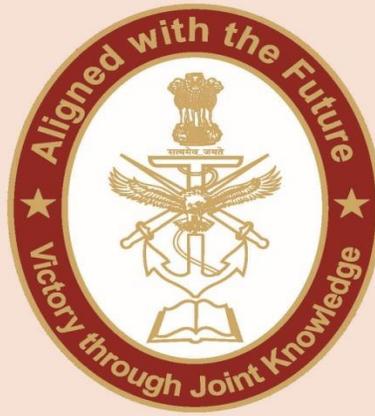


# CENTRE FOR JOINT WARFARE STUDIES

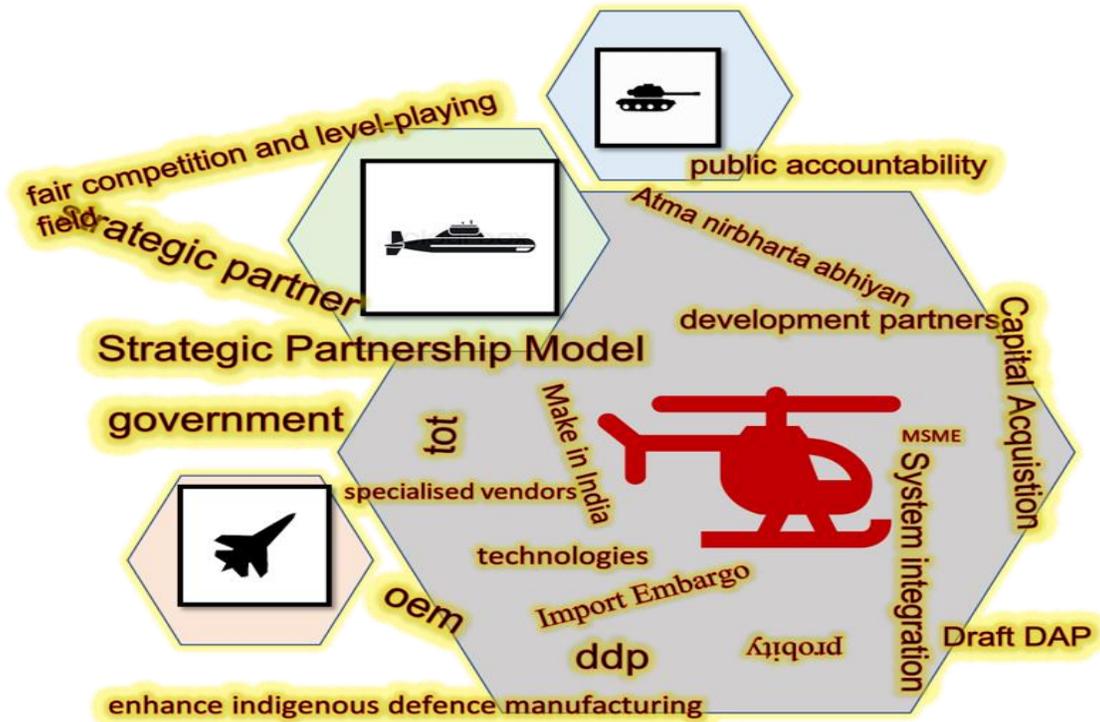


## CENJOWS

**DAP: EXAMINATION OF THE STRATEGIC PARTNERSHIP (SP) MODEL**



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*The Indian Army is making incremental, but confused, progress in upgrading its depreciated artillery profile that has languished gravely since the import of Bofors howitzers in the late 1980s as per Rahul Bedi in Hindu in 2014. In 2020, the same Hindu reports that the Defence Ministry will introduce import embargo on 101 items. It includes three types of 155mm guns which were part of the 'confused progress in our depreciated Artillery'! Something has changed? In six years, we have inducted or in the process of inducting four 155mm guns – M77 ULH (FMS/ Govt to Govt), K9 VAJRA Self Propelled gun (Buy Global), DHANUSH towed gun (Buy (OFB)) and SHARANG up gunned 155mm guns (BUY (Indian)) and are developing the ATAGS (design and development). Different routes, different categorizations, different guns, different technologies – all made in India in some form. Amongst the most modern in the world. We have milked all technologies and have now started thinking of export! We are leveraging these technologies for developing other systems.*

155mm ammunition was in severe short supply. The letter of then COAS about lack of ammunition got leaked. Media had a ball for years. The story is different now. Amidst the standoff with China, I have not heard a word of shortage of Artillery ammunition. A silent revolution in the technologically complex Air Defence weapons has also occurred. The Akash system is under induction into the Air Force and Army. All through normal procedures. Ever since the Strategic Partnership (SP) model was conceived in 2015 many things have changed. Therefore, Is the SP model relevant? The issue needs examination.

As per the draft DAP (page 605), the SP model will enable participation of private sector in Make in India in defence. It seeks to enhance indigenous defence manufacturing capabilities through the private sector over and above the existing production base. The SP is expected to be a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector. An elaborate selection criteria has been laid out for SPs- capacity, ability, financial strength, technical capability and capacity/infrastructure, experience

and competence in integration of multi-disciplinary functional system of systems, engineering and manufacturing. Emphasis is on being fair, reasonable, non-arbitrary, transparent and rational. The thinking is also that the Indian private sector currently has limited experience in defence manufacturing and even lesser in respect of final integration of complex defence systems. The SP will need to enter into relevant tie-ups with foreign Original Equipment Manufacturers (OEM) to access advanced and appropriate technologies. Initially the SP model will be applied for Fighter Aircraft, Helicopters, Submarines and Armoured fighting vehicles (AFV)/Main Battle Tanks (MBT). Let us see each item.

India has three fighter aircraft programmes going. The first is the Rafale program where the aircraft are under delivery. The second is the Tejas program where IAF is on the verge of placing orders for 83 aircraft and is committed to the indigenous LCA MK2. The third is the intent of the CAS to go in for the indigenous AMCA. He expects the AMCA development to take place in a timeframe of next 15 years. Where then is the financial or time space for a SP project to produce 114 fighters with a foreign OEM for around \$20 billion? More importantly which Indian entity will come forward as a SP along with the OEM after the political fracas of the Rafale contact? I doubt if the Government, IAF or any manufacturer have the stomach for it.

Turn to armoured fighting vehicles. It is amply clear that we need a tank for high altitudes immediately. India does not have the luxury for waiting for a strategic partnership to flower to deliver a tank. If we do that some more slices of the Eastern Ladakh salami will be lost. We need to develop a tank with what we have and can. The only sensible option available is to convert the K9 VAJRA hull into a light tank with technology from DRDO. Once that is done there is no space for a SP to come in. We would have developed all relevant technologies and would be in a position to evolve into a higher level. At that stage there is no logic to start reinventing the wheel for a new tank through the SP model. In any case between the private and public sectors, the capacity and technologies for AFVs clearly exists indigenously. The SP model is actually

irrelevant. Of course, the government and the Army can do exactly the opposite. Strange are the ways of vested interests.

The Indian Navy is in the process of inducting the Scorpene submarines. It is also building a nuclear submarine indigenously. Between these two projects India has sufficient technology and capability to build its own submarine. Further the AIP is to be based on DRDO technology. In this framework the idea of nominating one of the two contenders Mazgaon Docks Limited (MDL) and L&T as a SP with five OEMs is questionable. Firstly, MDL is not a private player. Hence the propriety of letting a public sector unit into the field is irregular. It is totally contrary to the draft DAP! This is no SP model! Questions abound on the foreign OEM. Who will decide on that? The SP or the government? From the draft DAP it appears that the Government will take a decision. In either case there are bound to be political issues coming up. The government cannot handle normal procurement cases. In this complicated SP model, the government will not have the wherewithal to progress the cases. In any case if there are only two Indian contenders, is it not a better option to engage both? We can hedge our bets, there will be healthy competition, a wider capability base will develop, and future leverages will be far more. The PINAKA was developed on the same model with L&T and TATAs as the production centres. Both are doing well. Why don't we learn from our successes? Any way one looks at it, the current trajectory of this case is IFFY.

In the case of acquisition of helicopters there is some scope of adopting the SP route despite HAL having adequate technology to produce the ALH. For just one case, do we need a complex model? As of now there is not a single private player with any capability to enter this field. Just imagine, at first the SPs are short listed. Then the OEMs are shortlisted. Thereafter RFPs are issued out with a list of OEMs. The SPs and OEMS will then form partnerships to give a response, make prototypes and go through trials. CNC will be with both SP and OEM. Contracts will be with both. Major issues of post contractual liabilities will crop up. Three- way fights will erupt. What if the OEM and SP fall out and blame the government? I foresee major arbitration issues coming up. Very complicated!

Besides the procedural aspects there are other issues. The SP model aims to ingest top end technology through TOT. However, it is for consideration – which OEM will part with core technology? If core technologies are not imbibed, we might be better off with a simple BUY and MAKE project. The SP model is a glorified and complicated BUY and MAKE procedure. It also raises another question – are chosen OEMs being given a political backdoor entry into India? For ‘Middleman’ read ‘Politician’?

Further cost and time must be co-related. It has taken the Government half a decade to even come to the decision that this model should be part of the DAP. There is a major message in that itself. If this is extrapolated further; huge delays and cost overruns are clearly visible.

The technological base of the nation has improved with time. To highlight it further, when the model was conceived the nation had some capability. Today it is visibly far more. In such a case the requirement of an OEM to set full shop here is questionable. Also, after having handled major projects, the Indian Private Industry is at a much higher threshold level to take on the challenges. At this stage imposing any OEM on the Indian industry, will only undermine its confidence. Overall, the SP model attempts to meet tomorrow's requirement with yesterday's bad experience without taking current realities into account.

The success or failure of defence acquisition depends upon the people who operate the system and not on the DPP. Even when rules were simple and procedures were straight forward, the acquisition system was struggling. We have amended the DPP so many times. Even before a new edition is promulgated, the process of amending it commences. There is no stability to develop expertise or knowledge. Each amendment has complicated the DPP even further. We have celebrated more amendments and less weapon systems. Time should be spent on acquiring weapons rather than amending DPPs. Also, a procurement case progressing under a particular DPP has to continue in that framework only. So different projects initiated under different timelines means different DPPs are still operational. At any given time, cases

will be progressing concurrently under 4-5 DPPs at least! Maddeningly complicated! The SP model will complicate it further. It might also create unwanted monopolies. It will not get us anywhere. Reflect. Without any special procedure, we could come out with a plethora of gun systems after three languishing for decades. There is a lesson there – will power and determination leads to success and not DAPs complicated by contrived Strategic Partnerships.

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