

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

STARRED QUESTION NO:46  
ANSWERED ON:26.11.2012  
PURCHASE OF VVIP HELICOPTERS  
Haque Shri Sk. Saidul;Jeyadural Shri S. R.

**Will the Minister of DEFENCE be pleased to state:**

- (a) whether the Government had signed a deal to buy 12 helicopters for the use of VVIPs;
- (b) if so, the details thereof;
- (c) whether reports of alleged kickbacks to Indians have come to the notice of the Government and if so, the details thereof;
- (d) whether the Government has ordered any inquiry into the case and if so, the outcome thereof and the action taken against the persons found guilty in this regard; and
- (e) the reasons for the presence of middlemen in defence deals and the steps taken to check this practice?

**Answer**

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 46 FOR ANSWER ON 26.11.2012

Ministry of Defence (MoD) has signed a contract with M/s Agusta Westland, U.K. on 8th February 2010 for procurement of 12 (eight VVIP version and four non-VVIP version) helicopters at a total cost of Euro 556.262 Million. The deliveries are scheduled between January to July 2013.

It has come to the notice of MoD through several reports, both in Indian and foreign media, starting from February 2012 that Italian prosecutors had begun a probe into alleged unethical dealings by M/s Finmeccanica, Italy, the parent company of M/s Agusta Westland, and the probe has been widened to include the above-mentioned Indian Contract. Follow-up action taken and developments thereafter are as follows:

(a) MoD sought a report from the Indian Embassy in Rome. Report received indicated that Italian Magistrates / Prosecutors are conducting preliminary investigations about allegations of financial malpractices occurring within M/s Finmeccanica and its subsidiaries in general.

(b) Following fresh media reports in May 2012, the Embassy of India was requested for an update on the matter. The Ambassador reported that preliminary /administrative investigations were underway against M/s Finmeccanica and its subsidiaries and further action would depend on the results of these preliminary / administrative investigations of the Prosecutors / Magistrates.

(c) On MoD's request, the Embassy of India took up the matter with Government of Italy for their official position on the matter and intimated us that they have no official position on the issue in view of the independence of judiciary and Italian prosecutors being neither under the executive nor accountable to it.

(d) MoD also took up the matter with Ministry of External Affairs (MEA) to advise as to whether it would be appropriate to pursue the matter directly with the concerned judicial authorities. MEA, in turn, advised MoD to explore the possibility as this merely involves an inquiry of a factual nature. On the basis of the request from MoD, Indian Embassy in Rome has taken up the matter with the Naples Prosecutor's office. No feedback has been received so far in this regard.

(e) On the request of MoD, the Embassy of India in Rome also took up the matter with M/s Finmeccanica pertaining to a news report referring to an internal audit by them into M/s Agusta Westland's contract with India and forwarded the response received from them. However, the response received is inconclusive and do not bring out any concrete fact to draw a conclusion.

(f) Several media reports also appeared recently in various Indian dailies referring to arrest of a consultant, telephonic conversations and payment of commission indicating that the commissions might have been paid in the contract for procurement of 12 VVIP / VIP helicopters from M/s Agusta Westland for Indian Air Force. Since recent reports specifically refer to the alleged payment of commission and involvement of Indians in the above deal, MEA has been requested to take up the matter with the Italian Government

to seek information as to whether any middleman was involved in the entire contract and was there involvement of any Indian individual or entity? MEA in response to MoD's request instructed Embassy of India in Rome to pursue the matter vigorously with Italian Ministry of Foreign Affairs, which, in turn, has already taken up the matter with them through handing over of an Aide Memoire prepared along the lines of the request made by MoD. Besides, the Italian Ambassador in India was also summoned by the MEA and a copy of the Aide Memoire has also been handed over to him .

(g) Furthermore, since M/s Agusta Westland is a U.K.-based company and the media reports also refer to alleged involvement of a middleman who is said to be a British consultant, MEA has also been requested to take up the matter with Government of U.K. as well requesting their cooperation in verifying the allegations and helping us by providing relevant information relating to the alleged involvement of a middleman and / or of any Indian individual / entity.

MoD is constantly pursuing the matter and committed to take suitable penalty measures in the event of allegations being substantiated. However, in the absence of any specific information in this regard, Government has not ordered any formal inquiry into the case so far.

In accordance with the Defence Procurement Procedure (DPP), an Integrity Pact needs to be signed between the Buyer and the bidders for all procurement schemes over `100 Crores. The Integrity Pact is a binding agreement between the Buyer and bidders for specific contracts in which the Buyer commits that it will not accept bribes during the procurement process and bidders commit that they will not offer bribes. DPP also contains provisions of penalties to be imposed if any seller engages any individual or firm, whether Indian or foreign, whatsoever, to intercede, facilitate or in any way recommend to Government of India or any of its functionaries, whether officially or unofficially, for the award of the contract to the seller. These provisions are in place to check the role of middlemen and ensure the highest degree of probity, public accountability and transparency in defence acquisition cases.

The said Contract for procurement of 12 helicopters contains the standard clauses relating to penalties for use of undue influence and against employment of agents and agency commission. Any breach of these provisions entitles the MoD to cancel the contract and all or any other contracts with the company and recover the amount of any loss arising from such cancellations. It may also entail imposition of penal damages and forfeiture of bank guarantees. Besides this, there is a Pre-Contract Integrity Pact signed with the vendor. The Integrity Pact provides for invocation of contractual provisions in case any wrong-doing is established in addition to any action that may be required under the relevant provisions of the Prevention of Corruption Act and Indian Penal Code.