

CAG Report Summary

Acquisition of Helicopters for VVIPs

Background

The Comptroller and Auditor General (CAG) submitted a report on the acquisition of helicopters for Very Very Important Persons (VVIPs) on August 13, 2013. The audit sought to examine the process of acquisition of VVIP helicopters and its compliance with the Defence Procurement Procedure (DPP), the prescribed procedure for procurement in the defence services.

The Indian Air Force maintains a fleet of aircrafts and helicopters for providing air transportation to VVIPs. In 1999, it proposed replacing its helicopters with more advanced versions, given their operational limitations. In 2010, the Ministry of Defence concluded a contract with M/s AgustaWestland International Ltd., UK for the procurement of 12 helicopters (of the AW-101 model) at a total cost of Rs 3727 crore. The audit examines compliance of this particular procurement with the DPP.

Key findings and recommendations

Key findings and recommendations of the CAG are detailed below:

- The initial Request for Proposal (RFP) issued by the Ministry of Defence in 2002 mandated an altitude requirement of 6000 metres. Only one helicopter, the EC 225 of Eurocopter met this requirement. The EH-101 helicopter (later renamed AW-101) of AgustaWestland did not meet this requirement.
- However, the first RFP was cancelled due to the emergence of a single vendor situation. In the revised RFP in 2006, the altitude requirement was reduced to 4500 metres, and a cabin height requirement of 1.8 metres was introduced, making the AW-101 eligible, and the EC 225 ineligible.
- The CAG report points out that the lowering of the altitude requirement was against the operational requirement of the procured helicopters, especially in

many areas of the north and north east of India. In addition, the single vendor situation remained even after lowering the altitude requirement, because of which the AW-101 of AgustaWestland was selected.

- The revised Service Qualitative Requirements (SQRs) in 2006 made competition more restrictive instead of making the procurement procedures more broad based to increase competition. The fresh RFP with revised SQRs was issued to only 6 vendors as opposed to 11 in 2002.
- The Field Evaluation Trial (FET) of the AW-101 was conducted on representative helicopters and not the actual helicopter. The AW-101 was still at the development stage at the time of the FET.
- Although the 2006 RFP had laid down the necessity of carrying out the field evaluations in India, they were conducted abroad.
- Given the low utilisation levels of the existing fleet of helicopters, the Ministry was not justified in procuring four additional helicopters for VVIPs.
- The IAF continued to face operational difficulties with existing helicopters as the acquisition of the new helicopters took more than 10 years.
- The cost benchmarked by the Contract Negotiation Committee was much higher than the offered price, allowing no room for negotiation.
- The DPP, 2006 makes an offset clause mandatory in all contracts above Rs 300 crore.¹ Certain offsets were allowed which were not compliant with the provisions of the DPP.

The CAG report concludes that the process of acquisition from framing of quality requirements to the conclusion of the contract differed from established procurement procedures.²

¹ The offset clause mandates that 30% of the estimated costs must be invested in indigenous defence industries in acquisitions of over Rs 300 crore in certain categories.

² "Acquisition of Helicopters for VVIPs", Comptroller and Auditor General of India, August 13, 2013

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