

Address at the National Seminar on Defence Acquisition

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Acquisition efficiencies represent the most vital element in India's quest for optimal defence capability build up in the desired time and cost horizons. The focused attention bestowed by MOD and Services Headquarters in recent years on this critical theme is a clear assertion of the country's resolve to acquire full spectrum military strength over the next 15-20 years. However, notwithstanding the comprehensive procedural framework embedded in DPP 2008 and DPM 2009 concerning capital acquisition and revenue procurement respectively, several problems and inadequacies continue to impact adversely on the efficiency, time and cost frames and capital acquisition resource utilization. I would like to very briefly touch upon these concerns and the potential for reforms in these areas.

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The most basic and crucial level is the compelling need for broad basing qualitative requirements and relating it to the minimum operational needs whereby a competitive situation would be achieved. Similar concerns of technological feasibility and viability would have to be addressed while spelling out the qualitative requirements for systems sought to be developed and productionised within the country. Elaborate professional interaction with the potential vendors at the request for information stage is also considered crucial to the eventual success of the acquisition process. This would contribute significantly to efficient formulation of QRs as well as RFPs. Going by the delays witnessed in the past in acting upon AOMs, it would also seem necessary to combine the two stages of AOM and draft RFP which would give necessary impetus to focused implementation of schemes once they have incorporated in the annual acquisition plan.

Moreover, multidisciplinary teams could be put in place with adequate oversight by dedicated groups of retired service officers to address the critically important task of formulation of QRs, preparation of draft

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RFPs and technical as well as trial evaluation. It should also be possible to compress significantly the timeframes for technical and trial evaluation leading to speedier finalisation of acquisition cases.

There is also a need to provide for more incisive obligations in TOT contracts whereby the range and depth of technology would be consistent with our needs and domestic manufacture through the raw material route. This would account for at least 60-70% of the overall manufacturing programme, a situation which is not obtained today. There is also a pressing requirement to cater more comprehensively to the lifecycle product support needs before the main acquisition contracts come into effect. In today's situation, a determined move must be made to switch over to performance based logistic arrangements for ensuring the desired levels of serviceability and readiness.

As far as processing of acquisition cases in the MOD is concerned, there would seem to be great merit in confining examination of cases to no lower than the DS or the Director concerned. Appropriate management information systems analysing the processing times with each of the major functionaries in the Services HQ as well as the MOD would also help emphasize the imperatives for time bound processing. In this behalf it would be beneficial if the Cabinet Committee on Security could accord in principle approval to the long term integrated perspective plan, the five year plans and the annual acquisition plan whereby MOD would be expected to report back to the CCS the reasons for non-attainment of acquisition targets set out in the annual acquisition plan. Wherever strategic and operational reasons so warrant it would be proper to take a view in advance to resort to single source technological collaboration arrangements or acquisition contracts. This is a point which was made by Mr K Subramanyam on a case by case basis and I am fully in agreement with what he has advocated. In all other situations, a resultant single source situation should generally be unacceptable.

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Wherever strategic and operational reasons so warrant, it would be proper to take a view in advance to resort to single source technological collaboration arrangements or acquisition contracts.

From the point of view of specialisation, it would be necessary that longer tenures are provided to the key acquisition functionaries who should also be

selected in the first place based on relevant experience and competence. There are also significant pricing and vendor database management efficiencies which can be attained through ICT applications in the acquisition realm. We also need to set out our own priorities in the matter of directing offset investment inflows based on clearly identified offset absorption roadmaps of the services, the defence OSUs, the OFB, the DRDO as well as the industry associations. Simultaneously there is a need to enhance FDI limit from the current 26% to 49% across the board and even larger limits of 74% to 100% could be considered on a case by case basis.

While acknowledging the strong rationale for evaluation of acquisition proposals based on a life-cycle cost model, it needs to be recognized that comprehensive ICT based capabilities for tracking operations and maintenance costs as well as actual spares or repair arising vis-à-vis the contractually guaranteed technical life, would need to be put in place. There would thus be the need to temper our LCC based analysis to the extent that some of the reliability and maintainability predictions embedded in the contracts based on the assurances of the manufacturer may not be realised in actual practice. Such defaults coming to light much later may be difficult to be financially enforced. It may also be desirable to mandate at least 20-25% of the capital acquisition budget in favour of schemes to be progressed under the fast track procedure given the significant capability gaps and the long time frames for normal acquisitions at present.

I am confident that deliberations of today's seminar would contribute to a specific and actionable agenda for the consideration of the MOD. 