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Title : Statement regarding Scorpene Submarine Project.

THE MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE): Mr. Deputy-Speaker, Sir, with your permission, I beg to make a *suo-moto* statement.

A section of the Press had published certain reports *inter alia* alleging the involvement of middlemen and payment of commission in the Scorpene Contract stating that a Rs.16,000 crore contract was signed with France and that an extra amount of Rs.4,500 crore was paid to the French firms than what was earlier negotiated. Appropriate rejoinders were sent to the magazine on 14th February, 2006. An unstarred question No.1689 was replied to in Rajya Sabha on 08.03.2006 on the subject of "Purchase of Submarines".

The allegations have been repeated on 20th March, 2006 by the Leaders of Opposition in Lok Sabha and Rajya Sabha and a former Defence Minister.

The facts of the case are contrary to these allegations.

No contract or contracts were signed with the French firms for Rs.16,000 crore for the Scorpene project. The total cost of the two contracts signed with the two French firms, M/s. ARMARIS and MBDA, for the project is Rs. 7,197 crore.

The Government did not pay an extra amount of Rs.4,500 crore than what was negotiated earlier. On the contrary, after the present Government came to power, it re-examined the project even though all negotiations had been completed in 2002 and the Ministry of Finance had accorded approval to the project in 2003. The present Government held negotiations and was able to achieve a reduction of Rs.313 crore in the contracts with the two French firms from the negotiated position in 2002. In addition, the signing of Integrity Pacts with the French firms was made mandatory and the first two Integrity Pacts ever to be signed by the Ministry of Defence were signed along with contracts.

*Placed in Library, See No. LT 4089/06

As a result of the negotiations, the Government was also able to achieve several long-term concessions. These included the revision of the escalation formulae to the advantage of the Indian side by adjusting the fixed element in the ARMARIS contract and placing a cap on escalation in the MBDA contract. A cap was also placed on the Exchange Rate Variation (ERV) for calculation of profit for the Public Sector Undertaking, Mazagon Docks Limited (MDL).

Besides the contract with the two French firms, the only other contract that was signed was with the Defence Public Sector Undertaking, Mazagon Docks Limited (MDL), for Rs.5,888 crore for the indigenous construction of the submarines. Therefore, even taking into account the value of contract signed with MDL, the total value of all contracts signed for the Scorpene project is Rs. 13,085 crore out of the sanction accorded for Rs. 18,798 crore towards the project. Out of the balance amount of Rs. 5,713 crore, Rs. 3,553 crore is for payments towards taxes and Rs. 2,160 crore towards other items to be acquired during the project period for which only preliminary steps have been taken. No contract or contracts have been signed for the items under this head. A Technical Agreement was also signed between India and France to ensure the continued support of the French Government to the project.

The Integrity Pacts signed to ensure transparency of the project, contain severe penalties in case of breach of any of its provisions. The safeguards include cancellation of the contract, recovery of all advances with interest at a rate of two per cent higher than the European Inter Bank Offered Rate or EURIBOR, non-payment by the buyer of any dues on any other contract to make such recoveries, imposition of Liquidated Damages and the recovery of all sums paid to any middleman or agent. In addition, the French Government has also informed that it is a signatory to Organisation for Economic Cooperation and Development (OECD) convention on Combating Bribery of Foreign Public Officials in International Business Transactions and that the French laws have been made more stringent to combat corruption.

The French company that has been accused of committing to pay commission to the alleged middleman has denied all the allegations and has stated that all the emails published in the articles in a journal that carried this story are fake and fabricated. The French Embassy in India has also, in a Press communique, termed these articles as slanderous and noted that the French company is filing a complaint against the journal. The French company has since been reported to have filed a case in the Delhi High Court on 24th February, 2006 against the journal which first made the allegations. The Court when it heard the matter on 27th February, 2006, is also reported to have given 30 days to the journal to respond to the submissions made by the company.

Some Press reports also sought to establish a link between the Scorpene project and the breach of security that had occurred in the Directorate of Naval Operations in the Naval Headquarters. On the issue of breach of security, during the course of a Court of Inquiry held in May, 2005 by the Air Headquarters, it was established that a pen drive recovered from Lt.(Retd.) Kulbhusan Parashar, a former Indian Navy Officer, contained classified information pertaining to the Directorate of Naval Operations. A Board of Inquiry was convened to hold a full investigation into the matter. The Board established that there had been a leakage of information, primarily of commercial value, to unauthorised persons. However, the leaked information did not pertain to the Scorpene project.

The Board severely indicted three Naval Officers, namely, Captain Kashyap Kumar, Commander Vinod Kumar Jha and Commander Vijayendra Rana. It also showed the involvement of some retired officers and civilians. The three Naval Officers severely indicted by the Naval Board of Inquiry were dismissed from the Navy on 26th October, 2005, in exercise of the powers conferred under Section 15 of the Navy Act, 1957 read in conjunction with Regulation 216 of the Regulations of the Navy Part II (Statutory). One of the dismissed officers, Captain Kashyap Kumar has filed a writ petition in the Delhi High Court in November, 2005 challenging his dismissal from Service.

On 18th February, 2006, the Ministry of Defence referred the matter relating to the leakage of information from the Directorate of Naval Operations in the Naval Headquarters to the Central Bureau of Investigation for further investigation and filing of criminal proceedings against the dismissed officers as well as the civilians and retired officers involved in the leak of information.

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MAJ. GEN. (RETD.) B. C. KHANDURI (GARHWAL): Sir, I want to seek a clarification. ...*(Interruptions)*

MR. DEPUTY-SPEAKER: No. This is not proper stage.

...*(Interruptions)*

THE MINISTER OF PARLIAMENTARY AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI PRIYA RANJAN DAMSUNSI): Sir, whenever a statement is made in the Lok Sabha, there is no provision to raise questions or to have a discussion. If anybody wants to raise a discussion, he could give a notice and it would be welcome. Otherwise, it is not allowed here. ...*(Interruptions)*

MAJ. GEN. (RETD.) B. C. KHANDURI: Has the Government got any objection? ...*(Interruptions)*

MR. DEPUTY-SPEAKER: This is not proper stage.

...*(Interruptions)*

SHRI PRIYA RANJAN DAMSUNSI: Sir, he could give a notice for a discussion. He is at liberty to give a notice for a discussion.

...*(Interruptions)* उक्त प्रश्न का उत्तर देना ही है, भविष्य में प्रश्न पूछने के लिए सरकार को सूचना देना पड़ेगा। प्रश्न पूछने के लिए सरकार को सूचना देना ही है। इस प्रश्न का उत्तर देना ही है। प्रश्न पूछने के लिए सरकार को सूचना देना पड़ेगा। प्रश्न पूछने के लिए सरकार को सूचना देना ही है। प्रश्न पूछने के लिए सरकार को सूचना देना पड़ेगा। **â€¦***(Interruptions)*

श्री सहस्रनाम गहनसूक्त (बोला) : उक्त प्रश्न का उत्तर देना ही है। प्रश्न पूछने के लिए सरकार को सूचना देना पड़ेगा। प्रश्न पूछने के लिए सरकार को सूचना देना ही है। प्रश्न पूछने के लिए सरकार को सूचना देना पड़ेगा। **â€¦***(Interruptions)*

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...*(Interruptions)*

MR. DEPUTY-SPEAKER: You can raise it during 'Zero Hour' and not now.

...*(Interruptions)*

MR. DEPUTY-SPEAKER: Please sit down. We will have to take up other items.

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SHRI VIJAYENDRA PAL SINGH (BHILWARA): Sir, it is a very serious matter. We should have a Joint Parliamentary Committee on this. ...*(Interruptions)*

MR. DEPUTY-SPEAKER: Let us go to item no. 31. Dr. Akhilesh Prasad Singh.

...*(Interruptions)*

SHRI PRIYA RANJAN DASMUNSI: Sir, nobody should suffer from brain fever here! If any hon. Member gives a notice, we will be prepared to have a discussion on that. I can understand that there is bird flu in Maharashtra, but there is no brain fever in the House! ...*(Interruptions)*

MR. DEPUTY-SPEAKER: Nothing will go on record.

(Interruptions) *â€

MR. DEPUTY-SPEAKER: Now, we will go to item no. 31. Dr. Akhilesh Prasad Singh.

* Not Recorded.