



Department of Defense **INSTRUCTION**

NUMBER 5000.60

July 18, 2014

USD(AT&L)

SUBJECT: Defense Industrial Base Assessments

References: See Enclosure 1

1. **PURPOSE.** This instruction reissues DoD Instruction 5000.60 (Reference (a)) in accordance with the authority in DoD Directive 5134.01 (Reference (b)) to:

a. Establish policy and assign responsibilities for assessing defense industrial capabilities.

b. Provide guidelines for DoD managers to use to determine:

(1) Whether a specific industrial capability is required to meet DoD needs, relies on specific characteristics that make it more efficient to sustain than to reconstitute later, and is truly endangered; and, if so,

(2) What, if any, action the DoD should take to ensure the continued availability of the capability.

c. Provide guidelines to establish appropriate uses of industrial base data to enable expanded data sharing and effective decision making across the DoD.

2. **APPLICABILITY.** This instruction applies to

a. OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this instruction as the "DoD Components").

b. All goods and services procured by the DoD unless the goods and services are associated exclusively with classified U.S. Government programs.

3. **POLICY.** It is DoD policy that:

a. U.S. Government funds will not be used to preserve an industrial capability unless it is the most cost- and time-effective alternative for meeting national security requirements. The DoD Components will base any such determination on an industrial base assessment (IBA).

b. IBAs will be performed to address the criteria outlined in this instruction. Procedures for performing IBAs are in DoD 5000.60-H (Reference (c)). Managers with the best knowledge of the product or service of concern should perform the IBA.

c. Decisions to make investments to sustain industrial capabilities will be approved by the appropriate authority listed in Enclosure 2.

4. RESPONSIBILITIES. See Enclosure 2.

5. PROCEDURES. See Enclosure 3.

6. RELEASABILITY. **Cleared for public release.** This instruction, volume is available on the Internet from the DoD Issuances Website at <http://www.dtic.mil/whs/directives>.

8. EFFECTIVE DATE. This instruction:

a. Is effective July 18, 2014.

b. Will expire effective July 18, 2024 if it hasn't been reissued or cancelled before this date in accordance with DoD Instruction 5025.01 (Reference (d)).



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ENCLOSURE 1

REFERENCES

- (a) DoD Instruction 5000.60, "Defense Industrial Capabilities Assessments," October 15,2009 (hereby cancelled)
- (b) DoD Directive 5134.01, "Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L))," December 9,2005, as amended
- (c) DoD 5000.60-H, "Assessing Defense Industrial Capabilities," April 25,1996
- (d) DoD Instruction 5025.01, "DoD Issuances Program," June 6,2014
- (e) Interim DoD Instruction 5000.02, "Operation of the Defense Acquisition System," November 25,2013
- (f) Public Law 111 -23, "Weapon Systems Acquisition Reform Act of 2009," May 22,2009
- (g) Subpart 225.71 of the Defense Federal Acquisition Regulation Supplement, "Other Restrictions on Foreign Acquisition," current edition

ENCLOSURE 2

RESPONSIBILITIES

1. UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS (USD(AT&L)). The USD(AT&L):

- a. Establishes DoD policy and makes investment decisions concerning defense industrial capabilities.
- b. Approves any use of U.S. Government funds of \$10 million or more annually proposed by the DoD Components to preserve industrial capability.
- c. In coordination with the USD(I), provides oversight of the industrial base for the intelligence community acquisition programs that significantly affect the industrial capabilities of Defense intelligence, counterintelligence, and security programs.

2. DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MANUFACTURING AND INDUSTRIAL BASE POLICY (DASD(MIBP)). Under the authority, direction, and control of the USD(AT&L), the DASD(MIBP):

- a. Develops DoD policy and provides guidance, oversight, and technical assistance on assessing or investing in defense industrial capabilities to the USD(AT&L).
- b. Coordinates on any proposal to use U.S. Government funds of \$10 million or more annually proposed by the DoD Components to preserve industrial capability, and coordinates them with appropriate OSD staff elements before USD(AT&L) approval.
- c. Establishes overall guidance regarding defense industrial base data sharing among DoD organizations and, as deemed appropriate, with other government departments and agencies.
- d. Creates and maintains the defense industrial base data repository. The repository will not contain data from any IBA performed where the goods or services are associated exclusively with classified U.S. Government programs.
- e. Shares industrial base data with DoD Components to support IBAs and mitigation of negative industrial base impacts from program or budget adjustments.

3. DoD COMPONENT HEADS. The DoD Component heads:

- a. Implement the policies and assessments required by this instruction and issue training and other implementation techniques as needed.

b. Coordinate IBAs, including any decision to use U.S. Government funds across programs and with other affected DoD Components.

c. Provide summaries of IBAs to the DASD(MIBP) and the investment decision authorities in accordance with the timing and scope of IBA described in the procedures in Enclosure 3.

d. Coordinate any proposal to use U.S. Government funds to preserve industrial capability of \$10 million or more annually with the DASD(MIBP). The DoD Component's proposal will be accompanied by an IBA summary.

e. If the use of U.S. Government funds is recommended for more than 1 year, revalidate the analysis each year to ensure DoD action is still needed.

f. Require, to the maximum extent practical, that their respective industrial base organizations leverage the DoD industrial base data repository when conducting IBAs.

(1) Each effort will use data available from the repository and will only collect necessary additional data that supplements the data available from the repository, including updated data or data at a more specific level of granularity than is already housed in the repository.

(2) Any additional industrial base data collected will be made available to other DoD Components through the defense industrial base repository, except in specific, pre-approved cases.

ENCLOSURE 3

PROCEDURES

1. GENERAL. This enclosure provides the process for assessing industrial base capabilities to identify endangered industrial capabilities, the criteria for the assessment of endangered industrial capabilities, means for safeguarding sensitive information, and the procedures for preserving capabilities at the program level and below. The purpose of the assessment is to ensure that the industrial capabilities needed to meet current and future national security requirements are available and affordable.

2. TIMING AND SCOPE OF IBAS. The DoD Components will conduct IBAs using techniques established for industrial capabilities assessments as detailed in Reference (c):

a. On a case-by-case basis when there is a known or projected problem as determined by the USD(AT&L), DoD Component, program office, or other source. The guidelines in this instruction will be used when a DoD acquisition manager, inventory control point manager, or other buyer determines there is a substantial risk that an industrial capability is needed to support DoD programs, or products may be lost; or

b. In accordance with the requirements articulated in DoD Instruction 5000.02 (Reference (e)); or

(1) IBA will be conducted as a part of technology development before milestone (MS) B. The assessment should inform the acquisition strategy (AS) and requests for proposals (RFPs) developed to support the engineering and manufacturing development phase incorporating the knowledge of a well-informed buyer. For Major Defense Acquisition Programs (MDAPs), Program managers (PMs) will engage the Office of the DASD(MIBP) at the beginning of the IBA to ensure the most effective information exchange and to ensure that the IBA summarized within the AS, and reflected in RFP products, as appropriate, is ready for approval when published.

(2) IBA will be conducted before MS C in support of the AS and RFPs development, ensuring that the full rate production decision incorporates the knowledge of a well-informed buyer. For MDAPs, PMs will engage ODASD(MIBP) at the beginning of IBA to ensure the most effective information exchange and to ensure that the IBA summarized within the AS, and reflected in RFP products, as appropriate, is ready for approval when published.

c. At program termination in accordance with section 303(b) of Public Law 111-23 (Reference (f)); or

d. For industrial capabilities used by more than one DoD program or product. The DoD Components will coordinate analyses and related decisions with the ODASD(MIBP) and other affected DoD Components and programs.

3. IDENTIFYING ENDANGERED INDUSTRIAL CAPABILITIES. Endangered industrial capabilities are identified through:

- a. ODASD(MIBP) IBA of sector capabilities, and cross-cutting portfolio capabilities.
- b. DoD Component required assessments in accordance with Reference (e).
- c. USD(AT&L), DoD Component, or other source's recognition of an emergent threat.

4. ASSESSMENT OF ENDANGERED INDUSTRIAL CAPABILITIES CRITERIA. If an industrial capability is identified as endangered, DoD Components with ODASD(MIBP) assistance, as needed, must validate each of the criteria in paragraphs 4a through 4g of this enclosure for their product or service of concern before using U.S. Government funds to preserve an industrial capability.

- a. The problem is not a routine vendor management issue.
- b. The industrial capability is relevant to satisfaction of a current national security requirement, including meeting valid military missions, readiness, or sustainment needs, or is needed to support next-generation product development or manufacture.
- c. The capability relies on specific characteristics that make it more efficient to sustain than to reconstitute later and is so dissimilar from any other defense or commercial industrial capability that its loss would prohibit the DoD from efficiently obtaining a defense product or service.
- d. Absent the mitigation intervention, the industrial capability will actually be lost. In this situation, DoD Components will validate that one of these conditions exists:
 - (1) The only supplier is exiting because the product line is not sufficiently profitable.
 - (2) The only supplier is exiting because the business unit is no longer financially viable.
 - (3) The industrial capability is technically complex and sensitive. Any interruption or reduction in the activity will cause the capability to be lost.
- e. The cost, risk, benefit, and legal authority of all feasible alternatives have been evaluated and these options have been assessed:
 - (1) Take no action.
 - (2) Use a foreign source of supply.

(3) Use an existing substitute product or capability, modify an existing substitute product or capability, or modify the DoD performance requirement so that a substitute product can be used.

(4) Buy a sufficient quantity to meet future needs and store the product.

(5) Use new or existing technology or other innovative approaches to replace either the product or the capability currently used to meet DoD needs.

(6) Purposefully preserve certain elements (e.g., equipment, skills inventories, and data) essential to regenerating a product or service, while allowing the current development or production activities to cease. This is also known as a “smart shutdown” action.

(7) Take pre-emptive acquisition action (e.g., early award) to preserve the development or manufacturing activity.

(8) Provide or facilitate policy relief in coordination with the responsible OSD offices or apply procurement conditions to increase access to a wider set of suppliers.

(9) Provide or facilitate policy relief in coordination with the responsible OSD offices or apply procurement conditions to facilitate business opportunities for endangered suppliers.

(10) Recommend the DoD add the product to the list of administratively imposed domestic restrictions in subpart 225.71 of the Defense Federal Acquisition Regulation Supplement (Reference (g)).

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

g. DoD Component funding and legal authority needed to make this investment have been identified.

5. SHARING AND SAFEGUARDING INDUSTRIAL BASE DATA. Information necessary to assess the industrial base will be shared across the DoD to reduce the burden on DoD Components in obtaining the information, and to reduce the burden on industry in supplying the information. To facilitate efficient and effective sharing of industrial base information and data:

a. A repository of reports, information, and data will be established by the DASD(MIBP), in coordination with DoD Components. The repository will contain, at a minimum, a searchable index of DoD Component reports, information, and data, and the owner and location of the information.

b. Access to the repository will be controlled to safeguard information contained in the repository, while ensuring DoD Components have access to the full range of information needed to support IBAs.

6. PRESERVING CAPABILITIES AT THE PROGRAM LEVEL AND BELOW

a. MDAP. The Defense Acquisition Executive or the DoD Component Acquisition Executive, under the authority of the DoD Component head to which the program is assigned, will approve any proposed use of U.S. Government funds to preserve a capability with an anticipated cost of less than \$10 million annually. The proposal will be accompanied by an IBA summary, with information copies sent to the DASD(MIBP) on an annual basis.

b. Non-MDAP Programs. The head of the contracting activity, under the authority of the DoD Component head to which the item or program is assigned, will approve any proposed use of U.S. Government funds of less than \$10 million annually.

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

AS	acquisition strategy
DASD(MIBP)	Deputy Assistant Secretary of Defense for Manufacturing and Industrial Base Policy
IBA	Industrial Base Assessment
MDAP	Major Defense Acquisition Programs
MS	milestone
ODASD(MIBP)	Office of the DASD(MIBP)
PM	program manager
RFP	request for proposal
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics

PART II. DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purpose of this instruction.

defense industrial capabilities. The skills and knowledge, processes, facilities, and equipment needed to design, develop, manufacture, repair, and support DoD products and their necessary subsystems and components. Defense industrial capabilities include private and public industrial activities and their ability to furnish property or service to meet current and future national security requirements.

IBA. An objective analysis performed to determine if U.S. Government funds should be used to preserve an industrial capability and to enable a program to deliberately structure the AS through identification and mitigation of supply chain problems that have the potential to impact DoD both near and long term. The purpose of the IBA is to ensure that the defense industrial capabilities needed to meet current and future national security requirements are affordable, available, of sufficient quality, and if required, from a trusted source. The IBAs are conducted based on a repository of reports, information, and data, established and maintained by the DASD(MIBP), in coordination with DoD Components. The IBA is an ongoing process that

gathers industrial base information, analyzes that data, and uses the resulting findings to create an appropriate AS, and, throughout the life cycle of the program, to provide feedback and updates that ensure DoD can:

Identify and support economic and stable development and production rates.

Identify and mitigate supply chain risks such as single points of failure and unreliable suppliers.

Avoid, to the maximum extent practicable, sole and single source suppliers at any tier.

Support resilience of critical defense industrial base capabilities.

Support DoD's management of defense procurement surges and contractions.