

GOCO model for defence

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Source: *The Hindu*

Manifest pedagogy: A vibrant defense ecosystem comprises participation of both public and private sector industries, and GOCO model is an endeavor to get the balance right in synergising between public and private sector.

In news: The Army has initiated the process of identifying potential industry partners to implement the Government Owned Contractor Operated (GOCO) model.

Placing it in syllabus: Defence sector

Static dimensions:

- Defence expenditure in india
- Defence production policy

Current dimensions:

- Goco model
- Benefits
- Issues

Content:

Defence expenditure in India:

- The allocation of **Rs 3.18 lakh crore** as defense budget for **2019-20** is around **1.6 percent of the GDP**.
- The allocation is an increase of 6.87 percent over revised estimates of Rs 2.98 lakh crore given in 2018-19.
- It is the **lowest since the Sino-Indian war, 1962**.
- Out of the total allocation, **Rs 1,08,248 crore has been set aside for capital outlay** to purchase new weapons, platforms and military hardware.

- The **revenue expenditure** which includes expenses on payment of salaries and maintenance of establishments is Rs 2,10,682 crore.
- Under capital outlay, the Army has been granted Rs 29,447 crore, the Navy is given Rs 23,156 crore and the Indian Air Force has been granted an allocation of Rs 39,302 crore.
- The **total outlay does not include** Rs 1,12,079 crore set aside separately **for payment of pensions.**
- If allocation for pension is included, then the total outlay for defence stands at Rs 4.31 lakh crore which accounts for 15.47 per cent of the total central government expenditure for the year 2019-20.

Defence production policy:

Government had announced Defence Production Policy (**DPP**) in **2018 budget speech.**

The **salient features** of the Draft DPP is as follows:

- Creation of a **dynamic, robust and competitive defence and aerospace industry** as an important part of the 'Make in India' initiative.
- Creation of a **tiered defence industrial ecosystem** in the country.
- **Reducing current dependence on imports** and strive to achieve **self-reliance** in development and manufacture of weapon systems / platforms.
- It mandates for **Transfer of Technology or enhanced Foreign Direct Investment (FDI) for domestic production** in the event of non-availability of manufacturing capabilities in the country.
- It proposes to **increase the foreign direct investment (FDI) cap in niche technology areas to 74%** under the automatic route (At present, the FDI cap for the defence sector is 49% under the automatic route for all categories).

- Envisages that **Ordnance Factory Board (OFB) should focus on system integration, design and development** and actively engage domestic vendors in the private sector for other assembly work.
- The policy targets 2025 for **becoming self-reliant in 13 weapons platforms.**
- It calls for **increased participation of MSMEs, start-ups** and other players from the private sector in the defence industry.
- The policy plans on setting up **Defence Export Organisation** in partnership with the industry which will facilitate overseas marketing of domestically produced goods.

GOCO model:

- The proposed GOCO model was one of the recommendations of the **Lt. Gen. DB Shekatkar committee.**
- The model will be implemented for **defence base workshops and ordnance depots.**
- It **aims to** “enhance combat capability”, “re-balancing defence expenditure”, “improve operational efficiency”.
- A **Request For Information (RFI)** has been issued to shortlist service providers who have **experience in “warehousing, logistics and supply chain management”** for Central Ordnance Depot (COD) in Kanpur.
- The **eight Army Base Workshops (ABWs) identified** are located in Delhi, Jabalpur (Madhya Pradesh), Kankinara (West Bengal), Allahabad, Agra and Meerut (Uttar Pradesh), Kirkee near Pune and Bengaluru.
- All the workshops are involved in overhauling (testing and repairing of weapons) except the **workshop at Bengaluru, only which manufactures spares.**

Conditions for Service providers:

- The service provider should be an **Indian registered company** with **at least 10 years of working experience** in

related domains.

- It should have an **average annual turnover of ₹50 crore** for each of the last three financial years.
- The selected Service Provider will **take over present infrastructure** and related services from COD Kanpur on “as-it-is-and-where-it-is basis”.
- Maintenance of complete infrastructure will be thereafter the responsibility of the service provider.
- The existing civilian manpower/workforce will have to be absorbed by the selected Service Provider.

Benefits:

- The workshops play a vital role as they ensure the Indian Army is operationally prepared all the time.
- It helps reducing government expenditure on armed forces and increase combat capability of the army.
- The private companies need not make investments on land, machinery and other support systems and are given full independence in implementing the missions using their best practices.
- It will boost competitiveness among the private entities paving way for newer technologies.
- It helps in modernisation process of Indian army.

Issues: In GOCO model, the assets owned by government will be operated by the private industries. In such cases, there are possibilities of protraction of assets and the expertise being absorbed by private industry.

The military manpower involved in the workshops is only 25% and 75% are civilian staff. The private companies might insist on rationalizing the workforce.