

Govt gives ordnance factories free pass in combat vehicle project

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In an undisguised favour to the Ordnance Factory Board (OFB), the defence ministry announced on Thursday that while nine private sector companies would compete to develop the future infantry combat vehicle (FICV), the OFB would be nominated without competing as a third development agency. The FICV project is worth an estimated ₹50,000 crore.

The ministry's Expression of Interest (EOI), which invited ten companies on July 16, 2015 to submit proposals to develop the FICV under the "Make" procedure, specified that two development agencies would be chosen. Now, even as that competitive selection continues, the OFB has been given a free pass.

"Competent authority has approved the deviation to DPP-2008 for nomination of OFB and two Indian private sector industries to undertake design and development of FICV prototypes (sic)", said a defence ministry circular on Thursday. *Business Standard* has



Ministry insiders say the last-minute decision to give favour to the Ordnance Factory Board in the selection process was taken because it was evident the public sector would not be selected in a fair competitive process

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reviewed the circular.

Ministry insiders say the last-minute decision was taken because it was evident the OFB would not be selected in a fair competitive process. To ensure the OFB participates, the rules of the game have been unprecedentedly changed in the middle of the game.

The decision came just a day before the ten contestants were to submit their responses to the EOI.

The ministry circular stated: "In view of the above decision, the date of submission of response to the EOI has been extended and now the EOI response may be submitted by (noon) on 15 Feb 2016".

Private company executives who have priced their FICV bids say each company will spend about ₹1,000 crore in developing the prototype FICV, of which 80 per cent will be reimbursed to them according to the

"Make" procedure. By nominating the OFB as a third development agency, the defence ministry is increasing the cost of the project by about ₹800 crore.

This step is likely to evoke strong objections from the nine private companies in the race — Larsen & Toubro, Tata Power (strategic engineering division); Tata Motors, Mahindra & Mahindra, Bharat Forge, Pipavav Defence, Rolta India, Punj Lloyd and Titagarh Wagons.

The last time the defence ministry attempted to grant similar favour; it was forced to step back. In 2009, it nominated defence public sector unit, Bharat Electronics Ltd (BEL), to build the Tactical Communications System (TCS) under the "Make" procedure. After strong objections from private defence companies, the TCS project was competitively tendered.

Defence Minister Manohar Parrikar has repeatedly promised, most recently in an interview on November 25, that the private and public defence sectors would compete on a level playing field. Private sector executives point to decisions like this to underline the hollowness of this promise.