Concerns with Rafel Deal

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Why in news?

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There are many doubts that have raised with the modified rafale deal and it needs to be addressed.

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What is the deal all about?

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- The governments of India and France had entered into an MoU in 2012 under which India would buy 126 Rafale twin-engine multi-role fighter aircraft.
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- The price per aircraft discovered through an international bid opened on December 12, 2012, was Rs 526.10 crore.
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- The manufacturer Dassault would supply 18 aircraft in ‘fly away’ condition.
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- The remaining 108 aircraft would be manufactured in India at the Hindustan Aeronautics Limited’s facilities in Bengaluru using Dassault technology that would be available to HAL under a Transfer of Technology agreement.
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- That signed MoU was cancelled and the Prime Minister announced the new ‘deal’ on 2015.
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- Under the modified deal, the number of aircrafts to be purchased was reduced to 36 from 126 aircrafts as per the previous agreement.
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- All the 36 aircrafts were accepted to bought under “flyaway” condition that left out the possibility of “Make in India” component.
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What are the concerns?

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- The decision taken to cancel the earlier MoU and enter into a new agreement was not made public by the government.
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- **Quantity** - Under the new agreement, India will buy 36 aircraft at an undisclosed price.
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- The Indian Air Force has 31 squadrons now and said it needed 42 squadrons of fighter jets.
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- But the government decide to buy only 2 squadrons (36 aircrafts) when the need was for 7 squadrons (126 aircrafts).
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- **Price** - The government is purchasing the same aircraft from the same manufacturer under “the same configuration”.
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- But the price per aircraft under the new agreement is Rs 1,670 crore as disclosed by Dassault which is a three-fold increase in quoted price from the previous agreement.
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- But the government claims that the price of the aircraft under the new agreement is “cheaper” by 9%.
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- Still, the government is buying only 36 aircraft and not all the 126 aircraft offered by Dassault.
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- **Purchase** - The new agreement was presented as an “emergency purchase”.
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- But the schedule of delivery of the first aircraft is stated as September 2019 (four years after the agreement) and the last only in 2022.
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- This raised concerns on how the deal qualified to be an “emergency purchase”.
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- **Transfer of technology** - HAL has experience of 77 years and has manufactured a variety of aircraft under licence from the respective manufacturer.
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- When entering into the new agreement, there was no mention of Transfer of

Technology from Dassault to HAL.
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- The absence of transfer of technology (ToT) component creates void on the role guaranteed for any Indian public sector company, including HAL.
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- **Offset supplies** - Every defence purchase by India imposes an ‘offset’ obligation upon the vendor.
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- Dassault has admitted that it would have an offset obligation to the tune of Rs 30,000 crore against the sale of 36 aircraft.
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- HAL is a public sector undertaking and it had entered into a ‘work share’ agreement with Dassault on 2014, which was also qualified to be the offset partner.
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- But France has disclosed that the Government of India had suggested the name of a private sector company as the offset partner and France and Dassault had “no choice” in the matter.
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- Recently, Defence Minister of France laid the foundation stone for the factory of the private sector company at Mihan, near Nagpur, where the offset supplies would be manufactured.
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- Dassault and the private sector offset partner had also disclosed in a press release that their joint venture “will be a key player in the execution of offset obligations”.
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- However, Government of India has denied that it had suggested the name of a private partner.
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- There were also recent reports of disparaging remarks made against HAL by the government which raised the doubts regarding their intention to privatising or shutting down operations of HAL.
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- All these concerns warrant the need for government to order an enquiry into the matter and make details of the deal public.
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Source: The Indian Express

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