

# Surveying State of Art Weapon System Availability: Merits of RFI System

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*.....SQRs form the basis of any procurement /development/R&D project undertaken by SHQs, the process of formulating the same should be free of vested influences, maintaining the confidentiality.*

## Introduction

Defence procurement has always been a subject of debate around the world and India is no exception. There is no denying the fact that defence procurement is one of the most challenging tasks, wherein all stake holders have to work together to ensure a smooth, time bound, efficient and transparent process with the highest degree of probity and public accountability. The ultimate objective is to ensure expeditious acquisition of the approved requirements of the Armed Forces by optimally utilising the allocated budgetary resources.

Growing duality of technologies and company portfolios have blurred the traditional dividing line between the defence and civil sectors, however, defence procurements continues to stand out from its other industrial counterparts owing to the challenges it poses. Some of the issues which are peculiar to defence procurement are:-

- Defence procurement is inherently political in nature because production and trade of defence items is an important aspect of security and defence policies of a nation. Therefore, the governments play a dominant role as both customers and regulators.
- The defence equipments are highly complex and integrate sophisticated technologies and are developed for specific needs of a limited customer base. These systems/technologies are characterised by long development and life cycle costs, involving high non-recurring costs.
- Security of supply, particularly in times of crisis is a paramount necessity. This needs to be ensured through out the life cycle of the

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weapon system, thereby implying a guarantee between suppliers and customers and also between governments.

- Confidentiality of information requires specific security measures throughout the procurement process.

## Procurement versus Acquisition

In India, all Capital acquisitions are governed by the 'Defence Procurement Procedure (DPP)' 2008 and procurement by the Defence Procurement Manual

(DPM) 2009. The US Defense Acquisition University (DAU) defines procurement as the act of buying goods and services for the government and acquisition as the conceptualization, initiation, design, development, test, contracting, production, deployment, Logistics Support (LS), modification, and disposal of weapons and other systems, supplies, or services (including construction) to satisfy DoD needs, intended for use in or in support of military missions. Acquisition is, therefore, a much wider concept than procurement, covering the whole life cycle of acquired systems.

The purpose of SQRs is to provide the basis for planned capability development, on which the design agency undertakes the development or the reference against which the systems planned for direct acquisition, are evaluated for their suitability.

### Defence Acquisition Process

The first step, or the foundation, of the 'Acquisition Process' is the formulation of the Services Qualitative Requirements (SQRs). The purpose of SQRs is to provide the basis for planned capability development, on which the design agency undertakes the development or the reference against which the systems planned for direct acquisition, are evaluated for their suitability. Therefore, Staff Requirements are

a very important and critical milestone in the acquisition process.

### Attributes of SQRs

The SQRs should lay down the user's requirements in a comprehensive, structured and concrete manner, and be broad based, achievable and realistic. The QRs of the equipment to be procured should be of contemporary technology, widely available in the world/indigenous market and the performance parameters should be verifiable.

Formulation of SQRs The SQRs formulation process entails the following:

Step 1. Formulate broad system requirements based on the capability required in future/capability gap.

Step 2. Make RFI's and obtain additional information from defence attaches, internet and defence journals/ magazines/ exhibitions.

Step 3. Hold presentation with vendors (on required basis).

Step 4. Based on the inputs received, re-examine/amend the QRs ensuring that multivendor situation exists.

Step 5. Finalise the QRs.

In an ideal situation, the SHQ should be able to formulate its system requirements purely based upon its operational needs and future growth requirements. However, this may not always be possible, and thus SQRs are made by dovetailing the operational needs to weapon systems/technologies available in the world for sale/transfer to India.

### Information Collection

A scan of available systems in the world with state of the art technology and futuristic trends must be undertaken and the information on the equipment required should be gathered from a variety of sources. Use of internet, correspondence with Defence Attaches, interaction with DRDO and defence PSUs and private industry along with issue of RFI, as well as visit to OEM premises/ other navies may be undertaken, prior to formulation of SQRs, to gain comprehensive information on the technical and operational details of equipment available in the world market. This has also been outlined in DPP-08 (Para 14 &15), as follows:-

- *“The SQRs would be drafted by the user directorate at SHQ. In order to make broad based SQR, required inputs may be obtained by issue of RFIs on MoD website by SHQ/and by corresponding with maximum manufacturers. Additional inputs should be obtained from defence attaches, internet and defence journals/magazines/exhibitions, previously contracted cases in such category.”*
- *“RFI should also ask the vendor to provide all the elements which need to be structured into the costing of the weapon / equipment system (including that of a comprehensive maintenance / product support package which will serve as a guideline to formulate an all encompassing Commercial Offer format at the stage of the RFP. RFI may also be issued in*

*certain cases as advance intimation for the vendors to obtain requisite government clearances.”*

It can thus be seen that initiation of the procurement procedure is RFI, which assists Service Headquarters in formulation of the SQRs. While additional inputs can be sought from defence attaches, internet and defence journals/magazines/ exhibitions, the only authenticated/certified input (by the OEM), is the response provided by the vendor to the RFI. Therefore, RFI emerges as the main cog in formulation of SQRs and thus that in our defence procurement procedures, as of today.

RFI is a solicitation sent to a broad base of potential suppliers for the purpose of sensitizing about our needs, gathering information, preparing for an RFP, developing acquisition strategies and building a data base about the equipment/system.

## Request for Information

What is an RFI? Broadly speaking, RFI is a solicitation sent to a broad base of potential suppliers for the purpose of sensitizing about our needs, gathering information, preparing for an RFP, developing acquisition strategies and building a data base about the equipment/system.

## RFI Contents

Before proceeding further, it would be beneficial to examine the information/data, which forms a part of a typical RFI. It is pertinent to mention that DPP does not stipulate any particular format and it is left to the SHQ discretion to formulate one. Further, since RFI is a request for information, the same is not binding on the vendor (to provide all the requested details). Generally, vendors provide the basic information, which is then followed by a presentation (if so desired) /forwarding of detailed literature/brochure. RFI gives the broad Staff Requirements of the envisaged system and the information sought through the RFI is generally as follows:-

- Name/generic name of proposed equipment.
- Vendor capability to manufacture/deliver the equipment as indicated in broad staff requirements.
- Vendor capability to supply the required number/execute the project within the desired time frame.
- Previous experience of supply of the equipment with the same/similar

QRs.

- Whether such equipments have been supplied by the company to the Army / Air Force / any other Organisation(s) of the host nation.
- Foreign nations / Organisation(s) to which such equipment may have been supplied / planned to be supplied in next two years.
- Whether Company has manufacturing / servicing set up in the host country or likely to set up in the next one year.
- Annual turnover during the preceding 3 years.
- Would the company require upgrading design/capabilities to match QRs?
- Would QRs necessitate bulk of the imports?
- Is the quantity too small for the vendor to participate in the tender?
- Are any restrictions applicable in the exports (in vendor's country)? If yes, how long is it likely to get the clearance?
- Estimated cost of the equipment along with spares and support equipment.
- Earliest date at which vendor is willing to give a presentation at Service Headquarters, New Delhi.
- Is the vendor willing to offer the system for NCNC trails?

### Merits of RFI System

The RFI process provides information which helps us finalise SQRs. Through analysis of RFI responses, strategic options, lower cost alternatives and cost reduction opportunities may be identified. In complex cases, it helps provide the preliminary information about potential provider's ability and experience to enable drawing up of a detailed acquisition strategy. The RFI also helps to improve the understanding between the buyer (defence forces) and the industry on technology and capabilities, thereby clarifying the requirement and placing both the buyer and the supplier on the same common grid. The benefits which accrue from the RFI process can be summarised as:-

- Ensures transparency in the acquisition process and provides a level playing field to all suppliers.

- Improves decision making by considering a range of potential options.
- Helps to establish benchmark price for the equipment.
- Provides opportunity for competition by having a multi-vendor situation.
- Leads to the most competitive deal.

#### Disadvantage - Present RFI System

While SHQ endeavors to obtain maximum possible information from the vendors through the process of RFI about the equipment, towards formulation of the SQRs, the system/procedure also has its drawbacks. One of the major drawbacks is the fact that the information on the capabilities of the equipment provided by the vendor are un-substantiated. The vendor may present the capabilities of the system which are in development stage and not proven. At no instance, is the performance of the equipment been evaluated/witnessed/demonstrated. This, at times, results in non-compliance at the field trial stage, resulting in setting back the procurement process by 2-3 years. Secondly, the broad based SQRs are enclosed along with the RFI. A careful examination of the RFI can provide information about the capability gaps and voids of the Indian Armed Forces.

Since, SQRs are primarily dependent upon the characteristics of equipment already available in the global markets; the formulation of the same is indirectly influenced by the vendors in the process of RFI. Defence equipment available in the world markets are designed and developed as per the requirements of the country's defence forces for which the same has been developed and rigorously tested and QA certified. Therefore, vendor under no circumstances (unless the orders are huge), is likely to tweak the major characteristics/capabilities of the system to suit Indian requirements, as any change would entail re-designing, retesting and re validation of the complete system, which is not cost effective and might infringe upon the defence export regulations of the parent country.

#### Improving the RFI Process

There is no denying the fact that the procurement process needs to be transparent, however, one needs to clearly distinguish between transparency and confidentiality. In my opinion, while the process from issue of RFP to signing of the contract should be transparent, the formulation of the SQRs should be a confidential process. The inputs utilised towards formulation of the SQRs (existing equipment, field inputs, force levels, capability gaps etc) should

be aspects in which confidentiality should be maintained at all times.

How can we address these concerns and make the RFI process more robust ensuring updated flow of information to SHQ on defence equipment available for sale to India, at the same time maintaining the confidentiality and reducing to a large extent, the vendor's/manufacturer's influence in the SQR formulation process.

## Vendor Registration

One of the first stages in the process may be the Vendor Registration. The vendor would register himself, to the concerned MoD Procurement Agency/Central Registration Agency and will provide detailed information about his products and services, which he is offering for sale to Indian Armed Forces. Once registered, he is provided with a registration number, and login details. The vendor thereafter, logs in the server/web page of MoD and uploads details about the equipment/services and also keeps the information updated on a regular interval. The broad requirements are already known to the vendors through the unclassified LTIPP available on the net. The confidentiality of uploaded information will be maintained by MoD as done in present system. The information uploaded may include the following:-

- Identification of the Product and Services along with full details of the same.
- Details of earlier, current and ongoing projects/dealings with MoD and other Indian Govt organisations.
- Details of earlier, current projects/dealings with foreign countries defence forces (optional).
- Whether sub contractor or main contractor.
- Financial status of the company, major shareholder, and audited balance sheet for last three years.
- Willingness for ToT, partnership with Indian Industry, Defence PSU or DRDO.

The above information would be accessible to SHQs and other Central and State Government agencies. As and when SHQ/any agency desires to procure/develop a particular equipment/system, latest information about the various types of similar system available across the world, along with various operational details would be available (without resorting to a formal RFI process). Information obtained through various presentations etc. can also be uploaded by the SHQ in the company web page and thus would be shared by all

concerned. The selected vendors may be invited to demonstrate their equipment on NCNC basis to evaluate their performance, on as required basis.

The proposed system would accrue following advantages:-

- Confidentiality about the SQRs would be maintained by not divulging operational limitations/ philosophy/ desires of the Indian armed forces.
- Sharing of information amongst all stake holders, thereby remove falsifying of system capabilities by vendors, ensuring accountability of vendors, within various agencies and ensuring better coordination.
- Live demonstration would allow a technical and logical view of the system capabilities in various conditions, as against the claims made by the manufacturers.
- Comprehensive vendor assessment.

## Conclusion

Acquisition does not represent a solitary activity. It involves an interaction between a procuring organisation and one or more vendors competing for supplying their equipment. We have to bargain our buying power to get the best 'bang for the buck' by ensuring transparency and competitiveness in our defence procurement, whilst at the same time maintaining the confidentiality and security. Further, since SQRs forms the basis of any procurement /development/R&D project undertaken by SHQs, the process of formulating the same should be free of vested influences, maintaining the confidentiality. We need to understand that <sup>idsa</sup> is one of the inputs towards formulation of SQRs but not the only input.