February 18, 2020

MEMORANDUM FOR ASSISTANT SECRETARIES OF THE NAVY
                               CHIEF OF NAVAL OPERATIONS
                               COMMANDANT OF THE MARINE CORPS
                               DEPUTY UNDER SECRETARY OF THE NAVY
                               DIRECTOR, OFFICE OF CHIEF MANAGEMENT OFFICER
                               CHIEF INFORMATION OFFICER

SUBJECT: Department of the Navy Stem-to-Stern Capability-Based Strategic Review

       As we prepare to go to Congress to defend our Fiscal Year (FY) 2021 budget request, it has become increasingly apparent that we have a challenging story to tell. We are facing three critical pressurizing mandates that are conspiring to limit our ability to deliver the Integrated Naval Force required by the National Defense Strategy.

       The first is that we must build a bigger Navy. This is a strategic and political imperative. Our recent future force assessments, including the 2019 Integrated Naval Force Structure Assessment (INFSA) call for increased ship numbers, technological capabilities, and varying new types of supporting vessels to be constructed within a strategically relevant timeframe of 10 years. The second is that we must also continue to claw our way out of readiness and lethality shortfalls that evolved after years of increased operational tempo, budget caps, and sequestration. The third is that we must begin a 40-year recapitalization of our nuclear ballistic missile submarine force. This requirement will consume a significant portion of our shipbuilding budget in the coming years and squeeze out funds we need to build a larger fleet.

       All three of these mandates are occurring within a flat budget environment we expect to continue for several years. Therefore, we must act now to make tough, fiscally-informed choices in order to fund our key strategic priorities using the budget we have, not the budget we wish we had. We must find savings within the Department to reinvest in the kind of decisive naval force that will provide for our nation's future economic and political security. The bottom line is that we need to find at least $40 billion in real line-of-accounting savings to fund the development, construction, and sustainment of this new fleet over the next 5 years, and to set the Department up for continuing this trajectory in the 5 years that follow.

       Accordingly, today I have commissioned a Department of the Navy (DON) Stem-to-Stern (S2S) Review. The S2S will apply a strategic lens to the DON program, with a fiscal goal of generating $40 billion in savings (average $8 billion/year) across the FY 2022-2026 Future Years Defense Program (FYDP). These savings will be repurposed in accordance with my top three priorities: designing and building a future integrated naval force structure (355+ Ship Navy by 2030); advancing our intellectual capacity and ethical excellence; and accelerating

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digital modernization across the force. While $40 billion may seem like a big number, it is only 7 percent of the DON's discretionary topline remaining when force structure, associated manpower and OPTEMPO are fenced. Getting after this won't be easy, but it is entirely possible. The S2S will identify low priority, redundant, or legacy capabilities, programs, processes, or headquarters functions that can be realigned, eliminated, or reduced to meet the DON's resource needs.

To be sure, a great deal of commendable work in the realm of budget optimization has already been done by the Navy and Marine Corps, albeit separately. Our new DON S2S Review will build upon and integrate their efforts across the entire Department, taking on the more strategic task of structural change in order to increase naval capabilities. At the same time, we will continue to iterate the 2019 INFSA all through this fiscal year to further refine the optimal future fleet design – indeed, the DON S2S review and evolving INFSA efforts are intertwined and complementary.

No part of the DON program is exempt from review. However, the DON S2S will specifically consider the following initiatives:

- Duplication of Information Technology systems and infrastructure;

- Consolidation/elimination of headquarters, commands, and organizations;

- Streamlined naval logistics;

- Enabling capabilities that can be outsourced;

- Enabling capabilities that can be consolidated to support an integrated naval force (e.g., installation management, education and training pipelines);

- Reductions in Global Force Management offerings;

- Significant reductions in service support contracts; and

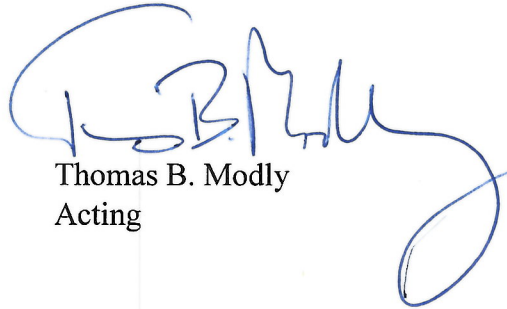- Repurposing of MILPERS/CIVPERS/contractors due to program realignments.

Detailed DON S2S Reviews commenced today, Tuesday, February 18, 2020, and will be co-chaired by Deputy Under Secretary of the Navy; Director, Office of the Chief Management Officer; three-star (or equivalent) from each Service; and will include representatives of the Assistant Secretaries of the Navy and the Chief Information Officer. The Business Operations Management Council (BOMC) will serve as the four-star body to review the work of the S2S. Schedules for S2S Review meetings and the BOMC will be promulgated

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separately. The S2S will conclude April 15, 2020 in order to support June 2020 Program Objective Memorandums submission to the Office of the Secretary of Defense.

My points of contact for this effort are Ms. Jodi Greene, Deputy Under Secretary of the Navy (jodi.greene@navy.mil / (703) 614-4513) and Ms. Robin Tomlin, Director, Office of the CMO (robin.tomlin@navy.mil / (703) 693-6838).

The Department of the Army has engaged in similar reviews as the S2S over the last two years through a process they called "Night Court." In these "Night Court" sessions, they identified approximately $13 billion in savings over the FYDP. As always, it's time to BEAT ARMY!

Thomas B. Modly
Acting

cc:
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