

**Senate Foreign Affairs, Defence and Trade Legislation Committee**

**Answers to questions on notice**

**DEPARTMENT OF DEFENCE**

**Budget estimates 2001–2002, June 2001**

**Restructure Costs of Defence Materiel Organisation**

**QUESTION 27**

SENATOR: HOGG

HANSARD: Page 115

Could you provide the committee with a breakdown of the Defence Materiel Organisation's restructure costs? Please include details of funding, corporately and by individual projects, for any costs associated with the transfer of personnel or any other costs associated with the restructure.

**RESPONSE**

Historically, Defence has been criticised for its inability to deliver many major acquisition and logistics projects on time, within budget and to the quality required. Accordingly, after considering an independent report by KPMG, Defence recommended in June 2000, to the then Minister for Defence, the Hon John Moore, that the separate elements responsible for equipment acquisition and through-life-support be merged into a single organisation responsible for all aspects of ADF equipment. This recommendation was accepted and the Defence Materiel Organisation was established to provide a single point of accountability for the materiel component for each platform, system or product used by the ADF.

Part of this reform involves the establishment of systems program offices, which integrate acquisition and through-life support activities for particular capability platforms around Australia. A systems program office is the fundamental business unit of the Defence Materiel Organisation. Generally, a unit manages a number of projects associated with a specific platform, or range of platforms, with its focus on supporting a capability. These offices are being collocated progressively with existing platforms or with the contractors responsible for building new platforms. For example, the Strike Reconnaissance Systems Program Office for the F-111 aircraft has been established at RAAF Amberley, in Queensland, and is collocated with the aircraft, those who fly them and those who maintain and provide in-service support for them.

The total estimated formation costs for the systems program offices is approximately \$150m over six years. These estimates include the costs associated with the relocation of staff and the provision of accommodation and information technology, as well as a provision for redundancy payments to staff who choose not to relocate and do not secure alternative employment within the Australian Public Service.

Benefits of the restructure include the collocation of the acquisition and through life support elements of Defence capability to provide a single point of accountability for the materiel component of each platform, system or product in the ADF inventory. This will in turn improve the efficiency and effectiveness of capability delivery over the life of the weapons system by having a 'one team' approach and not having one group responsible for acquisition and another for through life support.

A breakdown of the estimated overall costs is provided in the table that follows. It must be emphasised that some of the estimates are very preliminary.

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**SUMMARY OF ESTIMATED COST OF DMO FORMATION**

(SPO—Systems Program Office)

	<b>Total (\$)</b>
<b>From Defence Materiel Organisation operating budget:</b>	39,601,500
<b>From Project Budgets:</b>	
Joint Logistics (Melbourne)	1,114,500
Aerospace Maritime Patrol SPO (Edinburgh)	3,926,500
Aerospace Airlift SPO (Richmond)	205,500
Aerospace Strike Reconnaissance SPO (Amberley)	9,197,500
Aerospace Army Aviation SPO (Oakey)	8,539,500
Aerospace Tactical Fighter SPO (Williamtown)	14,170,000
Aerospace Naval Aviation SPO (Nowra)	6,225,000
Aerospace Guided Weapons SPO (Edinburgh)	5,280,000
Maritime Systems Division—FFG Upgrade SPO (Sydney)	4,821,500
Maritime Subs SPO (Stirling)	5,194,000
Maritime Amphibious & Afloat SPO (Sydney)	6,763,000
Maritime Manager Configuration Certification and Allowances SPO (Sydney)	1,475,000
Maritime—Hydrographic SPO (Wollongong)	2,349,000
Maritime ANZAC SPO (Rockingham WA)	4,246,000
Maritime Patrol Boats SPO (Darwin)	4,097,000
Maritime—Mine Warfare & Clearance Diving SPO (Sydney)	9,668,000
Electronics Systems Division	41,000
Electronics Jindalee Operational Radar Network SPO (Salisbury)	\$7,585,000
Ongoing rental assistance for 3 years for Civilian Term Transfers	15,372,000
<b>TOTAL</b>	<b>149,871,500</b>