



Australian Government
Department of Defence

DEFENCE ANNUAL REPORT

2008-09

VOLUME TWO DEFENCE MATERIEL ORGANISATION

ABOUT THE DMO

Purpose

To equip and sustain the Australian Defence Force (ADF)

Vision

To become the leading program management, logistics and engineering services organisation in Australia. The Defence Materiel Organisation (DMO) has six themes to help achieve its vision. They are:

- Professionalise
- Reprioritise
- Standardise
- Benchmark
- Improve industry relationships and industry performance
- Lead reform

Goals

To deliver capability and sustainment on time, on budget and to the required capability, safety and quality.

The DMO aims to be a businesslike, accountable and outcome-driven organisation with a strong and close relationship with the Government, industry and its service clients.

DMO 2008-09 HIGHLIGHTS

- Providing strong and effective support to ADF operations including enhancements to the protection and firepower of the Bushmaster vehicles and the provision of counter improvised explosive device capabilities.
- Achieving the 2008-09 Additional Estimates acquisition budget, implying substantial improvements in the DMO and Defence Industry's ability to deliver on schedule.
- Achieving the five per cent cost of ownership reduction targets announced in the *Portfolio Budget Statements 2008-09*.
- Progress in the construction of Australia's first Super Hornet aircraft in the United States, with the first Australian Super Hornet rolling off the production line in July 2009.
- Delivering an Aero-Medical Evacuation C-17 Globemaster capability ahead of schedule.
- Commencing work on the new submarine project, which is expected to be Australia's largest ever single defence project.
- Commencing implementation of the recommendations of the Defence Procurement and Sustainment Review (the Mortimer Review), which are designed to make the DMO more businesslike by building on previous reforms.
- Establishing a program to implement the Smart Sustainment stream of the Strategic Reform Program announced in the Defence White Paper 2009 *Defending Australia in the Asia Pacific Century: Force 2030*. Smart Sustainment is expected to produce \$5.5b in savings over the next decade in maintenance, inventory, fuel, clothing and explosive ordnance.
- Continuing to enhance Defence Industry's capacity to deliver through skilling and capacity building programs. This included the publication of Australian Industry Capability Toolkit and the signing of the 100th skilling agreement with industry under the Skilling Australia's Defence Industry training initiative.
- Developing the Priority Industry Capability list, which was published on 1 July 2009.
- Establishing a Chief Systems Integration Office, in collaboration with Defence Science and Technology Organisation, to work with Defence, the DMO and Industry to reduce exposure to systems integration risks in acquisition. It is expected to contribute significantly to the timely delivery of operational capability to the ADF.

USER GUIDE

The format and content of this volume reflects the requirements developed by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit under subsections 63(2) and 70(2) of the *Public Service Act 1999* in June 2009.

This volume of the *Defence Annual Report 2008-09* refers to the outcome and output structure and performance information presented in the *Defence Portfolio Budget Statements 2008-09* and updated in the *Portfolio Additional Estimates Statements 2008-09* (Part Two - DMO).

Annual reports, portfolio budget and additional estimates statements are the principal formal accountability mechanisms between the Government, Departments and the Parliament. Portfolio budget statements set out performance targets for departmental outputs. Portfolio Additional Estimates Statements may contain revised targets and annual reports describe achievement against those targets.

In addition, Defence's annual reports are designed to link performance during the year under review with performance forecasts contained in the Portfolio Budget Statements for the following year.

This report covers the period 1 July 2008 to 30 June 2009.

STYLE CONVENTIONS

The following notation is used:

- nil

n/a not applicable (unless otherwise specified)

\$'000 \$ thousands

\$m \$ million

\$b \$ billion

Figures in tables and in the text may be rounded. Figures in text are generally rounded to one decimal place, whereas figures in tables are generally rounded to the nearest thousand or million. Discrepancies in tables between totals and sums of components are due to rounding.

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