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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