

ISRAEL DEBUTS AT DUBAI AIR SHOW

Vol XII, Issue VII, DECEMBER 2021 ■ ₹100

geopolitics

DEFENCE ■ DIPLOMACY ■ SECURITY

www.geopolitics.in

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THE NAVY'S AIR WING

THE NAVY
BEEFS UP ITS FLEET

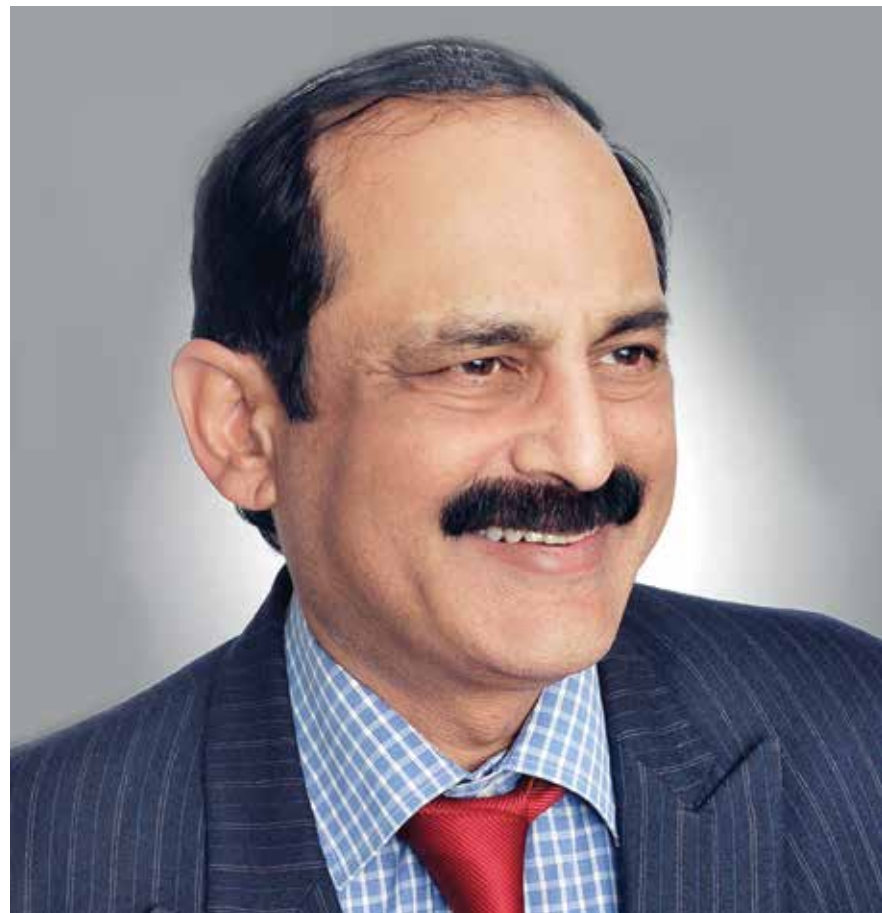
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The Indian Navy is confident of tackling every challenge as it guards our turbulent sea lanes



"THE SP MODEL SEEMS TO HAVE CHANGED"



It is not an SP model anymore. An SP model should mean a long-term partnership with the MoD, presupposing assured and repeat orders and should not be based on contract wise competitive bidding, says **RAJIV CHIB**, co-founder Insighteon Consulting in this interaction with GEOPOLITICS

The reality in the Indo-Pacific today has changed substantially with the Chinese Navy visiting new international ports and increasing its bases in the Indian Ocean region. As the center of gravity of strategic thinking shifts towards the Indo Pacific, India too needs to prepare by getting its

naval acquisition plan in order, so as to be recognised as a sea power which can preserve peace and stability in the region. Thus, an enhanced naval profile in South East Asia is required to strengthen India's "Act East" policy.

Toward this end, New Delhi based firm: Insighteon Consulting carried out a

wargaming exercise on November 11 and 12, 2021, with the aim to better anticipate the future dynamics influencing India's submarine acquisition initiatives, by playing out stalemate situations and strategic risks/opportunities.

In the naval sub-surface domain, the Project-75(I) is one of the most important and strategically significant naval programmes being undertaken by the Ministry of Defence (MoD) in the new decade. For the Indian Navy, the P 75 (I) and the P 76 programmes are of the highest priority despite being continuously hit by procedural delays. The P75(I) programme is in line with the government's Strategic Partnership (SP) Model which visualises designating a few private companies as Strategic Partners (SPs) that would not only assume the role of system integrators, but also lay a strong defence industrial foundation, by making long-term investment on production and R&D infrastructure, creating a wider vendor base, nurturing a pool of skilled workforce, and making a commitment to indigenisation and technology absorption. However, there are concerns about "dilution of the SP model," by inclusion of DPSUs and further making it into a competitive Buy and Make type of a scheme.

Extracts from the interview:

The wargame concludes a substantial delay in handing over the first submarine to the navy. What is the reason for the same?

One of the reasons is that the present lowest bid competitive model has converted the long-term SP Model to an item by item or a contract-to-contract procurement, which is not different from the normal system under buy and buy and make structures. Therefore, such a model will have all the flaws with which the current procurement procedure suffers and there is likely to be a substantial delay in concluding the contract.

Does the SP model in its present form require an amendment?

The SP model seems to have changed from the original recommendations of

the Dhirendra Singh Committee. It is not a SP model anymore. A SP model should mean a long-term partnership with the MoD, presupposing assured and repeat orders and should not be based on contract wise competitive bidding.

I think it must revert back to that. Once a rigorous and transparent method of selection is followed and a company is designated as an SP for a particular platform, placing orders should become a matter of course and all the delays which are involved in tendering should be avoided. In fact, most analysts in the wargame were more comfortable recommending a G2G route for the programme just because it is considered more reliable and less tedious than a risk prone competitive SP model.

What are advantages of a G2G route vis a vis the SP model?

The G-to-G procurement largely circumvents the procurement procedure laid down in the DPP. The SP model now has three principal stake holders viz the OEMs, the SPs and the MoD. Each stake holder will have its own agenda and it will be quite difficult to reach a common ground in a contract. In fact, negotiations are expected to be more complicated than before and the SP model is unlikely to speed up procurements. In very specialised items like the submarine this method of procurement may face a number of challenges, since risks are too high. On the other hand, we have seen a high percentage of acquisitions on the G-to-G route succeeding. Though G to G should be an exception rather than the rule, it is important to weigh this against the urgency of the requirement.

What were the concerns of foreign OEMs highlighted in the wargame?

The personnel playing out the role of foreign OEMs felt that the tender conditions were quite restrictive. Furthermore, they were being asked by the war-game SPs to share the responsibility for performance for safety as well as the schedule and budget responsibility, as well as the risks associated with these for e.g., programme delay and cost escalation in the the First of Class. This is likely to be a subject of protracted negotiation. Moreover, compliance to provide ToT and sharing of IP for design, build, maintenance of select systems of subcontractors, especially when one is in a different country, could be an issue. Other areas of concern was the willingness to accept a back to back payment schedule from the SP, as and



INS Vikrant during sea trials

INDIAN NAVY

when received from GoI, as well as giving a willingness to accept that changes in foreign legislation will not be treated as force majeure. Thus, OEMs who can successfully negotiate the above to reach a win-win situation are more likely to be selected by respective SPs.

Is the naval acquisition process for submarines better in other nations?

Reform in the defence acquisition process is an ongoing exercise. Cost overruns, late deliveries and inability to meet project's qualitative requirements are some of the key issues confronting even the most advanced nations which reflect the complexity and difficulty in submarine acquisition. As a result, governments across the world constantly strive to streamline the process to improve transparency and cost-effectiveness without compromising on operational requirements. Having said that we had some good inputs from ex CEO Fincantieri, US, who had participated in the wargame.

In the US acquisition process, contracts are awarded on a best value basis. However, the government often awards follow-on contracts, post the FOC, to second or third shipyards. This use of multiple sources creates competition in the procurement forcing the contractor to control costs, or risk losing future business

to competitors. Alternatively, lead ships may have cost plus and incentive fee contracts with follow up ships that have fixed price contracts. This considerably reduces risks for the prime contractor.

In France, the DGA initiates the tendering for the main shipbuilding contract on a competitive or nomination basis at the prime contractor level. In case of nomination of a shipyard, competition is ensured at the equipment level. However, it can be noted that the French system encourages accountability on both sides i.e., the government and contractors. When the government is the cause of the contractual changes (for example, because it changes the parameters of the project), the costs can be deducted from the DGA's procurement budget.

How do war-games help decisionmakers?

Unlike other exercises, wargaming is designed to provide helpful insights for actionable strategic decision-making. We hope it will help towards sound problem identification, so that the acquisition policy meets its desired objectives. Insighteon war-games endeavour to bring in diverse views which we hope will assist the stakeholders to anticipate challenges besides providing them with strategic foresight and a horizon scanning ability. ■