



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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WASHINGTON DC 20350-1000

JUL 17 2003

MEMORANDUM FOR DISTRIBUTION

Subj: EQUIPMENT LEASING VERSUS PURCHASE UNDER CONTRACT

Ref: (a) ASN(RDA)ABM memo of April 9, 1999

The Federal Acquisition Regulation (FAR), Subpart 7.4, "Equipment Lease or Purchase," provides policy, procedures and acquisition considerations for acquiring equipment by lease or purchase. It applies to both the initial acquisition of equipment and the renewal or extension of existing equipment leases. As part of the business decision, you should perform a case-by-case evaluation of comparative costs and other factors when making the decision whether to lease or purchase equipment. Defense FAR Supplement (DFARS), Subpart 207.4 requires that "if equipment is to be leased for more than 60 days, the requiring activity must prepare and provide the contracting officer with the justification supporting the decision to lease or purchase." Department of Defense (DoD) Instruction 7014.3, "Economic Analysis for Decisionmaking," provides guidance on how a comparative analysis should be accomplished. The acquisition decision to lease or purchase must be predicated on the most cost effective alternative rather than on the availability of funds from a particular appropriation, unless appropriate waivers to policy are obtained. Failure to comply could result in improper funding of capital leases, a potential violation of the Antideficiency Act.

The Naval Audit Service found recently that procuring activities were not properly conducting or documenting analyses as required by FAR Subpart 7.4. They found that of 17 leased equipment contracts files reviewed, 16 did not contain the required lease versus purchase analysis or evidence that the analysis had ever been completed.

In April 1999, reference (a) was released providing guidance on the same subject. In light of the changes in personnel since that time, please reemphasize the requirements of FAR Subpart 7.4 and funding requirements of DFARS 207.471 to all acquisition professionals and add this subject to your annual training subjects.

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Before any new contract for leased equipment is awarded or before any existing contract is extended, the requiring organization must provide, and the contracting officer must review, the lease versus purchase analysis.

Any questions or comments should be addressed to Mr. Ronald G. Ostrom (703) 693-4012 or email (ostrom.ronald@hq.navy.mil).


M. P. Haggard
Chief of Staff/Policy
for DASN(ACQ)

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