

## CHAPTER V: Coast Guard

### Procurement

#### 5.1 Non-conformity of the procedure in procurement of Air Cushion Vehicles

**The Indian Coast Guard procured 12 Air Cushion Vehicles costing ₹223.26 crore, in deviation from the prescribed procedure leading to doubts about optimality of economy in the price paid due to denial of level playing field to the prospective bidders.**

Air Cushion Vehicles (ACVs) are used for multipurpose maritime operations such as high speed coastal patrol in shallow waters and marshy areas, sea-borne amphibious operations, high speed interception and interdiction and search and rescue operations in shallow waters. The ACV holds an advantage over the ship in terms of speed and maximum<sup>1</sup> as well as cruising<sup>2</sup> speed are its critical parameters as ships/crafts are designed for utilisation at the maximum speed for an estimated 10 *per cent* of their total operation time, at cruising speed for 70 *per cent* and 20 *per cent* of operation time for manoeuvring. The critical and other required parameters of the equipment are reflected in a document known as the “Staff Qualitative Requirements (SQR<sup>3</sup>)”. Acceptance of Necessity (AON) is obtained based on the SQR.

The Indian Coast Guard (ICG) initiated (January 2007) the case for procurement of 12 ACVs. Following the Defence Procurement Procedure (DPP) - 2008, the ICG approved (May 2009) the draft SQRs and the Request for Proposal (RFP) was issued (August 2009) to 13 vendors. Only two vendors viz. M/s Griffon Hover Works Limited (GHL), UK and M/s EPS Corporation,

<sup>1</sup> Maximum speed is the speed achieved by a craft at 100% engine power, maximum all up weight over calm water and in still air. It is specified in nautical miles per hour (knots).

<sup>2</sup> Cruising speed is the speed at which a craft can achieve maximum range (i.e., distance covered/travelled without re-fuelling). It is specified in nautical miles per hour (knots).

<sup>3</sup> Staff Qualitative Requirements (SQRs) - It is the document specifying the critical and other required parameters of the equipment.

USA responded with their techno-commercial proposals. The recommendations of the Contract Negotiation Committee (CNC) for acquisition of 12 ACVs from M/s GHL, UK were approved (August 2010) by the Raksha Mantri (RM). Thereafter, the Ministry of Defence accorded (September 2010) sanction and concluded (October 2010) a contract for acquisition of 12 ACVs at a total cost of PDS<sup>4</sup> 31.95 million (₹223.26 crore) with delivery scheduled between April 2012 and January 2015.

Our examination revealed that the SQRs were deficient. Though an endurance of nine hours was catered for, there was no prescribed requirement for the cruising speed despite the fact that the existing ACVs with the ICG had a cruising speed of 35 knots.

The RFP (August 2009) on the other hand solicited, besides an endurance of nine hours a cruising speed of 45 knots; range of 400 nautical miles; and maximum speed of 45 knots. The two vendors viz. M/s GHL and M/s EPS had indicated cruising speed of their ACVs as 35 knots and 30 knots respectively. The fresh RFP, however, was not issued despite the proposals not meeting the SQRs and the solicited requirement for cruising speed was altogether deleted in a pre-bid meeting with four of the vendors that attended the meeting. The deletion was in violation of the DPP-2008 as it permits only clarifications as against alteration in parameters solicited through RFP. As per DPP such material deviations from the RFP are required to be approved by the RM, however, the case was not put up to the RM through the Defence Procurement Board (DPB) for his approval.

The Ministry while conceding (April 2012) that the maximum speed, cruising speed and endurance are among its critical parameters for ACVs, stated that the documentation for the AON approved by the RM did not refer to cruising speed. Ministry also accepted that in the pre-bid meeting the cruising speed of 45 knots mentioned in RFP was amended to read 'only as cruising speed' so as to 'leave the option of selecting the cruising speed to the designer'. The rationale for bringing in this flexibility has not been explained even though existing ACVs of Coast Guard have cruising speed of 35 knots.

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<sup>4</sup> 1 PDS = ₹69.87

The case thus reveals that the procurement of ACVs was based on an SQR that was enriched in RFP. The critical requirement was subsequently deleted in a pre-bid meeting with the few vendors who responded to the RFP. The vitiation of the process led to denial of level playing field to other vendors and could have led to the limited number of offers received by the Ministry. As such this procurement worth ₹223.26 crore for coastal security is questionable, both on discovery of most economic price as also on the operational suitability of the very equipment.

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