

Govt holds consultations for radically different defence offsets policy

The proposed policy has three options given to the foreign supplier for discharge of offsets, which will be clearly specified in the Request for Proposal issued by the ministry. The defence ministry carried out a second round of consultation with the private defence firms on Thursday for finalising a radically different offsets policy on defence deals. The proposed new offsets policy will do away with the existing policy which mandates 30 per cent offsets on a foreign defence contract. Defence minister Manohar Parrikar has been a critic of the current offsets policy. He has argued that India has so far been spending 14-18 per cent extra on defence contracts because of the existing offset policy. He also stated that India has signed \$5 billion worth defence offset contracts while \$10 billion of additional offsets are in the pipeline. Department of defence production has held two rounds of negotiations with the industry so far. In the first interaction in December, officials outlined the broad contours of the proposed policy. The proposed policy has three options given to the foreign supplier for discharge of offsets, which will be clearly specified in the Request for Proposal (RFP) issued by the ministry. In the first option, the RFP will specify certain critical technology that the foreign supplier will have to transfer to the Indian partner. This will be chosen from a bank of technologies identified by the DRDO in collaboration with private industry. The second option will ask the foreign supplier to manufacture a specific sub-system or component of a product in India, while the final option obligates the foreign vendor to develop requisite skill sets in the Indian industry. The government will specify either one or more of these offset options in the RFP. Under the existing policy, foreign defence suppliers signing contracts worth Rs 300 crore or more are mandated to spend at least 30 per cent of the contract value in India as offsets. Earlier this month, Parrikar announced that the contract value for offsets will be raised from Rs 300 crore to Rs 2,000 crore in Defence Procurement Procedure (DPP) 2016. Sources in the defence ministry said that DPP-2016 is scheduled to be notified in a couple of months and will feature the existing offsets policy, with the raised contract value of Rs 2,000 crore. The proposed offsets policy, once finalised, will be notified separately later in the year to replace this older version. An industry representative who attended the meeting with defence ministry officials earlier this week told The Indian Express that the industry feedback was about the transfer of technology being done to DRDO. The industry representatives felt that the license for the technology should be with the private sector and DRDO can at best be a co-holder of technology. The other issues flagged by the industry representatives pertain to ownership structure of Indian partner, non-insistence on 100 per cent IPR over the transfer and wider flexibility to foreign supplier to discharge offsets across group companies. Defence ministry officials said that they will now take these issues to the DPSUs, service headquarters, DRDO and other stakeholders before finalizing the policy.

India, France try hard to end 'complex negotiation' on Rafale

NEW DELHI: India and France are trying hard to conclude the "complex negotiation" over proposed supply of 36 Rafale fighter jets to Indian Air Force (IAF), with only two days left before Prime Minister Narendra Modi and French President Francois Hollande meet in New Delhi. Though the multi-billion dollar deal for supply of 36 Rafale multi-role combat aircraft - manufactured by Dassault Aviation of France - for IAF was expected to be one of the most prominent outcomes of French President's visit to New Delhi, the negotiators could not narrow differences, particularly on the issue of price of each aircraft along with its weapon system. "The discussions are taking place at present. So I cannot say what will be the outcome of this. They are not finalised. It is indeed a complex negotiation," France's ambassador to India, Francois Richier, told journalists on Friday. Hollande, who is going to be the chief guest on the occasion of Republic Day in New Delhi, will land in Chandigarh on Sunday to commence his second visit to India. Modi will receive him in Chandigarh, where the two leaders will address a meeting of the top business leaders of India and France. A number of business deals are expected to be signed by Indian and French companies on the sideline of the event in Chandigarh. Prime minister and French president will meet in New Delhi on Monday where they will review bilateral cooperation between India and France and will also exchange views on national and international issues. The government had in 2011 short-listed Rafale and Eurofighter Typhoon out of six biddings for the contract for supply of 126 Medium Multi-Role Combat Aircraft for the IAF. The Dassault Aviation finally won the contract in 2012. But in view of the "critical operational necessity for Multirole Combat Aircraft" for the IAF, prime minister, during his visit to Paris in April last year, conveyed to French president that India would like to acquire 36 Rafale jets "in fly-away condition as quickly as possible" under an inter-governmental agreement to be negotiated by the two nations. New Delhi and Paris have since long been negotiating the proposed inter-governmental negotiation, but could not make a breakthrough on critical issues of pricing and offset obligation. "I will share with you that I am hopeful (that the inter-governmental agreement will be signed during French President's visit to India). But (being) hopeful does not mean we have certitude. Work is being conducted with a lot of energy," said France's envoy to India. Officials said Modi and Hollande might call for early conclusion of the deal on 36 Rafale jets after their meeting in New Delhi on Monday. New Delhi and Paris are also discussing possibilities of supply of Rafale aircraft for Indian Navy as well as another project for co-development of Short Range Surface-to-Air Missiles or SR-SAM by India's Defence Research and Development Organisation with European missile system manufacturer MBDA.