SUBJECT: Acquisition and Management of Industrial Resources

References: (a) DoD Directive 4275.5, subject as above, October 6, 1980 (hereby canceled)
   (b) DoD Instruction 5000.64 “Defense Property Accountability,” August 13, 2002
   (e) Deputy Secretary of Defense Memorandum, “Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment,” July 13, 2018

1. REISSUANCE AND PURPOSE

This Directive:

   1.1. Reissues reference (a) to update uniform policy governing the acquisition and management of facilities, special tooling, and special test equipment, whether these industrial resources are acquired by and used solely within the Department of Defense or operated and used by a contractor.

   1.2. Updates assigned responsibilities for reviewing the use, maintenance, expansion, modernization, replacement, and disposal of industrial resources, with their related programming, budgeting, and financing guidance.

2. APPLICABILITY AND SCOPE

This Directive applies to:
2.1. The Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of 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 in the Department of Defense (hereafter referred to collectively as the “DoD Components”).

2.2. The acquisition, modernization, expansion, construction, and use of both severable and nonseverable property for increasing or improving both production and research and development capabilities.

2.3. The retention, maintenance, and modernization of DoD-owned plant equipment needed for the production capacity to support the combat readiness of the U.S. Armed Forces.

2.4. This Directive does not cover the establishment of new Government-owned, Government-operated (GOGO) capabilities or facilities nor the operation of GOGOs.

3. DEFINITIONS

The terms used in this Directive are defined in enclosure 1.

4. POLICY

It is DoD policy to:

4.1. Minimize Government ownership of facilities in consonance with the need to ensure economical support of essential peacetime, surge, and mobilization requirements.

4.2. Maintain a base of Government-owned facilities for those industries determined essential to defense production, when private investment is inadequate or unavailable.

4.3. As required by law, notify the Congress of all Government construction to be accomplished under the authorities of this Directive.

4.4. Maintain accountability of Government property in accordance with DoD Instruction 5000.64 (reference (b)).

5. RESPONSIBILITIES

5.1. The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) shall:
5.1.1. Develop and supervise procedures for implementing the policies established in section 4.

5.1.2. Review, during the budget cycle and in coordination with the Under Secretary of Defense (Comptroller) proposals for facility projects involving new funds during the current year to acquire, expand, or replace facilities.

5.1.3. Approve, in coordination with appropriate OSD officials, facilities Projects greater than $10 million.

5.1.4. As required bylaw, notify the Congress of all construction efforts using Research, Development, Test and Evaluation, Procurement, or Operation and Maintenance funds (see DoD 7000.14-R (reference (c)) and DoD Directive 4270.36 (reference (d))).

5.1.5. Provide information to the Joint Programming Guidance for industrial preparedness planning and investments for surge and mobilization requirements.

5.2. The Secretaries of the Military Departments and the Heads of the DoD Components shall:

5.2.1. Conduct comprehensive reviews of requests for facility expansions, examine alternatives for DoD modernization and rehabilitation funding, measure requests against realistic requirements, examine all facilities held for surge and mobilization, and give full consideration to technological changes and multishift production.

5.2.2. Analyze and review proposed projects, using the criteria in establishing the facility requirement policy in section 4. Approve facility projects less than $10 million prior to programming and budgeting, at a level no lower than the Deputy Assistant Secretary or the Head of the Component level. If such projects involve the use of military construction funds, they shall be in compliance with reference (c).

5.2.3. Maintain records to provide information that may be required by the USD(AT&L) and the other DoD Components in the exercise of their responsibilities under this Directive.

5.2.4. Conduct centralized, uniform review and control of facility projects and industrial equipment replacement projects, and for identification of plant equipment required in connection with and related to industrial facility projects. The DoD Components must thoroughly screen idle inventory and use any suitable real property or equipment that is available before authorizing procurement for expansion, modernization, or replacement.

5.2.5. Conduct continuous surveillance over the current use and future requirements for
all Government-owned industrial real property and plant equipment to ensure proper and timely disposal arrangement for excess facilities and facilities for which continued Government ownership is no longer necessary.

6. **SUMMARY OF CHANGE 1.** This change reassigns the office of primary responsibility for this Directive to the Under Secretary of Defense for Acquisition and Sustainment in accordance with the July 13, 2018 Deputy Secretary of Defense Memorandum (reference (e)).

7. **EFFECTIVE DATE**

This Directive is effective immediately.

[Signature]
Paul Wolfowitz
Deputy Secretary of Defense

Enclosures — 1
E1. Definitions
EI. ENCLOSURE 1

DEFINITIONS

El.1.1. Construction. The erection, installation, or assembly of buildings or structures; the addition, expansion, extension, alteration, conversion, or replacement of existing buildings or structures. It includes equipment and utilities installed and made a part of the real property (excludes installation and relocation of severable property and minor modifications necessitated by the installation or relocation of such severable property) and related site preparation, excavation, and other land improvements.

El.1.2. Expansion. The addition of personal or real property that creates a new industrial plant or augments the capability or capacity of an existing plant.

El.1.3. Facilities. Includes the permanent, semi-permanent, or temporary real property assets required to operate and support the materiel system, including conducting studies to define types of facilities or facility improvements, locations, space needs, utilities, environmental requirements, real estate requirements, and equipment.

El.1.4. Industrial Preparedness. The state of preparedness of industry to produce essential materiel to support the national military objectives.

El.1.5. Mobilization. The act of preparing for war or other emergencies through assembling and organizing national resources; the process by which the U.S. Armed Forces or part of them are brought to a state of readiness for war or other national emergency. This includes assembling and organizing personnel, supplies, and material for active military service.

El.1.6. Modernization and Replacement. The replacement of one or more existing items of equipment to achieve economic or industrial preparedness advantages to the Department of Defense through increased efficiency. Items that are Government-furnished may be replaced either by new procurement or by equipment from idle inventories. Replacement action must be supported by an analysis of cost savings or industrial preparedness benefits to be realized.

El.1.7. Nonseverable Property. Property that cannot be removed after erection or installation without substantial loss of value or damage to the property or to the premises.

El.1.8. Plant Equipment (PE). Personal property of a capital nature (consisting of equipment, machine tools, test equipment, furniture, vehicles, accessory and auxiliary items, but excluding special tooling and special test equipment) used or capable of use in the manufacture of supplies, in the performance of services, or for any administrative or general plant purposes.
El.1.9. **Project.** A planned undertaking of something to be accomplished, acquired, produced, or constructed, having a finite beginning and a finite ending, such as a construction project or a research and development project.

El.1.10. **Special Test Equipment (STE).** Either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in performing a 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. STE does not include material, special tooling, real property (except foundations and similar improvements necessary for installing special test equipment), and equipment items used for general testing purposes, or property that with relatively minor expense can be made suitable for general-purpose use.

El.1.11. **Special Tooling.** All jigs, dies, fixtures, molds, patterns, taps, gauges, all components of these items, and replacement of these items, which are of such a specialized nature that without substantial modification or alteration their use is limited to the development or production of particular supplies or parts thereof or to the performance of particular services. It does not include material, special test equipment, real property or plant equipment (except foundations and similar improvements necessary for installing special tooling), machine tools, or similar capital items.

El.1.12. **Surge.** An increase in the production or repair of defense goods for a limited duration of time.