


20/3/14.**CEO DMO Opening Statement to JCPAA - 20 March 2014****Submission 2
20 March 2014**

Thank you for the invitation to today's hearing.

I welcome the opportunity to talk about what I consider to be a good, purposeful and mature report. Since its inception in 2008, the number of projects reported in the Major Projects Report has risen from nine to 29 of the DMO's major projects. This year DMO will be reporting against a total of 30 projects which is the original expected capacity of the MPR.

Over the last year we continued to deliver our projects within budget. As reported in the 2012-13 MPR, since July 2010, the DMO had closed 61 projects and delivered the capability outcomes using, on average, only 95% of the approved budget. We continue to deliver our projects with substantially the intended capability. As with previous years, schedule remains our biggest concern. However, reforms stemming from the Kinnaird review have had a positive impact, as the average schedule slip for post-Kinnaird MPR projects is 11 per cent compared with 66 per cent for MPR projects approved prior to the review. While not good enough our schedule performance is comparable with international commercial industry for projects of the same complexity.

To turn to the MPR itself, I am pleased that the Committee is considering removing:

- Armidale Patrol Boats;
- Phase 1 and 2 of Bridging Air Combat Capability; and,
- Counter-Rocket Artillery and Mortar

However, I ask the committee whether there is value in reporting on some of the legacy projects that remain in the report. In particular; FFG Upgrade, Bushmaster Vehicles, F/A 18 Hornet Upgrade, and HF Modernisation.

- Upgraded FFGs have been deployed on operations, including the Middle East, for over three and a half years now. HMAS Melbourne recently intercepted and seized \$1 billion in drugs whilst on operations in the Middle East.

- Bushmaster vehicles have, and continue to, save Australian lives in Afghanistan.
- F/A-18 Hornet aircraft remain part of the front line defence for Australia.
- HF Modernisation is a project that was approved in 1996, with the fixed network replacing Navy and Air Force systems in 2004 and the final system taking over support to ADF operations since 2009. The project was de-scoped in 2012 and has largely delivered the capability.

In my view, the window of opportunity to learn from these projects has largely passed and for some time now we have been applying the lessons learned to the way that we manage projects. I would like this report to be relevant, useful and a learning tool for all readers of the MPR. If these projects, which are already delivering capability, are removed, then it would enable the Committee to introduce new projects into the report. I am, therefore, asking the Committee to consider whether there is value in including these older, legacy, projects in the MPR.

Contrary to media speculation, the DMO today is at the same workforce level as it was 10 years ago, approximately 6500. This workforce supports the core business of the DMO such as:

- currently, managing about 180 Major projects valued at approximately \$80 billion dollars. The MPR reports on \$44 billion of this; and
- there are a further 111 major projects in DCP 2012 valued at \$153 billion.
- In addition, the DMO manages 70 minor projects valued at approximately \$700 million and another \$5.1 billion annually for sustainment.

Finally, the MPR has improved by way of detail, longitudinal analysis and maturity since the first publication in 2008 and it is pleasing that a review undertaken in 2012 by Independent Project Analysis (IPA) benchmarked DMO's performance favourably against the commercial industry.

I take this opportunity to thank the Auditor-General, Mr Ian McPhee, and his staff for their working relationship with the DMO and their contribution to the overall report.

I look forward to your questions.