



JOINT COMMITTEE PUBLIC ACCOUNTS AND AUDIT

**QUESTION ON NOTICE – DEFENCE MATERIEL ORGANISATION
MAJOR PROJECTS REPORT**

Senator Bishop asked on Monday, 28 February 2011, Hansard page 5.

“It would be useful if we had some idea on the significance or scale of the issue in terms of the difference between Final Materiel Release and Final Operational Capability. Would you do that jointly with the DMO to get some idea of the scale incidence of the issue over the last 10-15 years”.

Response:

In January 2010, the Defence Committee endorsed the concept of Initial Materiel Release (IMR) and Final Materiel Release (FMR) milestones. IMR and FMR are designed to clearly define the points in time at which the Defence Materiel Organisation (DMO) satisfies its responsibility for the acquisition of the materiel element of capability. The Capability Manager is then responsible for combining this materiel element of capability with the other Fundamental Inputs to Capability (FICs). The required combination of FICs is necessary for a Capability Manager to operationally deploy a platform or weapon system. The delivery of other FICs is managed by various Defence Groups and could typically include but is not limited to operator training (Capability Manager), facilities (Defence Support Group) and IT infrastructure (Chief Information Officer Group). The achievement of all FICs then provides the trigger point for Capability Manager endorsement of either Initial Operational Capability (IOC) or Final Operational Capability (FOC).

In order to formally establish the IMR and FMR milestones, all DMO projects are required to transition to a new Materiel Acquisition Agreement (MAA) for joint signature by Chief Capability Development Group, Chief Executive Officer DMO and the relevant Capability Manager by December 2011. All 28 DMO projects involved in the 2010-11 MPR Program were required to have their MAAs signed before 30 June 2011.

The DMO is not able to retrospectively introduce the concepts of IMR and FMR into project schedules to directly answer the question. However, the planned implementation of IMR-FMR in 2011 will enable this analysis to start.

Consequently, for the 2010-11 MPR, DMO intends to introduce an additional dimension to the schedule analysis which will aim to explain the typical lead-times between DMO project achievement of FMR (delivery of the materiel element of capability) and the Capability Manager’s endorsement of FOC (on successful delivery of all FICs). The analysis will also endeavour to reveal the underlying factors driving these lead-times, which could include factors such as:

- Technical complexity of the capability: the more technically complex the capability, the longer the expected lead-time to ensure all FIC elements have been delivered to the Government approved scope.
- Availability of existing capability platforms to perform upgrades: many DMO projects provide an upgrade to an existing capability. However, availability of the existing capability platform to undertake the planned upgrade is often influenced by the Capability Manager's requirement to deploy the platform on a higher priority operation or training exercise.
- Accelerated acquisitions: several DMO projects have been established as a result of a high priority Government requirement to fill an identified capability gap. Typically these projects are an 'Off-The-Shelf' solution where the acquisition of the materiel element of the capability is delivered in a short space of time, which can be well ahead of the delivery of other FIC elements.