

**59**

**ACQUISITION OF SU-30 AIRCRAFT**

**MINISTRY OF DEFENCE**

**PUBLIC ACCOUNTS  
COMMITTEE**

**2003-2004**

**FIFTY-NINTH REPORT**

**THIRTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

FIFTY-NINTH REPORT  
PUBLIC ACCOUNTS COMMITTEE  
(2003-2004)

(THIRTEENTH LOK SABHA)

ACQUISITION OF SU-30 AIRCRAFT  
MINISTRY OF DEFENCE

[Action Taken on 33rd Report of Public Accounts Committee (13th Lok Sabha)]



*Presented to Lok Sabha on 22 December, 2003  
Laid in Rajya Sabha on 22 December, 2003*

LOK SABHA SECRETARIAT  
NEW DELHI

*December, 2003/Agrahayana, 1925 (Saka)*

PAC No. 1744

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(2003-2004)

(THIRTEENTH LOK SABHA)

ACQUISITION OF SU-30 AIRCRAFT

MINISTRY OF DEFENCE

Price : Rs.12.00

Presented to Lok Sabha on 17 December 2003



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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE  
(2003-2004)

Sardar Buta Singh — *Chairman*

MEMBERS

*Lok Sabha*

2. \*Shri Haribhai Chaudhary
3. Shri Priya Ranjan Dasmunsi
4. Shri M.O.H. Farook
5. Dr. Madan Prasad Jaiswal
6. Shri Raghunath Jha
7. Dr. K. Malaisamy
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*Rajya Sabha*

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18. Shri K. Rahman Khan
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20. Dr. Alladi P. Rajkumar
21. \*\*\*Vacant
22. Prof. Rom Gopal Yadav

SECRETARIAT

- |                            |   |                             |
|----------------------------|---|-----------------------------|
| 1. Shri P.D.T. Achary      | - | <i>Additional Secretary</i> |
| 2. Shri S.K. Sharma        | - | <i>Joint Secretary</i>      |
| 3. Shri Raj Shekhar Sharma | - | <i>Deputy Secretary</i>     |
| 4. Shri J.M. Baisakh       | - | <i>Assistant Director</i>   |

\* Shri Haribhai Chaudhary, MP resigned w.e.f. 9th May, 2003 and re-elected w.e.f. 30th July, 2003.

\*\* Shri Bhartruhari Mahtab, MP elected w.e.f. 30th July, 2003 *vice* Shri Chinmayanand Swami, MP ceased to be a Member on his appointment as Minister w.e.f. 24th May, 2003.

\*\*\* Shri C.P. Thirunavukkarasu, MP retired w.e.f. 6th October, 2003.

## INTRODUCTION

I, the Chairman, Public Accounts Committee having been authorised by the Committee to present the Report on their behalf, do present this 59th Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their 33rd Report (13th Lok Sabha) on "Acquisition of Su-30 Aircraft".

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 17th December, 2003. Minutes of the sitting form Part II of the Report.

3. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;  
17 December, 2003  
26 Agrahayana, 1925 (Saka)

SARDAR BUTA SINGH,  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by Government on the observations/recommendations of the Committee contained in their Thirty-Third Report (13th Lok Sabha) on Paragraph 2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (No. 8 of 2000), Union Government (Defence Services—Air Force & Navy) relating to "Acquisition of Su-30 Aircraft".

2. The Thirty-Third Report which was presented to Lok Sabha on 29 April, 2002 contained 13 observations/recommendations. The Action Taken notes on all these observations/recommendations have been received from the Ministry of Defence and are broadly categorized as follows:

- (i) Recommendations and observations which have been accepted by Government

Sl. No. 2-9, 11-13

- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of replies received from Government

Sl. Nos. 1, 10

- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration

—Nil—

- (iv) Recommendations and observations in respect of which Government have furnished interim replies.

—Nil—

#### **Major findings of the Committee in their Original Report**

3. In order to improve the combat capability of the Indian Air Force, Government of India approved acquisition of 40 Su-30 Aircraft and associated equipment at a cost of Rs. 6,310 crore and concluded a contract with a foreign manufacturer in November 1996. The contract contemplated induction of fully upgraded Su-30 multi-role Aircraft in a phased manner commencing from the first half of 2001. In their Thirty-Third Report, the Committee had observed that the Ministry of Defence opted for an uncertain route of joint development which proved not only delay prone but also rendered the entire upgradation programme significantly complex both in terms of technology and management. The unrealistic assumptions regarding the capability of timely indigenous development of certain avionics systems and lead time for import of the western systems for upgradation of the Su-30K air-defence Aircraft into multi-role Su-30 MKI version had seriously jeopardized the schedule of induction of this aircraft into the Indian Air Force. The delayed induction programme not only afflicted the operational

equation of Indian Air Force but also entailed additional financial burden on the exchequer estimated to be of the order of US \$9.82 million towards upgradation of the aircraft to multi-role version. Besides, the indecisiveness of the Ministry led to non-establishment of a service support center at the operating base of Indian Air Force considered essential to reduce the down time of the aircraft, which also affected the maintainability of Su-30 fleet. What was further was that a viable repair/overhaul facility was not installed even though the Su-30 fleet was more than 3 years old. The Committee had concluded that this complex collaborative venture, fraught with many uncertainties was badly executed and ultimately turned out to be one of the main causes for abnormal delay in the availability of Su-30 multi-role aircraft for the Air Force.

4. The action taken notes furnished by the Ministry of Defence have been reproduced in the relevant chapters of this Report. In the succeeding paragraphs, the Committee, however, deal with the action taken by Government on some of their observations/recommendations.

#### **Delay in the induction of Su-30 multi-role aircraft**

**(Sl. Nos. 2 & 6, paragraphs 16 & 20)**

5. Commenting on the delay in acquisition of Su-30 multi-role aircraft and its impact on the combat fleet strength of the Indian Air Force, the Committee in Paragraph 16 and 20 of their 33rd Report (13th Lok Sabha) had recommended as follows:

"The contract contemplated induction of fully upgraded Su-30 aircraft in a phased manner commencing with 10 multi-role aircraft from the first half of 2001. While the initial consignment of eight aircraft was to be only the Su-30K (air-defence) version, the subsequent 22 aircraft before the last consignment under phase-III, were to include progressively increasing number of equipment, which were needed to upgrade them fully to the multi-role version. The delivery of 22 partially upgraded aircraft including 10 in phase-1 and 12 in phase-II was scheduled to commence from July 1998 and July 1999 respectively. The equipment, which were not initially installed in these partially upgraded aircraft, were to be fully installed later in India/manufacturer's plant in a phased manner during 2001 and 2002. The Committee are perturbed to find that barring delivery of eight SU-30K aircraft in May 1997, not a single upgraded SU-30 MKI aircraft has been delivered, despite an investment of 2671.54 crore and delay of more than 3 years. The original delivery schedule has already been revised twice and 10 fully upgraded multi-role aircraft which scheduled to be supplied by December 2001, are expected to be available by the end of 2003. As a result, final upgradation schedule of 22 partially upgraded aircraft and eight SU-30K air defence aircraft planned in India/manufacturer's plant was also rescheduled leading to delays of about two years. The major reasons for non-materialisation of the planned induction schedule of the aircraft have been attributed to delay in development and procurement of indigenous and western avionics equipment and their ultimate



supply to the manufacturer for integration to the SU-30K aircraft. Obviously, repeated revision in the delivery schedule indicates that the time frame was drawn up without realising that embarking on a complex upgrade programme with divided responsibility for procurement of avionics and the attendant difficulties in their integration would seriously distort the programme of induction of SU-30 multi-role aircraft in the Indian Air Force. While taking exception to such an unviable planning, the Committee recommend that the Ministry should strengthen its monitoring mechanism and vigorously pursue the joint development programme to realise the acquisition of the multi-role aircraft within the revised time frame spelt out in agreement with the manufacturer.

The Committee note with concern that the delay in the induction of SU-30 multi-role aircraft had its cascading impact on the proposed aircraft phase out plan, as the IAF was compelled to extend the technical life of the ageing Mig-21 and Mig-23 aircraft, besides advancing procurement of Mirage-2000 and Jaguar aircraft to contain major shortfall in the combat fleet strength. In addition, the delay in the development programme would entail a huge financial burden on the exchequer to the tune of approximately US\$ 9.82 million towards upgradation of the SU-30 aircraft, involving an outflow of additional Rs. 546 crore due to foreign exchange variation. The Committee are therefore, constrained to conclude that imprudent planning and inept handling of the execution of the joint development project cost the exchequer avoidable extra expenditure besides affecting the operational preparedness of the forces. While expressing their anxiety and concern over the situation, the Committee recommend that the Ministry initiate urgent measures to realise acquisition of the SU-30 multi-role aircraft within the revised time frame in order to contain avoidable outgo of precious foreign exchange."

6. In their action taken note in respect of Paragraph 16 of the Report, the Ministry of Defence stated:

"As a part of monitoring mechanism, a SU Project Team (SUPT) consisting of 5 officers and 2 airmen has been formed at Moscow for an on site coordination and monitoring of the joint development programme. Similarly, "SU-30 Project Development and Monitoring Cell" has been formed at Air HQ to monitor, coordinate and execute the project and function as single point agency to maintain an interface with all the vendors, Ministry of Defence and other IAF agencies."

7. In their action taken note in respect of Paragraph 20 of the Report, the Ministry of Defence stated:

"Keeping in view the current status of the programme, Ministry is confident that the programme would be completed within the revised time schedule. In fact, 10 SU-30 MKI aircraft have already been inducted into the Indian Air Force."

8. In their earlier Report, the Committee had observed that cumulative delay in the induction of Su-30 multi-role aircraft had not only frustrated the proposed aircraft phase out plan but also resulted in huge financial burden on the exchequer to the tune of US\$ 9.82 million towards upgradation of the Su-30 aircraft involving an outflow of additional Rs. 546 crore due to foreign exchange variation. While expressing dissatisfaction over imprudent planning and inept handling of the execution of the joint development project, the Committee had recommended that the Ministry should initiate urgent measures to realize acquisition of Su-30 multi-role aircraft within the revised time frame in order to contain further outflow of precious foreign exchange. In their Action Taken notes, the Ministry stated that the monitoring mechanism has been strengthened further with the raising of a Su Project Team" at Moscow and formation of "Su-30 Project Development and monitoring cell" to monitor, coordinate and execute the joint development programme. The Ministry have expressed confidence that the programme would be completed within the revised time schedule. As per the revised delivery schedule effected in February 2001, ten fully upgraded multi-role aircraft (Su-30 MKI-3) were expected to be made available between July-December 2003 and 22 partially upgraded aircraft including 10 aircraft in Phase 1 and 12 in Phase II were to be delivered latest by June 2002 and June 2003 respectively. As against this, only 10 Su-30 MKI-1 aircraft were received and inducted into the Indian Air Force in September 2002. The revised delivery schedule further stipulated that the 22 partially upgraded aircraft (10 Su-30- MKI-1 and 12 Su-30 MKI-2) were to be fully upgraded to multi-role version with integration of progressively increasing number of avionic equipments in Indian by the third quarter of 2004 and the fourth quarter of 2003 respectively. Similarly, the eight Su-30K aircraft (Air defence only) procured in 1997 under the main contract were planned to be fully upgraded to multi-role version by the second quarter of 2004 in the manufacturer's plant. The Ministry have neither spelt out the details about the delivery of Su-30 MKI-2 and Su-30 MKI-3 aircraft nor furnished the current status of envisaged upgradation of those aircraft to the desired multi-role version. Considering that only 10 Su-30 MKI-1 aircraft have been received so far, it is apparent that there is already a slippage in the delivery of the aircraft in stage II and it is unlikely that the revised upgradation programme of Su-30 aircraft in India would materialise. What the Committee apprehend at this stage is that there is every likelihood for another revision in the already belated induction programme, which would obviously result in avoidable extra cost to the Government. With this background, the Committee are extremely constrained to observe that the Ministry have again failed in their joint development mission to accomplish the induction programme despite seeking repeated revision in the delivery schedule. While pointing out that the fully upgraded Su-30 multi-role aircraft still eludes the Indian Air Force, the Committee urge upon the Ministry to gear up their core monitoring mechanism for expeditious completion of the joint development programme so as to equip the Air Force with the much needed aircraft at the earliest. The Committee would like to be apprised to the status of induction of fully upgraded Su-30 multi-role aircraft within a period of 3 months.

## CHAPTER II

### RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation

The contract contemplated induction of fully upgraded Su-30 aircraft in a phased manner commencing with 10 multi-role aircraft from the first half of 2001. While the initial consignment of eight aircraft was to be only Su-30 (air defence) version, the subsequent 22 aircraft before the last consignment under phase-III were to include progressively increasing number of equipment, which were needed to upgrade them fully to the multi-role version. The delivery of 22 partially upgraded aircraft including 10 in phase-I and 12 in phase-II was scheduled to commence from July 1998 and July 1999 respectively. The equipment, which were not initially installed in these partially upgraded aircraft, were to be fully installed later in India/manufacturer's plant in a phased manner during 2001 and 2002. The Committee are perturbed to find that barring delivery of eight Su-30K aircraft in May 1997, not a single upgraded Su-30 MKI aircraft has been delivered, despite an investment of 2671.54 crore and delay of more than 3 years. The original delivery schedule has already been revised twice and 10 fully upgraded multi-role aircraft which, scheduled to be supplied by December 2001, are expected to be available by the end of 2003. As a result, final upgradation schedule of 22 partially upgraded aircraft and eight Su-30K air defence aircraft planned in India/manufacturer's plant was also rescheduled leading to delays of about two years. The major reasons for non-materialisation of the planned induction schedule of the aircraft have been attributed to delay in development and procurement of indigenous and western avionics equipment and their ultimate supply to the manufacturer for integration to the Su-30K aircraft. Obviously, repeated revision in the delivery schedule indicates that the time frame was drawn up without realising that embarking on a complex upgrade programme with divided responsibility for procurement of avionics and the attendant difficulties in their integration would seriously distort the programme of induction of Su-30 multi-role aircraft in the Indian Air Force. While taking exception to such an unviable planning, the Committee recommend that the Ministry should strengthen its monitoring mechanism and vigorously pursue the joint development programme to realise the acquisition of the multi-role aircraft within the revised time frame spelt out in agreement with the manufacturer.

[Sl. No. 2 of Appendix II, Para 16 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### Action Taken

As a part of monitoring mechanism, a SU Project Team (SUPT) consisting of 5 officers and 2 airmen has been formed at Moscow for an on site coordination and

monitoring of the joint development programme. Similarly, "Su-30 Project Development and Monitoring Cell" has been formed at Air HQ to monitor, coordinate and execute the project and function as single point agency to maintain an interface with all the vendors, Ministry of Defence and other IAF agencies.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02 .  
dated 28.01.03]

### **Recommendation**

The Committee note that the Ministry chose to follow an uncertain route of joint development programme by equipping the Su-30K air defence aircraft with modern avionics systems to be imported and supplied by Government of India and through indigenous development and production, to convert it into a multi-role aircraft. Undoubtedly, the divided responsibility for procurement of the systems and their integration has blurred the responsibility of the manufacturer towards producing an integrated state-of-art multi-role aircraft. The succeeding paragraphs corroborate the findings and concerns of the Committee.

The Committee observe that the development and production of key avionics systems like Mission Computer, Display Processor, Radar Computer, Radar Warning Receiver etc. entrusted to DRDO under project 'Vetrivale' and some other systems assigned to HAL was delayed by more than two years. According to the Ministry, the process of finalisation of technical specification of the avionics and their approval by the manufacture took considerable time and therefore the process of development was delayed. The Ministry's contention is not borne out by facts as the delegation from the manufacturer in Feb/Mar. 1996, held extensive discussions with DRDO and the technical specifications of the sub-systems to be developed were finalised and their delivery schedules arrived at. The Ministry also released Rs. 6 crore to DRDO in July 1996 for initial development of sub-systems under the project 'Vetrivale' and DRDO commenced the development of laboratory models of the sub-systems in July 1996 itself as 'lead-in-project'. Evidently, indigenous capability was overstated without realising the complexity in the development of identified state-of-the-art avionics. The failure of the Indian side to develop and deliver the indigenous sub-systems to the manufacturer within the time frame spelt out in the contract distorted the planned induction schedule of the multi-role aircraft. The Committee are constrained to conclude that the project 'Vetrivale' was yet another case where DRDO failed to deliver the goods in time. The Committee find that though production agencies were identified, serial production of the indigenous avionics is yet to commence. Considering the urgency of equipping IAF with these multi-role aircraft, the Committee hope that the MOD would do their utmost for speedy production of indigenous sub systems required for upgradation of the aircraft.

[Sl. Nos. 3 and 4 of Appendix II, Paras 17 and 18 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

### **Action Taken**

The development work on mission computer (MC), display processor (DP) and radar computer (RC) has already been completed. HAL commenced the commercial production of the mission computers and display processors in the beginning of 2002. HAL delivered production models of the MC and DP have since been fitted into the Su-30 MKI Phase-I aircraft. Radar computer would be integrated in Phase-III. HAL (Hyderabad Division) is ready to commence the commercial production of RC. Indigenous development of Radar Warning Receiver (RWR) is progressing and this would be integrated during Phase-III of the programme. BEL, Bangalore, is the identified commercial manufacturer of RWR. Contract with the BEL for production of RWR would be concluded after completion of the indigenous development. Although there have been delays the confidence shown in the capabilities of DRDO and DPSUs to indigenously develop sophisticated aerospace technologies has been justified. The momentum generated will be a source of strength of DRDO and the DPSUs.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air I)/02  
dated 28.01.03]

### **Recommendation**

Apart from delayed development of indigenous avionics by DRDO, the Ministry also failed to place procurement orders for Western avionics items for supply to the manufacturer as per contracted schedule. While there was enormous delay in procurement and supply of almost all the Western equipment to the manufacturer, some of the equipment are yet to be contracted by the Government. The reasons advanced by the Ministry mainly related to delay in finalisation of Export-Import contract and selection of appropriate vendor, which in view of the Committee should have been aptly taken care of by the Government in the course of implementation of a multi-national nature project with identified milestones. The absolute failure of the Ministry to ensure timely procurement of the requisite Western avionics and imprudent management on the part of authorities concerned in dealing with a delicate and sensitive project under joint development venture, largely affected the original schedule of delivery of the multi-role aircraft by the supplier country. The Committee hope that keeping in view the prevailing security scenario, now at least, the Ministry will wake up to its responsibility and ensure that the remaining western equipment are procured expeditiously and supplied to the manufacturer by the revised time frame i.e. by Oct. 2002, with a view to obviating any further delay in the delivery schedule of the multi role aircraft.

[Sl. No. 5 of Appendix II, Para 19 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

### **Action Taken**

The Ministry has concluded all the contracts for the western systems being integrated on Su-30 MKI except the electronic warfare system (EW Suite) and

reconnaissance & surveillance system (Recce Pod). Technical offer for the EW suite has been received and is under examination. Requests For Proposal (RFP) for the Recce Pod have been issued and response is awaited from the vendors. All efforts are being made to ensure the EW and Recce pod contracts are concluded at the earliest.

[Ministry of Defence/Deptt. of Defence, O.M.No 378/US/D(Air I)/02  
dated 28.01.03]

#### **Recommendation**

The Committee note with concern that the delay in the induction of Su-30 multi-role aircraft had its cascading impact on the proposed aircraft phase out plan as the IAF was compelled to extend the technical life of the ageing Mig-21 and Mig-23 aircraft, besides advancing procurement of Mirage-2000 and Jaguar aircraft to contain major shortfall in the combat fleet strength. In addition, the delay in the development programme would entail a huge financial burden on the exchequer to the tune of approximately US \$9.82 million towards upgradation of the Su-30 aircraft, involving an outflow of additional Rs. 546 crore due to foreign exchange variation. The Committee are therefore, constrained to conclude that imprudent planning and inept handling of the execution of the joint development project cost the exchequer avoidable extra expenditure affecting the operational preparedness of the forces. While expressing their anxiety and concern over the situation, the Committee recommend that the Ministry initiate urgent measures to realise acquisition of the Su-30 multi-role aircraft within the revised time frame in order to contain avoidable outgo of precious foreign exchange.

[Sl. No. 6 of Appendix II, Para 20 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

Keeping in view the current status of the programme, Ministry is confident that the programme would be completed within the revised time schedule. In fact, 10 Su-30 MKI aircraft have already been inducted into the Indian Air Force.

[Ministry of Defence/Deptt. of Defence O.M.No 378/US/D(Air I)/02  
dated 28.01.03]

#### **Recommendation**

The Committee observe that the main contract provided for setting up of a Service Support Centre (SSC) at the operating base assisted by the manufacturer with the basic objectives of undertaking extended second line repair tasks of aircraft, avionics, aero engines and aggregates to avoid the need to despatch them to the manufacturer. The SSC was to commence functioning within one year of the induction of the first batch of Su-30K aircraft, subject to the signing of a separate contract. Significantly, the establishment of SSC assumed greater importance as the warranty for the aircraft was to expire by May 1998 and thereafter the Air Force was responsible for the maintenance of the aircraft fleet. To the utter dismay of the Committee, a full-fledged SSC is yet to be established even after a lapse of four years. According to the

Ministry, the process of setting up complete facilities can only be initiated after the finalisation of the General Contract with the manufacturer, which was signed only in December 2001. Citing reasons for delay in the establishment of SSC, the Ministry stated that since such facilities were being planned for the first time, there was a need to exercise caution and assess the economic viability of the equipment to be procured and installed. With the advancement of such an argument at this stage, the Ministry themselves negate the rationale applied for drafting relevant provisions in the contract. The Committee are distressed to point out that the manner in which this project has been handled is suggestive of lack of concern and sense of purpose. The Air Force admitted that the non-availability of SSC had adversely affected the maintainability and operational preparedness of the Su-30 fleet. Besides, the Government was compelled to sign repair contracts for 18 complex assemblies with a foreign firm at a total cost of US \$ 4.6 million till November 2001. The Committee cannot but conclude that expenditure to the tune of US \$ 4.6 million could have been avoided had the SSC been in place. The Committee therefore, hardly need to emphasise that urgent steps should be taken by the Ministry for the formation of SSC so as to reduce the down time of the aircraft and contain further expenditure on account of undertaking repairs of the equipment abroad.

[Sl. No. 7 of Appendix II, Para 21 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

The Ministry has already concluded the price negotiations for setting up of limited repair facility for aero-engine at Service Support Centre (SSC). Price negotiations have commenced on four other systems offered by the Russians. The negotiations are in progress. The repair facilities would be set up within a span of 12-18 months. With the setting up of the SSC for the five systems, the repair facility for the common systems of Su-30K and Su-30MKI would be completed. In the next phase, systems pertaining to Su-30MKI-2 and 3 would be taken up. The Ministry has already initiated the process in order to synchronize setting up of SSC for additional systems with the schedule of induction.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02  
dated 28-01-03].

#### **Additional Action Taken Note**

Service Support Center to ultimately cater to the requirements of the Su-30 MKI version is planned in three phases, as indicated below:—

- (a) *Phase I*: In phase I, repair facilities for systems, which are common between Su-30 aircraft and all developmental phases of Su-30 MKI aircraft are planned. These include aeroengine, optical laser system, radio communication system, aircraft fuel system and angle of attack limiting system.
- (b) *Phase II*: In phase II, repair facilities for systems, which are common between all developmental phases of Su-30 MKI aircraft are planned. These include radar and 14 avionics systems consisting of 48 line replaceable units (LRUs).

- (c) *Phase III*: In the third phase, repair facilities for systems, which are planned in the final version of Su-30 MKI aircraft and other left over items would be set up. These include Recce pod, electronic warfare systems, laser-designated pod, flight data recorder, digital map generator, countermeasure dispensing systems and other western avionics.

The present position of repair facilities planned at Service Support Center in above-mentioned three phases is given below:—

#### **Phase I**

1. **Aero-engines**: The Ministry concluded the Price negotiations with the Russian firm in February 2002 for setting up of limited repair facility for aero-engine at Service Support Centre (SSC). However, the Russian firm later communicated that equipment as per the agreed price can not be supplied and sought escalation of 15% over the negotiated price. This was not accepted by the Ministry and the Russian firm was advised to stick to the negotiated price. The Russian firm has now reduced the rate of escalation from 15% to 2.2% on the negotiated price, which has been accepted and a contract is expected to be signed by May 2003 for setting up of repair facility for aero engine at SSC, Pune.
2. **Optical Locator System (OLS) (Thermal Seeker and Tracker).**
3. **Complex of Data Link and Information Exchange (KADLIE) (Communication Complex)**: Price negotiations for the above two systems have been completed in February 2003 and contracts are expected to be signed by May 2003.
4. **Angle of Attack & 'G' Limiting Signal**: Revised technical and commercial offer is awaited from Russian side. They have been reminded on 12.12.2002. Revised offer was required because the initial offer sent by the Russian side was for Su-30K aircraft and not for Su-30 MKI and there are changes in the aggregates of this system in Su-30K and Su-30 MKI aircraft.
5. **Fuel System**: The revised offer for fuel system has been received from the Russian side in January 2003. This will be negotiated shortly.

With the setting up of SSC for the above five systems in the first phase, the repair facility for common systems of Su-30K and Su-30 MKI aircraft would be completed.

#### **Phase II**

1. N-011M Radar
2. 14 Avionic Systems consisting of 48 Line Replaceable Units. (LRUs)

Phase II was to commence on induction of Su-30MKI aircraft. The aircraft have been inducted in September 2002. Request for commercial offer was sent to the Russian side on 14th January, 2003 on receipt of technical information from Air Force, Pune.



### Phase III

**Other left-over items:** Phase III will start after delivery of the last MKI aircraft.

Presently, Service Support Centre is undertaking repairs of avionics aggregates of Su-30K aircraft with the available second line testers and Primary Circuit Board (PCB) repair equipment procured indigenously.

The progress on the setting up of Service Support Centre is being monitored by the Steering Committee under the chairmanship of Additional Secretary, Department of Defence.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air I)/02  
dated 13.5.03]

### Comments of Audit

The present position of each of three phases for setting up of a Service Support Centre (SSC) has been indicated. The timeframe by which the setting up of SSC would be completed may also please be indicated stating *inter-alia* steps taken to ensure that in future delays do not recur or at least are minimized in such projects of vital importance.

### Further Action taken by Ministry

The Ministry in their communication dated 10 October, 2003 *inter-alia* have stated as follows:

The present status of three phases of setting up of Service Support Centre (SSC) for Su-30 aircraft is indicated below:—

#### (a) Phase I:

- (i) Contracts for Supply of capital equipment and other facilities of following aircraft systems have been signed with M/s Rosoboronexport in May 2003.
  - (i) Optical Laser System(OLS)
  - (ii) Radio Communication System (KADLII)
  - (iii) Aeroengine AL-31FP.
- (ii) For aircraft fuel system, Price negotiation has been concluded.
- (iii) For limiting Signal System, the Price Negotiation is in progress.
- (iv) All contracts of Phase 1 of SSC are likely to be concluded by Oct., 03. The delivery period in each case is between 12-18 months from the date of signing of the Contract.

**(b) Phase II:** Request for Information (RFI) for phase II of SSC was issued by Air HQ to M/s. Rosoboronexport on 14 Jan 03. No proposal has been received till date from them. Russian side has now informed that part proposal would be submitted shortly.

(c) **Phase III:** Case for Phase III is expected to be initiated by 1st quarter of 2004.

2. The tentative broad time frame for setting up of facilities of Service Support Center phase-wise is indicated below:—

- |               |                   |
|---------------|-------------------|
| (a) Phase I   | IVth Qtr 04       |
| (b) Phase II  | IIIrd/IVth Qtr 05 |
| (c) Phase III | IIInd Qtr 06      |

[Ministry of Defence ID NO. 378/US/D/ (Air I)/02  
dated 10.10.03]

#### **Recommendation**

The Committee note that the contract explicitly stipulated the Supplier's responsibilities to deliver to the Government of India, upon its request, spare parts and aggregates within the whole calendar service life of SU-30K and SU-30MKI aircraft. However, the Committee find that the procurement of spares contract could not fructify in the years 1998 and 1999 resulting in depletion of stock of spares with recurring consumption by I.A.F. According to the Ministry, the main contributory factor that caused delays in the finalisation of general contract for spares was that the prices quoted by the manufacturer were inconsistent and abnormally high. The Ministry however, admitted that due to lack of suitable pricing philosophy and pricing mechanism with the manufacturer, problems of spares were encountered. The Committee observe that though poor production support from the manufacturer affected the serviceability and availability of the SU-30 fleet, no initiative was taken by the Ministry to enforce relevant provisions in the contract beneficial to the Government. The Committee have been informed that an agreement on pricing philosophy was agreed upon in October 2000 and price lists were being verified by the Ministry. The Committee recommend that the Ministry should endeavour to execute general spares contract at the earliest and also ensure mutual adherence to the provision in the contract to guard against any contravention by the manufacturer at the cost of national interest.

[Sl. No. 8 of Appendix II, Para 22 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

The Ministry has concluded the negotiations of general spare contract. Long term pricing philosophy has also been agreed on 20 Oct. 2000 with the Russian for future procurement of spares.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D (Air I) 02  
dated 28.01.03]

#### **Recommendation**

The Committee note that the manufacturer was contractually bound to help in upgrading the repair and overhaul facilities at a base repair depot and at Hindustan Aeronautics Limited (HAL) to undertake repair and overhaul of SU-30K/MKI aircraft

and its engines respectively. After assessing the facility in November 1995, the manufacturer indicated that the Mig- 29 line at the base repair depot could be upgraded easily to handle the SU-30 overhaul task. However, the Ministry did not pursue this cost-effective option and rather chose to establish the facilities at HAL which is now expected to come up by 2004-2005. The Committee are distressed to point out that even though the SU-30K fleet is already four years old and the considerable lead time involved in procurement of equipment and building up of the requisite infrastructure, the abysmal delay on the part of Government to evolve a viable and affective overhaul and maintenance plan is unconscionable. The Committee urge the Ministry to strictly adhere to the timeframe envisaged for setting up of the repair/overhaul facilities at HAL and intimate them the total cost incurred on the project.

[Sl. No. 9 of Appendix II, Para 23 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

A Steering Committee under the chairmanship of Additional Secretary, Department of Defence has been established to monitor the progress in the setting up of repair and overhaul facilities at HAL. The Committee reviews the progress of the program quarterly. Seventh Steering Committee meeting was held in June, 2002. Besides this, Joint Monitoring Committee (JMC) is carrying out monthly review under the chairmanship of Joint Secretary (HAL). Representatives of HAL and IAF are the members of the JMC.

HAL had taken up the repair/overhaul requirements with the Russian agencies even at the time of discussions on license manufacture. Accordingly, willingness of the Russian Government to provide necessary technical support has been recorded in both the Inter-Governmental Agreement (October 2000) and in the General Contract (December 2000) for license manufacture of Su-30 MKI aircraft. A road map for setting up repair/overhaul facilities was also included in the General Contract.

Schedule for major milestones was worked out with Russian agencies (September 2001), as per which the repair/overhaul facilities for Airframe, Engine and aggregates, which are common between Su-30 K and Su-30 MKI aircraft are expected to be ready by 2005. Facilities for uncommon aggregates are scheduled to be set up by 2007. Techno-commercial proposals for overhaul of Airframe (less aggregates) and Engine (less fuel aggregates) have been received from the vendor. Their proposals on facilities for overhaul of common aggregates of Engine are expected shortly. Based on these proposals, technical discussions/price negotiations could be made with the vendor.

All efforts are being made to ensure that repair and overhaul facilities would be ready within the stipulated timeframe to sustain the operations of fleet.

The total deferred revenue expenditure released to HAL by IAF is Rs. 17.88 crores. HAL has indicated that no expenditure has been incurred on the project till date.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air.I)/02  
dated 28.01.03]

### **Recommendation**

As per agreement signed between Government of India and the manufacturing country, HAL has been designated to undertake licensed production of SU-30 multi-role aircraft. The Committee have been informed that the general contract for licensed manufacture between HAL and the manufacturer was signed on 28 December 2000. The delivery of the aircraft is planned to commence from 2004 with 12 aircraft per annum. The total expenditure on the project including both recurring and non-recurring cost is estimated to be Rs. 19975 crore (at 2000 price level) spread over 17 years exclusive of taxes, duties and insurance. The Committee desire that a high level monitoring mechanism involving HAL be instituted to keep a strict vigil over the progress of the project so as to fructify the indigenous manufacture of the multi-role aircraft within the scheduled timeframe. They recommend that the Ministry/HAL should strive for ensuring cost-effectiveness of this project with a view to reaping the optimum return from the indigenous manufacture of the multi-role aircraft. The Committee would like to be apprised to the progress made in implementation of this project.

[Sl. No. 11 of Appendix II, Para 25 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

### **Action Taken**

A Steering Committee under the Chairmanship of Additional Secretary, Ministry of Defence having representatives from Department of Defence production and Supplies (DP&S), HAL and IAF, has been constituted for monitoring the project. The Steering Committee reviews the project on a quarterly basis. So far, seven meetings have been held and the progress is being monitored closely to ensure expeditious implementation of the production program within defined milestones. Besides this, Joint Monitoring Committee (JMC) is carrying out monthly review under the chairmanship of Joint Secretary (HAL). Representatives of HAL and IAF are the members of the JMC.

The progress on the project is also monitored by the Board of Directors of HAL in every meeting. All efforts are being made to ensure adherence to the project schedule.

The progress made so far in implementation of the project is indicated below:—

- (i) Finalisation of technical part of the project report scheduled for 2001, has been completed as scheduled.
- (ii) As regards delivery of license technical documentation, scheduled progressively up to III quarter of 2004, first consignment has already been received and the schedule for the balance, priority-wise, has been finalised.
- (iii) As regards supply of Tooling & Non-Standard Equipment scheduled progressively by IV quarter of 2004, the General Contract has been signed. Supplements are being coordinated priority-wise to meet production schedule.
- (iv) As regards supply of Technical Kits, scheduled from 2003, the General Contract has been signed. Supplements are being coordinated priority-wise to meet production schedule.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air.I)/02  
dated 28.01.03]

### **Recommendation**

The Committee note that out of total equipment valuing US \$375,841,211 to be supplied by the manufacturer as per November 1996 contract, equipment valuing US\$ 255,775,058 had been received by Government till November 2001. While the contract explicitly stipulated that the equipment to be delivered would be new, unused, of current production and serviceable, the Committee find that most of the equipment were defective and unserviceable, besides two items were found to be old and corroded. In effect, 80 warranty claims were preferred on the manufacturer during 1997—2000, of which 79 were got settled by October 2001 and one claim valuing US\$ 142,400 is yet to be settled. What is disquieting to observe that the Ministry could not stop payments to the manufacturer, pending satisfactory settlement of warranty claims due to a faulty one sided provision in the contract that non-settlement of claims could not be used as a ground for the denial to pay invoices. The Ministry admitted that the provision in the contract was faulty, which gave rise to complications in settlement of warranty claims. The Committee therefore, conclude that with the insertion of defective clause in the contract, the Government not only failed to secure the legitimate claims of the Government in time but also allowed the supplier to dictate terms in violating contractual obligations. It is relevant to mention that since the manufacturer did not initiate prompt action to settle the warranty claims, the Ministry withheld payments of US\$ 13.2 million against the invoices in the year 2000, to force the manufacturer to settle the claims, which yielded positive results and several claims were got settled expeditiously. The Committee regret to conclude that had the Ministry taken such a recourse earlier, abnormal delay in settlement of warranty claims with the manufacturer could have been avoided, but for the lenient attitude exhibited by the Ministry the supplier benefited at the cost of the exchequer. The Committee trust that the Ministry would learn appropriate lesson from this case and recommend that adequate care to be taken in future to obviate its recurrence while concluding contracts of similar nature. They desire that the remaining claims be settled with the supplier expeditiously along with obtaining supply of outstanding equipment valuing US\$ 120,066,153.

[Sl. No. 12 of Appendix II, Para 26 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

### **Action Taken**

Warranty claims are being progressed expeditiously. A precedent has been set by deducting the value of the item of unsettled claim against due payments. The same could be resorted to on case-to-case basis, whenever necessary. Care will be taken to ensure that the faulty provision in the contract is not included in future while concluding contracts of similar nature.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D (Air 1)/02  
dated 28.01.03]

### **Recommendation**

To sum up, the acquisition of SU-30 aircraft approved by the Government in 1996 at a cost of Rs. 6310 crore as replacement of the retiring combat fleet leaves much to be desired. The Ministry opted for an uncertain route of joint development which proved

not only delay prone but also rendered the entire upgradation programme significantly complex both in terms of technology and management. The unrealistic assumptions regarding the capability of timely indigenous development of certain avionics systems and lead time for import of the system of Western origin for upgradation of the SU-30K Air defence aircraft into multi-role SU-30MKI version has seriously jeopardised the schedule of induction of this aircraft into the Air Force. The delayed induction programme not only affected the operational equation of Indian Air Force but would also entail additional financial burden on the exchequer estimated to be of the order of US\$ 9.82 million towards upgradation of the aircraft to multi-role version. Besides, indecisiveness of the Ministry led to non-establishment of a Service Support Centre at the operating base of IAF, considered essential to reduce the down time of the aircraft, which also affected the maintainability of SU-30 fleet. Further, the product support from the manufacturer was far from satisfactory, imposing operational limitation on the fleet. What is further disquieting to note is the fact that a viable repair/overhaul facility is yet to be realised even though the SU-30 fleet is more than three years old. Over and above, the manufacturer violated the contractual provisions and supplied defective and unserviceable items, but for the faulty provisions drafted into the contract, the Ministry failed to adequately safeguard and secure the legitimate claims of the Government. The Committee came to the inescapable but unhappy conclusion that this complex collaborative venture, fraught with many uncertainties was badly executed and ultimately turned out to be one of the main causes for abnormal delay in the availability of the SU-30 multi-role aircraft for the Air Force. The Committee hope that the Ministry would now tone up the existing monitoring mechanism to strive for achieving the desired milestones set in the joint development programme, at least by the latest revised induction schedule.

[Sl. No. 13 of Appendix II, Para 27 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

Adequate measures have been adopted to tone up the implementation and monitoring mechanism. All efforts are being made and will be made to ensure that the programme would be completed within the revised delivery schedule.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02  
dated 28.01.03]

a 'concept' at that time when Government went ahead with the decision to acquire the aircraft and it required a lot of development efforts before it met the operational needs of the IAF.

[Sl. No. 1 of Appendix II, Para 15 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

Though the multi-role variant of Su-30K aircraft was still a concept at the time of decision making for the purchase, yet it was considered as one of the most potent aircraft after induction of various avionics systems and the fact that it had a thrust vector and canard technology to provide exceptional maneuverability to the aircraft. The envisaged avionics upgrades were well within available technologies and technical competence for integration. The acquisition of the aircraft was guided by India's future strategic planning, threat perceptions and envisaged role in the emerging global scenario with special reference to our regional aims.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02  
dated 28.01.03]

#### **Recommendation**

The Committee observe that apart from revising the original delivery schedule due to delay in development and delivery of indigenous and Western avionics, the Ministry imported 10 additional Su-30K aircraft from the manufacturer at a cost of Rs. 1187 crore, which was not suitable for multi-role performance. These aircraft are planned to be upgraded to multi-role version under a separate contract with the manufacturer, to be finalised in 2003, involving an estimated expenditure of US\$ 84 million. The Ministry pleaded that the case for procurement of 10 additional aircraft was advanced based on threat perception and operational requirements, arising out of depletion/ageing of IAF combat fleet. However, taking note of the measures taken by the Ministry to take care of the depleted combat strength, the Committee are of the firm view that acquisition of previously unacceptable 10 additional Su-30K aircraft at a cost of Rs. 1187 crore, thereby incurring an additional expenditure of Rs. 133.10 crore (13.31 crore per aircraft) and accepting further liability of US\$ 84 million on its upgradation, was avoidable.

[Sl. No. 10 of Appendix II, Para 24 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

The Su-30MKI aircraft would be the main weapon system of the IAF for the next three decades. The ten additional Su-30K procured with the newly inducted aircrafts will have the same technical life and effectiveness. The number would make the size of the Su-30MKI fleet optimal for operational usage.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02  
dated 28.01.03]

### CHAPTER III

#### RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

##### **Recommendation**

The Committee note that owing to the progressive obsolescence of the ageing combat fleet, the Indian Air Force (IAF) projected the requirement of multi role combat aircraft to make good the phasing out of older aircraft. In order to improve the combat capability of the IAF, Government of India approved acquisition of 40 SU-30K aircraft and associated equipment at a total cost of Rs. 6310 Cr. and concluded a contract with a foreign manufacturer in November 1996. According to the Ministry, the selection of the aircraft was based on flight evaluation report, comparison with Air Staff Requirements, introduction of new avionics to make the aircraft multi-role capable, joint study by the IAF/Ministry of Defence on force levels and life cycle cost analysis between Mirage-2000/Mirage-2000-5 and Su-30 aircraft. The Committee observe that the flight evaluation report submitted to the Government in 1994 indicated that though SU-30K aircraft had multi-role potential, it was then optimised for air defence/air superiority role only. While submitting their recommendations for acquisition of this aircraft, the evaluation team pointed out *inter-alia* that the existing configuration of the aircraft was unsuitable to meet the operational requirements of the IAF and certain minimum and mandatory changes in terms of incorporation of state-of-the-art avionics were needed to improve the operational capability of the aircraft. The Committee were informed that the manufacturer in a working protocol signed in June 1994 offered to fully upgrade and operationalise the multi-role variant, to be designated as Su-30 MKI, jointly with India. The Committee find that mirage-2000/Mirage-2000-5, the other feasible alternatives, were fully developed and proven multi-role aircraft with adequate international experience whereas Su-30 MKI will be available with India as the first customer, whose reliability and maintainability is yet to be established. Nevertheless, the Government selected the Su-30 aircraft on the grounds that after upgradation into a multi-role aircraft, it would still be cheaper and also have superior capabilities in terms of range and the load delivery. The Committee note that the presumptive superiority of Su-30 multi role aircraft was based on assumptions that certain avionics systems which had been only conceptualised at that stage, would be successfully designed/developed in India and others would be imported from western sources and integrated into Su-30K aircraft by enhancing its capabilities, from a purely air defence role to multi-role capabilities. Further, the conclusion of the Ministry that they had arrived at a cost-effective procurement decision appears untenable considering the fact that comparative life cycle cost was got evaluated for an aircraft, which is yet to be developed, and for which all cost parameters were not available on a firm basis. The Committee therefore, conclude that the multi-role variant of Su-30K was still



a 'concept' at that time when Government went ahead with the decision to acquire the aircraft and it required a lot of development efforts before it met the operational needs of the IAF.

[Sl. No. 1 of Appendix II, Para 15 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

Though the multi-role variant of Su-30K aircraft was still a concept at the time of decision making for the purchase, yet it was considered as one of the most potent aircraft after induction of various avionics systems and the fact that it had a thrust vector and canard technology to provide exceptional maneuverability to the aircraft. The envisaged avionics upgrades were well within available technologies and technical competence for integration. The acquisition of the aircraft was guided by India's future strategic planning, threat perceptions and envisaged role in the emerging global scenario with special reference to our regional aims.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02  
dated 28.01.03]

#### **Recommendation**

The Committee observe that apart from revising the original delivery schedule due to delay in development and delivery of indigenous and Western avionics, the Ministry imported 10 additional Su-30K aircraft from the manufacturer at a cost of Rs. 1187 crore, which was not suitable for multi-role performance. These aircraft are planned to be upgraded to multi-role version under a separate contract with the manufacturer, to be finalised in 2003, involving an estimated expenditure of US\$ 84 million. The Ministry pleaded that the case for procurement of 10 additional aircraft was advanced based on threat perception and operational requirements, arising out of depletion/ageing of IAF combat fleet. However, taking note of the measures taken by the Ministry to take care of the depleted combat strength, the Committee are of the firm view that acquisition of previously unacceptable 10 additional Su-30K aircraft at a cost of Rs. 1187 crore, thereby incurring an additional expenditure of Rs. 133.10 crore (13.31 crore per aircraft) and accepting further liability of US\$ 84 million on its upgradation, was avoidable.

[Sl. No. 10 of Appendix II, Para 24 of 33rd Report of PAC  
(Thirteenth Lok Sabha)]

#### **Action Taken**

The Su-30MKI aircraft would be the main weapon system of the IAF for the next three decades. The ten additional Su-30K procured with the newly inducted aircrafts will have the same technical life and effectiveness. The number would make the size of the Su-30MKI fleet optimal for operational usage.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D(Air 1)/02  
dated 28.01.03]

### **Additional Action Taken Note**

Su-30MKI aircraft would be the main weapon system of the IAF for at least the next three decades. During the evaluation of Su-30K aircraft, it was considered to be the most suitable platform for integration of state-of-art avionics and armament systems to make it a formidable multi role combat aircraft. Keeping in view the threat perception, force level depletion and the delay in induction of the first stage of Su-30 MKI aircraft, the procurement of 10 additional Su-30K aircraft was found more suitable to meet our requirement of induction of a state-of-art multi role combat aircraft. In this connection, it may be reiterated that while Su-30K is meant for air defence, the 10 additional Su-30K purchased in 1999, would be upgraded to the level of Su-30MKI aircraft, which is a multi role aircraft, capable of undertaking defensive as well as offensive mission. These additional 10 aircraft had not been considered as unacceptable.

2. Ministry had contracted for 40 Su-30MKI aircraft in Nov. 96, which were to be inducted in four phases. First batch of eight Su-30K aircraft commenced operations in June, 97. It was decided in 1998 that procurement of additional ten Su-30K aircraft, which had better capability and was of superior technology than MiG-29 aircraft and was upgradable to Su-30MKI standard, would cater for the need to augment the strength of eight Su-30K aircraft to a full squadron and enable deployment of detachment to protect Bombay High area and in the Western Sector facing the Lahore Islamabad axis simultaneously. Thus, the purchase of 10 additional Su-30K aircraft was not avoidable. It was a prudent decision since Su-30MKI would be the main stay of the IAF for the next three decades.

3. The cost of upgrade of ten Su-30K aircraft to Su-30MKI standard is not an additional liability and need to be seen as cost towards acquisition of a Multi Role Combat Aircraft.

[Ministry of Defence/Deptt. of Defence, O.M. No. 378/US/D (Air I)/02  
dated 13.5.03]

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

-NIL-

**CHAPTER V**

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT  
HAVE FURNISHED INTERIM REPLIES**

**-NIL-**

NEW DELHI;  
December 17, 2003  
*Agrahayana 26, 1925 (Saka)*

**SARDAR BUTA SINGH,**  
*Chairman,*  
*Public Accounts Committee.*

## PART-II

### MINUTES OF THE FOURTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2003-2004) HELD ON 17 DECEMBER, 2003

The Committee sat from 1500 hrs. to 1530 hrs. on 17 December, 2003 in Room No. "51", Parliament House, New Delhi.

#### PRESENT

Sardar Buta Singh — *Chairman*  
*Lok Sabha*

2. Shri Hari Bhai Chaudhary
3. Dr. Madan Prasad Jaiswal
4. Shri Raghunath Jha
5. Shri Nitish Sengupta

*Rajya Sabha*

6. Shri Santosh Bagrodia
7. Shri Prasanta Chatterjee

#### SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri Raj Shekhar Sharma — *Deputy Secretary*
3. Shri B.S. Dahiya — *Under Secretary*

#### Office of C&AG of India

Ms. Subha Kumar — *Pr. Director of Audit (E&SM)*

2. At the outset, the Chairman, Public Accounts Committee welcomed the members of the Committee. Thereafter the Committee took up for consideration and adoption of the following three draft reports:—

- (i) \*\*\*\*\*
- (ii) Action taken on 33rd Report of Public Accounts Committee (13th Lok Sabha) on "Acquisition of SU-30 Aircraft."
- (iii) \*\*\*\*\*

3. The Committee adopted the above-mentioned draft reports without any modifications/amendments.

4. The Committee authorized the Chairman to finalise the draft reports in the light of changes arising out of the factual verification by Audit, if any, and also to present the same to Parliament in the current Session.

*The Committee then adjourned.*

## APPENDIX

### CONCLUSIONS/RECOMMENDATIONS

Sl.No.	Para No.	Ministry/Deptt.	Conclusions/Recommendations
1	2	3	4
1	8.	Defence	<p>In their earlier Report, the Committee had observed that cumulative delay in the induction of Su-30 multi-role aircraft had not only frustrated the proposed aircraft phase out plan but also resulted in huge financial burden on the exchequer to the tune of US\$ 9.82 million towards upgradation of the Su-30 aircraft involving an outflow of additional Rs. 546 crore due to foreign exchange variation. While expressing dissatisfaction over imprudent planning and inept handling of the execution of the joint development project, the Committee had recommended that the Ministry should initiate urgent measures to realize acquisition of Su-30 multi-role aircraft within the revised time frame in order to contain further outgo of precious foreign exchange. In their Action Taken notes, the Ministry stated that the monitoring mechanism had been strengthened further with the raising of a "SU Project Team" at Moscow and formation of "Su-30 Project Development and monitoring cell" to monitor, coordinate and execute the joint development programme. The Ministry have expressed confidence that the programme would be completed within the revised time schedule. As per the revised delivery schedule effected in February 2001, ten fully upgraded multi-role aircraft (Su-30 MKI-3) were expected to be made available between July-December 2003 and 22 partially upgraded aircraft including 10 aircraft in Phase I and 12 in Phase II were to be delivered latest by June 2002 and June 2003 respectively. As against this, only 10 Su-30MKI-1 aircraft were received and inducted into the Indian Air Force in September 2002. The revised delivery schedule</p>

1

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3

4

further stipulated that the 22 partially upgraded aircraft (10 Su-30 MKI-1 and 12 Su-30 MKI-2) were to be fully upgraded to multi-role version with integration of progressively increasing number of avionics equipments in India by the third quarter of 2004 and the fourth quarter of 2003 respectively. Similarly, the eight Su-30K aircraft (Air defence only) procured in 1997 under the main contract were planned to be fully upgraded to multi-role version by the second quarter of 2004 in the manufacturer's plant. The Ministry have neither spelt out the details about the delivery of Su-30 MKI-2 and Su-30 MKI-3 aircraft nor furnished the current status of envisaged upgradation of those aircraft to the desired multi-role version. Considering that only 10 Su-30 MKI-1 aircraft have been received so far, it is apparent that there is already a slippage in the delivery of the aircraft in stage II and it is unlikely that the revised upgradation programme of Su-30 aircraft in India would materialise. What the Committee apprehend at this stage is that there is every likelihood for another revision in the already belated induction programme, which would obviously result in avoidable extra cost to the Government. With this background, the Committee are extremely constrained to observe that the Ministry have again failed in their joint development mission to accomplish the induction programme despite seeking repeated revisions in the delivery schedule. While pointing out that the fully upgraded Su-30 multi-role aircraft still eludes the Indian Air Force, the Committee urge upon the Ministry to gear up their core monitoring mechanism for expeditious completion of the joint development programme so as to equip the Air Force with the much needed aircraft at the earliest. The Committee would like to be apprised of the status of induction of fully upgraded Su-30 multi-role aircraft within a period of 3 months.