

Defence Procurement : A Knotty Problem in India

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In an article on the defence budget for the current financial year earlier, since passed by Parliament, the writer highlighted a number of issues arising from it. Since then there has been an uproar in Parliament by political parties on the system of development and procurement of defence equipment urgently needed by our Armed Forces. There have been allegations and counter allegations regarding procurement of state of the art equipment for our Forces compatible with quality, timing of introduction, induction and pricing, that impact on the security of the Nation. And this debate continues, unfortunately not for the good of the Armed Forces, but to score political brownie points. Perhaps one of the reasons is that the defence budget has taken a quantum leap of Rs 8000 crores from the earlier budget. The issues arising in the utilisation of the amount passed have been discussed ad infinitum. Is this amount approved to be spent on honing the ability of our Armed Forces to implement the national security needs or be mired in purposeless debate?

At the time of penning these thoughts, the (UPA) Government has raised serious issues on the agreements entered by its predecessor to acquire defence equipment of the quality required, in time and at the best rates. These objections appear to have come to light after the Kargil intrusions, too well known to merit repetition. The Bofors 'Shoot and Scoot' Medium Gun issue continues to be cause for debate although the gun itself more than proved its utility in contributing tangibly to evicting the Kargil intrusions. Much is being made of the order for coffins, defective ammunition and timely arrival of high altitude clothing, when there are far more important issues at hand. It is high time the system in vogue is examined and recommendations made to make it more user friendly and less susceptible to pay-offs.

As of now the procurement of suitable military hardware is decided by the Cabinet Committee on Security (CCS) headed by the Prime Minister and rightly so; the Minister of Defence through

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the Defence Ministry; the Minister of State For Defence Production; the three Service Chiefs; and the newly established Combined Integrated Defence Staff.

It is obvious that there is no single coordinating authority within the three Services, with each Service Chief responsible for projecting his own Service's requirement in this day and age when any future conflict will be an inter service affair. Thus the allotment of funds from the Defence Budget for capital expenditure often results in acrimonious debate at the expense of the National Security. Are these lengthy debates attributable to a questionable system of approval and procurement of the inescapable requirements of defence equipment? Does the system need to be reviewed?

This poser leads one to the *raison d'être* of this article and that is whether the system in vogue needs to be reviewed and changed for the better? The Defence Minister has announced the release of over Rs 3000 crores for the immediate acquisition of equipment mainly to fine tune the efficiency of the Army to make it a meaner and leaner one. Then there is the projection on the drawing board for the acquisition of the Scorpion attack submarine, 126 all purpose state of the art fighters, be it the F-16, F-18, our own LCA, the French Mirage or the Swedish Grippen, the list is legion.

It was quite by chance that this writer who contributes articles on defence matters to the RUSI (Queensland, Australia's Quarterly Bulletin), in the first quarter 2005 issue, came across the Blamey Oration delivered in November 2004, by Lieutenant General David Hurley at the RUSI Brisbane on "Defence Procurement and future directions of the Australian Defence Force (ADF)".¹ Browsing through it one felt that it could well be a subject worthy of study by an expert group based on which recommendations could be made to the CCS on a review of the system in vogue in India. In defence purchases one certainly does not wish to be confronted with a Boeing vs Airbus or France vs the US controversy in the timely acquisition of equipment essential to our Defence needs.

Now many readers may question the reference by the writer to a comparison with a country like Australia with a much smaller Defence force and with no immediate threats to it, allied as it is with the Americans. Yet, let us not forget that Australia has links with not only the Pacific Rim countries but to Asia as well.

Comparisons are at the best of times odious but the systems projected are worth considering in this important field of Defence procurement. This is what General Hurley said in his opening remarks and the writer has highlighted those that have relevance to India : "Like many generations who have inherited a Defence Force that was created by other people my responsibility in the Department of Defence at the present time is to coordinate the development of the business cases to support the acquisition of new equipment for the Army, Navy and Air Force. So if you cast your mind back about 10 years ago each of the Services was responsible for developing their own view of the future and what equipment they would need to fulfill that and bring those proposals to government for approval. That is now all under one hat and I am responsible for that". Compare this revised Australian system to ours, irrespective of the disparity in the sizes of our three Services with the Army by far being the largest. And this is how the present Australian system works. Lieutenant General Hurley elaborates, "I look at what future requirements are for the Defence Forces capability. I help each of the three Services develop their business cases to go to Government for approval. So that could be anything from destroyers to fighter aircraft".

Lieutenant General Hurley then goes on to make the very valid point in these days of effective and wide reaching mass communications media by stating what the media image of Defence's process has been on determining what our future capabilities should be like. This is what he has to say: "There are just two quotes that came out of the Sydney Morning Herald earlier this year, and the second one "Basket Cases" was about a three page double spread of a write up on a number of major defence acquisitions – called basket cases, went through some scurrilous reporting, some of it close to the mark but not too much, and that is the sort of image we have been living with in Procurement over the last number of years". Does one need to draw a parallel with conditions obtaining in India? What is important is the fall-out from these media reports. Late last year (2004) the Government of Australia directed that a review of Defence procurement processes be conducted. This exercise named the Kinnaird Review was conducted in November 2004 and importantly, was accepted by the government. "And it was out of this Kinnaird Review that my job was generated". Here in India we are still dithering about the appointment of a Chief of Defence Staff (CDS), although our Naval

Chief has publicly recommended the appointment of a CDS. The three key recommendations of the ten that were made, pertinent to the appointment of Lieutenant General Hurley as Chief Capabilities Development Group, that give a broader perspective of how Defence is doing business "looking to the future at the present time", as mentioned by him, are reproduced in his own words: "There are about 10 recommendations ... that deal with the front end capability development decision cycle i.e before we go to Government to get approval for our projects and then the remainder of the proposed recommendations dealt with Defence material organization – how it actually delivers and does its business to procure and deliver to the Services. There are two organisations responsible for delivering capability. Mine-Capability Developing Group-I do the divining of the future; read the chicken entrails; see what the world is going to be like in 2030-2040 and determine how the ADF is going to fight in that environment and what capabilities it needs to fight and turn that into projects for Government approval". To the best of this writer's knowledge we in India have been talking about five years rolling plans. The other organisation, the Defence Materiel Organisation headed by a civilian, Dr Stephen Gumley, takes those decisions once approved by Government, "goes out to industry and fires a capability, introduces it to the Services and they then manage its future life". These two organisations work hand in glove because "you would appreciate that I can't do my job without Dr Gumley and he can't do his job without me". Food for thought on how to marry two organisations for the common good of our Armed Forces, one headed by a General and the other by a civilian.

In India there are invariably complaints and counter complaints that the civil official does not comprehend Armed Forces lingo and vice versa. Our problems are that each Service Chief speaks his Service tongue.

The first of the three important Kinnaird Committee's key recommendations are best described in Lieutenant General Hurley's own words. "The first major recommendation is all about the department's communication with Government. What Kinnaird was critical about and the Government was critical about was that they could not understand the way in which we expressed ourselves, the linkage between the strategic guidance they gave us and the capability decisions we brought back to them to make. The logic

might be there but it wasn't expressed to them in a way they could fully comprehend. They wanted a more succinct, straightforward expression of the requirement". If this is a problem in a nation like Australia where only English is the lingua franca, it is compounded in India with its 22 scheduled languages. A via media needs to be decided upon. How have the Australians overcome this problem of understandable communications? Says Lieutenant General Hurley: "The department has responded to that in two steps. We now produce a document which is called the Defence Planning Guidance". This document is produced by the Deputy Secretary of Strategy in which it spells out "what threat could be faced by Australia, what technology could be introduced over the period, and gives broad ideas to me as to where the capability might go. I take that guidance and turn it into what we call the Defence Capability Strategy which is about a 20 year plan saying this is the direction we are going to take the ADF's capability over the next 20 years".

This strategy is then analysed in-house with representatives of the Defence Arms Technology organisation and other players to develop a Defence Capability Plan, a ten year investment plan for ADF new equipment. Compare this with the long wait of nearly 12 years for a suitable Advanced Jet Trainer (AJT) to be made available to the Air Force. This Australian 10 years investment plan then undergoes three stages: Defence Planning Guidance that interprets the government's guidance in as succinct a manner as possible so that the government will understand where the ADF is heading for; the second stage is a Defence Capability Strategy (the responsibility of Lieutenant General Hurley) of where the ADF would be heading in the next 20 years; and finally a Defence Capability Plan, also the responsibility of Lieutenant General Hurley. So the Australians now have a 10 years plan for about 55 billion dollars worth of equipment and it is the job of Lieutenant General Hurley to manage that. Compared to our defence expenditure, the Americans would describe this as peanuts, all the more reason why we should have a good plan where every rupee is made to count.

The second recommendation of the Kinnaird Committee was to actually create the group that Lieutenant General Hurley has been made responsible for. It states that it would be under a three star officer, military or civilian equivalent, for managing that process. Lieutenant General Hurley states that his is not in the same

category or statutory appointment as any of the three Chiefs. He is on a three year limited promotion tenure extendable by two more years, and is not an actual part of the permanent Army; food for thought in the proposed appointment of a CDS. He goes on to add that "it will be interesting to see whether the Minister (presumably Defence) and I see eye to eye, in two or three years time".

Two more important observations were made by the General "Two words responsible and accountable. I don't work through the (normal) chain of command. I am not responsible to the Chiefs of Staff at all, I work directly to the Secretary of Chief of Defence Forces (CDF) and then the Minister. Although I work closely with the three Service Chiefs, I am NOT responsible to them. However, if they require a piece of equipment I don't necessarily have to do what they say".

The third recommendation relates to the process of obtaining approvals from government for any of the proposed projects. In the past the department would come to government once a year with a shopping list, very much on the lines of what happens in India, to enable the government to allocate funds for the next one, two or three years. The Australian Government has no longer agreed to the continuance of this procedure on the grounds that it wants to play a greater role in deciding what capabilities the Defence Force applies. Lieutenant General Hurley in his role of Chief Capabilities Development Group now goes to the government at least twice; once to define the options, and then to indicate the cost to enable it to make a decision. The ball is then transferred to Dr Gumley's court for implementation. This new procedure has been mandated in the Cabinet Handbook ensuring that the Government not only controls the process but is deeply involved in the decision making process of the Capabilities Development Group (CDG). Unlike the manner the Defence Budget is discussed and passed cursorily and with hardly any debate in India, the Australian Government runs their Defence procurement and expenditure very tightly and views it as its own official programme and not that of the Defence department. By so doing the type of scams we face are unheard of.

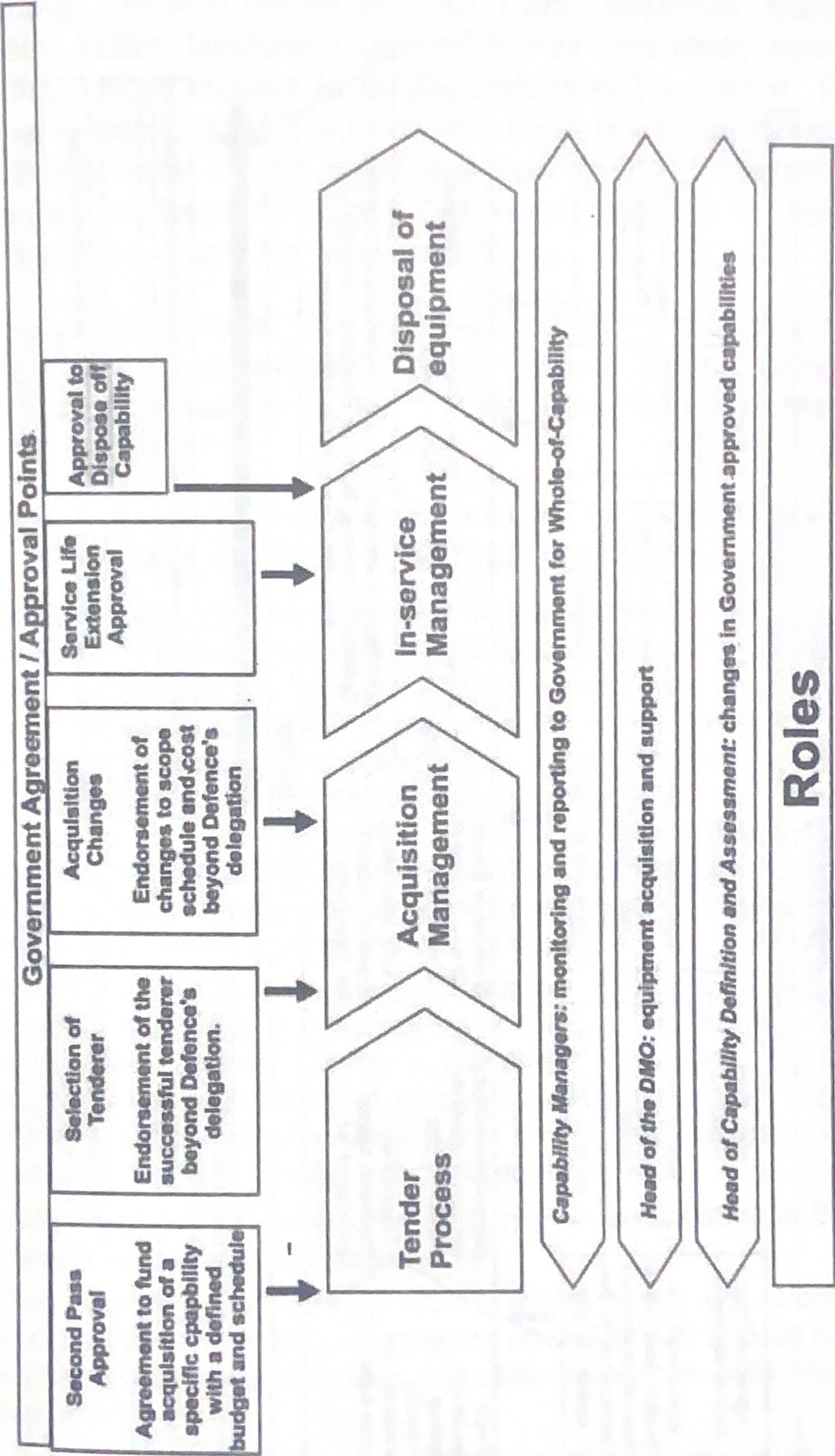
There is yet another step the Australians have taken. The Defence Material Organisation (DMO) is scheduled to become a

prescribed agency in July 2005. In so doing organisations like the Support Commands, Logistic Command et al will be bound together. The DMO will report separately to government from their own financial point of view. Such a structure will result in the better deployment of funds, unlike the problems that India is facing today in pay-offs, cost over-runs and the like. The problems that Dr Gumley has inherited from the existing system, will be affected significantly for the better. In the existing system project managers were either public servants or military officers placed there by their respective Chiefs. It is now the head, Dr Gumley who will do so. There is hard evidence to that effect. The project managers for two major ship building projects have been recruited from private industry; they have no previous military background. The omissions of past planners will inevitably surface but it is felt that the system to be adopted will rectify any such imbalances. For instance, post 11 September 2001 global terrorism threat will need to figure in planning defence capability. It will be the responsibility of the CDG to explain to government the cost over-runs due to delays. It is the bounden responsibility of our government to consider that the capability development process has, as primary drivers of the country's force structure, the integrated national security concerns of India and its regional requirements in South and South East Asia, South Asian Association for Regional Cooperation (SAARC) and the United Nations. There is no gainsaying the fact that India has sharply etched regional responsibilities befitting its status as a regional power including the three water bodies surrounding it, and the Indian diasporas in the Indian Ocean Littoral, West Asia, South Asia and South East Asia. Our Defence forces need to be flexible enough to deal with security problems emanating from such responsibilities that will in turn lead us to a clear perception of the size, structure and equipment required for our Armed Forces and the budgetary allocations. Perhaps the Australian example discussed may lead our decision makers to the best course open to us, and one of the contributory factors would be a one window clearance system through the long pending appointment of a Chief of Defence Staff.

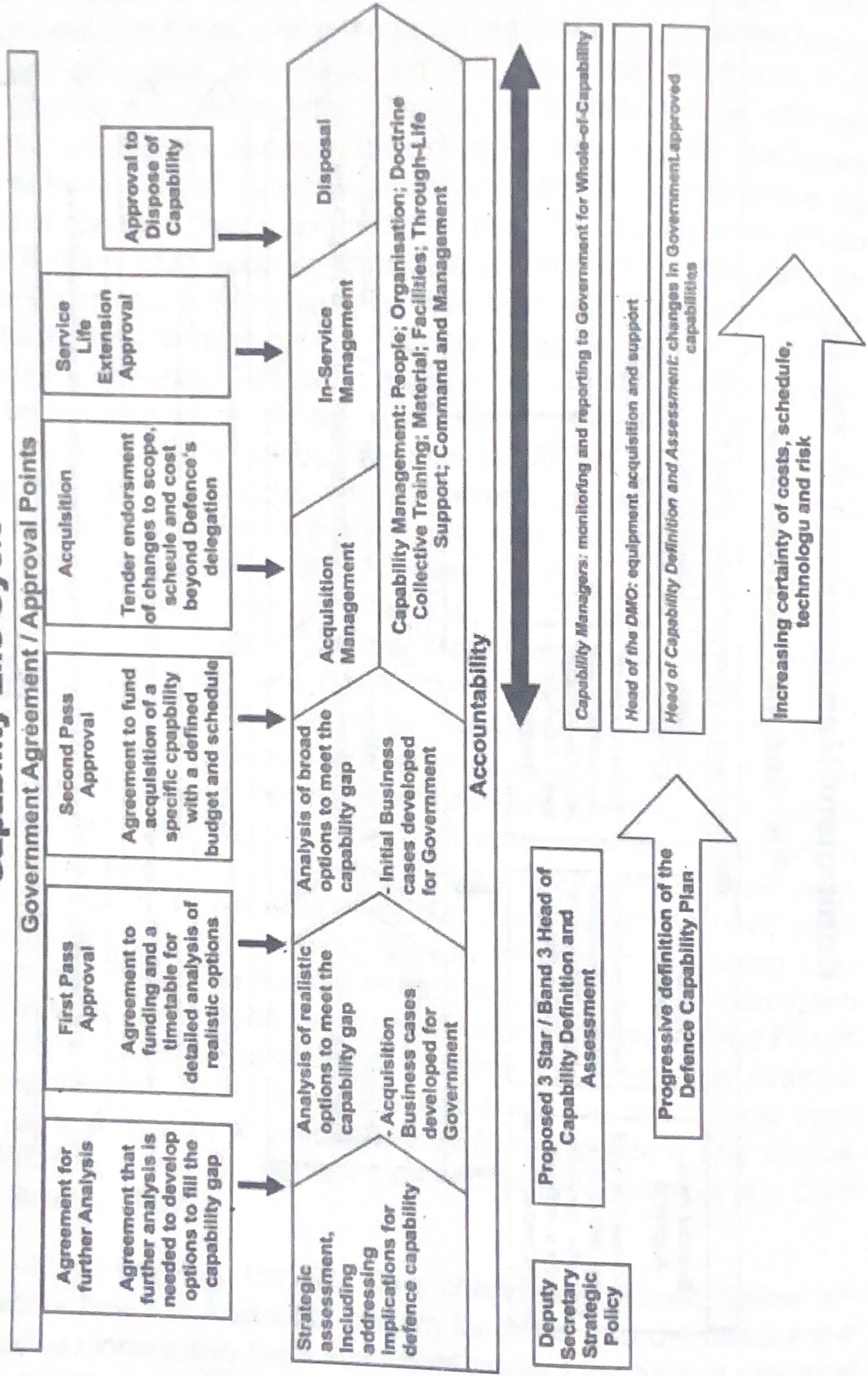
In conclusion, the two flow charts reproduced below will indicate how the Australian system functions and the checks and balances inherent in them that would prevent the type of problems we are facing today.²

Equipment Management Life Cycle

Post Second Pass Approval



Capability Life Cycle



Notes

1. Through the kind offices of SBLT (Sub Lieutenant) Mary J Lacey, Editor, Lieutenant General Hurley very kindly agreed to the writer's request to quote freely from his oration. The writer is grateful to both of them. He will not only be reproducing verbatim some of the ideas and flow charts projected by Lieutenant General Hurley but keep referring to those suggestions that have relevance to us.
2. Lieutenant General D Hurley, AO, DSC, 'Enhancing the Capability Development Process', Royal United Service Institute Queensland Inc (RUSI Quarterly), Issue 10, March 2005, pp. 40-41.

ARTICLES FOR THE USI JOURNAL

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