

SECTION TWO DEFENCE MATERIEL ORGANISATION

CHAPTER ONE - OVERVIEW

Challenges and Opportunities Facing the Defence Materiel Organisation - Change Program

Organisational Structure

Prescription of the Defence Materiel Organisation

CHAPTER TWO - RESOURCING

CHAPTER THREE - PLANNED OUTCOME PERFORMANCE

Summary of Outcome and Outputs

Appropriations and Resourcing for the Defence Materiel Organisation Outcome

Performance and Evaluation Information for the Defence Materiel Organisation Outcome

CHAPTER FOUR - GOVERNANCE AND MATERIEL REFORM

Implementing Defence Materiel Organisation Recommendations from the Defence Procurement Review

Governance Activities

Materiel Reform

CHAPTER FIVE - PEOPLE

Workforce Summary

CHAPTER SIX - BUDGETED FINANCIAL STATEMENTS

Analysis of Budgeted Financial Statements

Notes to the Financial Statements

CHAPTER ONE

OVERVIEW

The Defence Materiel Organisation (DMO) is responsible for equipping and sustaining the Australian Defence Force (ADF) through the acquisition of capital equipment assets and the sustainment of these assets. The DMO's vision is to become Australia's premier program management and engineering services organisation, delivering projects and materiel support on time, on budget and to the required quality, capability and safety.

The DMO has approximately 6,500 people, comprising around 4,500 civilians and 2,000 military in around 50 locations throughout Australia and the world. There are around 1,500 people in Canberra, with major concentrations in Melbourne, Sydney, Newcastle, Amberley and Nowra.

There are 11 divisions in the organisation, which are categorised as domain, program managers or operations (as shown in the DMO Organisational Chart on p. 244). Within the DMO, the term 'domain' is used to describe the section of the organisation responsible for the acquisition and sustainment of ADF equipment in a specific environment (maritime, land, aerospace, and electronic and weapon). System Program Offices exist within each domain and are the focal point for procurement, delivery and sustainment of equipment.

'Program managers' is used to describe a grouping of DMO activities associated with the acquisition of high value, high profile capabilities of strategic significance to the nation. Program managers have been established for the following high profile projects: Airborne Early Warning and Control, Air Warfare Destroyer, and Amphibious Deployment and Sustainment.

The remaining divisions are described as 'operations' and are responsible for contracting services, information technology, strategic communications, corporate governance, human resource management, financial services and strengthening relations with industry.

The DMO supports Defence capabilities through the efficient and effective acquisition and sustainment of equipment for the ADF. The DMO currently manages approximately 240 current major projects, with a total annual budget of around \$6.5 billion in acquisition and sustainment contracts.

CHALLENGES AND OPPORTUNITIES FACING THE DMO – CHANGE PROGRAM

The DMO is undergoing a challenging change program to make it more businesslike and outcome-driven. One impetus for this change was the *Defence Procurement Review 2003*. In September 2003, the Government announced that, as part of accepting the recommendations of the review, the DMO would be established as a prescribed agency under the *Financial Management and Accountability Act 1997*.

On 1 July 2005, subject to legislative processes, the DMO will move to prescribed agency status.

As a prescribed agency, the DMO will have greater autonomy. It will control all resources and staffing to deliver outputs; set its own financial management policy; prepare separate and auditable financial statements; and provide the Chief Executive Officer of the Defence Materiel Organisation (CEO DMO) significant delegation powers from the Secretary to manage and allocate staff resources under the *Public Service Act 1999*.

Importantly, the DMO is not being created as a separate executive agency, but will remain an integral part of the Defence Portfolio. Further details on the review and initiatives for materiel reform can be found in Chapter 4 – Governance and Materiel Reform.

While the DMO remains within the Defence Portfolio, the terms ‘Defence’ and ‘DMO’ are used separately in the following chapters and other of the organisations’ documents to distinguish the DMO from what might otherwise be called ‘the rest of Defence’.

ORGANISATIONAL STRUCTURE

Organisational Structure Changes

To support the transition to a prescribed agency, a number of changes have been made to the DMO structure over 2004-05.

The Chief Operating Officer Division was established on 1 July 2004 to strengthen corporate governance and oversee corporate support functions.

The Deputy Chief Executive Officer Division was established on 1 July 2004. The responsibilities of the division include implementing best practice and standardisation of the organisation’s processes, policies and practices. Mr Norman Gray (Air Vice-Marshal Retired) took up this position in November 2004.

The DMO established a General Counsel to advise on contracting and legal issues. Ms Gillian Marks was appointed General Counsel in November 2004.

The DMO created two new senior program manager positions to oversee two major projects. Mr Warren King was appointed Program Manager of the Air Warfare Destroyer program in September 2004, and Mr Kim Gillis took up the position of Program Manager Amphibious Deployment and Sustainment in September 2004.

Senior Executive Changes

Rear Admiral Trevor Ruting was promoted to Head Maritime System Division in June 2004.

Mr Peter Croser was appointed as Head Industry Division in July 2004.

Mr Colin Sharp was appointed as Head Land Systems Division in July 2004.

Dr Ian Williams, previously Chief Operating Officer, transferred to the position of Chief Finance Officer of the DMO in February 2005 after the departure of Ms Ann Thorpe in November 2004.

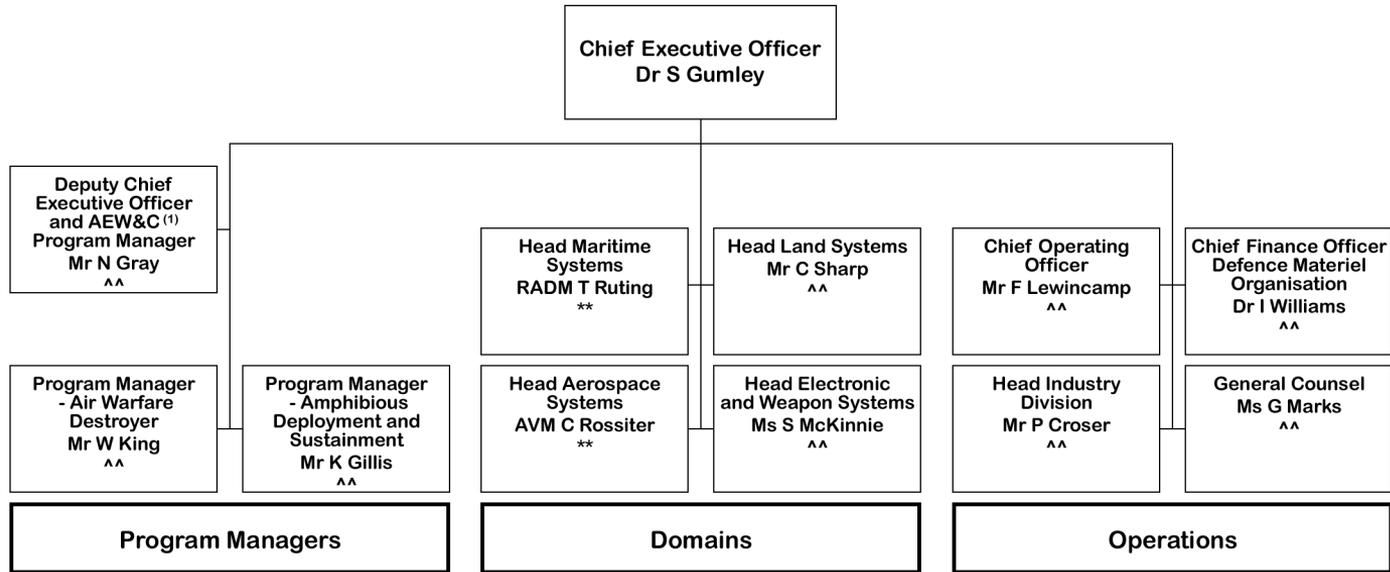
Mr Frank Lewincamp took up the position of Chief Operating Officer in February 2005.

Air Vice-Marshal Clive Rossiter was promoted to Head Aerospace Systems Division in March 2005.

Organisational Chart

The following chart depicts the organisational structure of the DMO, as at 10 May 2005.

Defence Materiel Organisation



(1) - AEW&C: Airborne Early Warning and Control

** - Military 2-star position

^^ - Civilian SES Band 2 Position

PREScription OF THE DMO

The Department of Finance and Administration has developed and tabled the regulation that will establish the DMO as a prescribed agency on 1 July 2005.

As a result of the DMO becoming a prescribed agency, the CEO DMO will be accountable to the Minister for the efficient delivery of equipment acquisition and modification, and fleet sustainment. The Chief of the Defence Force and the Secretary of Defence will remain responsible for coordinating the wider aspects of capability – people, facilities and training – with DMO outputs, to ensure that wider Government capability decisions are delivered.

The CEO DMO will be independently accountable to the Minister for Defence under the *Financial Management and Accountability Act 1997*.

The CEO DMO will continue to be accountable to the Secretary of Defence under the *Public Service Act 1999* and to the Secretary and Chief of the Defence Force under the *Defence Act 1903*.

To date, the following work has been undertaken towards prescription:

- development of a business model, in consultation with the Departments of Finance and Administration, the Prime Minister and Cabinet and the Treasury;
- modification of Defence's financial management information systems to identify Defence and the DMO as independent organisations;
- preparation of a framework of agreements between Defence and the DMO to be in place by 1 July 2005 to define accountabilities and responsibilities for all parties (see the purchaser-provider section in Chapter Two - Resourcing); and
- establishment of a separate budget for the DMO (see DMO's Chapter Six - Budgeted Financial Statements).