



equip and sustain the Australian Defence Force

Global Project Governance and Controls Symposium
Customer Perspectives

6 May 2014

Colin Thorne

**General Manager Land and Maritime
Defence Materiel Organisation**

DMO – BRIEF OVERVIEW

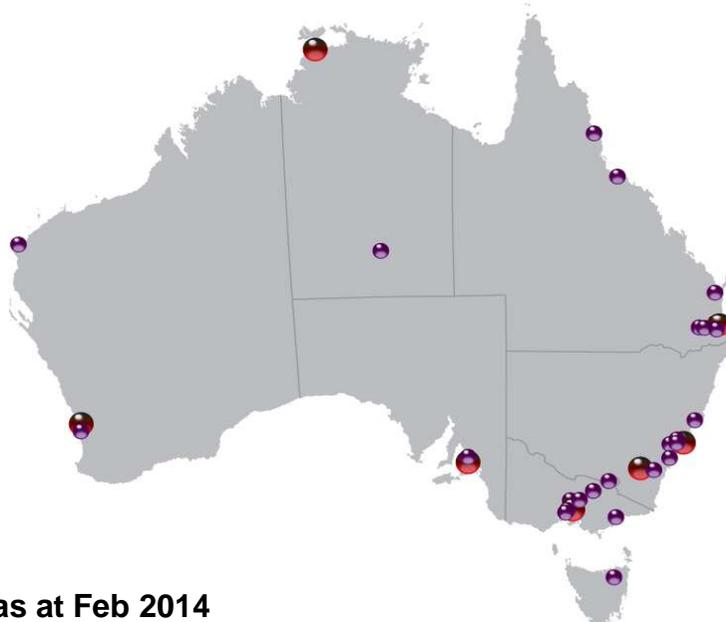
- Annual budget of \$9.7 billion (38% of Defence budget):
 - \$5.6 billion (approx 68%) for Sustainment
 - \$3.9 billion (approx 32%) for Acquisition
 - \$0.1 billion on Policy Advice, Management Services & Industry Programs
- over 80 minor projects (average: \$10 million)
- 180 major capital equipment projects (average: \$427 million)
- 110 sustainment products
- Just under \$40 million of expenditure each working day
- Signing approximately 3,000 contracts per year (>\$100,000)

DMO LOCATIONS: NATIONAL & INTERNATIONAL

The DMO employs just over 6600 people in more than 70 locations across Australia and overseas.

Australian locations where DMO staff are employed

ACT CANBERRA	VIC MELBOURNE Bandiana Benalla East Sale Laverton Monegeetta Puckapunyal Williamstown	QLD BRISBANE Amberley Cairns Carbah Maryborough Oakey Townsville	SA ADELAIDE Edinburgh WA PERTH Exmouth Rockingham NT DARWIN Alice Springs
NSW SYDNEY Bungendore Nowra Orchard Hills Penrith Richmond Williamtown	TAS Launceston		



Overseas locations where the DMO has Australian Public Service or ADF staff employed

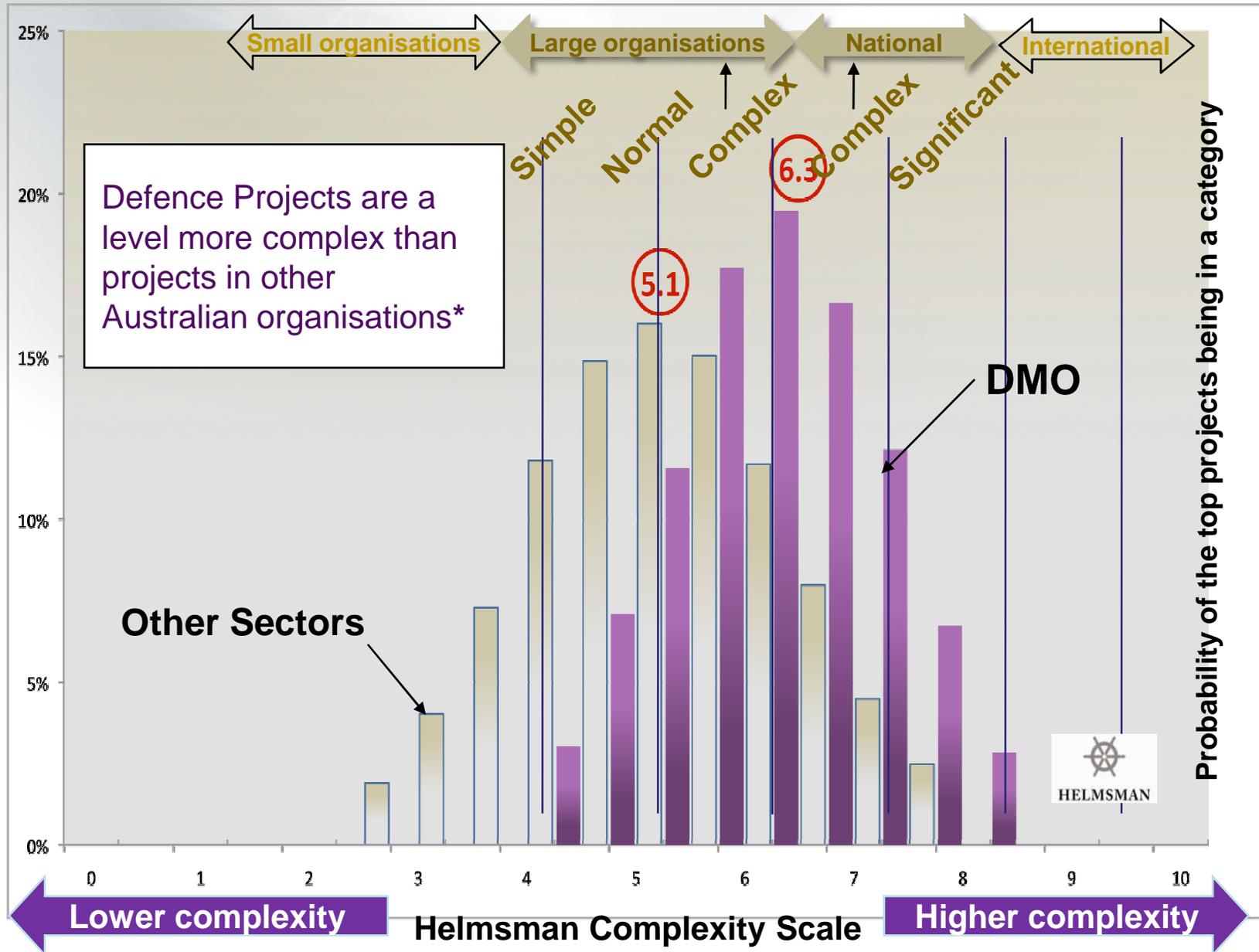
FRANCE Bordeaux Marignane	UNITED STATES Arlington Baltimore China Lake Clarksville Crystal City Dahlgren Detroit Edwards Air Force Base Fort Worth Greenville Huntsville Marietta Maryland Monterey New Cumberland Patuxent River Philadelphia Rhode Island Robins San Diego Seattle Waco Washington Wright-Patterson Air Force Base
GREAT BRITAIN Boscombe Down Cranfield Didcot London Shrivenham	
SPAIN La Coruna Madrid	

Correct as at Feb 2014

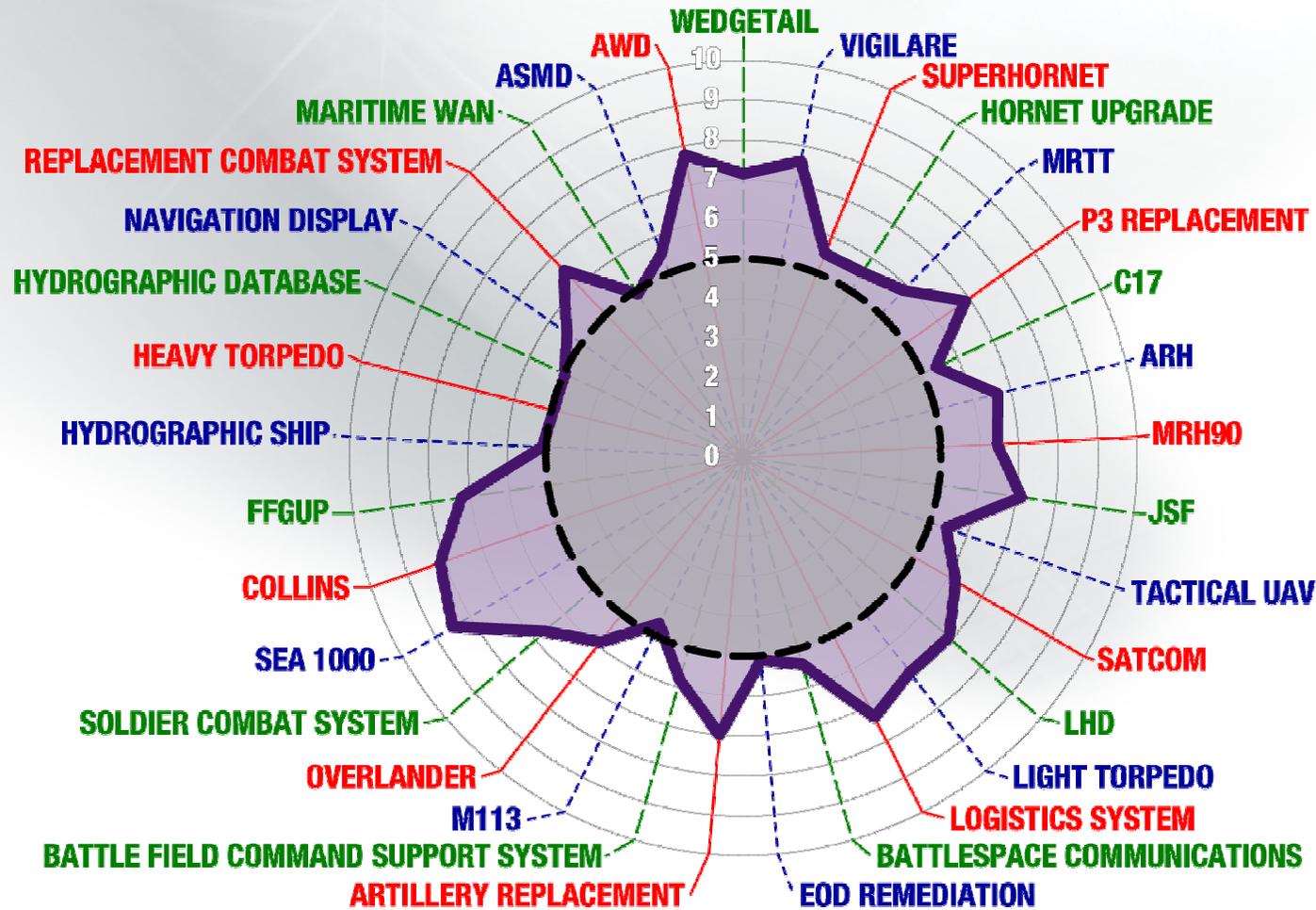
DMO LEADERSHIP TEAM



COMPLEXITY OF DEFENCE PROJECTS



COMPLEXITY OF DEFENCE PROJECTS



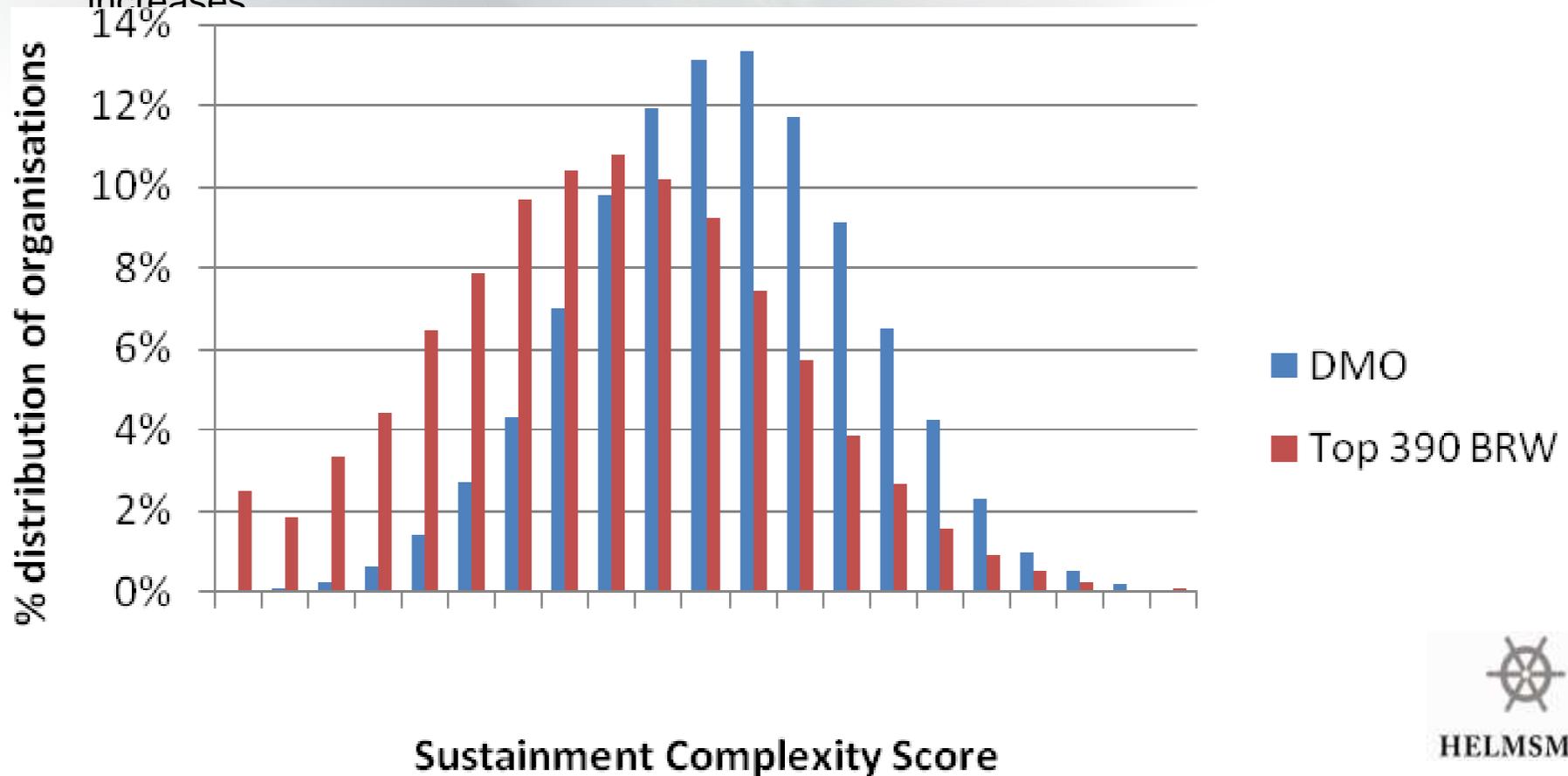
— Overall Complexity
- - Other organisations average

Individual Projects:
 Helmsman Complexity Scale Scores



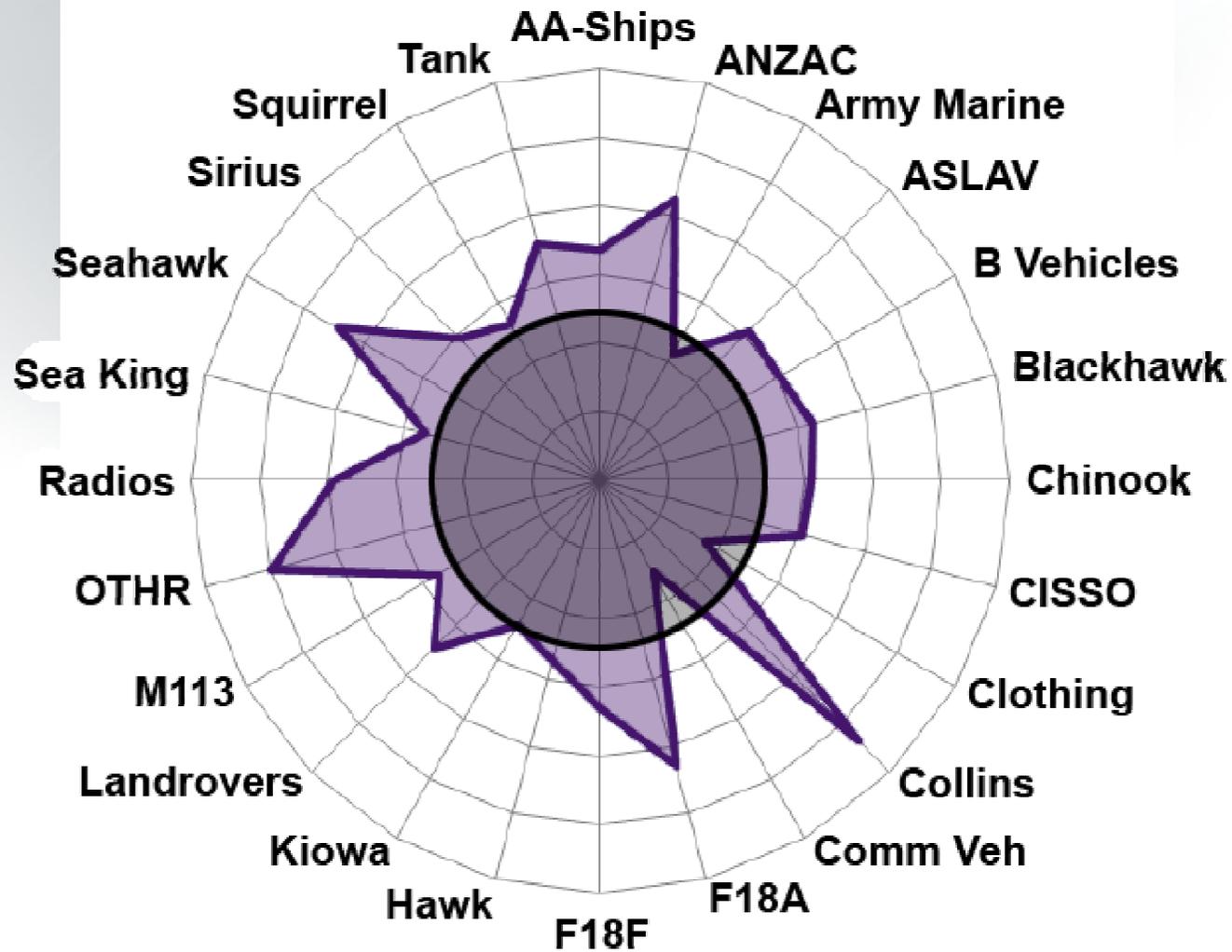
COMPLEXITY OF DEFENCE SUSTAINMENT

- The 'Top 390 BRW' - list of organisations maintained by Business Review Weekly (BRW) magazine, including some government organisations such as Railcorp, Sydney Water etc.
- Numbers of complex systems in Australia reduce (blue line) as the DMO complexity increases



DMO SUSTAINMENT COMPLEXITY

Overall Complexity



— Complexity Frontier for Maintenance Activity for Most Large Australian Organisations



HELMSMAN



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Early Indicators and Warnings



REFORM WORKS: BENCHMARKING

Context: Conducted by Independent Project Analysis Inc in 2011-12

Key Findings

- We manage to budget, compared with common cost overruns of more than 25% in 'like' Industry projects
- Deliver more of the intended capability than comparable industry projects
- Project schedule performance is better than Australian industry and on a par with IPA global benchmarks for "mega-projects"
- Statistically significant improvement following Kinnaird Review
- Establishment of DMO (2000) as a centralised procurement and sustainment organisation is consistent with best practice

Areas to improve

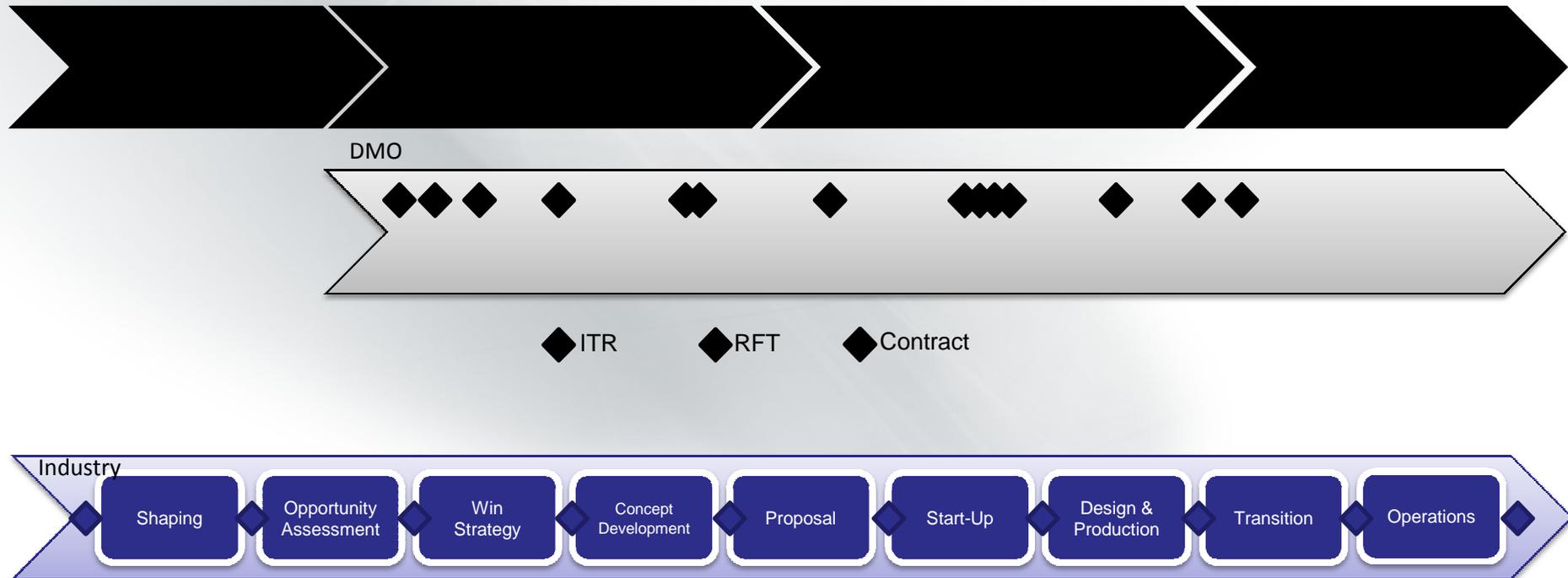
- Performance on smaller, less complex or accelerated schedule projects
- Cost awareness and attribution of project management overheads
- Schedule performance

REPORT CARD: PERFORMANCE

- Major Projects Report 2011-12 (29 major equipment projects). Tabled in Parliament 19 December 2012
- Project cost performance is not an issue
- Project Schedule – remains a concern. Driven by underestimation by industry and/or Defence of technical maturity or complexity

Aggregate Cost performance	Aggregate Schedule Performance (over project life)	Delivering capability (measures of effectiveness)
- 1.9% 	1.30 (or 30% average schedule delay) 	92% 

Project LifeCycle



Typical industry Review Cycles includes:

- Monthly Contract Status Reviews (typically two hours with CEO and Management Board)
- Quarterly Contract Status and Business Unit Reviews (usually with Group Chief Executive); and
- Six-monthly Contract Status and Integrated Business Plan reviews with Company CEO



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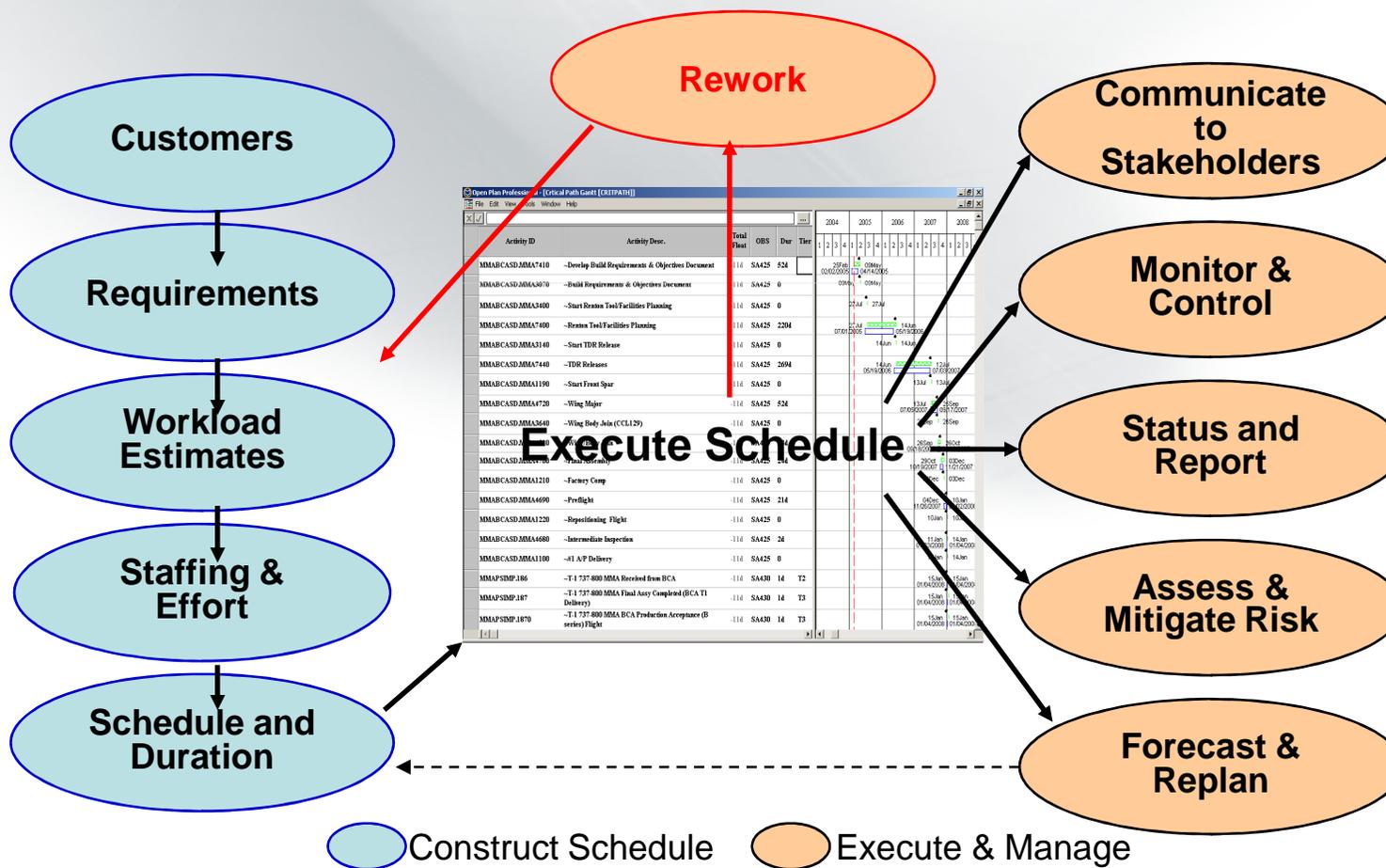
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What Underpins Good Project Schedule Performance

Schedule performance is based on robust schedule construction and rigorous schedule execution management



What Causes Projects to Slip?

- There are multiple causes of schedule slippage:
 - poor planning and schedule construction
 - issues that arise during schedule execution
- Once root causes have been identified, they can be remediated

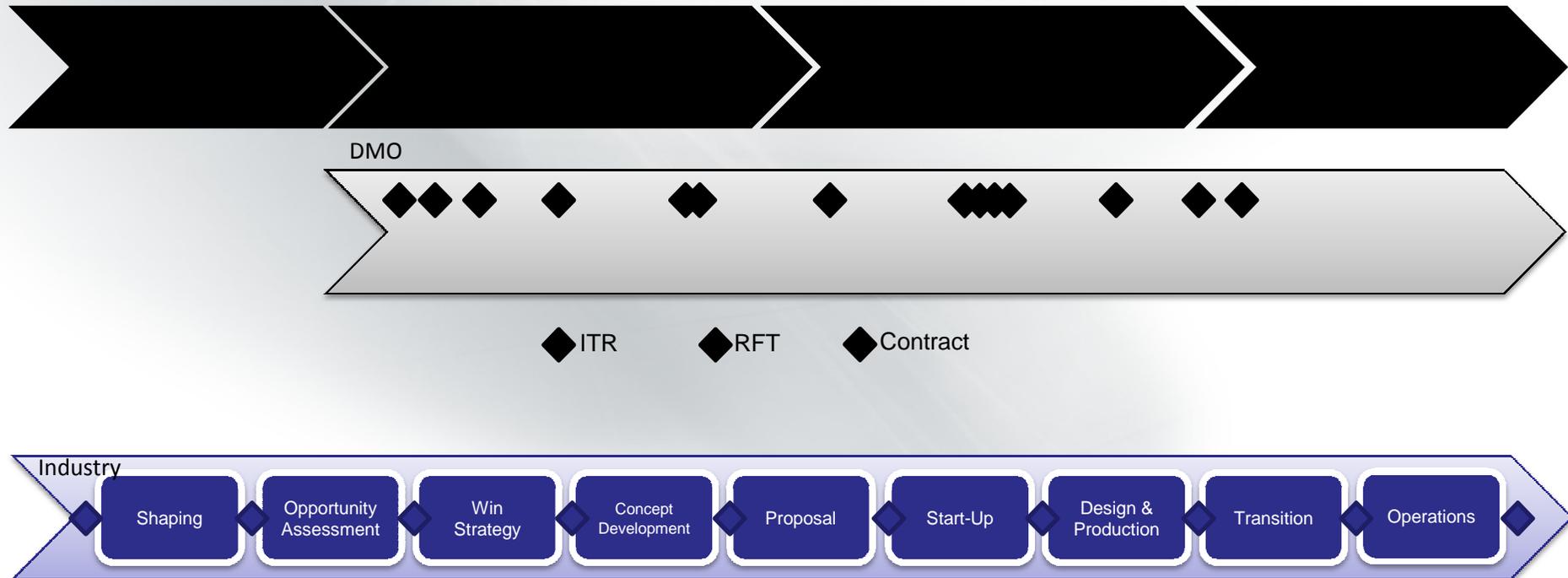
Construction Stage Causes

- Ambiguous, misunderstood requirements
- Inadequate planning
- Poor schedule construction
- Poor schedule estimation
 - Overly optimistic estimates
 - Underestimate technical problems
- Unplanned dependencies

Execution Stage Causes

- Actual productivity below estimate
- Requirements volatility
- Schedule not used as a communication or project management tool
- **Rework** (not scheduled, no contingency)
- Inadequate resources (inc. staff and skills)
- Poor risk management or mitigation
- Stakeholder involvement
- External unforeseen factors

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Department of Defence
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Questions?