda-asa-alt.mbx.ib-team@mail.mil). Unless otherwise directed, make-or-buy decisions are approved for execution after 30 days. PEOs will furnish an annual summary of all make-or-buy decisions to the DASA (APL) Industrial Base (IB) directorate by 15 December (at usarmy.pentagon.hqda-asa-alt.mbx.ib-team@mail.mil). Additional make-or-buy information is available on the ASA (ALT) SharePoint make-or-buy library (at <https://spcs3.kc.army.mil/asaalt/portal/make%20or%20buy%20library>).

3–8. Public-private partnering at Government-owned, Government-operated industrial installations

a. Some statutes authorize PPP (see app E for a list of statutes dealing with sales and utilization at industrial installations.) The relationship between an industrial installation and a private entity is considered a partnership when one or more of the following conditions exist:

- (1) The Government sells products or services to the private entity.
- (2) The private sector uses Government property outside the limits set by a lease (10 USC 2667) or a contract (see FAR and Defense Federal Acquisition Regulation Supplement (DFARS)).
- (3) The Government and private sector enter into work-sharing arrangements using both public and private sector facilities and/or employees.

b. Partnering is encouraged when authorized by an authority in appendix E and opportunities exist to:

- (1) Share investments, reduce overall risk, and take advantage of best business practices that will benefit both the public and private sectors.
- (2) Reduce life cycle costs of weapon systems or the Defense Working Capital Fund–Army (DWCF–A) rate. Thus, partnering agreements must provide measurable benefits in meeting the industrial base strategy.

(3) Partnership activity directly enhances the mission capability of the DWCF–A industrial facility.

c. The installation commander will not enter into a PPP agreement unless a business case analysis (BCA) concludes the PPP agreement is advantageous to the Government. The BCA will be tailored and commensurate with the scale of the proposed PPP and the monetary value of the PPP arrangement. The BCA will clearly assess risk, recommend a risk mitigation plan when needed, and identify benefits to the government.

d. The DWCF–A industrial facility is required to charge the fully burdened cost of performance in accordance with DOD 7000.14–R and 10 USC 2474. Funds must be available to pay the expenses as bills become due to the DWCF–A industrial facility.

e. Partnering agreements must provide measurable benefits. Proposals must be carefully reviewed to ensure that the partnership is indeed a good business arrangement for the Army. Examples could be improvements in the efficiency and capability of the partnering Army activity. At the end of the partnering arrangement, the Army must be left in an equity position that is not of less value than it held before entering the arrangement. Further, agreements must include complete flexibility for the Army to recover the use of facilities and personnel if needed for important mission requirements without penalty to the Army for missing planned cost and delivery targets.

f. Partnering agreements that adversely affect or displace Government employees will provide those employees the first right of refusal for contractor employment openings for which they are qualified. An exception would be when employment by the contractor would violate post-Government employment conflict of interest standards. Conversion of a commercial activity or function from government civilian employee performance to contractor performance may trigger the competition requirements of Office of Management and Budget Circular No. A–76. Any such agreements should be reviewed by the servicing Legal Office prior to execution to ensure adherence to law and regulation.

g. The Enhanced Use Leasing Program is managed by USACE and engages, through a competitive process, private sector entities to acquire and leverage value from under-utilized nonexcess real estate assets on Army and select DOD installations.

3–9. Diminishing manufacturing sources and materiel shortages

The goal of the DMSMS Program is to provide a comprehensive and coordinated program that supports efficient and effective resolutions of obsolescence, and/or nonavailability and/or single source issues. The industrial base program will implement DMSMS procedures relative to nonavailability and obsolescence of specialty chemicals, materials, parts, and end items. These procedures will be integrated with the industrial base planning and analysis effort and will be in accordance with policy in DODM 4140.01, Vol. 3.

a. The PM will participate in post-production support planning activities conducted as part of the product support analysis. Obsolescence and/or nonavailability and/or single source issue will be documented in the life cycle sustainment plan.

b. The PM will ensure, to the maximum extent practical through parts screening for potential technology obsolescence, that identified DMSMS items are not included in DOD systems during design, redesign, or production. That includes screening parts for current obsolescence and for items that may be obsolete within the near future (1–5 years) and assessing the vulnerability of the parts to become obsolete. If an identified DMSMS item cannot be dropped during those stages, the procuring activity will ensure that there is continuous part availability and post-production support.

c. A cost-effective solution, consistent with mission requirements, will be established when an item is identified as DMSMS. Until a cost-effective solution to the DMSMS situation is implemented, conserve existing and on-order stocks (such as, challenging suspected excessive requisitions, limiting automatic issue to established users with known requirements, and requiring explicit justification for issuance to new users).

d. The PEO and/or PMs will proactively assess assigned programs according to DMSMS Program metrics.

e. AMC will ensure that DMSMS information is effectively communicated and exchanged within the DOD, with other Government organizations, and with industry through the maximum use of alerts and the GIDEP. At a minimum, the information will be relative to the discontinuance of manufacturers' products and identity of the item (its technical specifications, the name of the manufacturer, when the product will be discontinued, and if known, where the product is used).

f. The Army will use the DMSMS metric scheme developed by the Assistant Secretary of Defense for Sustainment. Army programs will be color coded green if the program has been pro-actively assessed and solutions to problems are identified. Metrics report on the following:

- (1) Cases-number received, solved, and funded.
- (2) Solution types adopted.
- (3) Cost avoidance generated during period.
- (4) Unfunded liability, to include impact of delays.

3–10. Restricting acquisition to establish or protect the industrial base

a. Acquisition competition may be restricted for current requirements, as appropriate to preserve critical elements of the industrial base. Appropriate industrial base authorities that may be available for contracting without providing for full and open competition are 10 USC 2304, as implemented by the FAR.

b. The additional cost of restricting procurements will be balanced with the potential loss of source(s), which could add risk to production for surge, mobilization, and contingencies. This cost and/or benefit analysis will use opportunity prices from worldwide sources and be documented in the justification and approval.

c. If restriction is based on 10 USC 2304, the restricted quantity will be the minimum volume necessary to protect the mobilization industrial base. The exception is when the residual quantity is not an economic order quantity. When a residual quantity is put up for competition, the competitive procurement will be timed such that competitive prices help the contracting officer develop the position on fair and reasonable price on the quantity restricted to protect the mobilization industrial base.

d. Acquisition strategies must assess alternative approaches when a single private sector source exists. 10 USC 2304 and FAR allow an existing source or sources to be excluded from competition for national emergency or industrial mobilization. Alternately, when only one supply source exists in the NTIB, the acquisition strategy will assess competing a portion of the buy full and open.

e. For each procurement of conventional ammunition, an analysis will be performed in accordance with Section 806, Public Law 105–261. The analysis will identify and make acquisition strategy recommendations for the end item and all components to be acquired that appear on the “Section 806 watch list” also known as the “conventional ammunition end item and/or component at risk list.” The analysis will also consider the magnitude of the procurement compared to the current capacity, utilization, and financial viability of the ammunition production facilities available to produce the items, and the potential impact of the overall acquisition strategy. Industrial base considerations also include a specific focus by PMs to ensure surge and sustainability planning. These procurements will be reviewed by the SMCA, who determines whether the risk to national security justifies limitation of competition to sources within the NTIB. This includes evaluating justification in accordance with 10 USC 2304 to maintain a facility, producer, manufacturer, or other supplier available for furnishing an essential item of ammunition or ammunition component in case of national emergency or to achieve industrial mobilization.

f. There are statutory restrictions on the acquisition of products and services from other than U.S. sources (see DFARS).

3–11. Security

a. All industrial base planning and/or executing documents that contain proprietary industry data will be protected by law, to include 18 USC 1905 and 41 USC 2101–2107. Security classification of planning and/or executing information is required if it discloses the following:

- (1) Classified data.
- (2) Identity of an item when the existence of that item is classified.
- (3) A classified relationship between the item and the national defense posture.
- (4) Information that would provide hostile countries with data damaging to national security interests.

b. The ASA (ALT), in conjunction with DCS G–3/5/7, AMC, PEO, and/or PMs, nominate key assets in the industrial base for the Defense Contract Management Agency to analyze for protection under the National Critical Infrastructure Protection Program (see AR 525–26).

c. Compliance with the 22 USC Chapter 39 and/or ITARS is required.

d. All industrial base assessments will be properly marked per DODI 5230.24.

3–12. Merger assessment

a. The Army will assess the potential implications for DA programs resulting from a merger or acquisition involving a defense supplier. Normally in response to queries from the Department of Justice or the Federal Trade Commission, DOD will solicit services’ perspectives. This assessment will consider the potential loss of competition for DA contracts and subcontracts, estimated cost savings or cost increases for DA programs that can be expected, and any other factor resulting from the proposed merger or acquisition that may adversely affect the satisfactory completion of a current or future program (see DODD 5000.62). Information provided to OSD OGC will be reviewed by the Army Office of General Counsel (SAGC–ACQ).

b. Mitigation measures during the initial 21-day review and possible subsequent investigation include, but may not be limited to the following:

- (1) The classification level of any contracts or subcontracts with the Army.
- (2) Whether the firm being acquired possesses critical or vulnerable defense technology or is otherwise important to the defense industrial and technology base because of its unique capabilities.

(3) The record of the acquiring firm and its host country in complying with U.S. and international export licensing regulations, international agreements governing weapons of mass destruction and missile technology, and efforts to prevent international terrorism.

(4) Whether the U.S. firm is a sole source or single-qualified supplier for Army contracts.

(5) If the firm has technology that has military applications.

(6) If the acquiring firm is controlled by a foreign government.

(7) The proximity of the U.S. firm's facilities to Army installations.

(8) The impact of the acquisition on DOD's Defense Critical Infrastructure Program.

Chapter 4

Defense Production Act Programs and National Defense Stockpile

4-1. General

This chapter implements the Defense Production Act of 1950, as amended; 50 USC 98h et seq.; DODD 4400.01E; and DOD 4400.1-M. Also, it describes several defense programs that directly and indirectly support weapon system acquisition and production during both normal and emergency conditions.

4-2. Defense Production Act Title I Program

The Defense Production Act, Title I of 1950, as amended (see 50 USC 4511-4518), authorizes the President to require the priority performance of contracts and orders necessary or appropriate to promote the national defense over other contracts or orders; to allocate materials, services, and facilities as necessary or appropriate to promote the national defense; and to require the allocation of, or the priority performance under contracts or orders relating to, supplies of materials, equipment, and services in order to assure domestic energy supplies for national defense needs. Certain authorities are extended to DOD from the Department of Commerce and the Federal Emergency Management Agency.

a. Levels of authority.

(1) The Deputy Assistant Secretary of Defense for Industrial Policy (DASD (IP)) exercises certain DPAS authorities within the DOD, per 15 CFR 700.

(2) The ASA (ALT) retains overall responsibility for exercising DPAS authority within the Army. PEOS and AMC will assist ASA (ALT) on DPAS-related inquiries.

(3) Assistant DPAS officers ensure Army contractors and government procurement personnel are aware of, and in compliance with, DODD 4400.01E.

b. Priority rating of contracts. Rated contracts are identified by a priority rating consisting of the rating (either DX or DO) and a program identification symbol. The DOD listing is a list of items from each Service that would be accorded the highest DPAS priority during a conflict over resources, such as might happen during a national emergency. All defense orders are entitled to DO ratings in accordance with 15 CFR 700. DOD 4400.1-M provides detailed guidance concerning rating procedures. Properly-rated contracts and orders take preference over all nonrated orders as necessary to meet required delivery dates. If a contractor is unable to meet the outlined contract delivery schedules of pending purchase orders (due to existing rated orders already in-house), then a rejection letter is required with defending rationale, along with a proposed schedule identifying when contract requirements can be met. The rejection letter, produced anywhere within the program supply chain, must be provided to the contracting officer and the ASA (ALT).

c. Procedures. Defense contractors—

(1) Accept rated defense orders.

(2) Furnish acknowledgment.

(3) Provide preferential scheduling.

(4) Meet contract delivery schedules.

(5) Extend priority ratings to subcontractors and suppliers.

(6) Comply with DPAS regulatory requirements as specified in 15 CFR 700.

4-3. Defense Production Act Title III Program

a. The Defense Production Act, Title III of 1950, as amended provides incentives to private industry to establish or expand private domestic production capacity for high technology materials for national defense purposes (see 50 USC 4531-4534 and FAR). DOD policy normally restricts these incentives to purchase commitments; occasionally Congress authorizes special direct appropriations. Any potential obligation must be supported by a full reservation of funds. DASD (IP) manages the DPA Title III program for the Department of Defense and is responsible for submitting all potential project packages for Presidential determination. ASA (ALT) is the primary Army coordination office for all potential and

approved projects. Potential DPA Title III projects must be submitted to DASA (APL) Industrial Base Directorate for review and approval prior to submission and coordination with DASD (IP).

b. Projects may be appropriate when the commercial and organic domestic industry cannot reasonably be expected to provide the required national production capacity in a timely manner.

c. Projects must support at least two DOD programs.

d. Projects must be developed, coordinated, and staffed through the DASA (APL) Industrial Base Directorate prior to submission to DASD (IP).

4-4. Defense Production Act Title VII Program

a. The Defense Production Act, Title VII of 1950, as amended (see 50 USC 4565–4568) establishes the Committee on Foreign Investment in the United States (CFIUS) which is an intra-governmental committee responsible for reviewing all covered transactions, defined as mergers, acquisitions, or takeovers that are proposed or pending by, or with, any foreign person, which could result in foreign control of any person engaged in interstate commerce in the United States or an entity controlled by or acting on behalf of a foreign government. The committee is chaired by the Department of Treasury, however includes members from various other Federal Government agencies to include the Departments of Commerce, Defense, and State.

b. ASA (ALT) provides DASD (IP) with an assessment and position statement on each case presented to the committee on behalf of the Army. ASA (ALT) defines the transaction and determines the nature of the target U.S. firm's business. ASA (ALT) requests input from DCS, G-3/5/7; DCS, G-2; HQAMC; and relevant components, to determine if the target firm does business with the Army and if U.S. firms' facilities are within close proximity to Army strategic assets, potentially creating security vulnerabilities.

c. The final determination submitted by ASA (ALT) to DASD (IP) concludes whether the firm produces a technology that is critical to the Army's mission, engages in activities or handles material that is classified, serves the Army in a single-qualified or sole-source supplier, issues or receives priority-rated orders, is part of the DOD's Defense Critical Infrastructure Program and produces or trades in items subject to certain U.S. trade regulations. ASA (ALT) identifies the nature of the acquiring firm's business and determines if the firm has any history of contract actions with the Army, is under any form of foreign government control and if the firm has a previous history of CFIUS transactions.

4-5. National defense stockpile of strategic and critical materials' authority

a. The National defense stockpile of strategic and critical materials, as defined in 50 USC 98h-3, is maintained to decrease dependence upon foreign sources of supply in times of national emergency. The DLA manages this program.

b. Army forecasts of essential quantities for stockpile will be subject to review of commercial and foreign availability.

c. The purchase and storage of critical rare earth material for future known requirements, that are reasonably available only outside the continental United States, should be coordinated with the DLA Strategic Materials Office.

Chapter 5

Management of Government-Owned Production Industrial Base

5-1. General

a. The intent of the Army-owned industrial base is to be postured to support the force structure with efficient, economical, practical, responsive, multifunctional, environmentally responsible, and compliant facilities.

b. The policies in this chapter apply to purchase, construction, or use of Government-owned property, or recertification of the need for Government property to successfully deliver the product.

c. To the maximum extent possible and except as otherwise provided by law, all costs associated with the industrial base to include operations at the Army ammunition plants will be reflected in product or service prices.

d. Direct funding for reserve industrial capacity will be an exception and justified based upon benefit to national security.

5-2. Justification for Army-owned industrial facilities

The Army will rely on the private sector for support of defense production to the maximum extent practicable subject to core workload determinations, in accordance with 10 USC 2464 and other organic workload requirements including 10 USC 2466(a). When market research and ICA confirms that the private sector is either inadequate or unavailable to reliably provide critical materiel needs, an essential nucleus of Government-owned facilities may be established or retained, in accordance with 10 USC 2505. This documentation will remain on file to justify why Government facilities are essential to national security. Government facilities also may be necessary when no commercial producer can be induced to supply

needed items, to ensure continued availability of important capabilities and capacities in time of national emergency, or Government facilities are more efficient or economical than private industry.

5–3. Sizing industrial capacity

Army-owned industrial facilities should be sized to core requirements where applicable and to operate in a cost-effective manner in support of FYDP and foreseen readiness requirements. Accelerated production for contingencies and emergencies will plan on using multiple shifts in lieu of retaining or acquiring additional Government property. Also, consideration will be given to outsourcing production of parts and components. The Army's goal is 75 percent utilization of one shift consistent with economics and program objectives. Chemical processes that must operate 24 hours a day will develop a comparable metric (see 10 USC 2535 and DODI 5000.60).

5–4. Government-furnished property

a. The regulations for management of GFP are Army Federal Acquisition Regulation Supplement, FAR, DFARS, DODI 5000.64, and AR 735–5. The Government encourages contractors to use best commercial practice to manage GFP. However, the Army is required to maintain central records on GFP for fiduciary reporting purposes. GFP with an acquisition cost less than \$10,000 will not be authorized for use unless each item can explicitly demonstrate characteristics listed in appendix D.

b. Except as authorized under public-private partnership authority, the contracting activity will submit a determination and finding to the ASA (ALT) for approval before establishing or extending a facility use contract.

c. Facility use agreements pursuant to FAR may be approved in a public-private partnership agreement in lieu of a formal lease entered into under 10 USC 2667.

5–5. Ammunition-peculiar equipment

Ammunition-peculiar equipment is addressed in AR 700–20.

5–6. Capital investments

a. All capital investments at Army working capital fund GOGOs will be in accordance with DOD 7000.14–R and DFAS–IN Manual 37–100. Policy guidance associated with capital investments for Army pilot programs will be issued by ASA (ALT) under individual policy memorandums.

b. The use of the enhanced lease option, as well as facility use will be considered as a vehicle for allowing a contractor, through competition or partnering (see para 3–8), to use Government-owned facility identified as a critical infrastructure to the U.S. industrial base.

c. At GOCOs and COCOs, policies on GFP are in appendix D of this regulation (DFARS and FAR). Army policies are as follows:

(1) Capital investments will be identified as an inherent part of competitive solicitations. Contractors will be challenged to determine how to meet the objectives in the solicitation. Solicitations will rely on performance specifications and non-government standards. Government financed capital investment at a COCO or GOCO will be based on terms in the competitively selected contractor's proposal for supply item(s) or site management. This guidance does not apply to capital investments under the auspices of the ARMS Program.

(2) Capital investments will be funded in accordance with the terms of the contract, which are based on the competitively selected contract proposal. Acquisition teams will determine the need for programming and budgeting PBSP based on their professional judgment, which anticipates the most likely "best value" solution since actual capital investments will be based on the successful contractor's best value proposal which earned contract award.

(3) The Army will minimize investing in manufacturing processes (such as plating) that use hazardous materials (HAZMAT) or generate environmental pollutants. Extensive market analysis will be conducted for specialty shops that perform these operations. If capability does not exist, centralized Government facilities will be modified to manufacture multiple products in lieu of vertical manufacturing. Investments in these types of operations must document why government investment is the best solution. Contracts at GOCO facilities will ensure that operating contractors assume sole responsibility for management and disposal of contractor-generated solid and hazardous waste. This includes plans that address how those facilities will minimize spills of oil, HAZMAT, and other pollutants (see AR 200–1).

(4) Contractors selected competitively to operate an industrial installation or deliver supplies may propose construction or capital investment to government real property. The contractor will manage these projects, but the USACE will review the contractor's design. AR 420–1 requires mandatory approval of construction projects and contractors must consider these constraints in their execution plan. Congress must approve construction exceeding the unspecified minor military

construction threshold established in 10 USC 2805 (DODD 4275.5). Title to real property improvements made by the contractor is vested in the Government or as otherwise authorized under terms of the contract (see FAR).

(5) Capital investments at COCOs will be limited to personal property and exclude installation costs. This will avoid ambiguities of Army owning real estate (such as, foundations) at COCOs.

(6) Noncompetitive requests for capital investments will be supported by an economic analysis or include a valid justification for exemption. The useful life of the investment must consider contract terms and equitable adjustments to recoup government investment (see AR 11–18). If the investment is amortized beyond the period of contract performance or the POM, approval by Deputy Assistant Secretary of the Army (Procurement) is required.

(7) Capital investment projects directly funded by the Army will include profit or fee on labor only, not procured hardware, because their purpose is to enable the contractor to provide the product or service being procured.

d. When existing property is being replaced, value associated with that property can be used as credit toward the price of the new item. All exchanges and/or sales will comply with 41 CFR, DFARS, DODM 4140.01, Vol. 9, and AR 725–1.

5–7. Phase-down of Government-owned property

a. When comprehensive analysis determines that a Government-owned industrial facility for manufacturing industrial reserve machine tools and/or other industrial manufacturing equipment is no longer required, the Army will develop a well-defined plan for phase-down in accordance with DODD 4275.5.

b. Configuration of the Army-owned industrial base will be analyzed comprehensively. As a minimum, the analysis will consist of market analyses, cost to consolidate capability into fewer installations, and feasibility of more private ownership. The Army property manager, disposal agent, and PMs will team to complete a BCA. The analysis will include the private sector's interest in buying the property.

c. It is important that the Army maintain documentation on Army-owned industrial property and its environmental condition. Holding agencies must develop due diligence documentation required to sell industrial property or transfer title (see 41 CFR). Documentation for environmental site assessments will be in accordance with American Society for Testing and Materials E1527–05 and American Society for Testing and Materials E1903–97.

d. When analysis concludes that an Army-owned facility is needed to support the force levels outlined in retention criteria established by the Secretary of Defense, follow-on analysis will be accomplished to determine the risks of not owning the capacity. The General Services Administration (GSA) has ruled that authority in the 40 USC 545 can be used when the Military Department determines that ownership is not required, but the production capacity is required. This sale is entitled “excess to ownership.” This sale will include a deed restriction to the new owner that stipulates the new owner will maintain the production capacity for a stated time period. This policy is congruent with 10 USC 2501 to rely on the private sector to maximum extent practicable.

e. Disposal plans that identify resource requirements will be prepared within 6 months after an industrial installation is approved as excess. Disposal agent will market excess property to tap its asset value. Disposals will be prioritized to execute those parcels that yield the best payback. Normal disposal practice is to sell “as-is, where-is.” References for disposal are DODM 4160.21, DODM 6055.09, and AR 405–90. If property is contaminated with HAZMAT the following policies apply:

(1) 42 USC 9601 et seq generally prevents a transfer of real property from contracting away the Comprehensive Environmental Response, Compensation, and Liability Action (CERCLA)-imposed obligation to remediate contaminated real property. However, disposal plans will use Early Transfer Authority if appropriate for contaminated real estate pursuant to the 42 USC 9620. A contract with the buyer for environmental remediation can be credited toward compensation for the property.

(2) Sale of the property is restricted to qualified and bonded buyers.

(3) Exceptions to the “as-is, where-is” policy are permitted when decontamination increases the proceeds from sale more than it costs to decontaminate the property.

5–8. Commercial use of Government-owned industrial installations

Commercial use of underutilized and unutilized industrial facilities is encouraged as a means to reduce product and ownership costs, protect state and local economies, maintain critical skills and technological base, maintain and/or modernize infrastructure, encourage contractor investment, and reduce environmental cost. This use is authorized by 10 USC 2667. Commercial use of GOCO ammunition installations is also authorized by 10 USC 7551, 10 USC 7552, 10 USC 7553, 10 USC 7554, and 10 USC 7555. The Army will only authorize commercial use at an installation if the following conditions exist:

a. Use by commercial entities is more economical than excessing or reconfiguring military missions.

b. Commercial use does not adversely affect accomplishment of the military mission.

c. Market analysis of commercial demand concludes there is realistic potential for profit, and the best use of underutilized property is identified.

d. When a commercial site manager is required to develop the commercial business base, the site manager will be selected competitively.

e. The site manager relies on venture capital or a loan guarantee program to attract commercial tenants.

f. An environmental baseline survey is accomplished before occupancy to ensure the chemicals identified on the future commercial tenant's safety data sheets are documented. GOCO facility contractors and lessees will assume sole responsibility for managing and disposing of hazardous waste, as well as prohibiting storage, disposal, or treatment of non-DOD-owned hazardous waste, in accordance with the requirements of AR 200-1. A historical site assessment will be conducted as per U.S. Nuclear Regulatory Commission Regulation-1575 for radiological materials and added to the environmental baseline survey. Tenants will be required to certify that a pollution prevention plan will be developed, tracked, and funded. Also an environmental management plan will be developed to identify the aspects of their operation that impact the environment. Tenants will ensure that any land-use controls imposed on the subject real estate are maintained. This may include restrictions against digging in certain areas, use of groundwater for drinking purposes, or requirements to maintain a fence around a cleanup site. Tenants will be required to comply with all federal, state, and local environmental and safety laws and regulations.

g. Care and protection of government property will be a part of plans delivered to the government as part of the contractor's competitive proposal.

h. Use of government property for commercial business must comply with commercial pricing practices when they exist so as not to cause a competitive advantage for the firms located on the Government installation. If no commercial rental or use guide is available, the contracting officer will establish rates based on the FAR deviation formulas that are equal to or greater than those rates in the use and charges clause.

i. All potential risks to Army personnel, property, and operations created by the commercial entity are identified and assessed and found acceptable by the appropriate level of authority, in accordance with AR 385-10.

5-9. Arsenal critical manufacturing capabilities and minimum sustaining manufacturing workload

a. CMC is a capability maintained by DOD Government-owned facilities requiring specialized skill sets, facilities, tools and equipment, processes, and technology to manufacture material, such as components, repair parts, subsystems, end items, and ammunition that is necessary to meet one or more of the following three criteria:

(1) Sustain U.S. military equipping and materiel readiness requirements during mobilization, national defense contingencies, and other emergency requirements (include surge).

(2) Single source or limited capability.

(3) If lost, cannot be readily assumed by another facility without significant, adverse effects to cost, schedule, and/or performance.

b. MSMW is the workload at Government-owned facilities, expressed in direct labor hours, tied to processes performed, workforce skills, and capital equipment used to sustain CMC to respond to mobilization, national defense contingencies, or other emergency requirements.

c. CMCs will be reviewed by the Organic Industrial Base Corporate Board and updated as necessary or at least every 2 years.

d. CMCs are posted to the ASA (ALT) SharePoint make-or-buy library (<https://spsc3.kc.army.mil/asaalt/portal/make%20or%20buy%20library>).

Chapter 6

Funding the Army Industrial Base Activities

6-1. General

This chapter identifies financial accounts that directly fund Army industrial base activities. Paragraphs 6-2 through 6-12 describe what industrial base activities can be budgeted and executed with each financial account. The DFAS-IN Manual 37-100 establishes official accounting codes and their descriptions. To obtain any direct funding, planning, programming, budgeting, and execution process, procedures must be followed (see DODD 7045.14 and AR 1-1).

6-2. Government-owned contractor-operated facility projects

When an ICA identifies a problem at a GOCO that can best be addressed by a facility project, the Determination and Finding Process in the FAR will be followed to get the facility project validated as an official Army requirement that can then be submitted as a funding request. The approval authority on the determination and finding is the DASA (APL) for

GOCO Army Ammunition Plan facility projects of less than \$10 million; approval authority will be the SMCA. If the facility project is valued at greater than \$10 million, the DASA (APL) will validate the requirement for the Army before transmitting the project to the Assistant Secretary of Defense (Sustainment) for approval.

6–3. Operation and maintenance, Army-industrial preparedness operations

The OMA–IPO pays for those operations that span more than one acquisition program. The primary goal is to assess the ability of the industrial base to manufacture affordable Army materiel requirements for operations, major theater wars, replenishment, and contingencies. If the requirement cannot be met, corrective measures are to be developed. The IPO Program is funded through OMA program element 424041 (ammunition) and ASIE 213045 (nonammunition). The DCS, G–4 will issue a data call for IPO requirements to ensure timely submission into the budget. Justification of IPO requirements will be organized by program elements. The program elements include the following:

- a.* Market research and ICAs accomplished by AMC.
- b.* Management and operation of Army’s notification process and dissemination of DMSMS alert notifications to the program and/or item managers. It excludes planning, budgeting, and implementing corrective actions that are the responsibility of the PM or item manager.
- c.* Industrial base information management systems and databases.
- d.* Military and/or commercial integration studies such as dual-use, commercial, off the shelf, ManTech, virtual factory agreements, and electronic descriptions of manufacture that are not appropriately funded in an RDT&E or PA funds.
- e.* Government personnel who administer and manage industrial facility capital investment, layaway, and care and protection of laid away facilities projects.
- f.* Technical assistance for DPAS, GIDEP, DPA Title III-related activities, and DMSMS.
- g.* Government personnel who manage the IPO account.
- h.* Continued preservation of critical capabilities and support.

6–4. Army industrial mobilization capacity

IMC is the unutilized, and underutilized, plant capacity at GOGO Army facilities that the Secretary of the Army determines is required to be kept for mobilization needs. Unutilized and underutilized plant-capacity costs are defined as the costs of maintaining facilities and equipment used 20 percent, or less, of available work days in a given month. Unutilized and underutilized plant-capacity costs will be budgeted for each fiscal year in accordance with 10 USC 4541. Management decision package (MDEP) “ASIP” directly funds IMC. IMC requirements must be developed in accordance with DA Pam 700–90 and DOD 7000.14–R. AMC will submit IMC requirements to DCS, G–4 for approval and provide a copy of the request to ASA (ALT) annually. Once the IMC requirements are validated and approved, DCS, G–4 will submit the requirements to the sustainment program evaluation group, within the MDEP “ASIP,” during each POM cycle for budget approval. HQAMC must report the execution and impact of IMC appropriations to DCS, G–4.

6–5. Disposal of excess government-owned industrial facilities (operation and maintenance, Army-Installation Program Evaluation Group, Management Decision Package “EXCS,” Program Element 131079N00)

The OMA-Installation Program Evaluation Group account pays for disposal of excess Government-owned industrial facilities when the proceeds from sale do not cover the cost of disposal, and abandonment is not possible or when disposal was not funded by, but not limited to, the following:

- a.* A construction project as required by the Army one-for-one disposal policy.
- b.* Demolition of real property facilities and debris removal when required to meet Army safety and health requirements. Demolition of a building containing hazardous materials must be done in a manner that protects human health and the environment, and may be subject to state and local regulatory oversight (see AR 385–10 for closure and recordkeeping requirements).
- c.* Demilitarization of critical military processes determined by the Defense Reutilization and Marketing Office to be a direct link to key points functionality (see DODM 4160.21, Vol. 1).
- d.* Recurring care and protection costs associated with excess government property. Efficiently executing an SF Form 118 (Report of Excess Real Property) by USACE and obtaining approval from GSA can minimize the OMA cost.
- e.* The industrial accounts will transfer funds each year in the amount required to capitalize MDEP “EXCS” to cover all expenses for any property accepted by the DCS, G–9 for disposal oversight.

6–6. Dual-use science and technology

As defined by public law, dual-use technology has both military and civilian applications. Most dual-use technology is generated through spin-off (commercialization of military technology for civilian applications, such as infrared sensors) or spin-on (military adaptation and/or application of commercial technology, such as state-of-the-art computer hardware and/or software). The Army will aggressively partner in dual-use RDT&E with the primary motivation of leveraging commercial technology for military applications.

6–7. Manufacturing technology (research, development, test, and evaluation)

a. It is DOD policy to rely on private sector investment and the “free enterprise” system to provide the manufacturing technology necessary to produce DOD materiel. There are cases, however, when qualified segments of industry cannot or will not commit private funds to establish manufacturing technology and make it available on a timely basis in support of DOD requirement or when use of an organic facility is more cost effective or otherwise beneficial to the Army (see DODD 4200.15).

b. The goal of ManTech is to provide essential manufacturing technologies that will enable affordability, sustainability, improved quality, shorter production lead times, enhanced productiveness, improved safety, and reduced risk in transitioning to production. The Army’s ManTech strategy is to conduct selected manufacturing demonstrations and to address a few selected crosscutting manufacturing issues that promise maximum overall impact for both future and current items critical to the Army’s mission. It is essential that AMC partner with those PMs on ManTech efforts that directly support their acquisition programs. The Army ManTech Program invests in areas having the greatest need for manufacturing improvements with the highest potential benefit to the Warfighter. The Army will actively participate in the DOD Joint Defense Manufacturing Technology Panel to coordinate ManTech efforts and maximize leverage of ManTech funding across the Services.

c. ManTech supports process prototyping and pilot demonstration to develop or modify manufacturing technologies for the Army’s use. ManTech does not acquire off-the-shelf capital equipment, unless the purchase is consistent with FAR policy (see app D), a minor portion of the investment and required to establish the first-case application integral to the ManTech project. DOD policy prohibits using ManTech funds for implementation of manufacturing technology beyond the first-case application. Before ASA (ALT) commits ManTech funds to an effort, the PEO must demonstrate that their acquisition strategy includes a realistic plan to implement the technology in the industrial base. ASA (ALT) will ensure a centralized and uniform review and control of industrial facility projects regardless of fund source.

6–8. Procurement appropriation hardware

Tooling, special tooling, special test equipment, facility maintenance and short-term deactivation are a part of the hardware budget line. The hardware budget line is also appropriate for capital investments when one hardware budget line benefits from the investment being procured via contract and the private sector is not motivated to invest in capacity. This funding source also pays for new start at a DWCF–A site.

6–9. Production Base Support Program

After complying with policies in chapter 5, when there is valid justification for investing, retaining, and maintaining Government property, the PBSP of the applicable procurement account will be used to support the following:

a. *Provision of industrial facilities.* Provision of industrial facilities funds facility requirements in support of more than one end item at contractor operated facilities for the following type of efforts:

- (1) Initial production facilities.
- (2) Expansion of capacity.
- (3) Rehabilitation of existing facilities.
- (4) Replacement of existing facilities.
- (5) Modernization of existing facilities or capacity.
- (6) Construction of real property. These facility projects involve capacity, safety, quality of work environment, energy conservation, or environmental considerations.

b. *Layaway of industrial facilities.* This account pays for transitioning facilities from production to long-term storage (that is, idle periods of more than one continuous year). Retention of reserve production capacity must be defended by an ICA (see DODI 5000.60). Functions paid by layaway of industrial facilities projects are preservation, decontamination, rehabilitation, relocation, establishment of appropriate storage environment, environmental site assessments to support privatization evaluations, demolition of facilities, explosive, and non-CERCLA environmental closure at GOCOs.

c. *Maintenance of inactive facilities.* This account pays those costs associated with reserve capacity for future production. The capacity must have been approved for retention under a preceding layaway of industrial facilities project.

d. Armament Retooling and Manufacturing Support Program. If approved, the status of the commercialization effort in context with the original economic analysis will be submitted annually with production base support budget exhibits. Generally, startup costs for commercialization will be via commercial investment or loan guarantee program in lieu of appropriated funds. Appropriated funds should only be used for market analysis to initiate the commercialization process, incentives for the facility use contractor to achieve negotiated goals, and to modify government property to accommodate commercial entities. Through commercialization and product diversification, ARMS fulfills key program objectives to reduce costs, maintain industrial readiness, retain a skilled work force, and sustain socioeconomic community development (see 10 USC 7551 through 10 USC 7555).

e. Disposal of excess Government facilities. Application of production base support funds in support of disposing excess industrial facilities in accordance with modernization, mission strategies, and life cycle management responsibilities.

6–10. Military construction, Army Program

a. Construction at a GOGO will be programmed, budgeted, and financed in the military construction, Army Program in accordance with the provisions of AR 420–1.

b. The Energy Conservation Improvement Program is a DOD program established to reduce energy consumption of existing DOD facilities while reducing associated utility energy and non-energy-related costs. The program is accomplished through energy-saving projects. IMCOM, Army installations, and Army commands will use the Energy Conservation Improvement Program, along with other resource programs for energy, to assist in implementing Army energy reduction goals.

6–11. Sale and out-lease account

a. Proceeds from the sale of surplus non-base realignment and closure (non-BRAC) real property (40 USC 572(b)) and from the lease of nonexcess real and personal property (10 USC 2667) can be returned to the Army and used for specific purposes. The sale and out-lease programs provide an excellent incentive to implement a businesslike approach to asset management, while providing the opportunity to generate additional funds. The ASA (FM&C) will generally distribute the balance to the holding agency where proceeds were generated. In some cases, ASA (FM&C) may apply the funds for Armywide use.

b. Requirements for out-lease of non-excess real and personal property is in 10 USC 2667. Requirements for easements for rights-of-way are in 10 USC 2668. The proponent for a prospective real property transaction within the United States, its territories and possessions, will comply with the requirements of 32 CFR 651.10 and AR 200–1.

c. The Army is required to charge fair market value or “in-kind considerations” for any out-leases and to survey their assets periodically to identify any real or personal property available for out-lease. AR 405–80 governs leasing of Army real property. The use of available property must not interfere with the installation mission and must be authorized by an appropriate realty instrument (such as, lease, easement, permit, and license). Army-controlled real property that is available for use for non-Army purposes will be out-granted in the following order of preference:

- (1) Other Military Departments or DOD activities or agencies.
- (2) Other Federal agencies or activities.
- (3) State and local government agencies.
- (4) Private organizations or individuals.

d. All disposals of excess real property are accomplished by the GSA, by the Army through delegated authority from the GSA, or by special legislation. AR 405–90 governs disposal of Army excess real property.

e. 40 USC 572, authorizes return of proceeds from the sale of non-BRAC surplus real property disposed of by GSA. After GSA recoups expenses, remaining funds will be distributed with 50 percent going to the installation where the property is located and the remaining 50 percent to the DCS, G–9 who will identify disposal projects and which source of funds will finance each project. The sale and out-lease account can be used for maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities, construction or acquisition of new facilities, lease of facilities, payment of utility services, and real property maintenance services. The objective is to increase available resources so that disposal minimizes impact on mission accounts. Army environmental restoration account can fund remediation of sites that fit the definition of CERCLA-contaminated sites. The second choice for all other disposal projects should be funding from the industrial accounts.

f. Before leasing or selling real property to State or local governments or private parties, 42 USC 11411 requires a determination by Housing and Urban Development regarding the suitability of the property for the homeless. The Secretary, Housing and Urban Development is responsible for requesting information concerning excess real property relevant to this determination on a quarterly basis. Army proponents of a relevant lease or sale should be prepared to provide Housing and Urban Development with the necessary information.

g. Rules for notifying appropriate congressional defense committees may be available at 10 USC 2662 and 10 USC 2667.

h. Guidance and procedures for the accounting and reporting of proceeds and expenses for the program are available in DFAS-IN Manual 37-100.

6-12. Operations and maintenance, Army, environmental restoration, Army account

This account addresses Army liabilities associated with releases of hazardous substances into the environment from past activities pursuant to the CERCLA and 40 CFR 300. Also eligible is the identification of closed ranges on Army installations, and the military munitions response actions at locations other than operational ranges. Army cleanup program procedures and responsibilities and descriptions of eligible projects are further described in AR 200-1. Funding priority is provided to sites that are considered to either constitute a high relative risk to human health or the environment or present imminent safety hazards.

6-13. Defense Production Act, Title III account

This account provides for establishment or expansion of domestic capacity through purchase of materials, purchase commitments, or other cost-sharing actions that encourage industry to make the investment for needed industrial resources.

6-14. Depot maintenance

Customers may use multiple sources of funds for depot maintenance. The specific policy is contained in AR 750-1.

Appendix A

References

Section I

Required Publications

AR 700–127

Integrated Product Support (Cited in para 2–12*a*.)

AR 750–1

Army Materiel Maintenance Policy (Cited in para 1–8*e*.)

Section II

Related Publications

A related publication is a source of additional information. The user does not have to read it to understand this publication. Unless otherwise indicated, DA publications are available on the Army Publishing Directorate website, at <https://armypubs.army.mil/>. DOD issuances are available at <https://www.esd.whs.mil/dd/>. PL, CFR, and USC materials are available at <https://www.govinfo.gov/>.

AR 1–1

Planning, Programming, Budgeting, and Execution

AR 1–33

The Army Memorial Program

AR 11–2

Managers' Internal Control Program

AR 11–18

The Cost and Economic Analysis Program

AR 25–30

Army Publishing Program

AR 70–1

Army Acquisition Policy

AR 190–13

The Army Physical Security Program

AR 200–1

Environmental Protection and Enhancement

AR 210–20

Real Property Master Planning for Army Installations

AR 385–10

The Army Safety Program

AR 405–45

Real Property Inventory Management

AR 405–80

Management of Title and Granting Use of Real Property

AR 405–90

Disposal of Real Estate

AR 420–1

Army Facilities Management

AR 525–13

Antiterrorism

AR 525–26

Infrastructure Risk Management (Army)

AR 525–27

Army Emergency Management Program

AR 700–20

Ammunition Peculiar Equipment

AR 725–1

Special Authorization and Procedures for Issues, Sales, and Loans

AR 735–5

Property Accountability Policies

ASTM E1527–05

(Available at <http://www.astm.org/>.)

ASTM E1903–97

(Available at <http://www.astm.org/>.)

CJCSI 5123.01H

Charter of the Joint Requirements Oversight Council (JROC) and Implementation of the Joint Capabilities Integration and Development System (JCIDS) (Available at <https://www.jcs.mil/Library/CJCSI-Instructions/>.)

Defense Planning and Programming Guidance

Planning and Programming (Available at <http://www.army.mil/standto/>.)

Defense Protection Act of 1950 History

The Defense Production Act of 1950: History, Authorities, and Reauthorization (Available at <https://archive.org/details/R43118TheDefenseProductionActof1950HistoryAuthoritiesandReauthorization-crs/>.)

DFARS

Defense Federal Acquisition Regulation Supplement (Available at <http://www.dcaa.mil/dfars.html>.)

DFAS–IN Manual 37–100

Financial Management (Available at <https://www.asafm.army.mil/>.)

DA Pam 25–403

Guide to Recordkeeping in the Army

DA Pam 700–90

Industrial Mobilization Capacity Guidebook

DOD 4400.1–M

Department of Defense Priorities and Allocations Manual

DOD 7000.14–R

Department of Defense Financial Management Regulation (DOD FMRS) (Available at <https://comptroller.defense.gov/fmr.aspx/>.)

DODD 3020.40

Mission Assurance (MA)

DODD 4200.15

Manufacturing Technology (ManTech) Program

DODD 4275.5

Acquisition and Management of Industrial Resources

DODD 4400.01E

Defense Production Act Programs

DODD 5000.01

The Defense Acquisition System

DODD 5000.62

Review of Mergers, Acquisitions, Joint Ventures, Investments, and Strategic Alliances of Major Defense Suppliers on National Security and Public Interest

DODD 5160.65

Single Manager for Conventional Ammunition (SMCA)

DODD 7045.14

The Planning, Programming, Budgeting, and Execution (PPBE) Process

DODI 5000.02

Operation of the Defense Acquisition System

DODI 5000.60

Defense Industrial Base Assessments

DODI 5000.64

Accountability and Management of DOD Equipment and Other Accountable Property

DODI 5160.68

Single Manager for Conventional Ammunition (SMCA): Responsibilities of the SMCA, the Military Services, and United States Special Operations Command (USSOCOM)

DODM 4140.01, Volume 3 and Volume 9

DoD Supply Chain Materiel Management Procedures

DODM 4160.21

Defense Materiel Disposition

DODM 4160.21, Volume 1

Defense Materiel Disposition: Disposal Guidance and Procedures

DODM 6055.09

DOD Ammunition and Explosives Safety Standards

FAR

Federal Acquisition Regulation (FAR) (Available at [https://www.acquisition.gov/far/.](https://www.acquisition.gov/far/))

Office of Management and Budget Circular A-76

Performance of Commercial Activities (Available at [http://www.whitehouse.gov/.](http://www.whitehouse.gov/))

PL 92-463

Federal Advisory Committee Act

Strategic Planning Guidance

2012 Army Strategic Planning Guidance (Available at [https://www.army.mil/standto/.](https://www.army.mil/standto/))

U.S. Nuclear Regulatory Commission Regulation: NRC-1575

Multi-Agency Radiation Survey and Site Investigation Manual (Available at [http://www.nrc.gov/.](http://www.nrc.gov/))

15 CFR 700

Defense Priorities and Allocations System

32 CFR 651.10

Actions requiring environmental analysis

40 CFR 300

National Oil and Hazardous Substances Pollution Contingency Plan

41 CFR 101-47

Utilization and Disposal of Real Property

5 USC

Government Organization and Employees

10 USC 101(a)(14)

Definitions: supplies

10 USC 1701

Management policies

10 USC 1702

Under Secretary of Defense for Acquisition, Technology, and Logistics: authorities and responsibilities

10 USC 2208

Working-capital funds

10 USC 2304

Contracts: competition requirements

10 USC 2440

Technology and industrial base plans

10 USC 2464

Core logistics capabilities

10 USC 2466

Limitations on the performance of depot-level maintenance of materiel

10 USC 2469

Contracts to perform workloads previously performed by depot-level activities of the Department of Defense: requirement of competition

10 USC 2472

Prohibition on management of depot employees by end strength

10 USC 2474

Centers of Industrial and Technical Excellence: designation; public-private partnerships

10 USC 2500

Definitions

10 USC 2501

National security strategy for national technology and industrial base

10 USC 2503

National defense program for analysis of the technology and industrial base

10 USC 2504

Annual report to Congress

10 USC 2505

National technology and industrial base: periodic defense capability assessments

10 USC 2506

Department of Defense technology and industrial base policy guidance

10 USC 2535

Defense Industrial Reserve

10 USC 2563

Articles and services of industrial facilities: sale to persons outside the Department of Defense

10 USC 2662

Real property transactions: reports to congressional committees

10 USC 2667

Leases: non-excess property of military departments and Defense Agencies

10 USC 2668

Easements for rights-of-way

10 USC 2687

Base closures and realignments

10 USC 2805

Unspecified minor construction

10 USC 4532

Factories and arsenals: manufacture at; abolition of

10 USC 4541

Army arsenals: treatment of unutilized or underutilized plant capacity costs

10 USC 4542

Technical data packages for large-caliber cannon: prohibition on transfers to foreign countries; exception

10 USC 4543

Army industrial facilities: sales of manufactured articles or services outside Department of Defense

10 USC 4544

Army industrial facilities: cooperative activities with non-Army entities

10 USC 4551

Definitions

10 USC 4552

Policy

10 USC 4553

Armament Retooling and Manufacturing Support Initiative

10 USC 4554

Property management contracts and leases

10 USC 4555

ARMS Initiative loan guarantee program

18 USC 1905

Disclosure of confidential information generally

22 USC 2778, Chapter 39

Arms Export Control

40 USC 545

Procedure for disposal

40 USC 572

Real property

41 USC 46 et seq

Javits-Wagner-O'Day Act of 2010

41 USC 2101

Definitions

41 USC 2102

Prohibitions on disclosing and obtaining procurement information

41 USC 2103

Actions required of procurement officers when contacted regarding non-Federal employment

41 USC 2104

Prohibition on former official's acceptance of compensation from contractor

41 USC 2105

Penalties and administrative actions

41 USC 2106

Reporting information believed to constitute evidence of offense

41 USC 2107

Savings provisions

42 USC 9601, Chapter 103, subchapter 1, et seq
Hazardous Substances Releases, Liability, Compensation

42 USC 9620(h)
Federal facilities: Property transferred by Federal agencies

42 USC 11411
Use of unutilized and underutilized public buildings and real property to assist the homeless

50 USC 98
Strategic and Critical Materials Stock Piling Act

50 USC 98h-7
National Defense Stockpile Manager

50 USC 4511-4518
Defense Production Act of 1950, Title I, Priorities and Allocations

50 USC 4531-4534
Defense Production Act of 1950, Title III, Expansion of Productive Capacity and Supply

50 USC 4565
Authority to review certain mergers, acquisitions, and takeovers

50 USC 4566
Prohibition on purchase of United States defense contractors by entities controlled by foreign governments

50 USC 4567
Defense Production Act Committee

50 USC 4568
Annual report on impact offsets

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

Unless otherwise indicated, DA forms are available at APD's website (<https://www.armypubs.mil>). SFs are available at GSA's website (<http://www.gsa.gov/portal/forms/type/sf>).

DA Form 11-2
Internal Control Evaluation Certification

DA Form 2028
Recommended Changes to Publications and Blank Forms

SF Form 118
Report of Excess Real Property

Appendix B

Department of Defense Instruction 5000.60 Excerpt: Industrial Capabilities Assessments Criteria

Before taking action or making an investment to preserve an industrial capability, DOD components must validate each of the following criteria for their product or service of concern:

B–1. Statement of problem

The problem warrants an industrial capability analysis; it is not a routine vendor management issue.

B–2. Define requirement

There is a valid national security requirement for the product or service to meet military missions, readiness, or sustainability needs or that the capability is needed to support next-generation product development or manufacture.

B–3. Define characteristics of capability

The capability is truly unique. A specific industrial capability, vital to providing the product or service in question, is truly unique. Verify that capability exists only in one product or product line and is so dissimilar from any other defense or commercial industrial capability that its loss would prohibit the DOD from obtaining a defense product or service.

B–4. Effect from loss of capability

The unique capability will actually be lost. Validate that one of the following conditions exists:

- a.* The only supplier exits because the product line is not sufficiently profitable.
- b.* The only supplier exits because the business unit is no longer financially viable.
- c.* The industrial capability is technically so complex and sensitive, such an intricate combination of science and art, that any interruption or reduction in the activity will cause the capability to be effectively lost. (Answers must be based on performing a financial analysis or technical analysis, as indicated.)

B–5. Alternatives

The cost, risk, benefit, and legal authority of all feasible alternatives have been evaluated. The following alternatives have been assessed:

- a.* Taking no action.
- b.* Using a foreign source of supply.
- c.* Using an existing substitute product or capability, modifying an existing substitute product or capability, or modifying the DOD performance requirement so that a substitute product can be used.
- d.* Making a buyout to meet future DOD needs; that is, buying a sufficient quantity to meet future needs and storing the product.
- e.* Applying a new technology approach to replace either the product or the capability currently used to meet DOD needs.
- f.* Investing in smart shutdown actions; that is, purposefully preserving certain elements (equipment, skills' inventories, and data) essential to regenerating a product or service, while allowing the current development or production activities to cease.
- g.* Investing in an acquisition action to preserve the capability by preserving development or manufacturing activity for the current product.
- h.* Relieving or adding specific contract, policy, procurement, or export conditions that are hampering DOD access to a wider set of suppliers, or hampering endangered suppliers from potentially improved business opportunities.

B–6. Recommendation

The recommended action is the most cost and mission-effective solution to ensuring that, based on the analysis, the DOD can meet its mission.

B–7. Resource plan

DOD component budget dollars and legal authority needed to make this investment have been identified.

Appendix C

Business Strategy

As part of the acquisition strategy, the PM will develop and document a business strategy.

Section I

Competition

C–1. The decline in defense spending

Declines in defense spending and subsequent industry consolidation have created a new industrial environment that DOD must consider when making acquisition and technology program decisions. For some critical and complex defense products, the number of competitive suppliers is now, or will be, limited. While it is fundamental DOD policy to rely on the marketplace to meet DOD requirements, there may be exceptional circumstances in which DOD needs to act to maintain future competition. Accordingly, DOD components will consider the effects of their acquisition and budget plans on future competition.

C–2. Future competition

The deputies to the component acquisition executive will confer routinely with the DASD (IP) to discuss areas where future competition may be limited and provide the DASD (IP) with information on such areas based on reporting from program managers and other sources. This group will review such areas that have been identified by program acquisition strategies, integrated product teams, sole-source justifications and approvals, and more generally from industry sources. Where appropriate, this group will establish a DOD team to evaluate specific product or technology areas. Based on analysis and findings of the team, USD (A&S) will decide what, if any, DOD action is required to ensure future competition in the sector involved. The USD (A&S) will direct any proposed changes in specific programs or direct the MDA to make such changes to a specific program.

C–3. Program, project, product managers, and contracting officers

PMs and contracting officers will provide for full and open competition, unless one of the limited statutory exceptions applies to PMs and contracting officers that will use competitive procedures best suited to the circumstances of the acquisition program (see FAR). To comply with these policies, PMs will plan for competition from the inception of program activity. Such competition planning will precede preparation of an acquisition strategy when, for example, a technology project or an effort involving advanced development or demonstration activities has potential to transition into an acquisition program. Competition planning must include the immediate effort being undertaken and any foreseeable future procurement as part of an acquisition program. Competitive prototyping, competitive alternative sources, and competition with other systems that may be able to accomplish the mission will be used, where practicable.

C–4. Applying competition to acquisition phases

The acquisition strategy prepared to support program initiation will include plans for competition for the long-term. The strategy will be structured to make maximum use of competition through the life of the contemplated program to achieve performance and schedule requirements, improve product quality and reliability, and reduce cost.

C–5. Industry involvement

DOD policy encourages early industry involvement in the acquisition effort, consistent with the Federal Advisory Committee Act (see PL 92–463, 5 USC, and FAR). The acquisition strategy will describe past and planned industry involvement. The PM will apply knowledge gained from industry when developing the acquisition strategy; however, with the exception of the PM's support contractors, industry will not directly participate in acquisition strategy development.

C–6. Exclusive teaming arrangements

Exclusive teaming arrangements are potential obstacles to competition. Two or more companies create an exclusive teaming arrangement when they agree to team to pursue a DOD acquisition program and agree not to team with other competitors for that program. These teaming arrangements occasionally result in inadequate competition for DOD contracts. While the preference is to allow the private sector to team and subcontract without DOD involvement, DOD will intervene, if necessary, to assure adequate competition. The MDA will approve any action to break up a team.

C-7. Sub-tier competition

All acquisition programs will foster competition at sub-tier levels, as well as at the prime level. The PM will focus on critical product and technology competition when formulating the acquisition strategy; when exchanging information with industry; and when managing the program system engineering and life cycle. Preparation of the acquisition strategy will include an analysis of product and technology areas critical to meeting program needs. The acquisition strategy will identify the potential industry sources to supply these needs. The acquisition strategy will highlight areas of potential vertical integration (for example, where potential prime contractors are also potential suppliers). Vertical integration may be detrimental to DOD interests if a firm employs internal capabilities without consideration of, or despite the superiority of, the capabilities of outside sources. The acquisition strategy will describe the approaches the PM will use (such as, requiring an open systems architecture, investing in alternate technology or product solutions, breaking out a subsystem, or component) to establish or maintain access to competitive suppliers for critical areas at the system, subsystem, and component levels.

C-8. Potential sources

The PM will consider both international (consistent with possible information security and technology transfer restrictions) and domestic sources that can meet the need and will consider both commercial and nondevelopmental items as the primary source of supply, consistent with DFARs and FAR. The PM will consider national policies on contracting and subcontracting with small businesses, small and disadvantaged businesses, women-owned small businesses, Service disabled veteran-owned small businesses, historically underutilized business, historically black colleges and universities, and/or minority institutions. The PM will address considerations to secure participation of these entities at both prime and sub-tier levels. The PM will consider intragovernment work agreements, for example, formal agreements, project orders or work requests, in which one government activity agrees to perform work for another, creating a supplier and/or customer relationship.

C-9. Public-private partnering

The PM will consider the availability of public sector partnering to meet the need. This can include consideration as a subcontractor; as separately-funded direct workload to meet core requirements or other workload requirements (for example, 10 USC 2464 and 10 USC 2466); requirement to partner with a public industrial base entity in a solicitation; or making an offer of first proposal to a public industrial base facility to accomplish the workload either alone or in partnership with a private entity.

Section II

Market Research

C-10. Commercial and nondevelopmental items

The PM will use sources of supply that provide for the most cost-effective system throughout its life cycle. The PM will work with the user to define and modify, as necessary, requirements to facilitate the use of commercial and nondevelopmental items. This includes requirements for hardware, software, interoperability, data interchange, packaging, transport, delivery, and automatic test systems. Within the constraints of these requirements, the PM will require contractors and subcontractors to use commercial and nondevelopmental items to the maximum extent possible. While some commercial items may not meet system-level requirements for Acquisition Category I and IA programs, numerous commercial components, processes, practices, and technologies have application to DOD systems. This policy will extend to subsystems, components, and spares levels based on the use of performance specifications and form, fit, function, and interface specifications. Preference will be first to commercial items, then to nondevelopmental items. The commercial marketplace widely accepts and supports open interface standards, set by recognized standards organizations. These standards support interoperability, portability, scalability, and technology insertion. When selecting commercial or nondevelopmental items, the PM will prefer open interface standards and commercial item descriptions. If acquiring products with closed interfaces, the PM will conduct a BCA to justify acceptance of the associated economic impacts on total ownership cost and risks to technology insertion and maturation over the service life of the system.

C-11. Dual-use technologies and the use of commercial plants

Dual-use technologies are technologies that meet a military need, yet have sufficient commercial application to support a viable production base. Market research and analysis will identify and evaluate possible dual-use technology and compo-

ment development opportunities. Solicitation document(s) will encourage contractors to use, and the PM will give consideration to, dual-use technologies and components. System design will facilitate the later insertion of leading edge, dual-use technologies and components throughout the system life cycle.

Section III

Industrial Capability and Capacity

C–12. Capability versus capacity

a. Market research must differentiate between “capability” and “capacity.” Capability is defined as the technical and business ability to establish or contract for manufacturing or depot-level maintenance and repair. Capacity is defined as a measure of the actual output that a private sector factory, industrial installation or depot can deliver given the capital facilities and skills that exist. Do not confuse the legitimate need to have in-house capability with the need to have in-house production capacity.

b. Production is not an Army core competency. But Army must have the capability to be a smart buyer of Army materiel. It is essential that Army nurture its in-house engineering and production expertise to be able to serve on acquisition teams that ensure qualified development and production contractors are selected competitively to sustain the force structure.

c. Army cannot compete directly with the private sector except as authorized by special authorities. In fact, Army production capacity should only exist when the private sector is unwilling or unable to establish capability to reliably and cost effectively satisfy production and readiness requirements. In-house depot level maintenance and repair capacity must exist to comply with 10 USC 2464 and 10 USC 2466. These statutes require DOD perform at least 50 percent of its depot-level maintenance and repair workload with organic capacity (that is, in-house facilities and personnel).

d. Science-based manufacturing modeling or “virtual factory” is an excellent example of an essential in-house capability for Army materiel manufactured in the private sector. This software tool streamlines the process of evolving from “capability” to “capacity.” The software is an electronic description of manufacture. In-house expertise must have sufficient data rights to scientifically define how a defense unique part is manufactured. Once developed, the software is made available to private contractors, who already have the capital property and compete on defense contracts. The contractor who wins the contract is enabled to effectively and efficiently program the machine tools to make Army materiel. Priority should be placed on developing this software for “single-point failure” items. This technique is much more affordable than laying away buildings and equipment for reconstitution and is an effective way to mitigate risk if the private sector contractor chooses to leave the defense market. The science-based manufacturing modeling procedure is on the industrial base historically underutilized business zones website.

C–13. The acquisition strategy

The acquisition strategy will summarize an analysis of the industrial base capability to design, develop, produce, support, and, if appropriate, restart the program for the next program phase. This analysis will identify DOD investments needed to create or enhance certain industrial capabilities and the risk of industry being unable to provide program design or manufacturing capabilities at planned cost and schedule (DODD 4275.5). If the analysis indicates an issue beyond the scope of the program, the PM will notify the MDA through the PEO. When there is an indication that industrial capabilities needed by DOD are in danger of being lost, DOD components will perform an analysis to determine whether government action is required to preserve an industrial capability vital to national security. Prior to completing or terminating production, DOD components will ensure an adequate industrial capability and capacity to meet post-production operational needs. Actions will address product technology obsolescence, replacement of limited-life items, regeneration options for unique manufacturing processes, and conversion to performance requirements at the subsystems, component, and spares levels.

C–14. Commercial demand

In many cases, commercial demand now sustains the national and international technology and industrial base. The PM will structure the acquisition strategy to promote sufficient program stability to encourage industry to invest, plan, and bear risks. However, the PM will not use a strategy that causes the contractor to use independent research and development funds or profit dollars to subsidize defense research and development contracts except in unusual situations where there is a reasonable expectation of a potential commercial application. Programs will minimize the need for new defense-unique industrial capabilities. Foreign sources and international cooperative development will be used where advantageous and within limitations of the law (see DFARS).

C-15. Small business innovation research technologies

The PM will develop an acquisition strategy that plans for the use of technologies developed under the Small Business Innovation Research (SBIR) Program and gives favorable consideration for funding of successful SBIR technologies. At milestone and appropriate program reviews for Acquisition Category I programs, the PM will address the program's plans for funding the further development and insertion into the program of SBIR-developed technologies. A searchable database of SBIR-funded technologies exists is available at <http://archive.sba.gov/aboutsba/sbaprograms/sbir/index.html>.

C-16. International cooperation

The globalization of today's economy requires a high degree of coordination and international cooperation. Consistent with possible information security and technology transfer limitations, the PM will adhere to the following guidelines. The acquisition strategy will discuss the potential for increasing, enhancing, and improving the conventional forces of the North Atlantic Treaty Organization and the U.S., including reciprocal defense trade and cooperation and international cooperative research, development, production, and logistics support. The acquisition strategy will also consider the possible sale of military equipment. The discussion will identify similar projects under development or in production by a U.S. ally. The acquisition strategy will assess whether the similar project could satisfy U.S. requirements and, if so, recommend designating the program an International Cooperative Program. The MDA will review and approve the acquisition strategy for all programs at each acquisition program decision. All international considerations will remain consistent with the maintenance of a strong national technology and industrial base and mobilization capability. Restricted foreign competition for the program, due to industrial base considerations, will require prior USD (A&S) approval. Results of test and evaluation of systems using approved international test operating procedures may be accepted without repeating the testing.

C-17. Surge planning and contracting

a. 10 USC 2501–2505 sets policy that the NTIB be capable of meeting military operations of varying levels of intensity and that Military Departments conduct periodic assessments of the NTIB's ability to meet these requirements.

b. Surge is the ability of the industrial base to rapidly accelerate production or maintenance output to meet requirements of selected items with existing facilities and equipment. These requirements emanate from:

- (1) The Army Chief of Staff's and PEG-approved unfunded requirements list.
- (2) Risk assessments that anticipate requirements for deployed forces beyond those in approved program levels especially for critical spare parts, munitions, and troop support items (see para 3–2a(1)(c)).
- (3) The PM and AMC item managers will formulate specific plans to accelerate production and maintenance delivery schedules for surge requirements as early as practical. Ensure these plans assess the effect on environmental permits. Inform DLA of surge requirements for spare parts, components, and support items managed by DLA. Conduct thorough market surveys to identify other technical solutions and suppliers, even international firms, if consistent with law and regulation (for example, DFARS). AMC supports PM-managed programs as specified in the Industrial Base Support Agreement between AMC and the PEO.

c. Contract mechanisms exist to increase production delivery for surge requirements. While it is important to be mindful of fiscal and contract funding requirements (see FAR), these constraints do not prohibit establishing surge options for surge requirements. The PM and contracting office may use the following:

- (1) "Best value" contracting techniques to evaluate the contractors' ability to increase deliveries to concurrently deliver surge requirements. This capability must extend to all critical sub-tier suppliers. The solicitation will require the contractor to submit a surge production plan as part of his contract proposal. The contract proposals will describe how the contractor will surge to concurrently deliver the surge requirement in the surge option over and above the basic quantity.
- (2) Options in contracts when a surge requirement exists and the contracting officer determines it is in the government's best interest (see FAR). If appropriate, the contracting officer may choose to use the special features of surge options in DFARS.
- (3) Requirements or indefinite quantity contracts as defined in the FAR to contract for surge requirements. It is essential that the funded requirement satisfy the minimum order quantity to avoid government liability. The upper range of allowable quantities would enable concurrent or rapid delivery of the surge requirement.

C-18. Protection

a. The Army is required to protect the DIB in order to ensure the Army is provided with required production and depot maintenance capability. Thus it is the Army's intent to take the steps necessary to:

b. Identify and prioritize defense industrial base capabilities in accordance with critical asset identification process as outlined the DODD 3020.40 and AR 525–26. This will include development of DIB assets in the DIB critical asset list and command task critical assets.

c. Ensure that memorandum of agreement with local and state entities allows the necessary freedom of access to the facility to properly respond to situations. (that is, pre-agreed delegation of authority and/or legal authority for local and state officials to enter and act on the Federal facility, as required, to assist in mitigating a situation.)

d. Ensure DIB assets have plans and procedures to assess all hazard risk and develop risk mitigation measures to reduce identified risk of task critical assets in accordance with Army protection programs. Risk mitigation can include identifying alternate sources of required capability within DIB critical asset list.

e. Ensure Army-owned or Army-operated DIB facilities protection is incorporated into security and local emergency management plans in accordance with AR 190–13, AR 525–13, and AR 525–27.

Appendix D

Federal Acquisition Regulation Policy on Providing Facilities

D–1. Rely on private sector and allowable exceptions

Contractors will furnish all facilities required for performing Government contracts except as provided in this subsection. Government facilities provided to contractors will be individually identified in the solicitation, if possible, and contract. Agencies will not furnish facilities to contractors for any other purpose, including restoration, replacement, or modernization, except as follows:

- a.* For use in a GOCO plant operated on a cost-plus-fee or firm fixed price basis.
- b.* For support of industrial preparedness programs.
- c.* As components of special tooling or special test equipment acquired or fabricated at Government expense.
- d.* When, as a result of the prospective contractor's written statement asserting inability to obtain facilities, the agency head or designee issues a determination and finding that the contract cannot be fulfilled by any other practical means or that it is in the public interest to provide the facilities (see FAR).
 - (1) If the contractor's inability to provide facilities is due to insufficient lead-time, the Government may provide existing facilities until the contractor's facilities can be installed.
 - (2) Mere assertion by a contractor that it is unable to provide facilities is not, in itself, sufficient to justify approval. Appropriate government officials must determine that providing Government facilities is justified.
 - (3) The determination will include findings that private financing of the facilities was sought but not available or that private financing was determined not advantageous to the Government. The determination will also state that the contract cannot be accomplished without Government facilities being provided.
 - (4) The original determination will be included in the contract file.
 - (5) No determination is required when the facilities are provided as components of special tooling or special test equipment acquired or fabricated at Government expense.
- e.* As otherwise authorized by law or regulation.

D–2. Contractors

Agencies will not—

- a.* Furnish new facilities to contractors unless existing Government-owned facilities are either inadequate or cannot be economically furnished.
- b.* Use research and development funds to provide contractors with new construction or improvements of general utility, unless authorized by law.
- c.* Provide facilities to contractors solely for non-Government use, unless authorized by law.

D–3. Effect of competition

Competitive solicitations will not include an offer by the Government to provide new facilities, nor will solicitations offer to furnish existing Government facilities that must be moved into a contractor's plant, unless adequate price competition cannot be otherwise obtained. Such solicitations will require contractors to identify the Government-owned facilities that they want to be moved into their plants.

Appendix E

Synopsis of Public-Private Partnering Authorities Available to Government-Owned, Government-Operated Industrial Installations

E-1. Public-private partnering

a. PPP includes the following:

- (1) The use of public sector facilities and employees to perform work or produce goods for the private sector.
- (2) Private sector use of public sector equipment and facilities to perform work for the public sector.
- (3) Work-sharing arrangements, using both public and private sector facilities and/or employees.

b. Execution of partnering strategies can be accomplished under the statutory authorities stated in paragraphs E-2 through E-7.

E-2. Section 2208, Title 10, United States Code

a. This section permits a working capital funded facility to manufacture or remanufacture articles and sell these articles, as well as to provide manufacturing, remanufacturing, and engineering services to persons outside DOD. The following conditions apply to these sales:

(1) The person purchasing the article or service is fulfilling a DOD or a subcontract under a DOD contracts, and the solicitation for the contract or subcontract is open to competition between DOD activities and private firms; or paragraph *b.* applies.

(2) The objectives set forth in 10 USC 2474 will be advanced by authorizing the facility to make the sale.

(3) The Secretary of Defense may waive these conditions in the case of a particular sale if the Secretary determines that the waiver is necessary for reasons of national security and notifies Congress regarding the reasons for the waiver.

(4) Proceeds from the sales will be credited to the working capital fund incurring the cost of manufacture or performance.

b. The Secretary of the Army has delegated the authority under this title (except for the waiver authority that is retained by the Secretary of Defense) to the Commander, AMC.

E-3. Section 2474, Title 10, United States Code

This section authorizes a CITE to enter into public-private cooperative arrangements (“public-private partnership”). The Secretary of the Army has designated as CITEs all Army maintenance depots and has authorized them to enter into public-private in order to provide:

a. For employees of the Center, private industry, or other entities outside DOD to perform (under contract, subcontract, or otherwise) work related to the core competencies of the Center, including any depot-level maintenance and repair work that involves one or more core competencies of the Center, or

b. For private industry or other entities outside the DOD to use, for any period of time determined to be consistent with the needs of the DOD, any facilities or equipment of the Center that are not fully utilized for a Military Department’s own production or maintenance requirements.

c. The objectives for exercising the authority are as follows:

(1) For employees of the CITE, private industry, or other entities outside DOD to perform (under contract, subcontract, or otherwise) work related to the core competencies of the CITE, including any depot-level maintenance and repair work that involves one or more core competencies of the CITE.

(2) For private industry or other entities outside DOD to use, for any period of time determined to be consistent with the needs of the DOD, any facility or equipment of the CITE that is not fully utilized for the agency’s own production or maintenance requirements.

(3) To maximize the utilization of the capacity of a CITE.

(4) To reduce or eliminate the cost of ownership of a CITE by DOD in such areas of responsibility as operations and maintenance and environmental remediation.

(5) To reduce the cost of products of the DOD produced or maintained at a CITE.

(6) To leverage private sector investment in such efforts as plant and equipment recapitalization for a CITE, and the promotion of the undertaking of commercial business ventures at a CITE.

(7) To foster cooperation between the armed forces and private industry.

d. Amounts received by a CITE for work performed under a PPP will be credited to the appropriation or fund, including a working capital fund, that incurs the cost of performing the work.

e. Consideration in the form of rental payments or in other forms may be accepted for a use of property accountable under a contract performed pursuant to this section.

f. Revenues generated by the CITE will be available for facility operations, maintenance, and environmental restoration at the CITE where the leased property is located.

g. Equipment or facilities of a CITE may be made available for use by a private sector entity only if—

(1) The use of the equipment or facilities will not have a significant adverse effect on the readiness of the armed forces.
(2) The private sector entity agrees to reimburse the DOD for the direct and indirect costs (including any rental costs) that are attributable to the entity's use of the equipment or facilities.

(3) The private sector entity agrees to hold harmless and indemnify the U.S. from any claim for damages or injury to any person or property arising out of the use of the equipment or facilities, except in a case of willful misconduct or gross negligence or where the damages or injury arose from the failure of the facility to comply with quality, schedule, or cost performance requirements in the contract to provide the articles or service.

(4) The private sector entity agrees to hold harmless and indemnify the U.S. from any liability or claim for damages or injury out of a decision to suspend or terminate the use of equipment or facilities during a war or national emergency.

E-4. Section 2563, Title 10, United States Code

This section applies to Army industrial facilities other than Army arsenals and ammunition plants, which make ordinance. Permits the sale to a person outside DOD of articles manufactured and services performed that are not available from any U.S. commercial source by a working capital funded industrial facility. Nongovernment purchasers hold harmless and indemnify the U.S. from any claim for damages or injury to any person or property arising out of the use of the equipment or facilities, except in a case of willful misconduct or gross negligence or where the damages or injury arose from the failure of the facility to comply with quality, schedule, or cost performance requirements in the contract to provide the articles or service.

E-5. Section 2667, Title 10, United States Code

This section provides the Secretaries of the Military Departments the authority to lease real or personal property upon terms that the Secretary concerned considers will promote the national defense or to be in the public interest.

a. The property must be—

- (1) Under the control of the Secretary concerned;
- (2) Not for the time needed for public use; and
- (3) Not excess property.

b. A lease under this section will have the following conditions:

(1) May not be for more than 5 years, unless the Secretary concerned determines that a lease for a longer period will promote the national defense or be in the public interest.

(2) May give the lessee the first right to buy the property if the lease is revoked to allow the U.S. to sell the property under any other provision of law.

(3) Will permit the Secretary to revoke the lease at any time, unless he determines that the omission of such a provision will promote the national defense or be in the public interest.

(4) Will provide for the payment (in cash or in kind) by the lessee of consideration in an amount that is not less than the fair market value of the lease interest, as determined by the Secretary.

(5) May provide for the alteration, repair, or improvement, by the lessee, of the property leased as the payment of part or all of the consideration for the lease.

(6) Except as otherwise provided, will require the lessee to provide the covered entities specified in paragraph (1) of that subsection the right to establish and operate a community support facility or provide community support services, or seek equitable compensation for morale, welfare, and recreation programs of the DOD in lieu of the operation of such a facility or the provision of such services, if the Secretary determines that the lessee will provide merchandise or services in direct competition with covered entities through the lease.

(7) May not provide for a leaseback by the Secretary concerned with an annual payment in excess of \$500,000, or otherwise commit the Secretary concerned or the DOD to annual payments in excess of such amount.

E-6. Section 7543, Title 10, United States Code

This section provides Army arsenals and ammunition plants, which make ordnances, the authority to sell manufactured articles or services outside the DOD. The following conditions apply to these sales:

a. For use in developing new products; incorporation into items to be sold to, or to be used in a contract with, an agency of the United States; incorporation into items to be sold to, or to be used in a contract with, or to be used for purposes of soliciting a contract with, a friendly foreign government; use in commercial products.

b. The purchaser is determined by DOD to be qualified to carry out the proposed work involving the article to be purchased.

c. The purchaser agrees to hold harmless and indemnify the United States, except in any case of willful misconduct or gross negligence, from any claim for damages or injury to any person or property arising out of the articles or services.

d. The articles or services can be substantially manufactured or performed by the industrial facility concerned with only incidental subcontracting.

e. It is in the public interest to manufacture the articles or perform the services.

f. The sale of the articles or services will not interfere with the performance of DOD work or the military mission of the industrial facility concerned.

g. Proceeds from sales of articles and services will be credited to the funds, including working capital funds and operation and maintenance funds, incurring the costs of manufacture. Performance authority is at AMC major subordinate command level.

E-7. Section 7544, Title 10, United States Code

a. This authority provides the Army with working-capital funded, industrial-facilities authority to:

(1) Sell Army manufactured articles to non-Army entity.

(2) Perform work at an Army facility by a non-Army entity.

(3) Perform work for a non-Army entity.

(4) Share work by the facility and non-Army entity; provide Joint offers by Army facility and non-Army entity for competitive procurements with a Federal agency.

(5) Lease or use of Army facilities and equipment by non-Army entity.

(6) Allow Joint offers by Army facility and non-Army entity for competitive procurements with a Federal agency.

b. An activity may be carried out at an Army industrial facility under a cooperative arrangement entered only under the following conditions:

(1) The articles to be manufactured or services to be performed can be substantially manufactured or services can be substantially performed by the facility without subcontracting for more than incidental performance.

(2) The activity does not interfere with performance of work by the facility for the DOD or a military mission of the facility.

(3) The activity can do at least one of the following: maximize utilization of the capacity, reduce the cost of ownership, reduce the cost of manufacturing, or preserve skill or equipment at the facility.

(4) The non-Army entity agrees to hold harmless and indemnify the United States from any liability or claim for damages or injury to any person or property arising out of the activity except in any case of willful misconduct or gross negligence; and in the case that damages or injury arose from the failure to comply with quality, schedule or cost performance requirements in the contract to carry out the activity.

c. The proceeds received from the sale of an article or service pursuant to a contract or other cooperative arrangement under this section will be credited to the working capital fund that incurs the cost of manufacturing the article or performing the service.

d. The authority of an Army industrial facility to enter into a cooperative arrangement will be exercised at the level of the commander of the major subordinate command of the Army that has responsibility for the facility. The commander may approve such an arrangement on a case-by-case basis or a class basis.

e. Except in the case of work performed for the DOD, for a contract of the DOD, for foreign military sales, or for authorized foreign direct commercial sales (defense articles or defense services sold to a foreign government or international organization under export controls), a sale of articles or services may be made only if the approval authority described in paragraph E-7*d* determines that the articles or services are not available from a commercial source located in the United States, in the required quantity or quality, or within the time required.

Appendix F

Industrial Base-Related Websites

F–1. Army Equipping Enterprise System

The Army Equipping Enterprise System is a HQDA knowledge management system that enables the Army staff to rapidly assess the feasibility, supportability, and affordability of current, programmed, and hypothetical HQDA initiatives by projecting force readiness and cost over time. (Available at <https://afm.us.army.mil/ae2slogin/>.)

F–2. Defense Acquisition Guidebook

The Defense Acquisition Guidebook is designed to complement DODD 5000.01 and DODI 5000.02 by providing the acquisition workforce with discretionary best practice that should be tailored to the needs of each program. Each chapter is designed to improve understanding of the acquisition process and ensure adequate knowledge of the statutory and regulatory requirements associated with the process. (Available at <https://www.dau.mil/tools/dag/>.)

F–3. Department of Defense Standardization Program

This program is designed to influence, develop, manage, and provide access to standardization processes, products, and services for warfighters, the acquisition community, and the logistics community to promote interoperability, reduce total ownership costs, and sustain readiness. (Available at <http://www.dsp.dla.mil/>.)

F–4. Defense Logistics Agency Weapon System Support Program

This program provides analysis tools and intensive management techniques for the service weapon systems. The system provides visibility of national stock numbers by weapon system and allows national stock number ranking to support enhanced management of items by weapon system criticality and national stock number essentiality to the weapon system mission. The Services owning the weapon systems provide the level of criticality for each. DLA makes final determination of criticality group assignment for overall support of the systems and numbers within the Weapons System Support Program. (Available at <https://headquarters.dla.mil/j-3/j-334/wssp/>.)

F–5. Department of Defense Program for Defense Production Act, Title III

The Title III Program is a DOD-wide initiative under the DASD (IP). The Air Force serves as the lead agent for the Title III Program within DOD. The mission of the DPA, Title III Program is to create assured, affordable, and commercially viable production capabilities and capacities for items essential for national defense. (Available at http://www.dpatile3.com/dpa_db/.)

F–6. Defense Technical Information Center

The center serves the DOD community as the largest central resource for DOD and Government-funded scientific, technical, engineering, and business-related information. (Available at <https://discover.dtic.mil/>.)

F–7. Electronic document access

The electronic document access is a Web-based system that provides secure online access, storage, and retrieval of contracts, contract modifications, Government bills of lading, DFAS transactions for others (E110), vouchers, and contract deficiency reports to authorized users throughout the DOD. The electronic document access provides for the online creation of contract deficiency reports and the reports workflow. (Available at https://eda2.ogden.disa.mil/eda_main.htm/.)

F–8. Government-Industry Data Exchange Program

This program is a cooperative activity between Government and industry participants seeking to reduce or eliminate expenditures of resources by sharing technical information essential during research, design, development, production, and operational phases of the life cycle of systems, facilities, and equipment. (Available at <http://www.gidep.org/>.)

F–9. Industrial base assessment tool

This tool is a Web-based ammunition enterprise decision support tool designed to perform simulation modeling of the ammunition industrial base to assist in optimizing acquisition strategies and budget optimization to maximize ammunition to the Warfighters and maintain a viable and responsive production base. The industrial base assessment tool is used to perform capability based planning for all ammunition end items and components. End item demands from POM to total munitions requirements can be modeled to predict the ability of the production base to respond and the tool is updated nightly. (Available at <https://prod.jmc.army.mil/ibat/>.)

F–10. Industrial base web portal

The portal informs the Army industrial base community about ongoing activities and events. It provides visibility of industrial base issues and identifies Army accomplishments. (Available at <https://ibwebportal.ria.army.mil/>.)

F–11. Industrial Base Data Warehouse

This warehouse is an analysis tool for the defense community that provides a central source for industrial base information and tools to identify potential base issues. Through integration of multiple data sources, the industrial base data warehouse offers a wide range of data to answer a variety of questions. (Available at <https://vems.ria.army.mil/apps/ibdww/>.)

F–12. Logistics Support Activity Logistics Information Warehouse

This warehouse is AMC's Integrated Logistics Resource Center. (Available at <https://liw.logsa.army.mil/>.)

F–13. Make-or-Buy Library

This library provides make or buy guidance and CMCs. (Available at <https://spcs3.kc.army.mil/asaalt/portal/make%20or%20buy%20library>)

F–14. Office of the Assistant Secretary of the Army (Acquisition, Logistics, and Technology)

(Available at https://spad.kc.us.army.mil/sites/asa_alt/default.aspx.)

F–15. Office of the Deputy Assistant Secretary of Defense - Industrial Policy

(Available at <https://www.businessdefense.gov/>.)

F–16. Product Data Reporting and Evaluation Program

This program is a Department of the Navy Program that supports requirements regarding the reporting and collection and use of supplier performance information identified in the CFR, DFARS, and FAR. (Available at <http://www.nslcptsmh.csd.disa.mil/>.)

F–17. Cloud equipping

This system is a catalog management and research tool. (Available at <https://cprobe.army.mil/cquip/>.)

F–18. U.S. Army Force Management System

The U.S. Army Force Management System website contains manpower and equipment authorization documents. (Available at <https://fmsweb.fms.army.mil/unprotected/splash/>.)

F–19. U.S. Army Publishing Directorate

(Available at <https://armypubs.army.mil/>.)

F–20. Materiel Enterprise Capabilities–Database

This is an online market research database for the organic industrial base. It provides details of Army depot and arsenal capabilities to the acquisition community in a searchable and exportable format. This single source for base information increases the accuracy and decreases the time to conduct market research. (Available at <https://apps.aep.army.mil/sites/meccd/default.aspx>.)

Appendix G

Internal Control Evaluation

G–1. Function

The function covered by this evaluation is the Army’s industrial base process.

G–2. Purpose

The purpose of this evaluation is to assist industrial base personnel within HQDA to assess the proper application of the Army’s industrial base policies in the care and maintenance of the organic and commercial industrial base.

G–3. Instructions

Answers to the below evaluation must be based on the actual testing, for example, documented analysis or direct observation of key management controls, interviewing, sampling, simulation, and evaluation reports. Answers that indicate deficiencies must be explained, and corrective action indicated in supporting documentation. These management controls must be evaluated at least once every 5 years. Certification that the evaluation has been conducted must be accomplished in accordance with AR 11–2 on DA Form 11–2 (Internal Control Evaluation Certification).

G–4. Test questions

- a. When market research reveals a problem with supplying Warfighter’s needs, is an ICA prepared?
- b. Are industrial base considerations integrated into the acquisition process per AR 70–1?
- c. Is an IPPL developed, in conjunction with the publication of the DA CIL, that identifies critical end items and components needing monitoring to assure sufficient capacity is sustained to satisfy requirements?
- d. When supplies needed for the Department of the Army are made in factories or arsenals owned by the United States, are the provisions of the Army Arsenal Act adhered to (that is, can those factories or arsenals make those supplies on an economical basis)?
- e. When acquisition competition is restricted for current requirements to preserve critical elements of the industrial base, are the appropriate industrial base authorities cited for contracting without providing for full and open competition cited?
- f. When acquisitions could potentially result in foreign control of defense suppliers, does HQDA conduct CFIUS reviews?
- g. Are Army-owned industrial facilities sized appropriately to operate in a cost-effective manner in support of FYDPs?
- h.. Does the Army rely on the private sector for support of defense production to the maximum extent practical?
- i. Do PEOs perform make-or-buy analyses for Army Programs of Record and provide the EXSUM results to HQDA?

G–5. Supersession

This evaluation replaces the evaluation for the Army’s industrial base process, previously published in AR 700-90, dated 18 June 2018.

G–6. Comments

Help make this a better tool for evaluating internal controls. Submit comments to the ASA (ALT) (SAAL–ZL), 2800 Crystal Drive, Arlington, VA 22202–3911.

Glossary

Section I

Abbreviations

AMC

U.S. Army Materiel Command

AR

Army regulation

ARMS

Armament Retooling and Manufacturing Support

ASA (ALT)

Assistant Secretary of the Army (Acquisition, Logistics and Technology)

ASA (FM&C)

Assistant Secretary of the Army (Financial Management and Comptroller)

ASA (IE&E)

Assistant Secretary of the Army (Installations, Energy and Environment)

ASTM

American Society for Testing and Materials

BCA

business case analysis

BRAC

base realignment and closure

CDRL

Contract Data Requirement List

CERCLA

Comprehensive Environmental Response, Compensation, and Liability Action

CFIUS

Committee on Foreign Investment in the United States

CFR

Code of Federal Regulations

CG

Commanding General

CITE

Center for Industrial and Technical Excellence

CMC

critical manufacturing capabilities

COCO

contractor-owned, contractor-operated

DA

Department of the Army

DA CIL

Department of the Army critical items list

DASA (APL)

Deputy Assistant Secretary of the Army (Acquisition Policy and Logistics)

DASD (IP)

Deputy Assistant Secretary of Defense (Industrial Policy)

DCS
Deputy Chief of Staff

DFARS
Defense Federal Acquisition Regulation Supplement

DFAS
Defense Finance Accounting System

DIB
defense industrial base

DLA
Defense Logistics Agency

DMSMS
diminishing manufacturing sources and materiel shortages

DOD
Department of Defense

DPA
Defense Production Act

DPAS
Defense Priorities and Allocations System

DWCF–A
Defense Working Capital Fund–Army

EXSUM
executive summary

FAR
Federal Acquisition Regulation

FY
fiscal year

FYDP
Future Years Defense Program

GFP
Government-furnished property

GIDEP
Government Industry Data Exchange Program

GOCO
Government-owned, contractor-operated

GOGO
Government-owned, Government-operated

GS
general schedule

GSA
General Services Administration

HAZMAT
hazardous materials

HQDA
Headquarters, Department of the Army

ICA
industrial capabilities assessment

IMC
industrial mobilization capacity

IMCOM
U.S. Army Installation Management Command

IPO
industrial preparedness operations

IPPL
industrial preparedness planning list

JCIDS
Joint Capabilities Integration and Development System

ManTech
manufacturing technology

MDA
milestone decision authority

MDEP
management decision package

MSMW
minimum sustaining manufacturing workload

NTIB
national technology and industrial base

OMA
operation and maintenance, Army

OSD
Office of the Secretary of Defense

PA
procurement appropriations

PBP
Production Base Plan

PBSP
Production Base Support Program

PEG
program evaluation group

PEO
program executive officer

PM
program/product/project manager

POM
program objective memorandum

PPP
public-private partnering

RDT&E
research, development, test and evaluation

SBIR
Small Business Innovation Research

SF
standard form

SMCA

single manager for conventional ammunition

SMDC

U.S. Army Space and Missile Defense Command

USACE

U.S. Army Corps of Engineers

USC

United States Code

USD (A&S)

Under Secretary of Defense (Acquisition and Sustainment)

Section II**Terms****Acquisition Planning**

The process of integrating all the effort to acquire DOD materiel to fulfill an agency's need in a timely manner and at a reasonable cost. It includes developing the overall strategy for managing the acquisition.

Allocations

Within defense materials systems, authorization to issue purchase order for specific quantities of controlled materials (steel, copper, aluminum, nickel, and alloy) utilized only for defense production purposes, or replacement of materials used for such purposes.

Army reserve plants

Army-owned installations that are certified as part of the Army's essential nucleus production capacity. These facilities may be GOGO or GOCO. They are retained, used, or maintained in idle status for production of military weapons systems, munitions, components, and supplies.

Capability

The technical and business ability to establish or contract for manufacturing or depot level maintenance and repair.

Capacity

Measure of an actual output that private sector factory, industrial installation or depot can deliver given the capital facilities and skills that exist.

Construction

The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; relocation of a facility from one installation to another; installed equipment made part of the facility, related site preparation, excavation, filling, landscaping, or other improvements.

Critical components

Components requiring processes and/or skills that are not available in sufficient supply and consequently constrain delivery of mission-essential materiel such that mission needs cannot be met.

Critical items list

A list of items published biennially, required for sustainability of the near-term U.S. Army Forces involved in a contingency operation. The DACIL is prepared by the DCS, G-3/5/7.

Critical technology

Technology that appears on the list of national critical technologies contained in the most recent biennial report on national critical technologies submitted to Congress by the President pursuant to Section 603(d) of the National Science and Technology Policy, Organization, and Priorities Act of 1976.

Defense Industrial Reserve

A general reserve of industrial manufacturing equipment, including machine tools, selected by the Secretary of Defense for retention for national defense or for other emergency use. Those industrial plants and installations held by and under the control of the DOD in active or inactive status, including Government plants and installations and GOCO plants and installations that are retained for use in their entirety or, in part, for production of military weapons systems, munitions, components, or support.

Defense materials systems

The means for directing the flow of controlled materials required for authorized defense programs under regulations issued by the authority of the DPA of 1950, as amended.

Determination and findings

Written approval, by an authorized official, in a special format entitled determination and findings that is required by statute or regulation as a prerequisite to taking certain contracting actions. The determination is a conclusion or decision supported by findings. Findings are statements of fact and/or rationale essential to support the determination.

Diminishing manufacturing sources and materiel shortages

The loss or impending loss of manufacturers of items or suppliers of items or raw materials may cause materiel shortages that endanger a weapon system's or equipment's development, production, or post-production support capability. DMSMS management is risk mitigation and resolution when a manufacturer or producer ceases manufacture or production of an item and that item is still required for procurement and/or required to sustain, repair, or build a system.

Dual-use

Products, services, standards, processes, or acquisition practices that are used by military and nonmilitary customers.

Economical Basis

A determination based on cost provided program objectives are met to include schedule, performance and risk.

End item

An instrument of combat or combat support used to accomplish military missions consisting of a final combination of assemblies, parts, and materials that together perform a complete operational function and is ready for its intended use.

Enhanced use lease

Authorized by 10 USC 2667, enhanced use lease are opportunities for the Army to partner with private industry by leasing and operating non excess real property/manufacturing facilities.

Excess to ownership

Government-owned plants or equipment that are not necessary for the Government to own as long as the production capability is maintained in a suitable state for future production or replenishment requirements by the purchaser. Under these circumstances, the ownership interest is considered excess and the property can be sold by GSA under the authority of 40 USC 545(b)(2) and (7).

Facilities project

A Government project to acquire, provide, modernize, replace, construct, preserve, or protect facilities.

Facility

Property used for production, maintenance, research, development, or testing. Includes plant equipment and real property. Does not include material, special test equipment, special tooling, or agency-peculiar property.

Government-furnished property

Property in the possession of, or directly acquired by, the Government and subsequently made available to the contractor.

Government property

All property owned or leased by the Government. This property includes both Government-furnished and contractor-acquired property. Government property includes material, equipment, special tooling, special test equipment, and real property. Government property does not include intellectual property and software.

Horizontal industrial base assessment

Assessments that measure NTIB and global production capability of end items or components against anticipated demand.

Industrial base

The privately-owned and Government-owned industrial capability and capacity available for manufacture, maintenance, modification, overhaul, and/or repair of items required by the U.S. and selected allies, including the production base and maintenance base.

Industrial capabilities

The skills and knowledge, processes, facilities, and equipment needed to design, develop, manufacture, repair, and support DOD products. Defense industrial capabilities include private and public industrial activities.

Industrial capabilities assessment report

A report that summarizes the results of an ICA. It recommends an action or investment and addresses cost, schedule, effects on performance, and pertinent qualitative considerations. It defines how and when the action would be incorporated into the budget and, if possible, identifies budget offsets.

Industrial preparedness measures

Actions designed to shorten lead-time or to increase industrial base capacity for critical items and components.

Industrial preparedness planning list

A listing of items and components designated by program executive officers and commodity managers as necessary to monitor for sufficient capacity in order to ensure that operational, combat, and contingency requirements are satisfied.

Joint Capabilities Integration and Development System and operation of same

Documents information for decision-makers on the projected requirements of the Warfighter. Joint Capabilities Integration and Development System (JCIDS) is based on the need for a Joint concepts-centric capabilities identification process that allows Joint forces to meet the full range of military challenges of the future. Three documents are key to JCIDS. The initial capabilities document summarizes the results of a comprehensive analysis and identifies any changes in the U.S. or allied doctrine, operational concepts, tactics, organization, and training that were considered in satisfying a deficiency. The capability development document, developed for milestone B, is the sponsor's primary means of defining authoritative, measurable, and testable capabilities needed by the Warfighters to support the system development and demonstration phase of the acquisition program. The capability production document, developed for milestone C, provides authoritative, testable capabilities for the production and deployment phase of an acquisition program (see CJCSI 5123.01H).

Justification and approval

A justification, certified as accurate and complete by the contracting officer and supported by certified technical documentation that supports the use of statutory authorities, as implemented by the FAR, permitting contracting without providing for full and open competition. Approval requirements are identified in the FAR.

Layaway of industrial facilities

A budget line in the production base support program that finances the cleaning, preserving, and processing into storage of inactive industrial facilities that are no longer required to support current production but are required to support approved forces in an emergency. Facilities must be a part of an approved and/or currently certified plant equipment package or Army reserve plant and be in an immediate use posture or in a plan that exists to achieve immediate use posture.

Life cycle cost

The LCC is the total cost to the government for any materiel over its entire life and is required for all appropriation categories and all materiel. It includes all costs for research and development, investment (production and deployment, to include military construction and site activation), operating and support (organic/contractor personnel, supplies, operations, maintenance, and training) and disposal. This includes direct costs to the materiel and indirect costs that are logically attributable, regardless of funding source or management control.

Maintenance base

The total privately-owned and Government-owned industrial maintenance capacity available to the Army for depot maintenance of items required by the U.S. Armed Forces (see AR 750-1). The maintenance base together with the production base comprises the industrial base.

Maintenance facilities

Fixed installations, such as shipyards and depots, that supports organizational maintenance and intermediate maintenance activities through the availability of more extensive shop facilities, equipment, and personnel of a higher technical skill than are available at lower maintenance levels. Some of the types of maintenance normally provided by these shops are inspection, test, repair, modification, alteration, modernization, conversion, overhaul, reclamation, or rebuild of parts, assemblies, subassemblies, components, and end items.

Manufacturing technology

Techniques and processes designed to improve manufacturing quality, productivity, and practices, including quality control, shop floor management, inventory management, and worker training, as well as equipment and software manufacture.

Manufacturing Technology Program

The total of all DOD investments specifically authorized by Congress for establishing new or improved manufacturing technology.

Market research

An analysis of information about capabilities and capacity to determine whether the market place can satisfy agency needs (see FAR).

Mobilization

The act of assembling and organizing national resources to support national objectives during war or other emergencies. The process by which the armed forces, or parts of them, are brought to a state of readiness for war or other national emergency. That includes activating all or part of the Reserve Components, as well as assembling and organizing personnel, supplies, and materiel.

National emergency

A condition declared by the President or Congress authorizing certain emergency actions to be undertaken in the national interest. Actions to be taken may include partial or total mobilization of national resources.

National technology and industrial base

Persons and organizations that are engaged in research, development, production, or maintenance activities conducted within the U.S. and Canada.

New start

Any RDT&E appropriations program, subprogram, modification, project, or subproject not previously justified by DOD and funded by Congress through the normal budget process. With the exception of certain safety modification, all new starts require either prior approval from the congressional defense committees or prior notification to the committees before funds can be obligated.

Nondevelopmental item

Materiel available from a variety of sources to satisfy an approved requirement with little or no additional development by the Army.

Performance based logistics

DOD's preferred approach for implementing product support. Performance-based logistics is a strategy for weapon system life cycle support that brings higher levels of system readiness through efficient management and direct accountability. It describes performance goals for a weapon system's readiness, and encourages the creation of incentives for attaining the goals through clear lines of authority and responsibility.

Plant equipment

Personal property of a capital nature, including equipment, machine tools, test equipment, furniture, vehicles, and accessory and auxiliary items, for use in manufacturing supplies, in performing services, or for any administrative or general plant purpose. It does not include special tooling or special test equipment.

Plant equipment package

Complement of active and idle machine tools and other industrial manufacturing equipment held by and under the control of DOD and approved by the Deputy Assistant Secretary of the Army (Procurement) for retention to produce particular defense materiel or defense supporting items at a specific level of output in the event of an emergency.

Procurement appropriations

A term denotes the Army appropriations for acquisition of aircraft, missiles, weapons, and tracked combat vehicles, ammunition, and other items.

Product manager

The individual designated in accordance with criteria established by the Army acquisition executive to manage an acquisition program, and appropriately certified under the provisions of 10 USC 1701 and 10 USC 1702. The PM is responsible for development of overall program management plans and requirements, and execution, control, and direction of the work and associated resources required for the life cycle management of the program and/or system and associated products. The PM is a lieutenant colonel or GS-14 and the title PM implies that they are centrally selected by a secretariat board. A PM has no other command or staff responsibilities within the component.

Production base

The privately-owned and Government-owned industrial production capacity available to manufacture items required by the U.S. Armed Forces. The production base together with the maintenance base comprises the industrial base.

Production base plan

A plan maintained by a program executive officer that describes the readiness of critical items and components identified on the IPPL to fulfill a wide range of national defense strategy requirements. It provides the production capability shortfall analysis and industrial investment strategies to maintain and improve the defense industrial base.

Production base support program

The portion of PA that pays directly to correct production base deficiencies.

Program executive officer

A military or civilian official who has primary responsibility for directing several major defense acquisition programs and for assigned major system and non-major system acquisition programs. The PEO has no other command or staff responsibilities within the Army and only reports to and receives guidance and direction from the Army acquisition executive. The PEO is responsible for planning, programming, budgeting, and execution necessary to guide assigned programs through each milestone with approved baselines. Project and product managers report to the PEO.

Program objective memorandum

The documents that provide a 6-year projected blueprint of each organization's proposals for updating DOD programs. It is submitted to the Secretary of Defense by each Military Department, defense agency, and special operations command for approval. The approved POM defines the programs to be supported in the Military Department and the defense agency budgets.

Project manager

Provides overall direction and guidance for development, acquisition, testing, product improvement, fielding, and sustaining of the project. The PM is a colonel or GS-15 and is DA centrally selected.

Property

All property, both real and personal, including facilities, material, special tooling, special test equipment, and agency-peculiar property.

Provision of industrial facilities

A budget line in the PBSP that pays directly for capital investments. The objective is to correct a production capacity or production support facility deficiency.

Readiness

A measure of the ability of a system to undertake and sustain a specified set of missions at planned peacetime and wartime utilization rates. Measures take account of the effects of system design (reliability and maintainability), the characteristics of the support system, and the quantity and location of support resources. Examples of system readiness measures are combat sortie rate, fully mission-capable rate, and operational availability.

Real property

Land and rights in land, ground improvements, utility distribution systems, and buildings and other structures. It does not include foundations and other work necessary for installing special tooling, special test equipment, or plant equipment.

Replenishment

Actions to resupply an inventory when the inventory position reaches the reorder point.

Rolling inventory

Raw materials, parts, components, and assemblies procured in advance of contractual requirements for the purpose of improving industrial responsiveness and to surge weapon systems and munitions production.

Single manager for conventional ammunition

The responsibility assigned to the Secretary of the Army by the Secretary of Defense for procurement, production, supply, and maintenance and/or renovation of conventional ammunition within the DOD. Specific responsibilities, functions, authorities, and relationships are set forth in DODD 5160.65 and DODI 5160.68.

Skilled personnel

Personnel with inherent or learned ability to apply their knowledge, independent judgment, and often considerable manual dexterity to their job, vocation, or profession.

Special assessments of industrial capacity

Industrial base assessments other than those assessments for a specific acquisition program or for protecting a specific source in the industrial base. An example would be an ICA of a technology on the militarily critical technology list (such as armaments and energetic materials, electronics, sensors, and lasers).

Special installations

Army installations whose base support functions are primarily funded from sources other than OMA or OM-Army Reserve.

Special test equipment

Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in the performance of the contract. It consists of items or assemblies of equipment, including standard or general purpose items or components that are interconnected and interdependent so as to become a new functional entity for special testing purposes. It does not include material, special tooling, facilities (except foundations and similar improvements necessary for installing special test equipment), and plant equipment items used for general plant testing purposes.

Special tooling

All jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment, and manufacturing aids and their replacements, that is of such a specialized nature that without substantial modification or alterations their use is limited to the development or production of particular supplies or parts or the performance of particular services. This term includes all components of such items but does not include consumable property, special test equipment, buildings, nonseverable structures (except foundations and similar improvements necessary for the installation of special tooling, general or special machine tools, or similar capital items).

Surge

The ability of the industrial base to rapidly accelerate production deliveries and depot-level maintenance and repair to meet requirements of selected items with existing facilities and equipment. These requirements include: (1) the official Army Chief of Staff's and PEG-approved unfunded requirements list and (2) the appropriate General Officer, or equivalent, approved quantities to mitigate operational risks beyond approved program levels; focus on critical spare parts, munitions, and troop support items. Assume only peacetime authorities will be available.

Surplus property

Any property not required for the needs and for the discharge of the responsibilities of all Federal agencies, including DOD, as determined by the GSA.

Sustainability

The ability to maintain the necessary level and duration of operational activity to achieve military objectives. Sustainability is a function of providing for, and maintaining, those levels of ready forces, materiel, and consumables necessary to support military effort.

Vertical industrial base assessments

Assessing the ability to produce components and subassemblies for a critical military end item in sufficient quantity, quality, and timeliness for a demand scenario provided by the DCS, G-3/5/7 or the DCS, G-4.

Virtual factory

The ability to rely on any factory that has general purpose machine tools to manufacture military unique materiel. This inherent ability to produce unique parts, components, and end items is achieved by designing software that scientifically describes special tooling and production parameters (for example, speeds, feeds, temperatures, cycle time). This unique software is installed on general purpose machines that are capable of performing the necessary production operations. Thus, factories in the civil sector can quickly change over from their commercial business to military production.

Weapon system

A combination of one or more weapons with all related equipment, materials, services, personnel, and means of delivery and deployment (if applicable) required for self-sufficiency.

50/50 reporting

This is a report the Army sends to Congress each fiscal year to show that it complies with requirements in 10 USC 2466. (No more than 50 percent of funds available for Army depot-level maintenance and repair workload may be used to contract for services by non-Federal Government personnel.)

UNCLASSIFIED

PIN 003805-000