



TWENTY POINT PLAN

1. Direct appropriation of Service Fee to DMO
2. Direct appropriation of major capital acquisition funding to DMO
3. A consolidated set of clear budget figures
4. Clear Project Directives
5. Clarify the MAAs
6. Provide clearer advice to industry
7. Plan for more off-the-shelf (OTS) procurement
8. Strengthen the capability development process
9. Strengthen the links between strategy and capability development
10. Strengthen DMO's role at the NSC
11. More flexible staff management
12. Better ways to attract the right staff
13. Better ways to manage staff numbers
14. Building a more business-like culture
15. Create a General Manager, Commercial position
16. Develop a DMO – Defence Charter
17. Write a personal charter for CEO DMO
18. Strengthen the role of the Capability Managers
19. Explore creating a professional career stream for acquisition specialists
20. Revitalise the Defence Procurement Advisory Board (DPAB)

DMO

IMPLEMENTING THE MORTIMER REVIEW

Mr Mortimer's Review of Defence Procurement and Sustainment made a total of 46 recommendations, covering five principal areas:

1. The need for new capability systems or upgrades to be initiated on the basis of a long-term defence strategy. High quality strategic and capability advice must be provided to Government to enable it to set strategy and prioritise needs.
2. The need to improve the effectiveness of the process which transforms Government-endorsed capability projects into costed, defined solutions which are presented to Government for approval.
3. The need to continue to improve the military equipment acquisition process.
4. The need to improve the sustainment requirements definition and management.
5. The need to drive cultural change in the Defence Materiel Organisation to ensure it is best able to deliver the outcomes required by its customers in Defence.

The Government has endorsed a 20 point plan to guide implementation of the Mortimer recommendations which are complimentary with the Defence Strategic Reform Program and will be implemented as one reform package.

Of the recommendations, 42 have been accepted in full. Three will be partially implemented. One recommendation, that DMO be made an Executive Agency, has not been agreed.

The Government's response to the Review highlights the scale of change needed to improve procurement and is underpinned by four key principles.

- First, that Defence must become more accountable to Government and more transparent in managing the billions of dollars invested in building military capabilities.
- Second, that DMO must strengthen its capacity to give Government independent advice on the cost, risk, schedule and acquisition strategies for major capital equipment.
- Third, that DMO needs a stronger business-like culture to deliver projects on time, on budget and to Defence's requirements.
- Fourth, that the already strong relationship between Defence and DMO must be further strengthened. The key priority is meeting Defence's military capability needs and, by achieving that goal, keeping Australia secure.

The Mortimer Report can be found at

<http://www.defence.gov.au/publications/mortimerReview.pdf>

The Government response to the Report can be found at

http://www.defence.gov.au/publications/Mortimer_Review_Response.pdf



Mr David Mortimer presented his report on Defence Procurement and Sustainment on 18 September 2008. It was tabled in Parliament by the Minister for Defence, the Hon Joel Fitzgibbon MP, on 23 September 2008.

DMO: MAY001/09



Mr David Mortimer AO

David Mortimer is Chairman of Leighton Holdings Ltd, Australia Post and Crescent Capital Partners. He is also a member of the Board of Governors of the Committee for Economic Development of Australia (CEDA). He was appointed as an Officer of the Order of Australia in 2005.

MORTIMER RECOMMENDATIONS

- 1.1 Annual submission detailing current and future capability gaps
- 1.2 Increased rigour for project entry to the Defence Capability Plan (DCP)
- 1.3 Assure Government of affordability of DCP
- 1.4 Replace explicit cost bands in public DCP

- 2.1 Tailor two-pass process according to specific project.
- 2.2 Establish subordinate subcommittee to National Security Committee (NSC) of Cabinet *(Agreed in part)*
- 2.3 Support off-the-shelf (OTS) consideration with cost-benefit analysis for each project
- 2.4 More rigorous project submission to support entry into DCP
- 2.5 Develop draft Materiel Acquisition Agreement (MAA) at project entry to DCP
- 2.6 Endorsement of capability submission by Capability Managers (CMs)
- 2.7 DMO to be responsible for equipment acquisition strategy
- 2.8 Adequately resourcing capability development
- 2.9 CDG and DMO to develop cost and schedule estimation skills
- 2.10 CEO DMO to provide independent expert commercial advice to Government

- 3.1 CMs to sign MAAs
- 3.2 CMs to oversee and coordinate introduction of capabilities
- 3.3 Governance framework for developing capability through CMs
- 3.4 CMs to report regularly to Government on status of capability development initiatives
- 3.5 Project Charters to be established for complex projects
- 3.6 Independent Project Performance Office to review projects and assist project teams
- 3.7 Continue to align contracting with commercial approach
- 3.8 Public-Private Partnerships to be applied to appropriate projects
- 3.9 Public-Private Partnership assessment to be developed as part of acquisition strategy
- 3.10 Work with industry and state Governments to address skills shortage
- 3.11 Consider implementation of Joint Industry Training Task Force recommendations
- 3.12 DMO staff development expanded to cover contractor management
- 3.13 Establish a disciplined scope change process
- 3.14 DMO accountable for delivering against MAA

- 4.1 Net Personnel Operating Costs to be updated annually as part of budget process
- 4.2 Key Performance Indicators in Materiel Sustainment Agreements to be further developed
- 4.3 Independent Sustainment Efficiency Office to be created in DMO
- 4.4 Base decision for new or extension of existing equipment on through-life costing
- 4.5 Empower Systems Program Office Directors through appropriate delegation
- 4.6 Establish Product Charters to identify authority, responsibility and accountability
- 4.7 Current functional split maintained but vehicle maintenance returned to DMO *(Agreed in part)*
- 4.8 Freight and warehousing cost visibility improvements to continue



- 5.1 Separate identity for DMO *(Not agreed)*
- 5.2 To effect 5.1, establish a charter between Defence and DMO
- 5.3 Mandate that CEO DMO has commercial and private sector experience
- 5.4 Direct appropriation of funds for equipment acquisition to DMO *(Agreed in part)*
- 5.5 Direct appropriation of Service Fee to DMO
- 5.6 Contingent on 5.1, Government should set target for no real cost increases
- 5.7 Increase focus of Defence Procurement Advisory Board on advice to CEO DMO
- 5.8 Manage Defence/DMO relationship in terms of costs and delivery performance
- 5.9 CEO DMO to control remuneration and performance of DMO workforce
- 5.10 A new GM Commercial to support CEO DMO to improve commercial orientation and performance

