



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

IN REPLY REFER TO

PR07-04
Ser N8/2004U797234
05 Oct 04

MEMORANDUM FOR DISTRIBUTION

Subj: PROGRAM REVIEW (PR07) SERIAL NO. 2: MILITARY MANPOWER

Encl: (1) Navy Human Capital Strategy Tenets
(2) Guidance and Implementation Procedures
(3) Billet data and information requirements
(4) Prioritization for Military Manpower Reductions

1. Purpose. This serial contains PR07 process and procedural guidance for manpower.

- PR07 will build upon the significant advances made in POM06 in terms of implementing a Manpower strategy that aligns Total Force manpower to mission objectives.
- The goal for PR07 is to integrate and coordinate manpower changes proposed by Resource Sponsors, Claimants, and various manpower studies, with an executable personnel profile that is consistent with the evolving Navy Human Capital Strategy.
- FY06-11 OSD Program submission end strength profile provides the baseline end strength profile entering PR07 for both Active and Reserve strength. This profile captures POM06 and FMB Summer Review manpower adjustments. The baseline end strength profile will be referred to as the "POM06" profile throughout the remainder of this serial and supporting documents.

2. General Guidance.

a. POM06 manpower reductions were de facto focused on the Navy's Sea components. PR07 will emphasize shore manpower adjustments coupled with any additional changes afloat.

b. The major tenets of the Navy Human Capital Strategy are outlined at enclosure (1). N80 and N1 will work with Resource Sponsors to evaluate alignment and simplify the resources (MPN, OMN, civilian personnel and contractor support) for discrete

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business lines such as Religious Services, Public Affairs, Legal Services and others.

3. Schedule and Actions. Enclosures (2) through (4) provides detailed taskings and deadlines for development of the PR07 manpower plan. Specific taskings of note:

- In mid-October 2004, N1 will provide a risk and executability assessment of the POM06 manpower profile with respect to the timing and availability of Force Shaping Tools (FST).
- In mid-October 2004, N1 will provide a preliminary cost assessment of the POM06 manpower profile for an early view of potential manpower rate increases. By February 2005, N1 will conduct a comprehensive manpower cost assessment of the recommended PR07 manpower profile that will establish PR07 programming rates.
- By mid-October 2004, N1 will determine the maximum achievable end strength reductions for FY07-11. PR07 manpower reductions will not exceed this profile.
- N1 will include in their Integrated Sponsor Capability Program (ISCP), Community level analysis that demonstrates personnel execution plans for the planned billet glide slope.
- N1, in conjunction with N80, N095, Resource Sponsors, Manpower Claimants, and other stakeholders as applicable, will conduct a comprehensive executability assessment of proposed manpower adjustments for possible inclusion in PR07. The PR07 manpower profile will be approved in time to support Resource Sponsor revisions for PR07.

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4. Points of Contact. Manpower questions should be directed to CDR Beth Kikla, N801D, (703) 614-8771, e-mail: beth.kikla@navy.mil; CAPT Norm Moore, N122, (703) 693-1927, e-mail: norman.moore@navy.mil; and CDR Joe Murach N801R Reserve Personnel (703)-614-9016, e-mail: joseph.murach@navy.mil.



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(Resources, Requirements and
Assessments (N8))

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N76, N77, N78, N89, N09B, N091, N931, N095, N096, N00T)

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A1 Immediate Office of the Secretary (AAUSN, ASN(FMC),
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A2A Department of the Navy Staff Offices (OPA, ONR (N8))
21A2 COMPACFLT (N80, N801, N83, N4, N1)
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N10C, N102, N102C, N12, N120, N120C, N122, N13, N13B,
N130, N131, N132, N20, N201, N34, N403, N41, N42, N43,
N44, N45, N46, N46A, N463, N51, N512A, N514, N6E, N71,
N80A, N80B, N81B, N811, N812, N813R, N801, N804, N821,
N822, N76R, N763, N765, N769, N771, N772, N779, N78C,
N78R, N78W, N780, N781, N782, N785, N789, N091M, N911,
N931, N951, N958, N960)

TOTAL FORCE HUMAN CAPITAL STRATEGY

Transformation will demand creativity and hard work from every component of our Naval force, not least of all from our greatest source of asymmetric advantage, our people - active, reserve, civilians, and contractors. The development of a coherent and forward-looking Total Force Human Capital Strategy to address the management and development of the Navy's nearly 900,000 people has become the CNO's "**fifth year in office priority.**" With DCNO(M&P) in the lead for the corporate Total Force Human Capital Strategy and serving as facilitator, Echelon II's and Community Leaders have already begun to develop strategies reflecting their individual needs.

Frames of reference:

- **Human Capital** is the accumulated stock of skills, experience, and knowledge that resides in an organization's workforce and drives productive labor.
- **Human Capital Strategy** is a form of asset management...a plan for securing, managing and motivating a workforce to optimize business performance.
- **Total Force Human Capital Strategies** will challenge workload requirements and military essentiality in an effort to determine a fiscally responsible Total Force mix consistent with corporate principles and desired outcomes.

As the Total Force Manpower sponsor, DCNO(M&P), together with N8, is responsible for the well-reasoned integration in PR07 of a number of elements including:

- Echelon II (Claimant) Human Capital Strategies,
- Community (as suppliers of personnel) Human Capital Strategies, and,
- Resource Sponsor priorities and fiscal constraints.

All stakeholders have a part to play. During the course of PR07 and the formulation of Total Force Human Capital Strategies, resource sponsors, claimants, and communities must confer to ensure alignment in answering the following:

- Does this manpower program actually enable the capability desired?

- Is the proposed manpower executable? Can we grow/divest and/or distribute the personnel necessary to execute the capability in the time allotted?
- Is the program fiscally responsible?
- Is manpower properly priced?
- Does the program balance risk and cost?

Guidance and Implementation Procedures

1. Manpower Profile Executability and Risk Assessment. N1 will provide in mid-October 2004, to the 3 Star Board of Directors, a manpower assessment to include the following analysis:

- Establish the executable strength glide slope for FY07-11. Once the FY07-11 glide slope is established, PR07 end strength reductions will not exceed the executable profile. The PR07 glide slope must be determined from an aggregate view since billet level detail will not be known. N1 will provide Community/Billet level executability analysis in the N1 Integrated Sponsor Capability Program (ISCP), January 2005.
- Provide an executability assessment of the personnel drawdown for the POM06 manpower profile (Active and FTS (RPN)). The assessment will include cost and impact analysis for the following scenarios:
 - 1) Force Shaping Tool (FST) available and fully funded 01 Oct 2005 (best case scenario).
 - 2) No authority for the FST (worst case scenario).
 - 3) Late authority granted for the FST implemented latter half of FY06 (medium case scenario).

This assessment will reveal different costing profiles given the assumptions regarding the FST. This analysis should also indicate the potential for MPN/RPN over execution and reprogramming requirements, or alternatively, the effects if severe loss reduction policies are employed to meet end strength. Include in the analysis a risk assessment for programmed accession missions.

- Provide a preliminary cost assessment (MPN/RPN FTS) for an early view of potential manpower rate increases. Include the following elements in the cost assessment:
 - 1) Force Shaping Tools
 - 2) Separation pays required to execute the profile

Guidance and Implementation Procedures

- 3) Adjustments as necessary to Special and Incentive pays
- 4) Main drivers of the MPN/RPN per capita rates, e.g. Work-years, BAH, BAS, fact of life increases, pay-raise estimations, etc.

2. Manpower Adjustments and Assessment. During Fall 2004, N1 will host a series of meetings to holistically assess manpower adjustments and unfunded requirements to garner leadership consensus on the path ahead. N1 together with N80, N095, Resource Sponsor, Claimants, and applicable community leaders, will prioritize all proposed manpower reductions. Only those reductions that are executable will be included in the PR07 manpower glide slope.

- N1 will review and approve proposed manpower adjustments prior to inclusion in Resource Sponsors' programs. Other analysis that impacts manpower, such as force structure and capability reviews, may not be completed until later in the PR07 process. N1 will perform additional "spot" reviews as necessary to support Resource Sponsor programming efforts. As in POM06, valid manpower reductions with net savings potential may not be approved due to relative priority and executability constraints.
- Resource Sponsors may use approved end strength reductions to liquidate their Resource Holding Accounts (RHA), fund any end strength increases, pay for civilian labor costs associated with a civilian substitution or contracting initiative that replaces military manpower, and pay for bills associated with manpower rate increases. Savings associated with manpower reductions over and above these factors will be retained as corporate savings unless specifically released on a case basis by N8 after review by the 3 Star Board of Directors.
- In order to ensure adequate visibility of the savings/costs associated with civilian substitution or contractor support, any MILPERS reduction and the civilian personnel/contract costs will be programmed in the same Programming Budget Information System (PBIS) issue.

Guidance and Implementation Procedures

3. Manpower submissions and level of detail. Manpower claimants, Community Sponsors and/or Study Sponsors submit proposed manpower adjustments (increases/decreases) to N1, copy to the Resource Sponsors. N1 is the "gate keeper" for all proposed end strength adjustments.

- Submit military end strength changes to N1 per the format provided at enclosure (3). Include an issue paper in the format prescribed at enclosure (3) for every issue associated with end strength adjustment(s).
- Submit proposed manpower adjustments with billet level detail, i.e. no wedges. Billet level detail is required to assess executability and alignment with corporate objectives.
- Manpower Claimants will provide a listing of its "least valued military shore billets" equivalent to at least 3 percent of the total military shore billets within the claimancy. This listing may include shore billets that require civilian substitution. The least valued shore billet list may be considered and incorporated in the PR07 manpower profile. Submit least valued shore billet listing to N1, copy to Resource Sponsors, per enclosure (3). Title this initiative as "3 Percent Offset".
- Manpower adjustments will be assessed and prioritized according to the general guidelines outlined at enclosure (4).
- N8 will issue subsequent guidance detailing specific procedures for entering issues into the PBIS and posting issue papers to the Navy Headquarters Budgeting System (NHBS).
- Resource Sponsors and Manpower Claimants will validate that all billets proposed for end strength reductions are authorized billets at the time of submission. Resource Sponsors should make use of their N122 Resource Sponsor Liaisons to validate proposed issues against billets and end strength in the Total Force Manpower Management System (TFMMS).

Guidance and Implementation Procedures

- N1 will validate that proposed billet reductions come from UICs that are fully funded. If proposed billet(s) come from a UIC where billets exceed funded end strength, the billet(s) will be used to bring the UIC closer to 100 percent funding and these billets will not be available to generate new savings.
- N1 will ensure Navy stays within USC, Title X statutory limits for control grade officers (O-4/5/6) and senior enlisted (E-8/9) for both Active (MPN) and FTS (RPN). Since N1 must correct for existing overages for O-6 and E-9, disproportionately low reductions to these paygrades will exacerbate existing overages. O-4/5 and E-8 paygrades are expected to be within statutory limits. Accordingly, Claimants should make every attempt to propose officer billet reductions that contain a proportionate number of O-6's (6 percent) and enlisted billet reductions that contain a proportionate reduction of E-9's (1 percent). Note officer limits do not apply to medical, dental, and CWO.

4. Active Reserve Integration (ARI). The ARI negative wedge is retained in PE 0904901N under resource sponsor N78. N70 will liquidate this ARI end strength by moving it into definitive budget detail that aligns with the ARI plan and the CFFC ZBR. The Resource Sponsor shall include adjustments for VAW-77, which was a late addition to the ARI plan.

5. Reserve Zero Base Review (ZBR). The Reserve ZBR was partially implemented during POM06. The Resource Sponsors will implement the remainder of the ZBR during PR07.

- Resource Sponsor adjustments to RPN end strength will conform to the Reserve ZBR. Other proposed adjustments will be coordinated with N1 and N095.
- Resource sponsors will ensure that RPN end strength adjustments for PR07 align with the CFFC ZBR. In addition, if POM06 adjustments do not align with the ZBR, they should be corrected in PR07 to preclude presentation of gaps in Navy capabilities.

Guidance and Implementation Procedures

6. Total Health Care Support Readiness Requirements (THCSRR). As a result of the recently completed N1 (CNO-funded) study, regarding the examination of the underlying assumptions of Navy Medicine's THCSRR model, N093 will:

- In coordination with N1, reevaluate the "military essentiality" of all billets identified as "core" requirements and identify possible billets for conversion study.
- When updated assumptions become available in FY05, update the model's rotation base and sustainment inputs and report manpower reductions/increases or possible conversions identified by the update.

7. Timeline. Development of the Navy manpower plan for PR07 will proceed according to the following timeline:

Front-End Assessment Phase (Sep-Dec 2004)

- SEP 2004: N1 data call to Claimants for unfunded requirements and potential manpower efficiencies (manpower increases and decreases)
- 15 OCT 2004: Manpower Pre-assessment presented to 3 Star BoD.
- N1 establish the personnel glide slope for FY07-11.
 - Present executability scenarios and drawdown issues for the POM06 manpower profile.
 - Provide preliminary cost assessment of the POM06 profile for an early view of potential manpower rate increase. For the RPN account, coordinate with N095/COMNAVRESFOR.
- 15 OCT 2004: Manpower Claimants submit manpower adjustments to N1, copy to the Resource Sponsors per enclosures (2) and (3). Assessment period begins for N80/N1/N095 and Resource Sponsors. Consolidated U. S. Fleet Forces Command submission due 22 OCT 2004.

Guidance and Implementation Procedures

- 01 NOV 2004: Manpower Claimants submit to N1 listing of shore billets for the "3 Percent Offset".
- NOV-DEC 2004: N1 conduct manpower assessment to develop consensus on highest priority unfunded manpower requirements and manpower efficiencies in context of constrained manpower glide slope. Also address implementation of manpower studies and Human Capital Strategies.

PR07 Development Phase (JAN - MAY 2005)

- JAN 2005(est) :N1 Integrated Sponsor Capability Program (ISCP). Present PR07 initial manpower plan that incorporates leadership decisions from November-December assessment meetings. Include:
- Current priority and approval status (in the context of what is executable) of all manpower issues submitted to N1/N8.
 - Updated assessment of the executable glide slope with Community level analysis that demonstrates personnel execution plans for the planned billet reductions.
 - Address N1/NPC requirements necessary to recruit/retain/shape the force.
- FEB 2005: N1 provide comprehensive manpower cost assessment (MPN/RPN per capita rates). Provide metrics and ROI analysis as justification for growth above current POR.
- MAR 2005(est) :N1 Sponsor Program Proposal (SPP).

Issue Paper Format

All manpower initiatives, proposals and issues will be accompanied by an issue paper that details the specifics of the proposed manpower adjustment. Sufficient detail will be provided to allow resource sponsors, N1 and N80 to assess, review and prioritize the proposal.

The standard NHBS format will be used to reduce redundant efforts when/if the initiative is loaded into PBIS as an issue. Italicized text in brackets [Sample] provides additional guidance.

ISSUE PAPER

Issue Title Goes Here

I. Issue: xxxxx / Issue Title [Leave issue number as xxxxx until issue is loaded into PBIS. Issue title should succinctly capture the "what" of the adjustment not the why. E.g. "LHA Optimal Manning Adjustments" not "POM-06 Wedge Liquidation".]

Submitted by: POC name here [Provide a POC knowledgeable about the issue.]

II. Executive Summary:

[Provide a one sentence summary of what the issue is about.]

III. Discussion:

Issue Summary

[Provide a summary of what the issue does. Use all the space required to provide the level of detail required to understand the issue.]

Background

[Provide any additional background information required to justify proposed manpower adjustment, e.g. directive or guidance that justifies manpower increase.]

Action Requested

[Succinct summary of what is actually proposed, e.g. end strength transfer and billet requalitization to support reorganization or end strength and billet reduction to achieve savings or end strength increase to support new function.]

Proposed Adjustment

UIC	AD/SELRES/ FTS/CIV	O/E	Activity Short Na	Proposed Adjustment					
				FY06	FY07	FY08	FY09	FY10	FY11
Total Billets									

[The proposed adjustment provides an end strength summary for echelon I review. Use negative numbers for reductions, positive numbers for additions.]

Billet Level Detail

[Attach the excel spreadsheet detailed in enclosure (3) here.]



Initiator Name Here
 Initiative: #####
 Initiative Priority: ### (Priority w/i initiator's initiatives)

Initiative Title Here

Product/Output Description:

- Describe the initiative here
- What capabilities will be impacted, if any
- What will we stop doing, if anything
- Any other salient information, if any
- Include any relevant non-manpower impacts

Proposed Action:

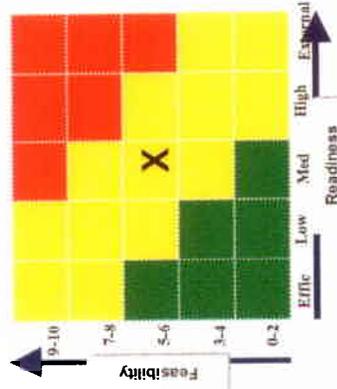
- Specific manpower actions proposed (e.g. civilianize 10 AD enlisted and 5 AD officer billets OR eliminate 214 SELRES enlisted billets and 18 SELRES officer billets)

(3)

ENCLOSURE

Risk / Impact Assessment:

- Provide explanation of risk assessments
- Relocate/Resize risk box as necessary
- For unfunded requirements, use this section to address risk of not funding
- For savings initiatives use this section to address risk of implementing initiative



Proposed Manpower Adjustments:

	FY06	FY07	FY08	FY09	FY10	FY11
AD Officers						
AD Enlisted						
FTS Officers						
FTS Enlisted						
SELRES Officers						
SELRES Enlisted						
CIVPERS						
Contractors						
Other						
Net Change						

(specify e.g. Reimbursable Officer)

- Show the delta to the current POR in the year columns
- FY06 value should be 0

Assessment

Read Cap Risk	M	Leg/Reg	1	Political	1	Complexity	1	Intangible	1	Cost/Inv Rec	1	Fears Risk	5	Invest \$M	906	FYDP \$M	1416	Severity	Yellow Circle
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Enclosure 3
Billet Level Detail Submission Format
Part 1

Initiator Code	Initiative number	Initiative Title	Initiative Priority	Initiative MPN Impact	Initiative RPN Impact	Initiative CIVPERS Impact	Billet Tier	Billet Priority	Billet Action	BIN
<p>For RS generated initiatives use your RS code (e.g. N78). For claimants use your claimant abbreviation (e.g. CNI). For other submitters (e.g. OPNAV N125, contact OPNAV N122 for a code)</p> <p>Assign a unique 5 digit alpha numeric code to each initiative. Initiators can structure this code anyway they find useful. It is suggested that Claimants use the SMC for the first two characters (e.g. SW001 for CNI's southwest region)</p> <p>Initiative title should succinctly capture the what of the adjustment and the why. E.g. "LHA Optimal Manning Adjustments" not "POM-05 Wedge Liquidation"</p> <p>List the relative Priority of the initiative within all initiatives submitted by the RS, CL or other submitting entity.</p> <p>Use this field to list the net impact on programmed MPN end strength of the initiative. Valid values shown below</p> <p>Use this field to list the net impact on programmed RPN end strength of the initiative. Valid values shown below</p> <p>Use this field to list the net impact on programmed CIVPERS end strength of the initiative. Valid values shown below</p> <p>Billet tier is used to group billets for which the initiative action must be concurrent. For example, for a decommissioning all billets should be placed in the same tier because the initiative is all or nothing package deal. If individual action can be taken on the billets, then place the billets in separate tiers, e.g. CIVSUBing headquarters, then Officer billets one at a time. CIVPERS increases should be placed in the same tier as the MILPERS being replaced.</p> <p>This field lists the billet priority within the initiative. Billets should be numbered sequentially within each tier but do not start the count over for each tier. For net reduction initiatives this is the first billet that would be eliminated. For net increases, this is the first billet to be added.</p> <p>Valid values listed below. Use "add" for strength increases. Use "Death" to indicate that the manpower authorization should be removed but not the requirement. Use "delete" to eliminate both the authorization and the requirement. Use CIVSUB to indicate that a military requirement will be requalified as a Civilian. Use "transfer" if the end strength and billet move between UICs without changing the billet quality</p>										
	<p>General guidance: Use one row per billet added or deleted. The values in the first 7 columns will be the same for each and every billet adjustment within one initiative.</p>									
Valid values										
CIVSUB in FY08 Sample	N1	N1201	CIVSUB N122D	1	Zero Sum Issue	Net CIVPERS addition	1	1	Add	123456789
	N1	N1201	CIVSUB N122D	1	Zero Sum Issue	Net CIVPERS addition	1	2	CIVSUB	123456789
Billet Deletions in FY07 Sample	N1	N1202	Reduce N122 manpower	2	Net RPN reduction	Zero Sum Issue	1	1	Delete	234567890
	N1	N1202	Reduce N122 manpower	2	Net RPN reduction	Zero Sum Issue	2	2	Delete	345678901

General Guidelines for Prioritizing Military Manpower Reductions

Prioritization for end strength reductions will follow these general guidelines:

Priority Level 1: Returned end strength. Billets and end strength returned to the Navy from external agencies will be given the highest priority for inclusion in the PR07 glide slope, e.g. Defense Agency Manpower Review Process (DAMRP) results.

Priority Level 2: High Return on Investment (divestment) end strength reductions. End strength reductions that require no civilian substitution constitute high return on investment (divestment) will be given the next priority factoring in Navy Human Capital Strategy objective and personnel executability, e.g. divestiture of non-core functions without civilian substitution, ship decommissionings, program terminations with manpower tail. For the purposes of prioritization, high per capita ROI is defined as any initiative that returns savings after investment equal to at least 100 percent of the MPN dollars removed.

Priority Level 3: End Strength reductions with civilian substitution aligned with Navy Human Capital Strategy. Low per capita ROI end strength reductions that are in line with Navy Human Capital Strategy will have the next priority, e.g. civilian substitution or outsourcing of non-core functions and/or non-military essential workload. For the purposes of prioritization, low per capita ROI is defined as any initiative that returns savings after investment less than 100 percent of the MPN dollars removed. Issues will be prioritized within this category by relative per capita ROI.

Priority Level 4: End Strength reductions not aligned with Navy Human Capital Strategy. Low per capita ROI end strength reductions that are not in line with Navy Human Capital Strategy will have the least priority, e.g. civilian substitution or outsourcing of shore workload for sea intensive ratings.

General Guidelines for Prioritizing Military Manpower Reductions

- For prioritization purposes, the ROI of all issues will be modified by the relative risk of actually achieving the savings. Issues with greater risk of actually delivering savings will have their ROI devalued more than issues with less risk. End strength reductions that cannot be identified to billet level details will be considered very risky, and devalued accordingly.
- Timing and number of reductions of all issues will be a factor in approval of the issue. Lower priority issues may take precedence if those issues better fit the remaining number of executable reductions.