

Army Regulation 700–90

Logistics

Army Industrial Base Process

**Headquarters
Department of the Army
Washington, DC
26 April 2004**

UNCLASSIFIED

SUMMARY of CHANGE

AR 700-90

Army Industrial Base Process

This revision dated 26 April 2004--

- o Identifies interface between Assistant Secretary of the Army (Acquisition, Logistics and Technology) and other Army offices for selected responsibilities (paras 2-1d, i, j, and k).
- o Clarifies the responsibilities of program executive officers and major commands for industrial base matters (paras 2-7, 2-8a, and 2-10).
- o Identifies, more precisely, the legal basis supporting Assistant Secretary of the Army (Acquisition, Logistics and Technology) single manager for conventional ammunition responsibilities (para 2-11).
- o Enables the industrial preparedness operations account to pay for market surveys and industrial base assessments for specific programs (para 6-2a).
- o Corrects an error that underutilization at defense working capital fund, Army installations is a requirement of Operations and Maintenance, Army Industrial Mobilization Capacity when machine tool is idle more than 80 percent in any one month but used at least once during the year (para 6-3).
- o Institutionalizes a decision to fund disposal of facilities with Operations and Maintenance, Army Installation Program Evaluation Group funds instead of procurement appropriated funds (paras 6-4 and 6-8b-c).

This revision dated 3 February 2003-

- o Changes the publication title.
- o Expands market surveys to consider global capability, not just the National Technology and Industrial Base capability. (para 1-4b)
- o Reassigns responsibility for industrial base assessments of specific programs from Major Commands to Program Managers. (para 2-7&10)
- o Eliminates industrial preparedness planning that requires execution of detailed emergency production schedules. (para 3-4)
- o Eliminates the need for detailed specifications prior to budgeting for Army financed capital investments in the contractor-operated industrial base. Also requires these capital investments to be identified as an inherent part of competitive solicitations. (para 5-5b)
- o Adds policy for commercial use of Army owned property. (para 5-7)

Logistics

Army Industrial Base Process

By order of the Secretary of the Army:

PETER J. SCHOOMAKER
General, United States Army
Chief of Staff

Official:



JOEL B. HUDSON
Administrative Assistant to the
Secretary of the Army

History. This publication is a rapid action revision. The portions affected by this rapid action revision are listed in the summary of change.

Summary. This regulation implements higher authority goals, objectives, and policy 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 2440, 2500, 2501, 2503–2506, 2535, 4532, 4541–4543, and 4551–4555 of Title 10 United States Code, and Department of Defense directives 4275.5, 4400.1, and 5000.60. This includes Army policy for the following activities: industrial base assessments; Defense Priorities and Allocations System; Defense Production Act, Title I and Title III; strategic and

critical materials; managing Army industrial equipment, plant equipment packages, and Army Reserve plants; production base support; and selected production engineering-related programs. Procedures have been deleted from this regulation to enable more innovation and flexibility in executing the policies contained in the regulation.

Applicability. This regulation applies to the Active Army, the Army National Guard, and the U.S. Army Reserve.

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 the approval authority, in writing, to a division chief within the proponent agency or a direct reporting unit or field operating agency of the proponent 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 management control process.

This regulation contains management control provisions in accordance with AR 11–2 but does not identify key management controls that must be evaluated.

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from Assistant Secretary of the Army (Acquisition, Logistics and Technology), ATTN: SAAL–PA, 2511 Jefferson Davis Highway, Suite 10354, Washington, DC 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), ATTN: SAAL–PA, 2511 Jefferson Davis Highway, Suite 10354, Washington, DC 22202–3911.

Distribution. This publication is available in electronic media only and is intended for command levels, C, D, and E for the Active Army, the Army National Guard, and the U.S. Army Reserve.

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Glossary

Chapter 1 Introduction

1–1. Purpose

a. The primary objective of this publication is to provide a framework for integrating industrial base considerations into Army planning, to provide for the materiel needs of soldiers, and to ensure that the U.S. Army remains responsive, deployable, agile, versatile, lethal, survivable, and sustainable.

b. This publication establishes Headquarters, Department of the Army (HQDA) basic policies and responsibilities governing management and operation of the Army industrial base, including production and maintenance of industrial bases. The policies contained herein are focused on the production industrial base.

(1) Activities will be conducted in compliance with all applicable statutes and regulations. This process includes identifying, developing, and sustaining an industrial base, both commercial and Government-owned.

(2) The industrial base must be capable of sustaining approved military operations in support of the national security strategy and achieving Army transformation and readiness goals.

c. This regulation is revised to address the maintenance industrial base derived from recently released Department of Defense (DOD) policy to maintain depot maintenance core capabilities in Government-owned and Government-operated facilities using Government equipment and personnel to assure adequate depot maintenance support for DOD operations (Deputy Under Secretary of Defense, Logistics and Materiel Readiness, memorandum of 10 November 2003, subject: Implementation of Depot Maintenance Core Policy and Methodology).

1–2. References

Required and related publications and prescribed and referenced forms are listed in appendix A.

1–3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1–4. General industrial base policy

a. The industrial base is a resource to satisfy soldiers' materiel needs with reliable, available, maintainable, sustainable, and affordable materiel.

b. The Army's industrial base process assesses the critical sectors of the National Technology and Industrial Base (NTIB). The assessment will discuss global capacity and capability, cost, and technology risk in the market research.

c. The focus of the Army industrial base process is to assess the ability of the industrial base to—

(1) Support the Future Years Defense Program (FYDP) for active and reserve forces.

(2) Respond to sustainability and increased military requirements during emergency situations as outlined in the National Security Strategy (NSS), the National Military Strategy, the Strategic Planning Guidance, and the Joint Programming Guidance.

d. Army materiel will be designed and procured such that the NTIB is encouraged to produce Army materiel using commercial production processes.

e. Army ownership of industrial property will be assessed for divestiture. Plans will be developed to—

(1) Dispose of the excess property in accordance with DODD 4275.5.

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

f. 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 Army requirements, if needed. Risk analysis, using industrial capability criteria in the excerpt from DODD 5000.60 (see app B) will help make sound affordability decisions.

g. Factories or arsenals owned by the United States shall be used when economically feasible to manufacture items needed by the Army in accordance with Section 4532, Title 10, United States Code (10 USC 4532).

h. Products and services will be acquired competitively from the private sector unless required by statute or justified on an exception basis.

i. When the private sector cannot supply the soldiers' needs, an assessment will be made concerning where and how to best satisfy those needs. This assessment will address both public and private sources.

j. The Army will consider the environmental impact during acquisition, use, and disposal of Government-owned industrial facilities.

Chapter 2 Responsibilities

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

The 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 and maintain performance metrics in conjunction with other Army staff elements and 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, G-3 (DCS, G-3) and the Deputy Chief of Staff, G-4 (DCS, G-4) and assign the lead for selected assessment of industrial capacity to program executive officers (PEOs), the U.S. Army Materiel Command (AMC), or the U.S. Army Space and Missile Defense Command (SMDC) depending on the scope of problems and assessments. The PEO will use program funds. The AMC and SMDC will use the industrial preparedness operations account (see para 6-2) to fund assigned assessments.
- e. Review research, development, and procurement, and operations and maintenance, Army (OMA) resource requests for compliance with the industrial base policy.
- f. Assess annually which Government-owned, contractor-operated (GOCO) factories and plant equipment packages require recertification (DODD 4275.5, encl 1, para E1.1.7).
- g. Provide interface with the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff, and other Services on joint industrial base matters.
- h. Ensure Army elements evaluate the industrial base ability to support transitioning to the objective force structure.
- i. Review and approve industrial base procedures that are to be added to the Army's industrial base Web site. The AMC is the proponent for the industrial base Web site.
- j. Decide whether Army materiel or its components should be made in an arsenal or bought from the private sector in those cases where the PEO and AMC disagree (see paras 2-7d(4) and 2-10e). These make or buy analyses are accomplished under the authority of 10 USC 4532.
- k. Serve as the Army's point of contact to OSD on the impact of proposed defense industry mergers and acquisitions and coordinate with Headquarters, AMC and applicable PEOs.
- l. Serve consistent with the applicable delegation of authority or charter, as the single manager for conventional ammunition (SMCA), (DODD 5160.65). This includes the authority, in accordance with Section 806, Act for Fiscal Year 1999, Public Law 105-261, Strom Thurmond National Defense Authorization Act, 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 mobilization.

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

The Assistant Secretary of the Army, Financial Management and Comptroller (ASA (FM&C)) will manage the programming and budgeting system. This involves advising program managers on deadlines for program and budget requests and issuing policy guidance on the Army management structure (DFAS 37-100-FY) and the sale and out-lease (10 USC 2667) of Army assets.

2-3. Assistant Secretary of the Army (Installations and Environment)

The Assistant Secretary of the Army, Installations and Environment (ASA(I&E)) will—

- a. Provide Army policy on real property, installation management, and environmental management.
- b. Act on requests to 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 the Base Realignment and Closure Act (BRAC) (10 USC 2687).

2-4. Deputy Chief of Staff, G-3

The DCS, G-3 will—

- a. Provide guidance on materiel requirements; and validate, approve, and prioritize requirements for industrial base assessments. This includes guidance and prioritization regarding identified shortfalls, 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 war reserve requirements for Class V (munitions) and Class VII (major end items).

- e. Develop U.S. Army critical items list (CIL).
- f. Review industrial capabilities assessments (ICAs) as they pertain to augmentation of war reserve stocks.

2-5. Deputy Chief of Staff, G-4

The 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 staff in developing guidance on materiel requirements for logistics planning.
- d. Manage the industrial mobilization capacity (IMC) and industrial preparedness operations (IPO) accounts. Use DCS, G-3 priorities to prepare program and budget guidance for these assigned accounts. This includes Program Objective Memorandum (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 purview, indicate priorities, and prepare guidance, such as end of POM, near-term combatant commanders shortfalls and replenishment, reconstitution, and contingencies.
- f. Serve as the Army's point of contact for the Defense Strategic and Critical Materials and National Stockpile Program.

2-6. Assistant Chief of Staff for Installation Management

The Assistant Chief of Staff for Installation Management (ACSIM) will—

- a. Manage the Installation Management Agency to provide matrix support for the selected skills needed to operate and maintain an installation (such as, environmental, real estate, physical security, property accountability, facility maintenance, utilities, fire prevention, and protection).
- b. Manage disposal of excess real property and associated personal property, including development of disposal plans.

2-7. The Commanding General, U.S. Army Materiel Command

The commanding general (CG), AMC will—

- a. Provide matrix support to PEOs and product/program/project managers (PMs). Relationships and responsibilities between AMC and PEOs or PMs will be established by support agreements. Agreements will 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 ASA(ALT) using IPO funds. Coordinate with other Services, Defense Logistics Agency (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 requirements for homeland defense.
- d. Manage Army Government-owned, Government-operated (GOGO) production installations consistent with PEO/PM industrial base support agreements. This includes—
 - (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 production funds. Execute PBSP projects. Coordinate with U.S. Army Corps of Engineers (USACE) on construction projects in accordance with AR 415-15, as appropriate.
 - (2) Planning, programming, and budgeting activities for IPO and IMC funding (see paras 6-2 and 6-3 below). 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 (FMS) to installation capacity.
 - (4) Analyzing whether to make or buy under the authority of 10 USC 4532: Prepare analysis for AMC managed items and coordinate with applicable PEO/PM with life cycle responsibility. For PEO/PM managed items, "make" estimate for Army materiel and/or its component that is potentially more economically manufactured at an arsenal. Provide to the applicable PEO/PM early in the acquisition life cycle to avoid disruption of program milestones.
- e. Exercise command and control over Army GOCO production installations. This includes—
 - (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 compatible with program acquisition strategies, capital investment policy in chapter 5, and paragraphs 2-10d and f.
 - (2) Implementing Armament Retooling and Manufacturing Support (ARMS) program at GOCO ammunition plants in accordance with paragraph 5-7 below and PEO/PM support agreements. (10 USC 4551, 10 USC 4552, 10 USC 4553, 10 USC 4554, and 10 USC 4555)

- f.* Develop and implement a phase down of ownership plan for Army-owned production installations in coordination with applicable PEOs/PMs. The phase down of ownership plan will be consistent with acquisition plans for affected programs (see para 2–10*f* below). Prepare justifications for continued ownership when recertification is requested by ASA(ALT). (DODD 4275.5) Prepare reports of excess (ROE) for real estate and submit ROE to ACSIM for action.
- g.* Manage automated information systems to support the Army Industrial Base Program.
- h.* Assist ASA(ALT) in assessing the impact of proposed defense mergers and acquisitions.
- i.* Exercise HQDA responsibility in coordination with PEOs/PMs for Sections 2071 to 2078, Title 50, United States Code (The Defense Production Act (DPA)), (50 USC 2071–2078), 50 USC 2091–2099, and Diminishing Manufacturing Sources and Material Shortage (DMSMS).
- 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 as necessary to either monitor or take action to ensure sufficient capacity for operational, combat and contingency requirements.
- l.* Manage the Army’s industrial base Web site, which contains industrial base procedures as guides for field activities.
- m.* Support ASA(ALT) in developing metrics and measure performance against metrics applicable to AMC’s mission.

2–8. Commanding General, U.S. Army Space and Missile Defense Command

The CG, SMDC will—

- a.* Provide matrix support to PEOs and PMs. Relationships and responsibilities between SMDC and PEOs/PMs will be established by support agreements. Agreements will 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 ASA(ALT) using IPO funds.
- d.* Assist ASA(ALT) in assessing the impact of proposed defense mergers and acquisitions.
- e.* Contribute to development of performance metrics and measure performance against the metrics.

2–9. Commanding General, U.S. Army Corps of Engineers

The 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.* 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/engineer (A/E) selections.

2–10. Program executive officers and project/product managers

The PEOs and PMs will—

- a.* Assess the ability of the industrial base to support the life cycle requirements for assigned programs. Rely on the private sector to the maximum extent possible unless Army-owned factories are more economical. Consider the NTIB in the development and implementation of acquisition plans for each major defense acquisition program (10 USC 2440) (see app C).
- 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.
- 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.
- d.* Plan, program, and budget research, development, test, and evaluation (RDT&E) and procurement appropriations (PA) subject to normal HQDA review and approval. Manage Production Base Support Program 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.* Make or buy analysis under the authority of 10 USC 4532: Prepare analysis for PEO/PM managed items in coordination with AMC early in the acquisition life cycle so as not to disrupt program milestones. The AMC will furnish “make” estimates. Review “make or buy” analyses for AMC managed items that are part of the PEO’s/PM’s life cycle management responsibility. Submit analyses to ASA(ALT) for a decision when PEO/PM and AMC disagree (see paras 2–1*j* and 2–7*d*(4) above).
- f.* Develop and implement a strategy to provide incentive to industry to compete, invest, and modernize the

industrial base for assigned programs. The strategy should 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/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. Coordinate with USACE on construction projects in accordance with AR 415–15, as appropriate.

- g.* Assist 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 contractor-owned, contractor-operated (COCO) factories that exists to manufacture materiel assigned to the PEO/PM. Based on acquisition strategy for assigned programs, identify Army GOGO or GOCO phase down of ownership candidates to AMC for action (DODD 4275.5).
- i.* Integrate industrial base considerations into the acquisition process in accordance with appendix C of this regulation.
- j.* Support ASA(ALT) in developing metrics. Report performance of assigned programs against the metrics.
- k.* Support AMC on GIDEP, Defense Priorities and Allocations System (DPAS), and DMSMS matters. Plan and budget RDT&E and PA funds for corrective actions related to assigned programs.
- l.* Develop and maintain a production base plan (PBP) as required by paragraph 3–8. The plan identifies capacity weaknesses for a program, proposed actions to solve problems, and the status of those actions.

Chapter 3

Industrial Base Assessments and Planning

3–1. General

This chapter implements requirements for industrial assessments in statute and as specified in various DOD directives, regulations, and implementing guidance documents, including the Strategic Planning Guidance, the Joint Programming Guidance, the Federal Acquisition Regulation (FAR), subpart 10, DODD 5000.60, DOD 5000.60–H, DODD 5000.62, and policy letters.

3–2. Requirements

The Army’s industrial base process will assess the NTIB in accordance with the following policy and appendix C, section II, of this regulation:

- 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 objectives may be achieved:
 - (a)* The objectives set forth in the National Security Strategy Report.
 - (b)* The objectives of the Strategic Planning Guidance and the Joint Programming Guidance.
 - (c)* The objectives of the FYDP.
 - (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, upon the commercial NTIB that is required to meet the national security needs of the United States.
 - (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 preparedness planning list

The IPPL 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.

3-4. Industrial capabilities assessments

a. Market research (FAR, subpart 10) is the first step in conducting the ICAs (10 USC 2505) (see app C, sects II and III of this regulation).

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 United States 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.

c. Categories of ICAs are—

(1) *Selected assessments of industrial base capacity.* Each fiscal year, ASA(ALT) will initiate selected assessments of the capability of the NTIB to attain the national security objectives set forth in paragraph 3-2a. The Office of the Secretary of Defense 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, sect III).

(3) *Industrial Capability Preservation Assessments.* Conduct focused analyses in accordance with appendix B to identify industrial capability preservation actions. (DODD 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 base integration into the acquisition process

Industrial base integration is required by 10 USC 2440 and appendix C of this regulation. Industrial base considerations also include a specific focus by PMs to ensure surge and sustainability planning. Assessment of the NTIB in the acquisition plan will be summarized to include actions recommended in the PBP. Economic order quantities will be clearly identified for unique defense materiel to assist Deputy Chief of Staff, G-8 (DCS, G-8) in budgeting and programming efficient buys. Defense Production Act, Title III, projects will be considered when special incentives are required to satisfy requirements.

3-6. Use of Army arsenals and factories

a. The Army Arsenal Act (10 USC 4532) provides (in part) that, “the Secretary of the Army will have supplies needed for the Department of the 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 4532 does not define the term “supplies.” The definition of “supplies” for Title 10 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 cannot provide absolutely all of the “material, equipment, and stores of all kinds” that the Army requires. The scope of the “supplies” that arsenals can manufacture is limited to those they are capable (sufficiently equipped and staffed) of manufacturing and the supplies to be produced are 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 arsenals can and should make and, therefore, which items will be subject to the “make or buy” analysis of the Army Arsenal Act on a case-by-case basis. The Army Arsenal Act is not applicable to depots.

b. In those cases where approval is received to conduct the “make or buy” analysis, the evaluation of the Government estimate should include the direct costs and only those indirect costs that would change as a result of changes in the number of items or components manufactured. These costs must include any amounts that represent actual expenditures directly or indirectly attributed to production for such product or services in the Government arsenal and/or factory. An independent Government cost estimate (IGCE) will be used to develop the “buy” cost. If it is unclear whether “make” or “buy” is more economical, real competition will be used to decide.

c. Defense Working Capital Fund, Army (DWCFA) production industrial facilities are authorized to sell to the private sector. Funds must be available to pay the expenses as bills become due to the DWCFA industrial facility. The DWCFA industrial facility is required to charge the fully burdened cost of performance.

(1) The authority in 10 USC 2208(j) is limited to sale of articles or services to fulfill a DOD contract.

(2) The authority in 10 USC 4543 is limited to Army GOGO production installations selling manufactured articles or services to a person outside DOD. This authority is vested in the major subordinate commander over the facility concerned.

3-7. Foreign military sales

Proposed FMS, co-production programs, and transfers of certain technical data to foreign nations must include an ICA

prior to approval. The purpose is to ensure such proposals do not undermine the industrial base goal of maintaining technological superiority over potential adversaries.

3-8. 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 take into account items in development, to adjust legacy item capacity for the CIL 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 (IPM). The PBP is to be updated every two years. Examples of IPMs are—

(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 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 IPM.

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

3-9. Army Diminishing Manufacturing Sources and Material Shortages

The goal of the Army DMSMS program is to provide a comprehensive and coordinated program that supports efficient and effective resolutions of obsolescence and/or non-availability and/or single source issues. The industrial base program will implement DMSMS procedures relative to non-availability 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 DOD 4140.1-R.

a. The PM will participate in post-production support planning activities conducted as part of the logistics support program. Obsolescence and/or non-availability and/or single source issue will be documented in the logistics support plan and the DMSMS data base.

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 may not 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 HQ, 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 should 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).

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 the Competition in Contracting Act (CICA), 10 USC 2304(c)(3) and (5), as implemented by FAR 6.302-3 and 6.302-5. The statute enabling use of the authority in 10 USC 2304(c)(5) is (10 USC 4532).

b. The additional cost of restricting procurements will be balanced with the potential loss of source(s), which could add risk to production for replenishment. 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(c)(3), 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 competed, 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. Title 10 USC 2304(b)(1)(B) and FAR 6.202 allow an existing source or sources to be excluded from competition to facilitate industrial base expansion. 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. All conventional ammunition 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 2304c 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.

3–11. Security

a. Completed industrial base planning documents that contain proprietary industry data will be protected.

b. Security classification of planning information is required if a form, or collection of forms as a whole, discloses the following:

- (1) Classified data.
- (2) The 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.

3–12. Merger assessment

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 will be furnished to the Army Office of General Counsel, ATTN: SAGC–ACQ.

Chapter 4 Defense Production Act Programs

4–1. General

This chapter implements 50 USC app, 2061–2171, as amended; 50 USC 98, DODD 4400.1, and DOD 4400.1–M DOD Priorities and Allocations Manual. It also 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—Priorities and Allocations System

Title I of the DPA of 1950, as amended (see 50 USC app, 2071–2078), 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 Under Secretary of Defense, Industrial Affairs (DUSD(IA)), exercises certain DPAS authorities per Department of Commerce Delegation 1, Part 700, Title 15, Code of Federal Regulation (15 CFR 700).

(2) The CG, AMC is responsible for exercising DPAS authority within DA (DODD 4400.1). Headquarters, AMC issues DPAS re-delegation of authority to appropriate Army agencies and the major subordinate commanders.

(3) Assistant DPAS officers ensure Army contractors and government procurement personnel are aware of, and in compliance with, DODD 4400.1. They provide special priorities assistance, using Department of Commerce Form BIS–999, Request for Special Priorities Assistance, where applicable and assist in providing guidance throughout the contracting cycle as required. Form BIS–999 is available at <http://www.bis.doc.gov/defenseindustrialbaseprograms/osies/dpas/>.

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 DX 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. DOD 4400.1–M provides detailed guidance concerning rating procedures. Properly rated contracts and orders take preference over all non-rated orders as necessary to meet required delivery dates.

c. Defense contractor requirements. Defense contractors will—

- (1) Accept rated defense orders.
- (2) Furnish acknowledgement.
- (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.

d. Penalty for violation. Willful violation of the DPAS regulation is a crime and subject to fine, imprisonment, or both.

4–3. Defense Production Act, Title III—Expansion of Productive Capacity and Supply

a. The DPA, Title III (see 50 USC app, 2091–2099a, and FAR part 34.1) provides incentives to private industry to establish or expand private domestic production capacity for high technology materials for national defense purposes. Department of Defense 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.

b. The DPA, Title III, 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.

4–4. National Defense Stockpile of Strategic and Critical Materials Authority

a. The National Defense Stockpile (NDS) of Strategic and Critical Materials Authority (50 USC 98–98H–7) 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.

Chapter 5 Management of Government-Owned 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, multi-functional, environmentally responsible, and compliant facilities.

b. The policies in this chapter apply to purchase, construction, or use of Government-owned property, or re-certification 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 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 practical. When market analysis and industrial capability assessment 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. This documentation will remain on file to justify why Government facilities are essential to national security. Government facilities may be considered essential 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. Cost benefit analysis will be documented in a Determination and Findings before executing a “facility project” (DFARS 245.302 and 10 USC 2535).

5–3. Sizing industrial capacity

Army-owned industrial facilities should be sized to operate in a cost-effective manner in support of future years’ defense programs. 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 (10 USC 2535 and DODD 5000.60).

5-4. Government-furnished property

The regulations for management of Government-furnished property are FAR part 45 and DFARS subpart 245.

5-5. Capital investments

a. All capital investments at Army working capital fund GOGOs will be in accordance with DOD Financial Management Regulation 7000.14R, volume 11b, chapter 58 and DFAS-IN Manual 37-100-FY. Capital investments for new starts or commercial business that exceed \$5 million must be approved by ASA(FM&C). Policy guidance associated with capital investments for Army pilot programs will be issued by ASA(ALT) under individual policy memorandums.

b. At GOCOs and COCOs, higher authority policies on furnishing Government property are in appendix D of this regulation (FAR part 45 and DFARS subpart 245). 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 GOCO or COCO 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 PBS projects 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 his contract award.

(3) The Army will minimize investing in manufacturing processes (such as plating) that use hazardous materials (HAZMATs) 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. Army facilities using HAZMATs or generating environmental pollutants will have plans that address how those facilities will minimize spills of oil, HAZMATs, and other pollutants in accordance with 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 Corps of Engineers will review the contractor's design. Army Regulation 415-15 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 are vested in the Government (FAR 52.245).

(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 (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 (Policy and Procurement) is required.

(7) Plant equipment will not be defined as special tooling or special test equipment to avoid the determination and finding provisions in DODD 4275.5, paragraph 5.3 and DFARS subpart 245.

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

c. When existing property is being replaced, value associated with the property being replaced can be used as credit toward the price of the new item. All exchanges and/or sales will comply with 10 USC 481(c), 41 CFR part 101-46, DOD 4140.1-R, DFARS 217.70, and AR 725-1.

5-6. Phase-down of Government-owned property

a. The Army will have a well-defined plan for phase-down of Government-owned industrial plants for manufacturing industrial reserve machine tools and other industrial manufacturing equipment in accordance with DODD 4275.5.

b. Configuration of the Army-owned industrial base will be analyzed comprehensively as part of the quadrennial defense review (QDR). 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 business case analysis. 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 prepare due diligence documentation (41 CFR part 101-47.202-2) required to sell industrial property or transfer title. Documentation for environmental site assessments will be in accordance with standards E1527-00 and E1903-97 from American Society for Testing and Materials (ASTM) International. This is essential to enable immediate disposal (not to exceed 3 years) after decision is made to abolish an arsenal or Government-owned factory (10 USC 4532).

d. When a facility is no longer required for peacetime production, but its capacity would be needed to support the force levels outlined in retention criteria established by the Secretary of Defense, consideration will be given to offering that facility for sale, subject to the stipulation that its capacity for defense production will be maintained. The decision to offer the facility for sale will take into consideration the benefit of the contractor retaining reserve capability.

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 DOD 4160.21-M, DOD 6055.9, and AR 405-90. If property is contaminated with HAZMATs the following policies apply:

(1) The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) (42 USC 9601-9675) (Public Law 96-510) generally prevent a transferor of real property from contracting away the 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(h). 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.

5-7. 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 4551, 10 USC 4552, 10 USC 4553, 10 USC 4554, and 10 USC 4555. The installation commander 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. A site manager is selected competitively to develop the commercial business base.
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 material 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. 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, and so forth. Tenants will be required to comply with all federal, state, and local environmental 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 FAR 52.245-9 Deviation Formulas that are equal to or greater than those rates in the use and charges clause.

Chapter 6

Funding the Army Industrial Base Program

6-1. General

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

6-2. Operations 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.AO (ammunition) and 213045 (non-ammunition). 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 (PE). The program elements include—

- a.* Market surveys and ICAs accomplished by AMC and SMDC.
- 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.
- c.* Industrial base Information Management Systems and databases.
- d.* Military and/or commercial integration studies such as dual-use, commercial, off the shelf, manufacturing technology (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.* Administration and management of the DPAS, GIDEP, value engineering, North American Technology and Industrial Base Organization, DPA Title III Program, and Logistics Operation Center exercises.
- g.* Government personnel who manage the IPO account.

6-3. Army industrial mobilization capacity

Army managers will first assess private industry potential. If this assessment shows there is an unacceptable risk of relying on the private sector for industrial mobilization, a formal determination for approval by the ASA(ALT) will be submitted. If the ASA(ALT) approves this determination, the actual costs will be programmed and budgeted separately to retain this Government capability. These costs will be paid from the DWCFAs if this capability is idle more than 80 percent in any one month, but used at least once during the year. Actual costs to retain equipment required for mobilization but temporarily idle, as defined for certain Army arsenals by 10 USC 4541 and DOD 7000.14-R, volume 11B, chapter 65, should be charged to the underutilized plant capacity account, subactivity group 213, industrial preparedness, and DWCFAs (underutilized plant capacity).

6-4. Disposal of excess Government-owned industrial facilities (OMA—Installation Program Execution Group, Management Decision Package EXCS, Program Element 131079N00)

The OMA—Installation Program Execution 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. This includes, but is not limited to—

- a.* Demolition of real property facilities and debris removal when required to meet Army safety and health requirements. Demolition of a building containing HAZMATs must be done in a manner that minimizes human exposure and may be subject to state and local regulatory oversight.
- b.* Demilitarization of critical military processes determined by the Defense Reutilization and Marketing Office to be a direct link to "key points" functionality (DOD 4160.21-M-1, chap I, para C1).
- c.* Recurring care and protection costs associated with excess Government property. These costs begin within 5 quarters after the PEO/PM informs ACSIM that the property is excess to need. The OMA cost can be minimized by efficiently executing a Report of Excess and obtaining approval from General Services Administration (GSA).

6-5. Dual-use science and technology RDT&E

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.

6-6. Manufacturing technology

The ManTech program in budget category 7.8 offers an opportunity to address affordability in a serious way as early in the cycle as possible. 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 strategy is to leverage the funds of multiple PMs to address a few selected crosscutting manufacturing issues that promise maximum overall impact for both new and legacy items critical to the Army's mission. At the heart of this strategy is the creation of a small number of manufacturing technology objectives (MTOs) comprising general and specific objectives. MTOs are managed by MTO managers and have designated PEO/PM customers. Each MTO will be planned for a 3 to 5 year period. In addition, there also will be a number of manufacturing demonstrations funded. The Manufacturing Technology Technical Council, which reports to the Army Science and Technology Working Group (ASTWG), will review annually the ManTech program and approve the MTOs as required. The approved MTOs will be forwarded to the ASTWG for final approval. MTOs, in addition to the 200 Army science and technologies (S&Ts), will make up the centerpiece of the Army S&T Program. The Army will actively participate in the DOD Joint Defense Manufacturing Technology Panel to actively coordinate ManTech efforts and maximize leverage of ManTech funding.

6-7. Procurement appropriation hardware

Tooling, special tooling, special test equipment, facility maintenance and short-term deactivation is 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 cannot be motivated to invest in capacity.

6-8. Production base support program

After complying with policies in chapter 5, there is valid justification for investing, retaining, and maintaining Government property. The PBSP consists of the following budget lines:

a. Provision of industrial facilities (PIF). When the facility requirement will satisfy more than one end item and is operated by a contractor, the PIF budget line of the applicable PA will be used for—

- (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, security, energy conservation, or environmental considerations.

b. Layaway of industrial facilities (LIF). 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. (DODD 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, and non-CERCLA environmental closure at GOCOs when more than one item benefited from the site.

c. Maintenance of laid-away industrial facilities (MLIF). This account pays those costs associated with reserve capacity for future production. The capacity must have been approved for retention under a preceding LIF project.

d. ARMS Program. If approved, the status of the commercialization effort in context with the original economic analysis will be submitted annually with PBS P-forms. Generally, start-up costs for commercialization will be via commercial investment in lieu of appropriated funds. Appropriated funds should only be used for market analysis to initiate the commercialization process, incentives, 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 4551 through 4555).

6-9. Military construction, Army

a. Construction at a GOGO will be programmed, budgeted, and financed in the Military Construction, Army (MCA) Program in accordance with the provisions of AR 415-15.

b. The Energy Conservation Improvement Program (ECIP) is a DOD program established to improve energy efficiency of existing DOD facilities while reducing associated utility energy and non-energy-related costs. The program is accomplished through energy-saving projects. Army installations and major commands (MACOMs) should

use ECIP, along with other resource programs for energy, to assist in implementing Army energy reduction goals (AR 11-27).

6-10. Sale and out-lease account

a. Proceeds from the sale of surplus non-base realignment and closure (non-BRAC) real property (see 40 USC 485(h)) and from the out-lease of non-excess 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 Army-wide use.

b. Requirements for out-lease of non-excess real and personal property are in 10 USC 2667 and 2667a. Requirements for easements for rights-of-way are in 10 USC 2668 and 2669. The proponent for a prospective real property transaction within the United States, its territories and possessions, will comply with the requirements of DA Pam 200-1, paragraph 15-6.

c. Commanders are required to charge fair market value or equivalent 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, license, and so forth). 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. Section 485, Title 40, United States Code 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 DA. The ACSIM will identify disposal projects and which source of funds will finance each project. The sale and out-lease account can be used for maintenance, repair, or environmental restoration. 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 would be the applicable PA account.

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 of Housing and Urban Development (HUD) 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 HUD with the necessary information.

g. Rules for notifying appropriate Congressional Defense Committees may be found at 10 USC 2667(d) and 10 USC 2662(a).

h. Policies and procedures for the accounting and reporting of proceeds and expenses for the program are prescribed in DFAS-IN Regulation 37-1.

6-11. Operations and maintenance, Army, environmental restoration, Army account

This congressionally fenced account addresses Army liabilities associated with releases of hazardous substances into the environment from past activities pursuant to the CERCLA and the National Oil and Hazardous Substances Pollution Contingency Plan, 40 CFR part 300. Also eligible is the identification of closed ranges on Active Army installations, and the military munitions response actions at locations other than operational ranges. Per DOD guidance (DODI 4215.7), 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.

6-12. Defense Production Act Title III

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. The AMC manages this program for the Army (FAR part 34.100 and DODD 4400.1).

Appendix A References

Section I

Required Publications

This section contains no entries.

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. Army regulations and pamphlets are available on the Army Publishing Directorate's Web site at <http://www.apd.army.mil>. Department of Defense directives, instructions, and manuals; and United States codes can be accessed from the Army Home page at <http://www.army.mil>. Statutes and the Code of Federal Regulations can be viewed at <http://www.access.gpo.gov/index.html>.

AR 1-1

Planning, Programming, Budgeting and Execution System

AR 11-18

The Cost and Economic Analysis Program

AR 11-27

Army Energy Program

AR 200-1

Environmental Protection and Enhancement

AR 405-80

Management of Title and Granting Use of Real Property

AR 405-90

Disposal of Real Estate

AR 415-15

Army Military Construction Program Development and Execution

AR 600-20

Army Command Policy

AR 700-131

Loan and Lease of Army Materiel

AR 725-1

Special Authorization and Procedures for Issues, Sales, and Loans

AR 750-1

Army Materiel Maintenance Policy

CJCSI 3170.01B

Requirements Generation Systems <http://www.dtic.mil>

DA Pam 200-1

Environmental Protection and Enhancement

DFARS subparts 217.70, 245, 245.302

Defense Federal Acquisition Regulation Supplement <http://www.acq.osd.mil/dpap>

DFAS-IN 37-1

Finance and Accounting Policy Implementation <http://www.dfas4dod.dfas.mil>

DFAS 37-100-04 FY

The Army Management Structure, FY 2004 <http://www.dfas4dod.dfas.mil>

DOD 4140.1-R

DOD Supply Chain Materiel Management Regulation

DOD 4160.21-M

Defense Materiel Disposition Manual

DOD 4160.21-M-1

Defense Demilitarization Manual

DOD 4400.1-M

Department of Defense Priorities and Allocations Manual

DOD 5000.60-H

Assessing Defense Industrial Capabilities

DOD 6055.9STD

DOD Ammunition and Explosives Safety Standards

DOD 7000.14-R

Department of Defense Financial Management Regulation

DODD 4275.5

Acquisition and Management of Industrial Resources

DODD 4400.1

Defense Production Act Programs

DODD 5000.60

Defense Industrial Capabilities Assessments

DODD 5000.62

Impact of Mergers or Acquisitions of Major DOD Suppliers on DOD Programs

DODD 5160.65

Single Manager for Conventional Ammunition (SMCA)

DUSD(L&MR) Memorandum, 10 November 2003

Implementation of Depot Maintenance Core Policies and Methodology http://www.acq.osd.mil/log/logistics_materiel_readiness/organizations/mppr/assets/depot/depotm_core_policy.pdf

Executive Order 12919

National Defense Industrial Resources Preparedness http://www.archives.gov/federal_register/executive_orders/pdf/12919.pdf

FAR, Parts 6, 7, 10, 34.1, 45, and 52.245

Federal Acquisition Regulation

PL 105-261, Section 806

Public Law 105-261 Strom Thurmond National Defense Authorization Act for Fiscal Year, 1999, Section 806: Procurement of Conventional Ammunition <http://thomas.loc.gov/bss/>

PL 96-510

Public Law 96-510 Hazardous Waste Containment Act

15 CFR 700

Defense Priorities and Allocations System <http://www.access.gpo.gov>

40 CFR 300

National Oil and Hazardous Substances Pollution Contingency Plan

41 CFR 101–47

Federal Property Management Regulations

41 CFR 101–47.103–1

The Federal Property and Administrative Services Act

10 USC 101

Definitions

10 USC 1701–1702

General 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 2473

Procurements from the small arms production industrial base

10 USC 2500

Definitions

10 USC 2501

National security objectives concerning 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 2534

Miscellaneous limitations on the procurement of goods other than United States goods

10 USC 2535

Defense Industrial Reserve

10 USC 2538

Industrial mobilization: orders; priorities; possession of manufacturing plants; violations

10 USC 2662

Real property transactions: reports to congressional committees

10 USC 2563

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

10 USC 2667

Leases: non-excess property of military departments

10 USC 2668

Easements for rights-of-way

10 USC 2669

Easements for rights-of-way: gas, water, sewer pipe lines

10 USC 2687

Base closures and realignments

10 USC 2805

Unspecified minor construction

10 USC 2854

Restoration or replacement of damaged or destroyed facilities

10 USC 4532

Factories and arsenals: manufacture at; abolition of

10 USC 4541

Army arsenals: treatment of unutilized and 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 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

40 USC 485

Proceeds from transfer, sale, etc., of property

42 USC 9620(h)

CERCLA, Property transferred by federal agencies (<http://www.gpoaccess.gov/fr/index.html>)

50 USC 98

Strategic and Critical Materials Stock Piling Act

50 USC 2071–2077

Defense Production Act of 1950, Title I, Priorities and Allocations

50 USC 2091–2099

Defense Production Act of 1950, Title III, Expansion of Productive Capacity and Supply

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

BIS–999

Request for Special Priorities Assistance. (Form is available at <http://www.bis.doc.gov/defenseindustrialbaserprograms/osies/dpas/>.)

Appendix B

DODD 5000.60 Excerpt: Industrial Capability 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, data, and so forth) 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

The acquisition strategy for all acquisition programs will describe plans to attain program goals via competition throughout all phases of the program's life cycle, or, explain why competition is neither practicable nor in the best interests of the Government.

C-1. The decline in defense spending

The decline 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 DUSD(IA) to discuss areas where future competition may be limited and provide the DUSD(IA) 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, IPTs, 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, Under Secretary of Defense (Acquisition, Technology & Logistics) (USD(AT&L)) will decide what, if any, DOD action is required to ensure future competition in the sector involved. The USD(AT&L) will direct any proposed changes in specific programs or direct the Milestone Decision Authority (MDA) to make such changes to a specific program.

C-3. PMs and contracting officers

PMs and contracting officers will provide for full and open competition, unless one of the limited statutory exceptions applies. (FAR part 6.3) PMs and contracting officers will use competitive procedures best suited to the circumstances of the acquisition program. 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 and FAR part 15. 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, and so forth) 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 non-developmental items as the primary source of supply, consistent with FAR part 25 and DFARS part 225. The PM will consider national policies on contracting and subcontracting with small businesses, small and disadvantaged businesses, women-owned small businesses, and labor surplus areas and will address considerations to secure participation of these entities at both prime and sub-tier levels. The PM will consider intra-Government 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.

Section II

Market research

The PM will use market research as a primary means to determine the availability and suitability of commercial and non-developmental items and the extent to which the interfaces for these items have broad-market acceptance, standards-organization support, and stability. Market research will support the acquisition planning and decision process, supplying technical and business information about commercial technology and industrial capabilities. Market research, tailored to program needs, will continue throughout the acquisition process and during post-production support. FAR part 10 requires the acquisition strategy to include the results of completed market research and plans for future market research.

C-9. Commercial and non-developmental 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 non-developmental 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 non-developmental items to the maximum extent possible. While some commercial items may not meet system-level requirements for acquisition category (ACAT) 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 non-developmental 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 non-developmental items, the PM will prefer open interface standards and commercial item descriptions. If acquiring products with closed interfaces, the PM will conduct a business case analysis 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-10. 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 component 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

C-11. 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 (see DODD 5000.60 and DOD 5000.60-H) 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. 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-12. 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 (DFARS subpart 225).

C-13. Small business innovation research (SBIR) technologies

The PM will develop an acquisition strategy that plans for the use of technologies developed under the SBIR Program and gives favorable consideration for funding of successful SBIR technologies. At milestone and appropriate program reviews for ACAT 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 at <http://www.acq.osd.mil/sadbu/sbir/sitemap.html>.

C-14. 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 United States, including reciprocal defense trade and cooperation and international cooperative research, development, production, and logistic 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(AT&L) approval. Results of test and evaluation of systems using approved international test operating procedures may be accepted without repeating the testing.

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 purpose, including restoration, replacement, or modernization, except as follows:

- a.* For use in a GOCO plant operated on a cost-plus-fee 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 (FAR part 1.7) that the contract cannot be fulfilled by any other practical means or that it is in the public interest to provide the facilities.

(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.

D-4. Property value threshold

Government facilities with a unit cost of less than \$10,000 will not be provided to contractors unless—

a. The contractor is a nonprofit institution of higher education or other nonprofit organization whose primary purpose is the conduct of scientific research.

b. A contractor is operating a Government-owned plant on a cost-plus-fee basis.

c. A contractor is performing on a Government establishment or installation.

d. A contractor is performing under a contract specifying that it may acquire or fabricate special tooling, special test equipment, and components thereof subsequent to obtaining the approval of the contracting officer.

e. The facilities are unavailable from other than Government sources.

Glossary

Section I Abbreviations

A&E

architect/engineer

ACSIM

Assistant Chief of Staff for Installation Management

AMC

U.S. Army Materiel Command

ASA(ALT)

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

ASA(FM&C)

Assistant Secretary of the Army (Financial Management and Comptroller)

ASA(I&E)

Assistant Secretary of the Army (Installations and Environment)

CG

commanding general

COCO

contractor-owned, contractor-operated

DA

Department of the Army

DCS

Deputy Chief of Staff

DFARS

Department of Defense Federal Acquisition Regulation Supplement

DLA

Defense Logistics Agency

DOD

Department of Defense

DODD

Department of Defense directive

DODI

Department of Defense instruction

FAR

Federal Acquisition Regulation

FMS

foreign military sales

FYDP

Future Years Defense Program

GOCO

Government-owned, contractor-operated

GOGO

Government-owned, Government-operated

GSA

General Services Administration

IPM

industrial preparedness measure

MCA

military construction, Army

OMA

operation and maintenance, Army

OSD

Office of the Secretary of Defense

PA

procurement appropriations

PBS

production base support

PE

program element

PEO

program executive officer

PIF

provision of industrial facilities

PM

program/product/project manager

POM

Program Objective Memorandum

USC

United States Code

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

Army acquisition executive

Army individual responsible for administering acquisition programs in accordance with DOD policies and guidelines, and who exercises the power and discharges the responsibilities as set forth in DODD 5000.1 for component acquisition executives.

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.

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 DA critical items list (CIL) is prepared by the DCS, G-3.

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 (42 USC 6683(d)).

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 Defense Production Act of 1950 (15 CFR 350.30), 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.

Dual-use

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

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.

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 41 CFR 101-47.103-1.

Facility or facilities

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.

Facilities project

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

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 by or leased to the Government or acquired by the Government under the terms of a contract. It includes both Government-furnished property and contractor-acquired property.

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 capacity available for manufacture, maintenance, modification, overhaul, and/or repair of items required by the United States and selected allies, including both 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 Capability Assessment Report

A report that summarizes the results of an industrial capability assessment. 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.

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 FAR 6.302, permitting contracting without providing for full and open competition. Approval requirements are identified in FAR 6.304.

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 total cost to the Government of acquiring, operating, supporting, and (if applicable) disposing of the items being acquired.

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 support 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 to determine whether the market place can satisfy agency needs. Reference FAR part 10.

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 United States 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. New start procedures are in Under Secretary of Defense's memorandum dated 18 February 2000, subject: New Start Procedures.

Non-developmental item

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

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

Production base

The total 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.

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 the Defense Acquisition Workforce Improvement Act (10 USC 1701 and 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 he or she is centrally selected by a secretariat board. A PM has no other command or staff responsibilities within the component.

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.

Requirements Generation System (CJCSI 3170.01B)

Produces information for decisionmakers on the projected mission needs of the warfighter. These mission-needs are defined in broad operational terms in a Mission Needs Statement (MNS) document. The MNSs are prepared for needs that develop into warfighters' operational requirements that could result in new defense acquisition programs. Validation of the MNS confirms the fact that a non-materiel solution alone cannot satisfy the identified need and that a potential "new concept and/or system" materiel solution should be considered. Subsequently, the needs expressed in the MNS are developed into requirements by the requirements generation process in the forms of capstone requirements documents (CRDs) (if required) and operational requirements documents (ORDs). The CRDs provide ORD development guidance through validated, performance-based overarching capabilities for a mission area that forms a system of systems or family of systems. The ORDs translate the MNS and, if applicable, CRD requirements into detailed, refined performance capabilities and characteristics of the proposed system. The ORDs provide the specific requirements base

for the Acquisition Management System and the Planning, Programming, and Budgeting System (PPBS) for Advanced Defense Acquisition Program development, programming, and budgeting.

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 industrial capability assessment of a technology on the militarily critical technology list (such as, armaments and energetic materials, electronics, sensors, and lasers).

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 are 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, non-severable 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 meet accelerated production requirements of selected items with existing facilities and equipment in a peacetime environment (no declared national emergency). Only existing peacetime program priorities will be available to obtain materials, components, and other industrial resources necessary to support accelerated production requirements.

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.

Value engineering

An analysis of the functions of a program, project, system, product, item of equipment, building, facility, service, or supply of an executive agency, performed by a qualified agency or contractor personnel, directed at improving performance, reliability, quality, safety, and life cycle costs.

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 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.

**Section III
Special Abbreviations and Terms****ACAT**

acquisition category

ASTM International

American Society for Testing and Materials

ARMS

Armament Retooling and Manufacturing Support

ASTWG

Army Science and Technology Working Group

BRAC

base realignment and closure

CERCLA

Comprehensive Environmental Response, Compensation, and Liability Act

CICA

Competition in Contracting Act

CIL

critical items list

CRD

capstone requirements document

DMSMS

diminishing manufacturing sources and material shortages

DPA

Defense Production Act

DPAS

Defense Priorities and Allocations System

DUSD(IA)

Deputy Under Secretary of Defense (Industrial Affairs)

DUSD(L&MR)

Deputy Under Secretary of Defense (Logistics and Materiel Readiness)

DWCFA

defense working capital fund, Army

ECIP

Energy Conservation Improvement Program

ERA

environmental restoration, Army

GIDEP

Government-Industry Data Exchange Program

HAZMAT

hazardous material

HQDA

Headquarters, Department of the Army

ICA

industrial capabilities assessment

IGCE

independent Government cost estimate

IMC

industrial mobilization capacity

IPO

industrial preparedness operations

IPPL

industrial preparedness planning list

ManTech

manufacturing technology

MDA

Milestone Decision Authority

MLIF

maintenance of laid-away industrial facilities

MTO

manufacturing technology objectives

NDS

National Defense Stockpile

NSS

National Security Strategy

NTIB

National Technology and Industrial Base

ORD

operational requirements documents

PBP

Production Base Plan

PBSP

Production Base Support Program

QDR

quadrennial defense review

RDT&E

research, development, test, and evaluation

ROE

Report of Excess

SAAL-PA

Director, Acquisition and Industrial Base Policy

SBIR

Small business innovation research

SMDC

U.S. Army Space and Missile Defense Command

S&T

science and technology

USACE

United States Army Corps of Engineers

USD(AT&L)

Under Secretary of Defense (Acquisition, Technology & Logistics)

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