



# Department of Defense INSTRUCTION

NUMBER 5000.60  
October 15, 2009

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USD(AT&L)

SUBJECT: Defense Industrial Capabilities Assessments

- References:
- (a) DoD Directive 5000.60, "Defense Industrial Capabilities Assessments," April 25, 1996 (hereby canceled)
  - (b) DoD Instruction 5025.01, "DoD Directives Program," October 28, 2007
  - (c) DoD Directive 5134.01, "Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L))," December 9, 2005
  - (d) DoD 5000.60-H, "Assessing Defense Industrial Capabilities," April 25, 1996
  - (e) DoD Instruction 5000.2, "Operation of the Defense Acquisition System," May 12, 2003
  - (f) Subpart 225.71 of the Defense Federal Acquisition Regulation Supplement, "Other Restrictions on Foreign Acquisition," Revised October 26, 2006<sup>1</sup>

1. PURPOSE. This Instruction:

- a. Reissues DoD Directive (DoDD) 5000.60 (Reference (a)) as a DoD Instruction in accordance with the guidance in DoD Instruction 5025.01 (Reference (b)) and the authority in DoDD 5134.01 (Reference (c)).
- b. Updates the policy and responsibilities for assessing defense industrial capabilities. 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.
- c. Provides guidelines for DoD managers to use to determine:
  - (1) Whether a specific industrial capability is required to meet DoD needs, is truly unique, and is truly endangered; and, if so,
  - (2) What, if any, action the Department of Defense should take to ensure the continued availability of the capability.

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<sup>1</sup> [http://www.acq.osd.mil/dpap/dars/dfars/html/current/225\\_71.htm](http://www.acq.osd.mil/dpap/dars/dfars/html/current/225_71.htm)

## 2. APPLICABILITY

a. This Instruction applies to:

(1) 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 Department of Defense (hereafter referred to collectively as the “DoD Components”).

(2) All goods and services procured by the Department of Defense.

b. The DoD Components shall assess industrial capabilities on a case-by-case basis when there is a known or projected problem. The guidelines in this Instruction shall be used when a DoD acquisition manager, inventory control point manager, or other buyer determines there is a substantial risk that an industrial capability needed to support DoD programs or products may be lost. For capabilities used by more than one DoD program or product, the DoD Components should coordinate analyses and related decisions with other affected DoD Components and programs.

## 3. DEFINITIONS

a. defense 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.

b. industrial capability analysis summary report. A report summarizing the results of an industrial capability analysis. 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.

4. POLICY. It is DoD policy that:

a. Government funds shall not be used to preserve an industrial capability unless it is the most cost- and time-effective alternative to meeting national security requirements. The DoD Components shall base any such determination on objective analysis.

b. An analysis shall be performed to address the criteria outlined in this Instruction. DoD 5000.60-H (Reference (d)) provides guidance on how to perform this analysis. Managers with the best knowledge of the product or service of concern should perform the analysis. The analysis must address the questions in the Procedures section (Enclosure 2) in a formal, quantitative, and documented approach.

c. Decisions to make investments to sustain industrial capabilities shall be approved by the appropriate authority detailed in Enclosure 1.

5. RESPONSIBILITIES. See Enclosure 1.

6. PROCEDURES. Enclosure 2 provides criteria for the assessment of endangered industrial capabilities and the procedures for preserving capabilities at the program level and below.

7. RELEASABILITY. UNLIMITED. This Instruction is approved for public release and is available on the Internet from the DoD Issuances Web Site at <http://www.dtic.mil/whs/directives>.

8. EFFECTIVE DATE. This Instruction is effective immediately.



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Acquisition, Technology, and Logistics

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ENCLOSURE 1

RESPONSIBILITIES

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

- a. Make policy and investment decisions on defense industrial capabilities.
- b. Approve any use of Government funds of \$10 million or more annually proposed by the DoD Components to preserve industrial capability.

2. DIRECTOR, INDUSTRIAL POLICY. The Director, Industrial Policy, under the authority, direction, and control of the USD(AT&L), shall:

- a. Develop DoD policy and provide guidance, oversight, and technical assistance on assessing or investing in defense industrial capabilities to USD(AT&L).
- b. Coordinate on any use of Government funds of \$10 million or more annually proposed by the DoD Components to preserve industrial capability and coordinate them with appropriate OSD staff elements before USD(AT&L) approval.

3. HEADS OF THE DoD COMPONENTS. The Heads of the DoD Components shall:

- a. Implement the policies and analyses required by this Instruction and issue training and other implementation techniques as needed.
- b. Coordinate industrial capability analyses and any decision to use Government funds across programs and with other affected DoD Components.
- c. Provide industrial capability analysis summary reports to the Director, Industrial Policy, and the investment decision authorities.
- d. Coordinate any proposals to use Government funds of \$10 million or more annually with the Director, Industrial Policy. The DoD Component proposal shall be accompanied by an industrial capability analysis summary report.
- e. If the use of Government funds is recommended for more than 1 year, revalidate the analysis each year to ensure DoD action is still needed.

ENCLOSURE 2

PROCEDURES

1. PROCEDURES. This enclosure provides criteria for the assessment of endangered industrial capabilities and the procedures for preserving capabilities at the program level and below.

2. ASSESSMENT OF ENDANGERED INDUSTRIAL CAPABILITIES CRITERIA. Before using Government funds to preserve an industrial capability, the DoD Components must validate each of the following criteria for their product or service of concern:

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

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

c. The capability is truly unique, or a specific industrial capability, vital to providing the product or service in question, is truly unique. Verify that the 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 Department of Defense from obtaining a defense product or service.

d. The unique capability will actually be lost. Validate that one of the following 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 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.)

e. The cost, risk, benefit, and legal authority of all feasible alternatives have been evaluated. The following 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) Make a buy-out to meet future DoD needs; that is, buy a sufficient quantity to meet future needs and store the product.

(5) Apply a new technology approach to replace either the product or the capability currently used to meet DoD needs.

(6) Invest in “smart shutdown” actions; that is, 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.

(7) Invest in an acquisition action to preserve the capability by preserving development or manufacturing activity for the current product.

(8) Relieve or add specific contract, policy, procurement, or export conditions that hamper DoD access to a wider set of suppliers or hamper endangered suppliers from potentially improved business opportunities.

(9) Recommend the Department of Defense add the product to the list of administratively imposed domestic restrictions in Defense Federal Acquisition Regulation Supplement 225.7100 (Reference (f)).

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

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

### 3. PRESERVING CAPABILITIES AT THE PROGRAM LEVEL AND BELOW

a. For Acquisition Category (ACAT) programs, the Defense Acquisition Executive (DAE) or the Component Acquisition Executive (CAE), under the authority of the DoD Component Head to which the program is assigned, shall approve any proposed use of Government funds to preserve a capability with an anticipated cost of less than \$10 million annually. The proposal shall be accompanied by an industrial capability analysis summary report, with information copies to the Director, Industrial Policy, on an annual basis. DoD Instruction 5000.2 (Reference (e)) defines DAE and CAE programs.

b. For all other items or programs (that is, non-ACAT programs), the Head of the Contracting Activity, under the authority of the DoD Component Head to which the item or program is assigned, shall approve decisions to use Government funds of less than \$10 million

annually. The decision shall be accompanied by an industrial capability analysis summary report, with information copies to the Director, Industrial Policy, on an annual basis.