

Departments and Defense Agencies. Working groups will be assigned specific tasks by the Council Director to be completed on a schedule established with the task assignment.

(5) The Council Director is authorized to designate a Military Department of DLA to be the lead agency in developing a specific policy or procedure for the DARS. The Council Director shall make the assignment through the Policy member of the designated lead agency. The lead agency shall develop the proposed language for the DARS, complete the coordination requested by the Council Director, document nonconcurrences together with the position of the lead agency, and submit the completed action to the Council Director through the lead agency's Policy member. The procedure for accomplishing the task shall be determined by the lead agency. DOD activities shall provide support as requested by the lead agency.

(6) The Council Director shall establish schedules for the completion of each case before the Council based on the needs and urgency of the individual cases. Schedules shall require completion of the Council's action in a period not to exceed 120 days independent of industry coordination, except in specific cases where the Council Director determines an extended schedule is required. In such cases, the schedule will be approved by the Deputy Under Secretary of Defense (Acquisition Policy) or his designated representative.

(7) On matters of major policy or issues where a consensus of the Policy members has not been achieved after a reasonable period of debate, the Council Director shall present the Departmental and Agency positions to the Deputy Under Secretary (Acquisition Policy), or his designated representative for resolution after consultation with the appropriate senior officials of the Military Departments and DLA. The decision of the Deputy Under Secretary of Defense (Acquisition Policy), or his designated representative shall be implemented without further coordination.

(8) The Council Director shall require summary minutes of Council meetings to be maintained as a permanent record by the Executive Secretary.

Minutes will clearly document the positions of the participating organizations on matters before the Council. The positions stated by other organizations shall be documented when in disagreement with the final decision.

(9) The Council Director shall report periodically to the Deputy Under Secretary of Defense (Acquisition Policy) on specific activities of the Council.

(e) *Supplementing Instructions.* Additional policies and procedures essential to the operation of the DARS shall be issued by the Under Secretary of Defense for Research and Engineering.

## PART 162—PRODUCTIVITY ENHANCING CAPITAL INVESTMENT (PECI)

Sec.

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### APPENDIX A TO PART 162—REPORTING PROCEDURES

AUTHORITY: 10 U.S.C. 136; E.O. 12367, 3 CFR, 1988 Comp., p. 566.

SOURCE: 56 FR 50271, Oct. 4, 1991, unless otherwise noted.

#### § 162.1 Purpose.

This part:

(a) Updates policy, responsibilities, procedures, and guidance for the Peci process under DoD Directive 5010.31.<sup>1</sup>

(b) Authorizes the publication of DoD 5010.36 36-H-<sup>2</sup> "Productivity Enhancing Capital Investment (PECI) Handbook," consistent with DoD 5025.1-M.<sup>3</sup>

#### § 162.2 Applicability and scope.

This part.

(a) Applies to the Office of the Secretary of Defense (OSD); the Military Departments; Chairman, Joint Chiefs

<sup>1</sup>Copies may be obtained, at cost, from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161.

<sup>2</sup>Copies will be obtained, at cost, from the National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161.

<sup>3</sup>See footnote 1 to § 162.1(a).

of Staff and the Joint Staff; the Defense Agencies; and the DoD Field Activities (hereafter referred to collectively as the "DoD Components").

(b) Encompasses the acquisition of equipment and facilities to improve the following:

(1) Productivity, quality, and processes of DoD Components including major facilities, equipment, or process modernization.

(2) Performance of individual jobs, tasks, procedures, operations, and processes.

(c) Encompasses PIF investments at appropriated and industrially funded activities, if they are not participating in the Defense Business Operations Fund. For industrially funded activities, projects may be submitted for PIF on an exception basis; primarily, this includes facilities, multi-function projects, prototypes, demonstrations, and cross-service initiatives. Investments at Government-owned, contractor-operated (GOCO) facilities are limited to those for which the Department of Defense has responsibility to provide equipment or facilities and from which productivity benefits can be recovered within existing contractual provisions.

**§ 162.3 Definition.**

(a) *Capital Investment.* The acquisition, installation, transportation, and other costs needed to place equipment or facilities in operation meeting DoD capitalization requirements.

(b) *Economic Life.* The time period over which the benefits to be gained from a project may reasonably be expected to accrue to the Department of Defense.

(c) *Internal Rate of Return (IRR).* The discount rate that equates the present value of the future cash inflows, e.g. savings and cost avoidances, with the present value costs of an investment.

(d) *Life-Cycle Savings.* The estimated cumulative budgetary savings expected over the life of the project.

(e) *Net Present Value of Investment.* The difference between the present value benefit and the present value cost at a given discount rate.

(f) *Off-the-Shelf.* Equipment that is readily available through Government or commercial sources or that can be

fabricated through combination or modification of existing equipment.

(g) *Pay-Back Period.* The number of years required for the cumulative savings to have the same value as the investment cost.

(h) *PECI Benefits.* Benefits resulting from PECIs are classified as savings or as cost avoidance:

(1) *Savings.* Benefits that can be precisely measured, quantified, and placed under management control at time of realization. Savings can be reflected as specific reductions in the approved program or budget, after they have been achieved. Examples include costs for manpower authorizations and or funded work-year reductions, reduced or eliminated operating costs (utilities, travel, and repair), and reduced or eliminated parts and contracts.

(2) *Cost-Avoidance.* Benefits from actions that obviate the requirements for an increase in future levels of manpower or costs that would be necessary, if present management practices were continued. The effect of cost-avoidance savings is the achievement of a higher level of readiness or increased value (quantity, quality or timeliness) of output at level staffing cost or the absorption of a growing work load at the same level of staffing or cost.

(i) *Post-Investment Assessment (PIA).* A PIA is conducted by DoD Components to establish accountability and provide information to improve future investment strategies.

(j) *Productivity.* The efficiency with which resources are used to provide a government service or product at specified levels of quality and timeliness.

(k) *Productivity Enhancement (or Productivity Improvement).* A decrease in the unit cost of products and services delivered with equal or better levels of quality and timeliness.

(l) *Productivity Enhancing Capital Investment (PECI).* Equipment or facility funding that shall improve Government service, products, quality, or timeliness. PEGI projects are funded using PIF, PEIF, and CSI programs. These programs are defined as follows:

(1) *Productivity Investment Fund (PIF).* PIF projects cost over \$100,000 and must amortize within 4 years from the date they become operational. In FY 1994 the threshold changes to \$150,000.