

CAG Report on Rafale Deal

Why in news?

The report of the Comptroller and Auditor-General of India on acquisition of 36 Rafale fighter jets from France was recently tabled in Parliament.

Click [here](#) to know more on the controversy over the Rafale deal.

What is the deal on?

- Rafale is a twin-engine Medium Multi Role Combat Aircraft (MMRCA).
- Tenders for 126 MMRCA fighters were issued by India in 2007.
- It was an open competition between companies, including Dassault Aviation of France.
- Dassault was announced as the lowest bidder in 2012.
- But on Indian PM's visit to France in 2015, India's intention to buy 36 Rafale aircraft in "fly-away" condition was announced.
- The Defence Minister announced the previous 126 fighter jet deal to be dead.

What is the audit report on?

- The CAG report has examined the €7.87-bn deal for 36 Rafale aircraft signed between India and France in 2016.
- The purpose is to assess if the objectives of Indo-French joint statement and the objectives set out for INT (Indian Negotiating Team) by DAC (Defence Acquisition Council) were achieved in the deal.
- The CAG had to compare the latest deal for 36 Rafale with the price bid by Dassault for 126 Rafale jets in 2007.
- It did this by converting the earlier deal into an equivalent cost for 36 aircraft in 2016.
- The question of 50% offsets in the deal, which has been at the centre of a major controversy, has not been dealt by the CAG.
- It will form part of a separate report by the CAG on offsets in all the deals.

What are the report highlights?

- The CAG report concludes that the 2016 agreement is slightly better in terms of both pricing and delivery than the 2007 deal.

- **Price comparison** - The 2016 deal through IGA (Inter-Governmental Agreement) is 2.86% cheaper than the earlier UPA (United Progressive Alliance) regime deal.
- On the Rafale's India Specific Enhancements (ISE), which cost more than €1.3 billion of the €7.87 billion deal, the CAG stated that there was a saving of 17.08%.
- **Delivery schedule** - There was an improvement of one month in the 2016 contract (71 instead of 72 months for the earlier bid).
- **Absence of bank guarantee** - The 2007 offer from Dassault had costs of bank guarantee embedded in its offer.
- But there is no such guarantee in the 2016 contract which is a "saving" for Dassault.
- This sum should have been passed on to the Indian government, the audit observed.
- **126 to 36** - By reducing aircrafts to be bought from 126 to 36, there is a wide gap in the operational preparedness of the IAF.
- But the CAG could not find any proposal with the Defence Ministry for filling this gap.
- Ministry of Defence had reportedly informed CAG that it had issued a fresh Request For Information (RFI) for new fighter aircraft to fill this gap.
- **Government claims** - One of the government's claims was that each basic aircraft (without enhancements) was 9% cheaper in the 2016 deal.
- But the audit concluded that there was no difference between the 2007 and the 2016 offer in this regard.

What are the concerns?

- The report comes amidst varied revelations about possible lapses and deviations in the Rafale deal.
- But the audit report is less likely to bring closure to the controversy over the deal as it does not clarify all the doubts about the deal.
- The original issue of bringing down the total acquisition from 126 to 36 aircraft was not given much attention.
- The CAG's assessment of savings in India Specific Enhancements (ISE) to be around 17% is also not properly documented and needs deeper examinations.
- The report, in all, stresses on the fact that the defence acquisition processes in India require reforms and streamlining.

Source: The Hindu, Indian Express



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