



SECRETARY OF THE ARMY  
WASHINGTON

FEB 22 2010

MEMORANDUM FOR SEE DISTRIBUTION

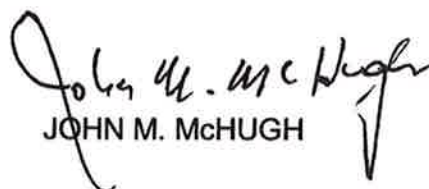
SUBJECT: The Secretary of the Army's Capability Portfolio Review Strategy

1. The Army will soon be required to make tough decisions affecting our input to the Program Objective Memorandum (POM) for 2012-2017. To ensure that we both meet the needs of the operational Army and program, budget, and execute funds wisely, I have established Capability Portfolio Reviews (CPR), to be implemented as set forth in the attached Terms of Reference (TOR). To clarify that the TOR applies to all elements of the Department (that is, Secretariat, Army Staff, and field commands), I have directed that it be signed by the Under Secretary of the Army as well as the Vice Chief of Staff, Army (VCSA).

2. I hereby direct the VCSA to conduct an Army-wide, all-component review and assessment of requirements across all Army Capability Portfolios, as described in the Session 1 section of the TOR. Further, I direct the Under Secretary of the Army, in his role as the Chief Management Officer (CMO) of the Department, and in concert with the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA (ALT)), the VCSA, and other key stakeholders, as set forth in the Session 2 section of the TOR, to make recommendations to me to revalidate, modify, or terminate requirements. My decisions on these recommendations will establish Departmental priorities for investment, research, development, and acquisition, and/or life-cycle sustainment, to include force structure and training, across each Army Capability Portfolio.

3. This review strategy will be implemented immediately and remain in effect for a period of 1 year from the effective date of this memorandum. Throughout this period, CPRs will operate concurrently with, but will not supplant, the Army Requirements Oversight Council (AROC), Army Systems Acquisition Review Council (ASARC), or congressionally mandated Configuration Steering Board (CSB) processes. Each CPR is envisioned as the first step in the evolution of an integrated process for the informed revalidation of the operational value of requirements within and across all Army Capability Portfolios. No later than 1 year from the date of this memorandum the Under Secretary of the Army/CMO, together with the ASA (ALT) and the VCSA, shall provide me with a comprehensive and detailed recommendations to terminate CPRs; incorporate all or part of CPRs into the AROC, ASARC, and CSB processes; otherwise restyle these processes; or implement some other appropriate method for the review, assessment, and revalidation of Army requirements.

Enclosure

  
JOHN M. McHUGH

**SUBJECT: The Secretary of the Army's Capability Portfolio Review Strategy**

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DEPARTMENT OF THE ARMY  
WASHINGTON DC 20310

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**SUBJECT: Secretary of the Army-Designated Capability Portfolio Reviews (Expanded Army Requirements Oversight Council) Terms of Reference**

1. Reference Army Regulation 71-9 (Force Development, Warfighting Capabilities Determination).
2. The Secretary of the Army has directed the conduct of portfolio reviews as outlined in this document. The portfolio review process will be in effect for 1 year. The Chief Management Officer will make recommendations to the Secretary of the Army to either incorporate the reviews into existing processes or alter the current processes. This will not replace the AROC.
3. Intent of the Capability Portfolio Review: Simply stated, the purpose is to conduct an Army-wide, all components revalidation of requirements. The approach is to holistically examine, validate, modify, or make recommendations to terminate requirements driving capability development, acquisition, and sustainment across a series of portfolios we define but roughly align to those defined by DoD. The goal of this revalidation is not to save a specified amount of the budget (base or OCO) or to defend an investment, procurement, or sustainment effort; instead, it is to ensure that funds are programmed, budgeted, and executed against validated requirements and cost- and risk-informed alternatives:
  - Develop a baseline understanding of all the requirements. It is critical to reconcile and have full visibility of those requirements being acquired through both formal defense acquisition programs and other methods, including rapid acquisition.
  - Revalidate portfolios through an examination of combatant commander requests (ONS/JUONS (operational needs statements/joint urgent operational needs statements)), wartime lessons learned, ability to support Army force generation ARFORGEN (capability packages, theater provided equipment, readiness indicators, reset/recap, etc.); emerging technologies (e.g., Rapid Equipping Force (REF), Defense Advanced Research Projects Agency (DARPA), etc.); affordability; interest; and opportunity.
  - Make recommendations for the validation, modification, or termination of requirements that drive investment (research and development), procurement, and/or sustainment accounts across portfolios.

We envision the establishment of an evolving process of revalidating the *operational value* of Army requirements within and across portfolios to existing joint and Army concepts. Critical to this review is ARFORGEN, the Army Campaign Plan, and

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policies that inform quantities (basis of issue plan (BOIP)), research and development, procurement, and life-cycle management (sustainability, including force structure, and training requirements). We must create a sound management process that captures the emerging needs from theater, the rapid evolution of technology, guidance from senior leaders, and DoD business processes.

**4. Concept of Capability Portfolio Review (Expanded AROC) Briefs**

a. Each portfolio review will have at least two sessions. The first session will establish a clear understanding of the totality of the capability portfolio (requirement, R&D investment, procurement, and life-cycle cost). Consider cost, schedule, performance, and sustainability within discussion of emerging capability gaps or identified solutions that challenge whether the requirement remains valid in light of emerging requests or already in-production capability. All leaders are expected to provide actionable recommendations that correspond to existing and evolving requirements that can be addressed by the Army senior leadership.

b. The second session will be a more formal recommendation forum chaired by the Chief Management Officer with a view to presenting the recommendations to the Secretary of the Army for decision. The deliberations will address follow-on analysis from the first session and the programmatic implications of the recommendations presented. The process will conclude with a determination or recommendation to validate, modify, or terminate our research and development (R&D) investment, procurement, and/or sustainment requirements within portfolio accounts. The potential outcomes from the second session could provide recommendations to the Secretary of the Army or determine the need to conduct an ASARC or CSB. This may also provide input and recommended modifications to planning, programming, and budget; development; and/or current execution, as well as potential OSD/congressional engagement.

**5. Execution**

a. Concept for Session 1 Brief: (G-3 Lead) Establish baseline understanding of the totality of the capability portfolio being discussed (requirement, doctrine driving the requirement, R&D investment, procurement, sustainment) and potential changes or opportunities to existing requirement, investment, procurement, and sustainment.

(1) Attendees: Office of the Under Secretary of the Army; VCSA; Office of General Counsel (OGC); Military Deputy, ASA (ALT) and Principal Deputy ASA (ALT); Military Deputy, ASA (FM&C), Principal Deputy ASA (FM&C), and Deputy ASA (Cost and Economics); Chief Information Officer (CIO)/G-6; Deputy Chief of Staff (DCS), G-1; DCS, G-2; DCS, G-3/5/7; DCS, G-4; DCS, G-8; Chief, Army Reserve (CAR); Office of The Judge Advocate General (OTJAG); U.S. Army Forces Command (FORSCOM);

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U.S. Army Training and Doctrine Command (TRADOC), Army Capabilities Integration Center (ARCIC), and TRADOC capability managers; U.S. Army Materiel Command (AMC); Test and Evaluation Office (TEO); U.S. Army Test and Evaluation Command (ATEC); U.S. Army Installation Management Command (IMCOM); Director, Army National Guard (DARNG); ASA (ALT) Program Executive Offices and Program Managers; and Director, Business Transformation Office.

**(2) Minimum information to be presented:**

(a) (G-8 Lead, ASA (FM&C), G-3, G-4, ARCIC) Portfolio Account Overview: Display the totality of the capability portfolio, over time, across the investment (R&D), procurement, and sustainment accounts. Across the timeline, identify significant environmental changes, operational requests, wartime lessons learned, emerging technologies, guidance from senior leaders, planning changes, etc., that are/may drive requirements derivatives. If possible, align to DoD joint capabilities areas.

(b) (G-3 Lead, G-4, ARCIC) Describe the methodology and evaluation criteria used to select and present identified R&D investment, procurement, or sustainment accounts within the portfolio. Consider cost, oversight/interest, and opportunity. Limit by ability to cover within the given time period for CPR session 1. If time available cannot capture totality of identified R&D investment, procurement, or sustainment accounts, coordinate for additional time.

(c) (ARCIC Lead, G-3, G-4, G-8) By identified R&D investment, procurement, or sustainment accounts, but within the holistic CPR, present an analysis of facts and assumptions that influenced the original validated requirements (key performance parameters, key system attributes, basis of issue, fielding schedule) and highlight significant contextual changes, operational requests, wartime lessons learned, emerging technologies, fiscal programming, planning changes, opportunities, etc. that are driving a reexamination of the requirement(s).

(d) (ASA (ALT) Lead, G-3, G-8, ARCIC) If the identified R&D investment, procurement, or sustainment account is comprised of a formal defense acquisition program, the acquisition program manager will be given an opportunity to challenge the existing key performance parameters, key system attributes, and cost, schedule, and performance drivers from both an operational and cost perspective. The purpose is to highlight common sense alternatives, if available, to emerging capability gaps or identified solutions.

(e) (G-3 Lead, ASA (ALT), ASA (FM&C), G-8, ARCIC) Present analysis of opportunities and alternatives for each identified R&D investment, procurement, or sustainment account.

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- Modification to the Operational Concept and Requirements Document and the derivative effects on cost, schedule, performance, and sustainment.
- Substitution of an existing capability for the portfolio element (COTS, MOTS, GOTS, etc.) and the derivative costs and effects to the Army.
- Termination of requirement and derivative costs and effects to the Army.
- Validation of the current Operational Concept, Requirements Document, and investment/procurement strategy.

(3) No later than 48 hours before Session 1, readahead minimum standard:

(a) CPR briefing packet.

(b) DA standard information paper on each identified R&D investment, procurement, or sustainment account within the portfolio that is being considered for modification, to include current and projected fiscal investment and proposed recommendations.

b. Concept for Session 2: To (i) review derivative analysis/requests for information (RFIs) from Portfolio Session 1; (ii) determine portfolio investment priorities; and (iii) determine recommendations for appropriate policy and fiscal guidance.

(1) Attendees: Under Secretary of the Army, VCSA; Army Acquisition Executive; ASA (FM&C); ASA (M&RA); CIO/G-6; OGC; OCLL; DCS, G-1; DCS, G-2; DCS, G-3/5/7; DCS, G-4; DCS, G-8; OTJAG; Military Deputy, ASA(ALT); Military Deputy, ASA (FM&C); Commander, FORSCOM; Commander, TRADOC; Commander, AMC; Commander, IMCOM; CAR; DARNG; Director, ARCIC; ASA (ALT) Program Managers; Director, TEO and Commander, ATEC.

(2) Minimum information to be presented:

(a) (G-3) Review requests for information, analysis, and course of action (COA) modifications from Session 1.

(b) (G-3 Lead, ASA (ALT), ASA (FM&C), ARCIC) Present an adjusted CPR based on adjusted priorities and acceptable operational and other risks derived from discussions during Session 1.

(c) (G-3 Lead, G-8, ARCIC) By identified R&D investment, procurement, or sustainment account, discuss the qualitative and quantitative aspects of the adjusted portfolio and determine whether to validate, modify, or terminate the current requirement.

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(d) Recommend changes to applicable policy and fiscal guidance. The potential outcomes from the second session could provide recommendations that supplant the guidance given from an ASARC or CSB or determine the need to conduct an ASARC or CSB. This may also provide input and recommended modifications to planning, programming, and budgeting development and/or current execution, as well as OSD/congressional engagement through appropriate authorities and responsibilities.

6. Metrics will be developed as the CPR process evolves.

7. All readahead packets are due 48 hours before the scheduled review session.

8. G-3 is designated as the lead agency responsible for the synchronization and coordinated analysis of each CPR session. The directed framework of the CPR serves as a roadmap to achieving an integrated analysis of each portfolio. Derivative effects will emerge from the coordinated analysis that should be highlighted within the context of the overall CPR context.

9. The point of contact is LTC Patrick R. Michaelis, 703-695-4371, and MAJ H. Clay Lyle, 703-695-4311.



PETER W. CHIARELLI  
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Vice Chief of Staff



JOSEPH W. WESTPHAL  
Under Secretary of the Army

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