



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON, D.C. 20350-2000

IN REPLY REFER TO

PR 05-11
Ser N80/3U638011
4 Apr 03

MEMORANDUM FOR DISTRIBUTION

Subj: PROGRAMMING GUIDANCE FOR PR-05

Ref: (a) CNO memo PR 05-01 Ser N801C/3U63800 of 5 Feb 03

Encl: (1) Investment Strategy
(2) Savings Wedges
(3) Program Decision Memorandum Studies Summary
(4) Investment Pricing Validation Team Summary
(5) Sea Enterprise Business Efficiency Teams

1. Purpose. To provide programming guidance for the Fiscal Years 2005-2009 Program Review (PR-05).

2. Executive Summary. The following summarizes the programming guidance for PR-05.

a. POM-04 marked the first step in the transition of the PPBS process to a more streamlined and collaborative effort on the part of the Navy/Marine Corps staffs, the Fleet, and the Secretariat to stabilize the Navy program and eliminate unnecessary activity (churn). In PR-05, we continue the transition by better aligning the programming and budgeting processes through the application of a "Three Pillar" construct in which we review the program in terms of Future Capabilities, Performance Models and Level of Effort programs.

b. We will continue to collaboratively work issues with the Fleet and the Secretariat to develop solutions that optimize warfighting wholeness. We will work these issues through transition to the corporate level DON program/budget process and continue our collaborative efforts right up to the time of submission to OSD on 1 August. Our objective is to treat this process as a broad continuum of discussions to optimize the Navy program vice a discrete set of hand-offs and isolated decisions. PR-05 will fully support CNO established priorities to recapitalize the Navy, sustain readiness and personnel accounts, accelerate transformation, and win the Global War on Terrorism (GWOT).

c. To achieve these goals, the CNO has conceptually approved the PR-05 Investment Strategy. Enclosure 1 represents

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programmatic guidance designed to optimize Naval capability and fit within the top line as reflected in the FY 2004 President's Budget (PB-04). It cannot be overemphasized that the focus of PR-05 is on identifying major changes to the program of record (POR), and it is neither desired nor expected, that sponsors conduct a major bottom up review of each program element. The main themes of the PR-05 investment strategy are as follows:

- Recapitalization. We will strive to increase ship procurement by one to two ships in FY05, increase aircraft procurement by up to 20 aircraft in FY05 and stabilize the APN and SCN accounts across the FYDP. The primary focus for the recapitalization effort will be placed on harvesting additional savings under the general aegis of Sea Enterprise.
- Manpower. We will invest in manpower accounts in order to sustain personnel readiness in a cost efficient manner. N1 in coordination with the sponsors will identify areas of efficiency where manpower reductions in PR05 can be implemented in order to achieve the FY-05 end strength target of 371,600 established in the POR (we are currently at 382,415). In addition, we will address the requirement to establish programmatic wedges to account for reductions in both MPN and CIVPERS accounts in FY 06 and beyond. We will pursue efforts to more accurately determine and validate our shore manpower, while continuing to refine our afloat requirements.
- Pricing. We will allocate funds to offset critical shortfalls in major acquisition programs as identified during the Investment Pricing Validation Team (IPVT) review. We will work closely with the Secretariat and the acquisition community to address the root causes of the projected cost increases and implement changes in the impacted programs as appropriate. Sponsors should be prepared to offer programmatic alternatives for evaluation in light of IPVT identified shortfalls. All IPVT issues identified as "red" or "yellow" by the IPVT will be addressed in the SCP and either paid or mitigated. The initial strategy for liquidation will be for resource sponsors to develop new savings initiatives that would be implemented under the auspices of Sea Enterprise to address these shortfalls. If that is not feasible, each sponsor should provide required offsets to satisfy the red IPVT issues.
- Readiness. We will maintain warfighter readiness consistent with PB-04 levels. Significant reliance is being placed on the N4 Integrated Readiness Capability Assessment (IRCA) effort and performance models as part of this overall process.

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- Infrastructure. We will continue to identify and assess infrastructure requirements, invest in programs that are in direct support of the warfighter and take risk where it makes sense. Potential BRAC impacts are not a focal point of this effort.

- Wedge Liquidation. PB-04 included multiple cost savings initiatives, which need to be tracked and liquidated. The Investment Strategy identified these wedges and we will continue to track and liquidate them. They are listed in enclosure (2). As Sponsors bring forward their PR-05 packages, special care must be exercised to ensure these previously identified wedges have been liquidated by the implementation of specific action plans that can be assessed and tracked at regular intervals.

3. In order to streamline administrative processes, reduce unnecessary programmatic change, and facilitate the development of POM-06, PR-05 development will be governed by an evolutionary set of constructs that include the following:

- a. The POR is assumed to be a balanced allocation of resources. As such, we will not revisit major decisions made in PB-04 and the POR will serve as the floor for recapitalization and readiness. We will adhere to a precept that seeks to improve the stability of the planning process and confine discussions to those major items, which directly affect achieving the stated CNO goals.

- b. Changes to the POR consist of only those necessary to resolve major and compelling programmatic disconnects that, if not addressed in PR-05, will clearly impact readiness, warfighting wholeness, quality of service, and/or the financial integrity of ongoing programs. These changes will be approved through one of the following processes implemented in PR-05:

- (1) Focus Issue development
- (2) Investment Pricing Validation Team review
- (3) Navy Capability plan development
- (4) Sea Enterprise Business Efficiency Teams
- (5) Level Of Effort Program Review
- (6) Readiness Performance Model Review

4. OSD has drafted guidance for PR-05 that implements a two year programming, budgeting and execution process. The guidance specifically calls for a focus on major changes to the POR for this submission and warrants against the generation of a full

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POM submission. In PR-05, Program Change Proposals (PCP) will be submitted for items that exceed \$250 million across the FYDP or have serious policy/programmatic implications. We will limit programmatic changes to those that comply with anticipated OSD guidance and monitor the database throughout the process to ensure compliance. It is incumbent on the leadership of each organization to create an atmosphere where the new process is embraced such that we can focus attention on major issues vice becoming mired in a stream of change activity that produces little value added. I have specifically tasked N8B to monitor how the new programming/budgeting process is being implemented; identify barriers to successful implementation; identify lessons learned and propose process improvements for future cycles as appropriate.

5. Given the original intent of a Program Review, i.e., considering major changes only, there are still significant pressures on all capability sponsors. In the case of N4, there is major reliance on the SEA ENTERPRISE effort to provide the required savings to maintain readiness levels. In the case of N1, there are major challenges in re-evaluating the complete manning requirement. Significant savings can only be achieved through a reduction to manning levels (MILPERS & CIVPERS), which may not become fully developed until POM-06. In N7's case, there are the major challenges of increased ship and aircraft procurement in FY-05 and accommodating the acquisition pricing issues identified by the Investment Pricing Validation Team (IPVT). All of these constraints must be fully recognized as PR-05 is developed and trade-offs are considered. Further, N8 is fully committed to an open and collaborative process that identifies all sponsor areas requiring further review, discussion and decisions. Our goal is to avoid last minute, closed loop changes in the end game.

6. The Program Of Record (POR), as reflected in the FY 2004 President's Budget, will serve as the top line for the PR-05 process. Sponsor Change Proposals (SCP) should be balanced to that top line and focus on highlighting/explaining changes relative to the POR. There are several critical questions sponsors must address during the PR-05 review. They are:

a. What has changed since the PB-04 baseline was established that would cause a change in desired program and/or resource allocation? Is that change of sufficient magnitude or importance to take action to resolve in PR-05?

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b. If the CNO were to act upon a specific issue or range of alternatives presented by the sponsors, what would be the impact on the Navy's capability, readiness and manning level?

c. What are the ramifications on the FYDP or POM -06 strategies of any near-term decision made to balance PR-05? Every attempt should be made to avoid short-term solutions that have major negative out-year impacts and to the maximum extent practical, out year adjustments resulting from PR-05 PCPs must be evaluated and highlighted.

d. Can S&T be rationalized across the FYDP and does it support the Navy's transformation? S&T is the enabler of our transformation and should be focused on producing transformational capabilities in the following areas: Sea Basing, autonomous systems, integrated C4ISR, advanced capability platforms, and the next generation of weapons. To ensure proper investment in these areas, N091, in conjunction with N7 and DASN (RDT&E), should recommend programmatic changes that reflect an S&T strategy that delivers a robust investment across the spectrum of S&T programs. N091 will fund S&T using POR as an investment floor across the FYDP.

e. Are changes to the program required based on the development of focused issues? Sponsors will specifically address any programmatic changes made to the program as a result of focused issue development, highlighting improved warfighter capability, readiness, or quality of service, where appropriate. Issues that have been deferred to POM-06 should also be highlighted in the SCP submission.

7. Force Reconstitution and POM-06. The war in Iraq, and from a broader perspective, the Global War on Terrorism, clearly present a reconstitution challenge that must be addressed in PR-05. In addition, PR-05 is the bridge to POM-06 as we continue to implement the CNO's goals of maintaining readiness while simultaneously recapitalizing and transforming the Navy. These significant realities clearly have implications on program development and should be considered/incorporated into the development of PR-05 initiatives as we continue to fully understand the requirement and the impact of reconstitution.

8. PR-05 Schedule. The latest version of the PR-05 schedule is available on the N8 Web site ([https://ucso2.hq.navy.mil/n8/webbas01.nsf/\(vwWebPage\)/WebBase.htm](https://ucso2.hq.navy.mil/n8/webbas01.nsf/(vwWebPage)/WebBase.htm)). Major milestones include transition of PR-05 to FMB and the corporate DON process on 2 Jun 03, submission of Program Change Proposals (PCPs) to OSD on 1 Aug 03 and submission of Budget Change Proposals (BCPs) on 1 Oct 03.

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9. OPNAV points of contact for PR-05 matters are CAPT Terry Blake (Terry.Blake@navy.mil) at (703) 693-1321, DSN 332-1321, and Mr. Thomas Simoes (Thomas.Simoes@navy.mil) at (703) 693-1300, DSN 332-1300.


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INVESTMENT STRATEGY

1. Investment Strategy Priorities. The CNO's Investment Strategy has addressed capability options and impacts on other Navy programs attendant with fully funding priority programs.
2. Focused Issues. The CNO approved Focused Issues were initially developed and coordinated based upon unresolved issues from POM-04 as determined by the Board of Directors (BOD) and the Navy Marine Corps Board (NMCB). As articulated in the executive summary, changes to the POR resulting from Focused Issue development should be documented in the SCP's. SCP's will also include a summary of those issues deferred to POM-06 for resolution.
3. Program Decision Memorandum (PDM) Studies. The Deputy Secretary of Defense in PDM I and II directed certain studies be initiated and supported with specific analyses leading to appropriate decisions. While some of these directed studies and analyses have potential Navy impact, others do not. As such, any preliminary recommendations or potential programmatic savings or costs indicated by these studies or analyses should be either included in the SCP or, if timing does not permit, directed to N80 for inclusion in the Program/Budget Review. A list of PDM I and II directed studies are included in enclosure (3).
4. Future Mission Capabilities. Given the narrow focus of PR-05, significant changes to major investment programs will be limited. However, fact of life changes that warrant adjustments to the program of record should be highlighted during the PR-05 process.
 - a. *Aircraft Procurement Program*. The CNO goal from the PR-05 Investment Strategy is to procure up to 20 additional aircraft in FY05 above PB04 aircraft procurement plan while maintaining the current FY06-09 plan. There are "follower" accounts that are impacted by the decision to procure additional aircraft or ships over and above the PB04 plan. There must be recognition of the fact that there have been significant changes to various program baselines (e.g., addition of 50 Joint Strike Fighters) that require adjusting "follower" accounts.
 - b. *Ship Procurement Program*. Present options to increase by one to two ships the number procured in FY05, building on the existing 8 ships in PB04, for a total of 9 or 10.

c. *Life Cycle Costs.* It is imperative that systems we are developing for the future Navy have demanding manpower reduction goals. All changes reflected in SCPs should fully explain manpower and Life Cycle Cost (LCC) implications.

d. *Training.* In making resource adjustments, sponsors should ensure that the appropriate Individuals Account tail is included for training requirements. Once the training system has been delivered, the funding for students, instructors and equipment maintenance will be transferred to N00T for life cycle support. It is recognized that some of this transfer effort has already occurred.

e. Ensure special access program investment is consistent with Investment Strategy recommendations, synchronized with associated non-SAP programs, and can be justified as consistent with threat capability assessments and affordability.

5. Investment Pricing Validation Team (IPVT). To ensure adequate visibility during the PR-05 review, the IPVT reviewed significant acquisition pricing issues early in the program development process. The IPVT conducted pricing and execution reviews with program managers. The IPVT review identified those programs with significant issues as "red" or "yellow" in pricing. Programs designated "red" presented a clearly defined but un-executable POR and must be funded by the Sponsor in PR-05. Programs designated "yellow" presented a less defined POR or some degree of flexibility in execution. The Sponsor should evaluate these programs during PR-05. Where appropriate, sponsors should modify funding amounts across all years of the FYDP to achieve the POR based on PB-04. In all cases, sponsors should outline their financial strategy as part of their PR-05 submission. See enclosure (4) for a summary of the IPVT results.

6. Performance Models. The performance models should reflect consensus among all stakeholders and be the basis for resource allocation decisions for PR-05. (N4) should address, as part of their SCP briefs, a recommendation on resource levels based on a model assessment for all readiness and facilities programs under their cognizance, and identify appropriate target performance metrics for FY05 in those programs. Other sponsors should also assess designated performance models for programs under their cognizance, identify target performance metrics for FY05, and structure change proposals accordingly

7. Current Readiness. With an investment of \$19.6B in current readiness over the last two years, Navy has achieved significant improvement in readiness. While we will sustain current readiness, this is not, a broad mandate to maintain funding levels at or above PB-04. Sponsors should be prepared to explain any divergence from the approved PB-04 readiness goal with a risk assessment for all areas, which drop below FY04 levels. In PR-05, we will continue to sustain the achievements made in the readiness accounts in PB-04.

8. Manpower. PB-04 end-strength is the baseline for PR-05 manpower programs. These end-strength levels are not floors.

a. Sponsors must make every effort to reduce manpower requirements, both civilian and military, emphasizing divestiture of functions. Sponsors should direct claimants to compete outsourcing and privatization. Savings must be reinvested in corporate Navy recapitalization.

b. Sponsors should brief manpower proposals (and associated savings/costs, impacts and risks) during their SCP. N1 shall specifically comment on such programming actions in the Manpower and Personnel post-SCP assessment. The integrated SCP from N7 should be prepared to address any transfer of manpower between Sponsors.

c. Sponsors should program crew phasing/de-crewing increments IAW the most current delivery, commissioning, decommissioning and inactivation schedule provided by NAVSEA.

d. Sponsors should liquidate their respective Requirement Holding Accounts (RHA). Issues that liquidate these accounts should clearly identify only the issue affecting the RHA. Additional end strength reprogramming should be accomplished in separate issues.

e. Effective February 2003, the RPN appropriation was merged into the MPN appropriation. PBIS reflects this. All RPN end strength and dollars are now reflected exclusively in MPN Budget Activity (BA) 07. All PR-05 adjustments to the RPN account must now be made in MPN BA-07. N80, based on post-SCP assessments from N1 and N095, will ascertain the disposition of unliquidated Sponsor RHAs and excess end strength for alignment to new or existing Reserve transformational requirements.

f. Sponsors increasing end strength will program the required student account tails.

g. Selected Reserve end strength will be programmed at the active unit (AUIIC) level.

h. N093's SCP should reflect the FY-05 deletion of military billets above the THCSRR requirements. POM-06 should reflect manpower adjustments resulting from a revalidation of the THCSRR model, and its underlying assumptions. This would include the most cost effective active-reserve mix that achieves readiness requirements.

i. Active Duty for Special Training (ADST) and Active Duty for Special Work (ADSW):

(a) Program Elements for ADST (PE 0508145N) and ADSW (PE 0208145N) were established in POM-00. This enables Resource Sponsors to program funds for increased use of the Naval Reserve, whether it is for Fleet Contributory Support (ADST - exercise support, fleet operations etc.), or Special Mission projects and/or real world contingency operations support (ADSW).

(b) Sponsors should continue to consider claimant fleet support requirements, as may be reflected in the CCIPs, and funding adjustments should be made in the Sponsor PEs. Sponsors will summarize their ability to support claimant Reserve requirements in their SCPs. All users are able to view both the Resource Sponsor and Claimant portions of the total ADST funding in PBIS.

9. Training and Education. N00T should address savings realized through the Revolution in Training for FY05 and projections across the FYDP. All savings should be presented to the corporation for decisions on disposition. N00T should address training requirements for the two new Officer communities, Information Professional, and Human Resources Profession in their SCP.

10. Infrastructure. The PB-04 funding level provides the baseline for PR-05 facilities programming. Sponsors must make every effort to achieve additional efficiencies to reduce facilities requirements, especially those that no longer meet

Navy needs. Decisions to fund facilities programs below or above PB-04 FYDP levels must be highlighted in the SCPs along with a risk analysis.

11. Level of Effort (LOE) Programs

a. In general, requirements for LOE programs are based primarily on historical execution levels. In conjunction with the Office of Budget (FMB) review of LOE programs, responsible OPNAV codes should closely review those programs under their purview. LOE programs should be reviewed, with the intent of generating core cost savings, by appropriate decision makers throughout the process and targeted for efficiencies.

b. Under separate budget guidance issued by FMB, Budget Submitting Offices (BSOs) are required to provide specific performance information for varying levels of funding and personnel resources for each of the LOE programs. BSO submissions are due to FMB on 15 April for O&S accounts. Resource Sponsors should work with their respective BSOs to identify potential areas for efficiencies within specific LOE programs. These recommendations must clearly articulate the change in requirement and must be justifiable and executable within the context of the BSO performance information.

c. Savings identified by sponsors and applied to other programs must be documented to prevent these savings from being double counted in the FMB BSO review.

12. Science and Technology (S&T). Science and Technology (S&T). Though an LOE program, S&T should be funded based on content. S&T program content must relate to technologies that support next generation Naval capabilities. We must invest in capabilities that will keep us strategically and operationally agile and lethal, technologically and organizationally innovative, and fully netted in a transformed Navy. The investment should address not only near term needs, but also provide technology solutions for far term requirements not yet identified due to the uncertainty of future conflicts.

13. Cost Savings Initiatives. In addition to monitoring the execution of existing cost savings initiatives, Sea Enterprise will coordinate an effort to develop additional savings through the creation of a series of Business Efficiency Teams (BETs). Enclosure (5) describes the charter, scope and organizational structure.

14. Integrated Priority List (IPL). During PR-05, the IPLs, the mechanism for the Unified Combatant Commanders to present issues to the services, will be incorporated into existing Navy processes more so than in prior years. This cycle, the IPL and the corresponding component commander papers will be entered and tracked directly in WINPAT. Resource Sponsors should address funding for issues identified by N80 as requiring response.

15. FY03 Congressional Adds. In obtaining release for FY03 program funding, the Navy agreed to fully fund the out year tails for various programs. Sponsors should provide FY05-FY09 resources for all applicable programs and specifically identify any "congressional tail" in associated issues.

Savings Wedges

Combined List of Savings and Divestiture									
Program (\$M)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FYDP
Enterprise Resource Planning (ERP)	10	52	251	625	625	625	625	625	3,438
Strategic Sourcing	753	1,095	1,397	1,597	1,665	1,709	1,709	1,836	11,761
Headquarters Activities Reductions	0	0	45	78	80	82	84	81	450
Acquisition Organizations Efficiencies	0	232	304	312	261	343	353	350	2,215
Workload Validation	0	0	670	681	695	709	723	738	4,216
Navy Marine Corps Intranet (NMI)	41	140	192	219	225	226	233	230	1,506
IT Legacy Applications Reductions	0	125	150	175	200	200	206	203	1,259
Multiyear Procurements	313	324	369	226	164	202	228	194	2,040
Economic Order Quantity - VASSN	0	0	47	94	94	141	235	123	734
LPDDIG Workload Swap	0	0	-66	0	129	16	24	101	204
Ownership Cost Reductions	81	136	192	228	233	227	234	231	1,562
Inactive Inventory Recovery	0	50	0	0	0	0	0	0	50
T5 Tanker Lease Buyout	0	-97	40	40	40	40	41	38	142
TACAIR Integration	0	0	86	138	160	174	197	220	975
Force Structure/Decommissionings	0	103	647	586	837	654	402	408	3,637
Systems and Support Divestiture	0	0	299	714	613	899	818	771	4,114
Mission Fund Shipyards	0	0	18	18	18	18	18	18	108
Base Management Regionalization	0	0	117	141	101	107	57	193	716
Reverse Auctions	0	9	16	25	37	39	39	39	201
Performance Based Logistics	0	19	19	20	20	21	22	22	142
Land Sales Revenue	0	0	68	53	30	17	18	18	204
Total	1,197	2,247	4,860	5,969	6,228	6,448	6,265	6,439	39,674

Encl (2)

PROGRAM DECISION MEMORANDUM DIRECTED STUDIES

PDM Directed Studies	Recommendation for PR-05
Sea-Based Missile Defense	POM-06 issues
Realistic Targets for Operational Test and Evaluation and Unit Readiness Training	Potential PR-05 requirement to fund additional targets to Meet FY07 requirement
Tomahawk Land-Attack Missile, Nuclear (TLAM-N)	Status unknown, Navy position TBD
JFCOM Theater C4 Modernization	Potential PR-05 issue for NMCI
Combat Search and Rescue	No Navy equities
Non-Fixed Wing Aviation	Maintain Helo Master plan
Navy Fence	IWA with PDM I
Combating Terrorism	Further Study to reduce Manpower
Forcible Entry Operations Study	With be a PR issue , Currently, developing CONOPS
Special Operations Forces	NO impact for Navy
Barracks	
Science &Technology	Potential to have up to 25% re-allocation of S&T across DoD, final recommendations expected in June 03
AT/FP & Chem Bio Standards	Potential for 54 installations from Navy to need funding for CBNRE protection, will be a PR issue
Low-Density/High-Density Capabilities	Maintain POR

Encl (3)

INVESTMENT PRICING VALIDATION TEAM SUMMARY

IPVT Ranking (G, Y, R)	Program Name	RS	FY04	FY05	FY06	FY07	FY08	FY09
Red Programs								
R	KC-130J AP	78	0	1.1	1	1	1	0
R	KC-130J (APN 4) AP strategy	78	0	8	8	8	8	0
R	KC-130J PSE	78	0	3.9	3.7	3.1	3.2	4.5
R	KC-130J ILS	78	1.1	3.8	3.6	3	3.1	4.4
R	KC-130J Correct 604	78		-1.2	-1.4	-0.5	-0.5	-0.3
R	Sub EROs	77		30				
R	H-1	78		30				
R	T-45	78	0	33.9	0	0	0	0
R	Trident II	77		16.1				
R	DDG-51	76	27.3	35.7	2.9	4.3	0	0
R	LCAC SLEP	75	2	11.9	16.4	18.5	14.9	15.5
R	Sub EROs	77	0	13.2	8.2	7.6	13.2	7.7
R	T-AKE	42	7	14.9	17.8	11	1.5	0.8
R	SSGN (SCN)	77	0	19.8	0	0	0	0
R	VA Class (SCN)	77	60.6	82.6	71.8	105.7	110.8	148.3
Total Red Programs			98	303.7	132	161.7	155.2	180.9
Y	F/A-18E/F (Production Eng)	78	21.6	56.6	0	-17.8	33.1	31.5
Y	F/A-18E/F (Weapons)	78	0	64.7	9.4	0	34.5	7.3
Y	CVN 70	78	8.8	40.7	21.9	0	0	0
Y	CG Conversion	76	5.3	52.9	56	67.1	54.4	32.9
Y	LHD 8	76	0	23.7	0	0	0	0
Y	MIDS JTRS	78	0.21	10.05	12.66	4.09	1.59	0
Y	E-2 (R&D, SD&D)	78	0	61.7	109.3	63.2	32.4	39.2
Total Yellow Programs			35.91	310.35	209.26	116.59	155.99	110.9

NWCF Team

• Scope/Tasking:

1. Identify redundant functions and capabilities across NWCF activities with a focus on reducing rates from the PB04 Baseline to include, but not limited to:

- a. Redundant activities and capabilities.
- b. Capabilities no longer relevant to future needs or consistent with Sea Power 21.
- c. Opportunities to further integrate/consolidate organizational structures.
- d. Opportunities to outsource capabilities and promote public/private partnering when cost effective.
- c. Opportunities to consolidate support contracts to achieve economies of scale.
- d. Legislative, "Freedom to Manage" and related strategies that may lead to more efficient utilization of NWCF resources and activities.
- e. Opportunities to reduce NWCF rated through elimination of unnecessary or redundant contractor support.

2. Identify savings estimates, above those reflected in the budget, from shipyard, NADEP and warfare center cost and efficiency improvements associated with the BAH material establishment study (e.g., indirect labor and facilities costs, O/T rates, etc.).

3. This effort is not designed to compete with, or pre-empt, any aspect of BRAC 05 deliberations.

4. Coordinate new ideas with other ongoing teams/efforts.

- Deliverables: List of proposed initiatives, risk assessment, associated savings and organization responsible for implementation.
- Lead: N8B
- Other Members: SYSCOMs, MSC, Activity Group Managers, DASN(Acq Mgt), FMB4, CFFC, N4, N7
- FY 05 Savings Target: \$1B
- Due date for BOD review: 19 Jun 03

Requirements/Programs Team

• Scope/Tasking:

- 1. Prioritize acquisition programs and legacy systems relative to the Sea Power 21 construct.
- 2. Aggressively identify candidate systems/support functions for divestment.
 - a. Review divestment initiatives not implemented last year for possible reconsideration.

b. Identify additional acquisition programs and legacy systems that are:
(1) Under-performing, behind schedule, or not meeting cost/technical objectives for possible re-scope or other action.

(2) Redundant, obsolete, lower priority, or inconsistent with Sea Power 21.

c. Burden of proof as to why divestment should not be implemented is OPNAV/CFFC.

d. Ensure all supporting costs (e.g., spares, training, etc.) are divested with weapon system.

3. Coordinate new ideas with other ongoing teams/efforts.

• Deliverables:

1. List of divestment candidates, associated savings and organization responsible for implementation.

• Lead: N7B, DASN (Acq Mgt)

• Other Members: SYSCOMs, CFFC, N1, N4, N8, USMC

• FY 05 Savings Target: \$1B

• Due date for BOD review: 12 Jun 03

Readiness Assumptions Team

• Scope/Tasking:

1. Identify savings opportunities in readiness accounts (e.g., FHP, Ships Opns, spares, OBOS, etc.) by assessing/challenging assumptions and parameters in models and requirements generation processes.

a. Review/consider NAVRIT and SHIPMAIN recommendations for implementation.

2. Coordinate new ideas with other ongoing teams/efforts.

• Deliverables:

1. List of mitigation opportunities with risk assessments, associated savings and the applicable sponsors/claimants responsible for implementation.

• Lead: N4, N4B

• Other Members: N7, CFFC, SYSCOMs

• FY 05 Savings Target: \$2B

• Due date for BOD review: 15 May 03

Manpower Team

• Scope/Tasking:

1. Identify initiatives to internally accommodate the Military manpower challenges addressed in N81's PR-05 Investment Strategy.

2. Identify initiatives to reduce Military manpower via technology insertion, or substitution of civilians, contractor, or reserves.

3. Coordinate new ideas with other ongoing teams/efforts.

• Deliverables:

1. List of initiatives to reduce Military manpower requirements to include risk assessments, associated savings and organization responsible for implementation.

• Lead: N1, N1B

• Other Members: Military manpower claimants, CFFC, N7, N4

• FY 05 Savings Target: \$500M

• Due date for BOD review: 26 Jun 03

LOE Programs Team

• Scope/Tasking:

1. Evaluate the feasibility/risks associated with levying a 10% efficiency reduction on all LOE programs.

2. Coordinate new ideas with other ongoing teams/efforts.

• Deliverables:

1. List of LOE programs with 10% efficiency reduction, related risk assessments, and associated sponsors/Echelon II commands.

2. List of LOE programs that could sustain higher than a 10% efficiency reduction, related risk assessments, and associated sponsors/Echelon II commands.

• Lead: N8B

• Other Members: SYSCOMs, N7, N4, FMB1, FMB2, CFFC

• FY 05 Savings Target: \$1.8B

• Due date for BOD review: 29 May 03

SkunkWorks II Team

• Scope/Tasking:

1. Coordinate the executive level review of Echelon II SkunkWorks initiatives (as per CNO 2003 guidance) and identify associated savings opportunities and organizations responsible for implementation.

2. Develop a mechanism, as part of Sea Enterprise, for the tracking of savings identified with proposed initiatives back to the responsible executing Echelon II commands.

3. Devise and implement a regular reporting mechanism, as part of Sea Enterprise, to track the progress of initiatives.

4. Develop a process and mechanism to better track level and type of effort performed by contractors.

5. Coordinate new ideas with other ongoing teams/efforts.

- Deliverables:

1. List of SkunkWorks candidate initiatives with risk assessments, associated savings and responsible sponsors/Echelon II commands.

- Lead: N8B, DASN (Acq Mgt)
- Other Members: CFFC, SYSCOMs, N4, N7, N1
- FY 05 Savings Target: \$500M
- Due date for BOD review: 22 May 03

Acquisition Team

- Scope/Tasking:

1. Reduce the cost of acquisition programs, especially those with shortfalls in FY 05 by integrating ASN(RD&A) efforts to:

a. Identify methods, mechanisms and incentives to arrest/control weapons system procurement costs (determine how we can wrestle with the "why does it cost so much, vice what does it cost?" question).

b. Develop cost containment strategies and new acquisition strategies.

c. Change requirements assumptions.

d. Develop alternative and innovative approaches to reduce costs.

e. Provide more cost effective systems/services.

f. Use innovative approaches to system/service acquisition that reduce total life cycle costs.

2. Coordinate new ideas with other ongoing teams/efforts.

- Deliverables:

1. List of decisions that could be made to reduce the cost of acquisition programs. Each recommendation must include savings estimate, risk assessment and the organization responsible for implementation.

- Lead: DASN (Acq Mgt)
- Other Members: SYSCOMs, N4, N8B, N7B, PEOs, USMC
- Savings Target: \$1B
- Due date for BOD review: 5 Jun 03