
The Parliament of the Commonwealth of Australia

Report 448

Review of the 2013-14 Defence Materiel Organisation Major Projects Report

Joint Committee of Public Accounts and Audit

May 2015
Canberra

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Foreword

This report constitutes the second Defence Materiel Organisation (DMO) Major Projects Report (MPR) reviewed by the Joint Committee of Public Accounts and Audit (JCPAA) in the 44th Parliament and the seventh to be reviewed by the JCPAA overall. This year's report covers 30 projects with a combined approved budget of \$59.4 billion.

The DMO MPR constitutes the ANAO's review and analysis of the progress of selected major Defence acquisition projects managed by DMO, and aims to consider cost, schedule, and capability performance and to function as a longitudinal analysis of procurement projects over time.

The JCPAA assesses the overall content, accessibility and transparency of the information provided in the MPR, and also reviews and endorses the guidelines that constitute the MPR.

The Committee is committed to ensuring the information presented in the Major Projects Report helps to maximise transparency and accountability in the Defence acquisition process for major projects that have been managed by DMO and will continue to be managed by the Department of Defence in the future.

Specific areas of focus in the Committee's review of this year's report include some specific projects listed in the 'Projects of Concern' as well as broader issues regarding and governance and business processes.

Defence Major Projects are inherently complex and meeting cost, schedule and capability targets must be considered in this context, particularly for developmental projects.

DMO has previously summarised the range of issues affecting the completion of Major Projects. These include managing induced schedule delays as a result of budgetary constraints; employing and maintaining an appropriately skilled workforce where the skills required are in high demand by other industries; acquiring new equipment presenting multiple integration challenges; contractor overestimation of the technical maturity of proposed equipment solutions; contractor underestimation of the level of effort and complexity required to deliver new equipment; unavailability of in-service equipment (due to operational

requirements) limiting the ability of projects to install, and test new or upgraded equipment in accordance with the original planned project schedule; complying with increasingly demanding certification and regulatory requirements; and ensuring access to intellectual property to enable continued further enhancement and improvement of systems.

The Committee acknowledges these various challenges.

DMO has played a strong and positive role in the development of the MPR since its inception in the mid-to-late 2000s. With DMO's abolition and the Department of Defence re-absorbing the DMO's functions, the Committee expects the Department to continue working on the MPR with the same intensity shown by DMO over the past eight years. The Committee looks forward to working with the new reformed Department of Defence to produce the same high-quality MPR in the future so as to ensure that the improvement gains made in terms of project acquisition management over the past eight years are maintained.


The Committee, in conjunction with Defence and ANAO, is now focussed on establishing a mechanism through which sustainment reporting can be better scrutinised. Objections in the past by DMO/Defence have centred on security issues – i.e. that more detailed reporting of sustainment in the public arena would compromise national security. The Committee is in complete agreement with Defence about the need to protect classified information.

Having had a series of options presented to the Committee by ANAO, initial discussions with Defence have already occurred and at this stage it appears likely that sustainment reporting be developed through an evolutionary process until both the Committee and Defence are comfortable with a final structure, not unlike the development of the MPR itself.

On behalf of the Committee, I would like to express my appreciation for the work done by the DMO and the Australian National Audit Office in producing the Major Projects Report this year.

I also thank the witnesses from the DMO and the ANAO for their participation in the Committee's review.

Dr Andrew Southcott MP
Chair



Membership of the Committee

Chair Dr Andrew Southcott MP

Deputy Chair Mr Pat Conroy MP

Members Mr Anthony Albanese MP

Senator Cory Bernardi

Ms Gai Brodtmann MP

Senator Katy Gallagher

Mr Andrew Giles MP

Senator Chris Ketter

Dr Peter Hendy MP

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 Ms Yvonne Lee



List of recommendations

4 Future developments

Recommendation 1

The Committee recommends that the reformed Department of Defence continues to provide the same priority and appropriate resources to the Major Projects Report in the future as DMO have done in the past so that the achievements of the past eight years are not lost. The same level of effort should also apply to the future development of sustainment reporting.

