

**SENATE INQUIRY INTO
MATERIEL ACQUISITION AND MANAGEMENT
IN THE DEPARTMENT OF DEFENCE**

DEFENCE SUBMISSION

June 2002

On 13 March 2002 the Senate referred the following matter to the Foreign Affairs, Defence and Trade References Committee, for inquiry and report by 2 December 2002:

Whether the current matériel acquisition and management framework of the Department of Defence is effective in meeting the organisation's equipment requirements.

This submission is made by the Defence Materiel Organisation on behalf of the Department of Defence.

The submission is organised into six parts:

- Background
- Organisational Structure Reforms
- Process Reforms
- People Reforms
- Industry Capability
- Conclusion

Also enclosed is a supplementary document which explains the nature and role of the Defence Materiel Organisation in greater detail. It includes:

- DMO Organisation Chart,
- DMO Materiel Lifecycle Management flow charts,
- DMO Site Map,
- DMO Strategy depiction,
- Doing Business with Defence booklet, and
- Defence Materiel Guide (Edition 1).

BACKGROUND

The acquisition and management of Defence equipment is a complex and high risk business. In the 2001-02 financial year, Defence will spend well over \$2 billion on about 245 capital projects, and the total cost of these current projects will eventually exceed \$47 billion. Almost another \$2 billion will be spent on in-service support, while Defence continues to manage an existing inventory worth about \$3 billion. Across the whole Department, over 9,000 personnel in more than 50 locations are involved in the gamut of capability definition, acquisition, management and disposal of Defence materiel. If this activity was part of a commercial enterprise, the assets involved would rank it as one of Australia's top ten companies.

Size and value are not the only challenges. Defence acquisition in the broadest sense involves additional risk because it attempts to predict and fulfil the materiel needs of unknown future military operations against unidentified aggressors. Adding to this risk is the fact that many Defence systems embody new technologies essential to the ADF maintaining a capability edge.

Moreover, Defence materiel acquisition and management occurs in a fiscal environment involving dynamic and competing priorities. Effectively, the "business" of Defence Materiel is to manage multi-year acquisition projects for equipment which needs to be maintained for decades. Contracts executed today must anticipate a changing environment on several fronts – technology, defence operations and needs, government priorities, commercial realities, engineering practice and the changing supplier environment.

Against this background, Defence has been criticised for failing to deliver major projects on time, within budget, and to the technical quality required. This criticism is not new, nor is it confined to Defence in Australia.

Defence acknowledges that not all of its acquisition problems can be put down to the external risks inherent in the process. For example, Defence has not always defined its requirements in a manner that would gain the most from what industry has to offer, or in a manner which is sensitive to cost and risk drivers. Again, contracts have been signed before requirements have been fully documented and requirements have been changed after contract signature.

Arguably, in some contracts, Defence has not always got the balance right between active contract management and allowing the contractor to perform its role; or between seeking delivery of capability, albeit late, and enforcing contractual provisions which may ultimately result in contract cancellation.

On the other hand, Defence industry must also accept some responsibility for the problems. Under-estimation of schedule, and budget, are far too common. Contract management performance is often not up to commercial best practice standards and undue reliance is sometimes placed on "excusable delay" clauses.

To address some of these shortcomings, on 22 June 2000, the Minister for Defence approved the establishment of the Defence Materiel Organisation (DMO). The DMO combined the Defence Acquisition Organisation, Support Command Australia and part of National Support Division. The goal was to improve delivery of ADF materiel by integrating acquisition and through-life support activities into a whole-of-life capability management system. This integrated organisation would not only have a clearer understanding of customer requirements, but it would be better placed to undertake internal reforms to structures, processes, and relationships with stakeholders, including Defence staff and industry. DMO came into being on 1 July 2000 and structural changes to the organisation were completed by December 2000.

It should be noted that the formation of DMO was not the first initiative to improve materiel support. Rather, it is part of a continuum of reform.

In the early 1990s, the Force Structure review led to a joint approach to capability development and the Defence Logistics Redevelopment Project rationalised Defence warehouses. About the same time, the Air Force introduced Electronic Purchasing by Units for local procurements, while Army trialed its Direct Unit Purchasing model. On 1 July 1997 Support Command Australia was established to integrate and rationalise the three former Navy, Army and Air Force materiel support systems. In this combined Support Command, and under the impetus of the Defence Reform Program, numerous non-core activities were market tested to achieve better value for the Government's money. Since its inception, the Commercial Support Program has market tested 117 in-house materiel activities, 78 of which have been awarded to the commercial sector.

It was during the mid-term review of Support Command's progressive development that KPMG was also asked to consider the amalgamation of Support Command and the Defence Acquisition Organisation. KPMG noted that change of this size would bring financial costs and tensions between people, but added:

"The risks ... are considerable, but the risks of doing nothing are even greater, for no other reason than that the latter diminishes the ability of the Government to acquire total capability. The benefits associated with such a merger are very significant and the Review believes that, while there will also be regrets that will be of short-term and longer-term impact, the likely rewards to be gained will outweigh the regrets." (KPMG report 2000, p.33)

As predicted, the DMO has incurred some transitional costs and tensions. Nevertheless, the formation of DMO, with whole-of-life responsibilities based on environmental lines (rather than on single Service “silos”), created opportunities to reform the acquisition and management of Defence equipment. DMO has under way three fundamental types of reform:

- organisational reforms
- process reforms, and
- people reforms.

The organisational reforms, which are well advanced, include the integration of the acquisition and support elements of Defence and locating them with their customers or supplier to provide greater focus on effective outcomes.

The process reforms include identifying and adopting best acquisition and asset management practice (including commercial practices where these are appropriate to Defence) and developing strategic relationships with industry.

The people reforms are aimed at creating a climate where the personnel responsible for Defence matériel are suitably trained, valued and motivated to do their best in a complex work environment that requires an innovative work ethic.

ORGANISATIONAL STRUCTURE REFORMS

The DMO is responsible for the management of all specialist military equipment assets, from their acquisition to disposal. Ultimately this will mean that the DMO will effectively own and maintain the assets, while the Australian Defence Force end-users operate them. The creation of a single Defence materiel organisation with such integrated responsibilities, is an initiative which has not been attempted by our major allies. Neither the USA nor the UK has attempted this level of integration. For the most part, the USA retains separate systems for single Services while in the UK, Defence has substantially amalgamated in-service management under one roof, but acquisition remains under a separate roof.

At the corporate level, DMO is organised into divisions according to the operating environment for their systems. The main System Divisions are Aerospace, Maritime, Land, Electronic, and Airborne Surveillance and Control. These divisions are supported by the Finance and Management Information divisions. A separate Industry Division is dedicated to industry programs and initiatives, while Joint Logistics Command directly supports the three Services with warehousing, transport, and commonly used commodities. (An organisation chart is part of the supplementary information pack enclosed with this submission.)

With materiel responsibilities merged at the strategic level, the most important DMO reform is extending that integration to individual weapon systems. This gives capability managers (or Force Element Group commanders) easier access to a team which is entirely accountable for meeting customer requirements. A series of integrated System Program Offices (SPOs) have replaced the previously separate acquisition project offices and support units. In most cases, a single commander or director (at Colonel level or equivalent) is responsible for the acquisition projects affecting a weapon system, as well as the support and ultimate disposal of these assets.

To reinforce this through-life responsibility, most of the SPOs have been relocated to work alongside the Force Element Groups and industry, in capital cities and regional centres outside Canberra. Soon, less than 20 percent of DMO staff are expected to be located in Canberra. Currently there are almost 50 SPOs, employing about 3,500 people. They are in many locations around Australia, as shown on a map in the information pack enclosed with this submission.

While ADF “customers” and industry have supported the SPO relocation, it does carry a cost. Financially, the original estimate was \$150 million over six years. While this is a significant amount, benefits of collocation are expected to outweigh the cost in terms of improved understanding of ADF requirements cost drivers and ultimately support to the ADF. Indications to date are that service delivery has improved. Moreover, the actual commitment to date for

relocations, being about \$30 million, suggests that the original estimate was too high. One factor is that the original estimate included a provision for redundancy payments but few have been necessary.

The SPO relocations also incur transitional costs with respect to expertise. While virtually all military positions which moved have been filled, of the civilian jobs that moved to new locations, about a third of the incumbents moved with those jobs.

To encourage staff to move with their SPOs the DMO arranged attractive packages for relocating civilian staff, on par with support available to military personnel. Most of those who did not relocate took up other jobs in DMO, so their expertise was retained corporately, albeit in different projects. Nevertheless, in the short-term there has been some loss of expertise and some SPOs have fared worse than others.

Work is now under way to replace specialist expertise in the new SPO locations. In the past, DMO and its predecessors have experienced difficulties in attracting a highly trained workforce to Canberra from other capital cities. DMO now has access to a larger workforce based outside Canberra, particularly for acquisition. In addition, regional staff have enhanced career options by being able to apply their knowledge of a particular weapon system in different roles. DMO SPO staff will have the opportunity to work across the life cycle of their weapon systems, rotating from acquisition roles, to in-service logistics support, to working directly with end-users and industry, and ultimately disposals. There is also greater opportunity for movement of experienced people from industry to Defence.

PROCESS REFORMS

A robust capability development process is critical to a successful acquisition. In the past, Defence capability requirements for some projects were inadequately defined before acquisition projects began. When the capability requirement evolved subsequently, causing changes in the scope of the project, the inevitable results were increased costs and delayed deliveries. In other cases, when the capability was defined at an early stage, it was sometimes done without reference to cost and risk drivers. This significantly increased the risk of cost and schedule overruns.

To overcome these problems, the Vice Chief of the Defence Force and his capability staff are working with DMO staff to define a revised capability development process. This process emphasises a team-based approach involving both acquisition and through-life support specialists from the outset.

As a matter of routine, capability requirements will now be accompanied by operational and support concepts that clearly articulate how the equipment will be used and supported. Function and performance specifications, and test concept documents, will also be developed at this time. Improved capability definition before Government approval is sought should ensure that costs and risks are better understood. In the past, some of the requirements development work was left to the acquisition process. However, by then little opportunity remained for cost capability trade offs, as expectations and budgets had already been set.

With respect to in-service support after the project phase, a Defence Business Model is being developed to include a Customer/Supplier Model. This will establish an agreed set of results that Groups such as the DMO, are to achieve each year. The mature model includes a cascading set of agreements:

- Organisational Performance Agreements
between CDF/Secretary and each Defence Group head,
- Customer Supplier Agreements
between Output Executives and Enabling Executives, and
- Service Level Agreements
between the DMO SPOs and the Force Element Groups.

By aligning all these agreements through the DMO Balanced Scorecard and associated performance measures, every part of the DMO will be working towards the goal of equipping and sustaining the ADF to defend Australia and its national interests.

Just as well defined capability requirements help to explain what must be delivered to Defence customers and when, they can also help in advising Government on the likely cost of projects. Obviously, better information can be provided after the market has been tested, but Government needs early advice

on proposals. Accordingly, the Government has agreed to a two-pass approval process for the acquisition of new ADF equipment. This is based on the UK Two Gate system. In the first pass, Defence will identify the gap in capability and will provide the Government with a range of options. Defence will identify approximate costs, risks and timing issues. At this stage, first-pass approval is sought to undertake further studies to develop the options and to refine the estimates. At the second pass, Defence will provide the necessary level of detail to make an informed decision on acquisition and through-life support.

In the past, once Government approvals were given, Defence's acquisition processes were both detailed and centralised. However, they could also be demanding on industry, slow and ultimately expensive. Committees made many of the critical decisions on acquisition, resulting in a subsequent lack of individual responsibility.

Therefore, the thrust of the acquisition process reforms has been to simplify processes where possible and to tailor them to the requirements of individual acquisitions. Tender documents are to be less technically prescriptive and more functional. Tender processes will be shorter and companies will be progressively stood aside as they become uncompetitive.

At the same time, the role of committees is to be reduced, with project and line managers being given increased responsibility. The challenge lies in doing this without reducing overall accountability. To this end, project governance boards have been established to review the technical, financial, contractual, risk, and schedule performance of projects. The boards provide independent advice to delegated decision makers, to relevant Division Heads and to the Under Secretary Defence Materiel, in a manner that assures the governance principles of accountability, transparency, disclosure and independence.

As part of the accountability process, the DMO reports monthly to the Defence Committee and to the Minister on the status of its largest projects, other projects of concern and any critical issues, including through-life support. The DMO is also developing its balanced scorecard processes, and it reports in the Defence Annual Report and twice yearly to Parliament in the Senate Estimates process.

Other aspects of reporting have been hindered by the disparate information systems inherited by DMO. Bringing several different organisations together, each with its own systems, meant that coordinating finances and providing appropriate management with information was difficult. The introduction of accrual accounting, while using systems not originally developed for accrual accounting, added to the challenge. Since the formation of DMO, a new division has been established to deal specifically with information management systems, so these problems can be addressed in an holistic framework.

At a more detailed level of acquisition reform, tender documents are being simplified where possible with a focus on functional specifications. Draft tender documents are routinely made available to industry for comment before release. Where possible, discussions are held with individual tenderers to ensure that the process is open to innovative solutions and does not inadvertently rule out otherwise acceptable solutions.

Requests for tender are now accompanied by documents outlining the concept of operations and support, so that it is clear to tenderers how the equipment is to be used.

Tenderers are now stood aside from the competition as soon as it is clear that they are not competitive. This reduces industry costs by allowing unsuccessful tenderers to stand down technical teams sooner and it speeds up the process by allowing the DMO to concentrate on those bids which have a real chance of success.

At the conclusion of the tender process, contract negotiation is undertaken in parallel with shortlist assessment to reduce the time to contract signature.

The evaluation of the Air 87 Armed Reconnaissance Helicopters Project provides a good example of the benefits of this approach. For this project, one tender was declined after four weeks. After only three months, a second tenderer was declined, a third was notified that it would be held in reserve (but it should stop spending), and the preferred tenderer was identified. Subsequently, the contract for Air 87 was signed in December 2001: only 12 months after the release of the Request for Tender. In the past, this typically would have taken two and half years.

Among other specific processes being improved by DMO are those concerning software. Software in Defence equipment is pervasive. It is not unusual for only moderately complex systems to involve over one million lines of software code. DMO needs to attain a high level of software literacy to discuss software issues at all levels of management and in all stages of equipment lifecycles. The majority of Defence projects suffering schedule delays are attributable to software problems. For example, Seasprite helicopters, JORN, New Submarines, HF Modernisation, P3C Update and Australian Air Defence Traffic System projects, all suffer or have suffered from contractor software problems.

DMO has introduced a reform program aimed at developing policy, guidelines, training programs and technical expertise for software-intensive projects. The problems encountered in Australia are typical of those occurring in other Defence forces and in the commercial sector, because project management in the software industry is still relatively immature. The DMO is working with overseas Defence and private sector agencies to find best practice and to learn from their mistakes. Through this approach, the Defence software reform program is introducing the highest standard of processes, techniques, tools, estimating and measurement methodologies, and overall software education.

These reforms will take time. In addition, Defence will need to work with industry to improve performance on a number of fronts including:

- Tendered software estimates and their basis, including software architecture;
- our ability to monitor software performance and understand the implications of lead software metric indicators;
- the quality of the systems engineering effort leading to the software development activity, especially in the area of requirements management;
- the ability to gear contractual remedies to process measures as opposed to more visible deliverables as is the case for hardware projects; and
- assessment of tenders based on domain expertise, process maturity and track record with previous endeavours of similar complexity.

Again, processes at the working level to assist with risk management, tender development, specification preparation, contract management, systems engineering and project management were not always consistent. The Standard Acquisition Management System (SAMS) and a systems engineering improvement program are part of a revised approach. SAMS provides expert guidance, templates and training, based upon a systems engineering philosophy, that can be tailored to individual projects. To complement this the DMO has established a systems engineering improvement program aimed at improving requirements development and management, technical control of projects and related skills.

Another key to project success is good performance by contractors. Selection of contractors based on past performance is now part of source selection processes. To provide an objective basis on which to assess company performance, DMO has introduced a commercial-in-confidence company scorecard system. The company scorecard enables DMO to collect, assess and monitor contractor performance using an objective set of measures. This gives contractors an unprecedented insight into DMO's view of their performance, while identifying areas for discussion and improvement and providing a basis for considering past performance in source selection. For companies without a scorecard, techniques such as reference sites, demonstrated domain expertise and company capability assessments based on international models are being used.

But performance evaluation is not just one-way. DMO is piloting the 360 degree view scorecard, intended to measure DMO's performance from an industry perspective. It should highlight systemic and project-specific shortfalls, so that policies, practices, and new training may be introduced. It complements the continuing industry survey program.

In order to meet industry expectations, to speed the contract negotiation process and provide a more robust contract relationship, a new tendering and contracting template has been developed. This template is for use in high risk,

software intensive projects, which applies to most major weapon platforms. It is comprehensive, in that it includes terms and conditions plus a statement of work, which addresses project management, integrated logistics support, and systems engineering and software. It uses plain English, reflects commercial realities and aims to reduce the cost of tendering. It simplifies and strengthens Intellectual Property provisions. During the development of the template, Defence staff consulted extensively with industry and commercial experts. The new template:

- shares risk more appropriately,
- adopts a more commercial approach to acquisition,
- streamlines the tender process,
- satisfies principles like value for money and accountability, and
- establishes a more standardised approach to the specification and measurement of work to be performed under the contract.

Following the release of the first template, DMO staff have begun a review of other contracting templates. Templates for lower risk acquisitions and in-service support are currently being developed in consultation with industry.

Also, to ensure Defence acquires leading edge technology, DMO is developing flexible contracts which allow technology to be integrated as the project progresses, rather than restricting the project to old technology that existed during the capability definition and tender phases.

New ways of contracting, which emphasise partnership and risk sharing between Defence and industry, are under active consideration by DMO as well. DMO is examining “pay for use” arrangements, akin to the Private Finance Initiative (PFI) in projects such as the replacement patrol boats. Defence’s interest is controlling through-life costs, while extracting the best value for Government funding from shared public-private use. With respect to another innovation, Defence has recently signed its first Alliance contracts; one for the lightweight torpedo project, and a second for the ANZAC Frigate Ship in-service support. Alliance contracting represents a fundamental change to traditional contracting, as the parties assume a degree of joint management responsibility for the acquisition of a capability. Alliance concepts involve open-book accounting, target cost identification, risk/reward payment structures, risk sharing, integrated project team structures, and the sharing of rewards.

Just as process reforms are improving Defence acquisition, similar reforms are enhancing the in-service management of equipment. For example, despite its name, the Standard Defence Supply System (SDSS) has not previously achieved complete standardisation between the Services. Now, with a substantial upgrade to SDSS being undertaken by the DMO, the ADF will be supported by a more standardised, efficient and effective inventory management system.

Similarly, a single, commercially provided Defence Integrated Distribution System (DIDS) is close to fruition. This too will achieve national efficiencies. Moreover, with most of Defence's warehouses centralised under Joint Logistics Command, personnel from all three Services will practise common warehousing procedures.

Inventory information will become more accurate and accessible under a combined warehousing system too, and anomalies will be easier to investigate. Indeed, to assist SPO Directors in meeting their accountability for whole of life decision making, DMO has commenced an asset accounting project. This project will ensure that SPO Directors have visibility of full costs associated with the assets they manage. For example, they will be aware of the costs of maintenance, depreciation, write offs, supporting spares, consumables and disposals. This project will ultimately form part of a whole-of-Defence project addressing asset management.

PEOPLE REFORMS

If Defence is to manage the complexity of major capital acquisitions a skilled workforce is essential. In recognition of this need an holistic approach to people reforms has been adopted and it deals with six separate but complementary initiatives:

- workforce planning,
- career streaming,
- training and development,
- performance management,
- developing a remunerations policy, and
- work value analysis.

Workforce planning will help DMO predict its future workforce requirements in terms of personnel numbers, distribution and skills. To date initial pilot studies have been conducted on the critical job disciplines of project management, contracting and software engineering. The work undertaken has indicated substantial shortages in each of these areas. To address these shortages, Defence has begun a series of recruiting initiatives, but a critical factor in recruiting and retaining people with these skills is their general shortage in Australia. Relocation to regions will provide access to a larger workforce in other capitals and major regional centres rather than Canberra. A strategic workforce planning methodology will be institutionalised in DMO during 2002. After identifying the workforce requirements, succession planning occurs to ensure that appropriately trained people are available to fill critical vacancies. A succession planning tool is being developed, which will reduce the cost of vacancies to the organisation.

As a subset of workforce and succession planning, all Service positions in the DMO are being reviewed to decide if they must be filled by Service personnel or if they could be filled by civilians. The intention is to match the number of Service positions to the specific project requirements. To the extent that Service personnel can be released, posting disruption would be reduced and the number of Service personnel available for operational duties increased.

Career streaming focuses on each individual. A career management framework will assist employees make choices within the DMO. It will identify the skills and qualifications required for a particular job discipline, such as project management. A training and development framework, to identify the appropriate training needed by DMO personnel, will link to the career management framework.

A review of remuneration and conditions to attract and retain employees has been completed and the outcomes were incorporated into the Defence Employees Certified Agreement. A work value analysis has also been

completed for some positions at Executive Levels 1 and 2, to determine if there are any anomalies in the DMO structures in terms of accountability, judgement and expertise. This work will be extended to other positions.

The Materiel Graduate Scheme is a DMO recruitment strategy to attract and develop university graduates from specific disciplines. The scheme also recognises the distributed nature of DMO by encouraging Materiel Graduates to spend at least one of their six-month work rotations in a regional area. To this end, recruitment is also being actively encouraged from regional areas, such as Wollongong, Newcastle and Cairns.

In addition to recruiting qualified new people, DMO has undertaken a comprehensive training needs analysis, to determine if existing staff might benefit from training. The report was completed in February 2002. Among DMO's training initiatives for middle managers are its Leadership Program and Project Managers Development Program. The DMO Project Managers Development Program provides advanced qualifications (Master of Engineering Studies, with a Project Management major) and experience to become project managers. In its fourth year, 41 people have completed the program and 39 are still in the organisation. As for the future, DMO has formed a strategic partnership with the US Defense Acquisition University to cooperate in other tertiary level acquisition training and education.

A final People reform emanates from outside the DMO. With the support of the other Services, the Air Force has asked the Australian Defence Force Academy to introduce a Business Degree. This is likely to occur in 2004, and Defence will benefit wherever these military graduates are employed in materiel matters.

INDUSTRY CAPABILITY

Defence has an Australian Industry Involvement Program, aimed at enhancing Australian and New Zealand defence-related industries. All contracts worth more than \$5m, including contracts with overseas suppliers, are required to have an Australian Industry Involvement plan. For significant militarily acquisitions, more stringent requirements apply. These requirements are aimed at developing support for ADF capabilities and ensuring that critical industrial capability is retained.

The development of a sustainable Australian Defence industry can be limited if it is based on individual and occasional project requirements. To overcome this, Defence is developing a series of strategic industry sector plans covering the maritime, aerospace, electronics, land and guided weapons sectors. The most complex of these plans is likely to be the electronics sector because of its pervasive nature. The maritime plan is planned to be the first issued later this year.

The publication in December 2001 of a public version of the Defence Capability Plan (DCP 2001) was a significant reform in the relationship between Defence and industry. Covering Defence requirements for the next ten years, it involved a new level of openness with industry, with a view to achieving any mutually beneficial planning, innovation and strategic commitment. This and future DCPs provide the means to link Defence needs to a sustainable and competitive Australian defence industry.

Beyond highlighting its own requirements of industry, Defence is actively involved in promoting exports from Australian industry. As an example, the Minister for Defence and the Secretary attended the Asian Aerospace trade exhibition in Singapore in February 2002 in support of Australian defence exhibitors. Similarly, the Minister has been invited to lead a mission to the UK in conjunction with the Farnborough Airshow in July 2002.

Another initiative is the Defence Recognised Supplier Scheme, which was launched in June 2001. The Scheme helps Australian companies improve their export potential by granting them a license to use a logo recognising they are suppliers to the Department of Defence. The Scheme is an important part of the Government's support for defence-related industry as it enables companies to demonstrate to potential customers that they are good suppliers to a respected Defence organisation which sets high standards. Presently 85 companies have joined the Defence Recognised Supplier Scheme.

CONCLUSION

The establishment of the DMO and the associated acquisition and support reforms represent a new approach to the total life cycle of military equipment, from capability development to disposal.

The success of the organisation and its reforms in terms of meeting Defence's equipment requirements cannot be judged solely, or even principally, on the basis of under-performing legacy projects. It is true that improved contract management on the part of the DMO should at least show some benefits to under-performing contracts. But the real test is in the performance of more recent projects – Airborne Early Warning and Control aircraft, the Armed Reconnaissance Helicopter and replacement Patrol Boats.

At the same time, the test of DMO's in-service functions is whether they can support current operations. In this regard, 2001 was a demanding year by any standard, and by early 2002 the Australian Defence Forces were operating at the highest tempo since the Vietnam era. The support to operations included rapid acquisition and maintenance of materiel systems, and the provision of food, ammunition, fuel and general supplies.

The operations included the deployment of RAN ships to Timor, the Solomon Islands, on operation RELEX and in the Persian Gulf (Operation SLIPPER). Army forces were supported in East Timor and Bougainville while Special Forces operated in Afghanistan.

RAAF maritime patrol aircraft maintained a high level of activity in support of Operation RELEX. The C130 and 707 fleets saw heavy tasking in support of all ADF Operations and an element of the F/A 18 fleet deployed to Diego Garcia in support of Operation SLIPPER.

Staff across the DMO were involved in supporting these Operations. Examples of this support include:

- The airlift SPO at Richmond provided support for the C130 and B707 fleets.
- The Combat and Operational Support SPO and the Battlespace Communications SPO rapidly acquired new and expanded capabilities for the Special Forces and the Tactical Assault Group.
- Land Systems Division completed a variety of rapid acquisition tasks for the Special Forces and established a rotation and rebuild program to sustain operations in East Timor.
- Maritime Systems Division hastened upgrades and managed the short notice preparations and dispatch of HMAS Kanimbla and Adelaide as part of Operation SLIPPER.

- Joint Logistics Command units including Joint Logistics Unit West, the Joint Ammunition Logistic Organisation, the Defence National Storage and Distribution Centre, the Joint Materiel Agency and the Joint Fuels and Lubricants Agency, all played a part in meeting short notice requirements both in Australia and overseas.

Measured against the current operations yardstick, the DMO has met the requirements of its users.

Finally, in assessing the performance of the DMO as a new organisation, it is important to note that changes of this scale in large, complex organisations, while merging distinctly differing cultures, do not happen overnight. The KPMG review noted that “a change process of this dimension will inevitably require more like 3-5 years”. The DMO is not yet two years down that path.