

**DEVELOPMENT AND PRODUCTION
OF A TRAINER AIRCRAFT**

MINISTRY OF DEFENCE

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**PUBLIC ACCOUNTS
COMMITTEE
1994-95**

TENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

SEVENTY-EIGHTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1994-95)
(TENTH LOK SABHA)

DEVELOPMENT AND PRODUCTION
OF A TRAINER AIRCRAFT

MINISTRY OF DEFENCE

[Action Taken on 25th Report of Public Accounts Committee (10th Lok Sabha)]

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NEW DELHI
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**CORRIGENDA TO 78TH REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE (10TH LOK SABHA)**

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PUBLIC ACCOUNTS COMMITTEE
(1994-95)

Shri Bhagwan Shankar Rawat — *Chairman*

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Seventy-Eighth Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Twenty-Fifth Report (Tenth Lok Sabha) on Development and production of a trainer aircraft.

2. In their earlier Report, the Committee had concluded that the entire expenditure of about Rs. 37 crores (Rs. 14.42 crores towards cost of development, Rs. 4.42 crores being cost of production of two trainer aircrafts and the redundant materials valuing Rs. 18.36 crores due to the foreclosure of the project) incurred on the project for development and production of a trainer version of aircraft 'A' had turned out to be entirely infructuous apart from the manhours expended on the project that could have been deployed more productively elsewhere. They had recommended that Government should draw suitable lessons from the sad experience in this case and take all corrective steps with a view to obviating the changes of such recurrences in future. In this Report, the Committee have *inter alia* observed that in pursuance of their recommendations, the Ministry of Defence have since taken remedial measures including monitoring of all such developmental projects involving the users and the manufacturers, regular meetings by Chairman, Hindustan Aeronautics Ltd. (HAL) to review/monitor all designs of development projects, evaluation of aircrafts by the Navy proposed to be inducted, association of Naval Headquarters also with the Technical Evaluation Committee set up for induction of aircrafts which are of interest to both IAF and Navy etc. The Committee have desired that the corrective steps taken by the Ministry should be strictly followed both in letter and spirit by all concerned with a view to ensuring that the infructuous expenditure on similar defence projects is brought to the minimum in future. They have also desired that non-compliance of these instructions should be viewed seriously.

3. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 19 September, 1994. Minutes of the sittings form Part II of the Report.

4. 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.

5. 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;
12 October, 1994

20 Asvina, 1916(S)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations/observations of the Committee contained in their Twenty-Fifth Report (Tenth Lok Sabha) on Paragraph 2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990, No. 9 of 1991, Union Government — Defence Services (Air Force & Navy) relating to Development and production of a trainer aircraft.

2. The Twenty-Fifth Report which was presented to Lok Sabha on 30 April, 1992 contained 12 recommendations/observations. Action taken notes on all these recommendations/observations have been received from the Ministry of Defence. The Action taken notes have been broadly categorised as follows :

- (i) Recommendations and observations which have been accepted by Government : Sl. Nos. 1, 2, 4, 5, 6, 7, 8, 9, 10, 11 and 12
- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from the Government : Sl. No. 3
- (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-

3. In the succeeding paragraphs the Committee deal with the action taken by Government on some of the recommendations.

Infructuous expenditure incurred in the development and production of a trainer aircraft

4. Aircraft 'A' which was being designed and developed by Hindustan Aeronautics Ltd. (HAL) was expected to be inducted into squadron service by the end of 1976 and was expected to be in service for a period of 15 years. A proposal for the development of a trainer version of aircraft 'A' within a time frame of 54 months at an estimated cost of Rs. 4.16 crores, put up at HAL in June, 1975 was approved by the Government in February, 1976. In the earlier Report the Committee had observed that despite the fact that in a meeting held in November, 1979, Air Headquarters had stated that Aircraft 'A' should be phased out starting from

1985 as the Aircraft would not have adequate survivability in the future tactical environment, Government sanctioned in April, 1980, procurement of 12 trainer aircrafts from the HAL at a cost of rupees one crore each. The first proto-type of the trainer aircraft 'A' which was due in December, 1980 was actually flown in September, 1982 with a delay of about two years. Unfortunately, this proto-type crashed in December, 1982. The perception of Indian Air-Force at that time was that the trainer aircraft 'A' was not fit for operational conversion Unit. The Committee had observed that despite the crash of the trainer aircraft and the views expressed about its fitness by the user, viz., the Indian Air-Force, no further review of the need for the trainer aircraft was conducted even at that stage. Further, in a meeting held in March, 1983 the IAF while recommending for short-closure of the development project had added that though there would be infructuous expenditure in foreclosing the trainer aircraft project, the overall savings in men and material would be of a substantial higher order which could not be ignored. Expressing their surprise for not taking serious note of the categorical assertion by the IAF the Committee had pointed out that had the trainer project been foreclosed at that stage, huge expenditure incurred on the project subsequently would have been saved.

5. The Committee had observed that for a period of about two years no further concrete decision was taken on the fate of the project. Finally, in February, 1985, it was decided that a Committee would be constituted to examine the possibility of continuing with a trainer aircraft production programme. The Committee had expressed their view that the wastage of precious period of about two years was done to gain time for circumventing the opinion expressed by IAF for the foreclosure of the trainer aircraft project. The Committee constituted in pursuance of the decision taken in February, 1985 recommended in June, 1985 that clearance might be given for the production of the aircraft. Consequently, Government sanctioned in August, 1985, the procurement of the trainer aircraft from HAL but reduced the quantity of order from 12 to 8. Strangely enough, the Air Headquarters which had in the past recommended for the foreclosure of the Project when specifically consulted before clearing the production stated that there could not be no serious objection to a production go ahead for eight trainers as these were intended to serve as type familiariser. The Committee had strongly disapproved the vacillating attitude of the Air Headquarters. They had expressed their surprise that Government had sanctioned in August, 1985 procurement of the trainer aircraft in spite of the fact that phasing out of the main aircraft was itself to commence from the same year itself. Pointing out that infructuous expenditure of about Rs. 7 crores had been incurred thereafter, the Committee had opined that decision taken in August, 1985 was not a judicious one.

6. The issue relating to foreclosure of trainer project was further discussed in a series of meetings between 1986 & 1988. In October, 1988 it was decided that a detailed paper would be prepared regarding premature

withdrawal of aircraft 'A' and foreclosure of trainer aircraft project for submission to the Government. Unfortunately, no such paper was prepared. The decision of the Ministry of Defence was that though aircraft 'A' would not be withdrawn before 1991-92 the trainer aircraft would not be required by Indian Air Force. Eventually, the last squadron of aircraft 'A' was phased out in March 1991.

7. Meanwhile the Indian Navy had also projected a requirement of eight trainer Aircrafts and obtained Government sanction in November, 1982 and the orders were placed with HAL in November, 1985. The Committee had observed that the Navy had not carried out any evaluation to adjudge the suitability of the trainers for their requirements, but relied upon IAF's evaluation of the aircraft. Surprisingly, when in 1988, IAF reiterated the premature withdrawal of Aircraft 'A' and the foreclosure of the trainer aircraft project, Navy also indicated in June, 1988 that they would not require the trainer aircraft in case the IAF was not going in for them. In the opinion of the Committee, this had clearly shown that the Navy did not have any pressing need for these trainer aircrafts but the order was placed to merely sustain the trainer aircraft project.

8. The Committee had also observed that HAL delivered only two Trainer Aircrafts to IAF, one in December, 1987 and the other in April, 1988. No aircraft was delivered to the Navy. They had also noted that the utilisation rate achieved by these trainer aircraft was extremely poor and ranged from 0.15 to 5.30 hrs. per month during January, 1988 to May, 1990.

9. Commenting upon the infructuous expenditure incurred in the development and production of the trainer aircraft the Committee in Para 1.65 of the 25th Report (10th Lok Sabha) had recommended :

"The Committee note that according to the original estimate trainer aircraft 'A' was to be developed by HAL within a time frame of 54 months at an estimated cost of Rs. 4.16 crores. Further, according to the delivery schedule indicated by HAL 2, 4 and 6 trainer aircraft were to be delivered during 1982-83, 1983-84 and 1984-85. The Committee are deeply concerned to find that the inordinate delay in the development and production of a trainer aircraft resulted in enormous increase in costs. While the cost of development increased from Rs. 4.16 crore to Rs. 14.42 crores, the cost of production of two trainer aircrafts went up to Rs. 4.42 crores from Rs. 1 crore each. Further, the redundant material due to the foreclosure of the project has been of the order of Rs. 19.18 crores, out of which HAL could so far utilise the material worth Rs. 82 lakhs only. What is all the more distressing is the fact that the two trainer aircrafts which were produced by HAL after strenuous efforts of more than 12 years were phased out on 31 March, 1991 alongwith aircraft 'A' fighters on expiry of their UE and would be disposed of as per existing procedure. This

goes to prove that the concern expressed by the Air Headquarters from time to time for the foreclosure of the trainer aircraft project was completely justified but the concerned authorities in the Ministry decided time and again to keep the development project alive for which the Ministry have failed to convince the Committee."

10. Emphasizing the need for obviating recurrences of such cases in future the Committee in Para 1.66 of the Report had recommended :

"..... The Committee are, therefore, deeply distressed to note that these facts as detailed in the foregoing paragraphs clearly prove that the entire expenditure of about Rs. 37 crores incurred on this project had turned out to be entirely infructuous apart from the manhours expended on the project that could have been deployed more productively elsewhere. The Committee strongly recommend that Government should draw suitable lessons from the sad experience in this case and take all corrective steps with a view to obviate the chances of such recurrences in future. The Committee would like to know the detailed corrective steps taken in this regard."

11. In their aciton taken note the Ministry of Defence had stated as follows :

"Although the possibility of incurring infructuous expenditure on such development activities cannot be totally eliminated yet it would be the endeavour of the Ministry of Defence to keep such infructuous expenditure at the minimum. The following remedial measures have been taken :

- (i) Ministry of Defence shall henceforth constantly monitor all such developmental projects involving the users and the manufacturers to ensure against infructuous expenditure being incurred.
- (ii) Chairman, HAL will hold regular meetings to review/monitor all design and development projects and would ensure similar reviews/monitoring at appropriate lower levels for all other similar projects.
- (iii) The Navy would also evaluate the aircraft proposed to be inducted in the Navy.
- (iv) Naval Hqrs would also be associated with the Technical Evaluation Committee set up for the induction of any aircraft which are of interest to both IAF and Navy, to determine whether the recommended aircraft would meet the Navy's specific requirements before the orders are placed.

12. In a further communication dated 29 July, 1994 the Ministry added :

“.....With the approval of the Cabinet, sanction has been accorded to write off the development cost of Rs. 11.25 crores and the loss or Rs. 4.42 crores as cost of the two aircraft and for disposal of the redundant material valued a Rs. 18.36 crores and material worth Rs. 0.55 crores procured for development by HAL. HAL will bear its share of development cost of Rs. 3.17 crores.”

13. To sum up, the Committee in their earlier Report had concluded that the entire expenditure of about Rs. 37 crores (Rs. 14.42 crores towards cost of development, Rs. 4.42 crores being cost of production of two trainer aircrafts and the redundant materials valuing Rs. 18.36 crores due to the foreclosure of the project) incurred on the project for development and production of a trainer version of aircraft 'A' had turned out to be entirely infructuous apart from the manhours expended on the project that could have been deployed more productively elsewhere. They had strongly recommended that Government should draw suitable lessons from the sad experience in this case and take all corrective steps with a view to obviating the chances of such recurrences in future. From the Action Taken Notes furnished by the Ministry of Defence, the Committee note that Government have accorded sanction to write off the development cost of Rs. 11.25 crores and the loss of Rs. 4.42 crores towards the cost of the two aircrafts. According to the Ministry, Hindustan Aeronautics Ltd. (HAL) will bear its share of development cost of Rs. 3.17 crores and Government have also sanctioned the disposal of the redundant material valued at Rs. 18.36 crores and material worth Rs. 0.55 crores procured for development by HAL. The Ministry of Defence in their Action Taken Note have stated that though the possibility of incurring infructuous expenditure on such development activities cannot be totally eliminated, yet, it would be their endeavour to keep such infructuous expenditure at the minimum. The Ministry have also stated that remedial measures have also since been taken. Those measures include, constant monitoring of all such developmental projects by the Ministry of Defence involving the users and the manufacturers; regular meetings by Chairman, HAL to review/monitor all design of development projects, evaluation of aircrafts by the Navy proposed to be inducted, association of Naval Headquarters also with the Technical Evaluation Committee set up for induction of aircrafts which are of interest to both IAF and Navy etc. The Committee desire that the corrective steps enumerated above should be strictly followed both in letter and spirit by all concerned with a view to ensuring that the infructuous expenditure on similar defence projects are brought to the minimum in future. They also desire that non-compliance of these instructions should be viewed seriously.

The Committee would also like to be apprised of the realisations made from the disposal of redundant material valued Rs. 18.91 crores.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

Aircraft 'A' which was being designed and developed by Hindustan Aeronautics Ltd. was expected to be inducted into squadron service by the end of 1976 and was expected to be in service for a period of 15 years. However, due to delay in development this aircraft was actually inducted into Indian Air Force in 1979. Since imparting training on a type trainer is considered to be the most economical and effective method, Air Headquarters had felt the necessity of a 'specific to type trainer' for Gnat aircraft/aircraft 'A'. The possibility of acquiring Gnat trainer aircraft from U.K. was examined but the proposal was dropped due to limited commonality and the quantum of foreign exchange involved. The continued use of Hunter trainer aircraft for training pilots in the squadrons of aircraft 'A' was not fully considered satisfactory, as Hunter aircraft was ageing and its serviceability was showing a downward trend. It was also felt at that time that aircraft 'A' would also be suitable for induction in the Operational Conversion Unit (OCU), provided trainer version was available. Based on this background and the long felt need of the Indian Air Force, the requirement for a specific to type trainer for aircraft 'A' was indicated by Indian Air Force in February 1975. Consequently, HAL prepared the feasibility report in June, 1975 for the development of the trainer version of aircraft 'A'. A proposal for the development of a trainer version of aircraft 'A' within a time frame of 54 months at an estimated cost of Rs. 4.16 crores put up by HAL in June, 1975 was approved by the Government in February, 1976. As the succeeding paragraphs reveal, the whole history of development of trainer aircraft 'A' presents a very dismal picture.

[Sl. No. 1 (Para 1.55) of Appendix II to Twenty-Fifth Report of PAC
(10th Lok Sabha)]

Action Taken

The para gives a gist of the factual position and therefore no remedial action is called for.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by PDA (AF&N).

[Ministry of Defence O.M. No. 4 (1)/92/DO IIL/D (Air I), dated 26.5.1993]

Recommendation

In spite of the fact that in a meeting held in November, 1979, Air Headquarters had stated that aircraft 'A' should be phased out starting from 1985 as the aircraft would not have adequate survivability in the future tactical environment, Government sanctioned in April 1980, procurement of 12 trainer aircraft from the HAL at a cost of Rs. 1 crore each. The necessary order was placed on HAL in August, 1980 and according to the delivery schedule indicated by HAL, 2, 4 and 6 aircrafts were to be delivered during 1982-83, 1983-84 and 1984-85, respectively. According to the Ministry of Defence, the fact that trainer aircraft would still be required was reiterated at the meeting held in April 1980 though the quantity on order was agreed to be reduced from 24 to 16. Further of the 16 trainers required, it was decided to place an order for 12 trainers with a provision to order 4 more at a later date. In the Ministry's view, even if the phasing out of aircraft 'A' was to commence in 1985, it would have been completed only in 1990 and further the trainer aircraft was expected to be utilised in Operational Conversion Unit also and even if the fighter aircraft was withdrawn from service, the trainer aircraft was expected to be put to appropriate use. The Committee are distressed over the fact that the Ministry of Defence did not seriously review at that stage the need for trainer aircraft 'A' in the light of the Air Headquarters aforesaid views pertaining to the phasing out of aircraft 'A' as is evident from the following paragraphs.

[Sl.No. 2 (Para 1.56) of Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha)]

Action Taken

The statement made by the Air Hqrs. in the meeting of 1979 was only indicative in nature and no final decision regarding phasing out of aircraft 'A' was taken in that meeting. The MOD reviewed the requirement in January 1980 and reduced the requirement to 16. Necessary instructions have since been issued vide instructions enclosed as mentioned against Para 1.66.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by the PDA(AF&N).

[Ministry of Defence O.M.No. 4 (1)/92/DO III/D (Air I), dated 26.5.1993]

Recommendation

IAF specifically pointed out in a meeting held in March 1983 that OCU training was meant for new entrants after they had been trained on basic trainer aircraft. These pilots required an aircraft with proven safety

records and the trainer aircraft under development did not fit into that category. It was also observed at this meeting that there had already been a hike in development costs as well as considerable delay. The expenditure incurred on the production project till March 1983 was Rs. 330.82 lakhs excluding labour cost and Rs. 776.69 lakhs on the development project. At this meeting, IAF while recommending for short closure of the development project had added that though there would be infructuous expenditure in foreclosing the trainer aircraft project, the overall savings in men and material would be of a substantial higher order which could not be ignored. The Committee are distressed to note that such a categorical assertion by the IAF, the user of the trainer aircraft, for the foreclosure of the trainer project at that stage, was lightly brushed aside. The Committee feel that if the trainer project had been foreclosed at that stage, huge expenditure incurred on the project subsequently, would have been saved. The Committee express their strong displeasure in this regard.

[Sl.No. 1 (Para 1.58) of Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha)]

Action Taken

The observations of the PAC have been noted for future guidance. The observation of Audit that had the project been foreclosed at that stage, huge expenditure incurred on the project could have been saved is correct. Necessary remedial measures have since been taken vide instructions enclosed as mentioned in Action taken against para 1.66.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by PDA (AF&N).

[Ministry of Defence O.M.No. 4 (1)/92/DO IIL/D (Air I), dated 26.5.1993]

Recommendation

It was however, decided at a meeting held in March, 1983 that while the development work would continue upto December, 1983 by which time a decision on the foreclosure of the project would be taken, no procurement of any fresh material for the production of the aircraft was to be undertaken. Unfortunately, the expected final view on the proposal to foreclose the trainer project could not be taken as according to the Ministry of Defence HAL had not carried out sufficient trials on the prototype even by October, 1984, when the project was further reviewed in the Ministry. Even at his review the authorities failed to take any concrete decision. Finally, in February 1985, it was decided that a Committee would be constituted to examine the possibility of continuing with the trainer aircraft production programme. The committee are deeply concerned to find that two year's precious period since the March, 1983 meeting was wasted by the authorities without taking any concrete decision, which in

the Committee's view was to gain time for circumventing the opinion expressed by the Indian Air Force at the said meeting for the foreclosure of the trainer project. The Committee deprecate such an attitude.

[Sl.No. 5 (Para 1.59) of Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha)]

Action Taken

The Ministry of Defence did not want the users to get an aircraft which did not meet their requirement. It was also conscious of the fact that finances and the efforts that had gone into the project should not be allowed to go waste and valuable experience gained in this vital area, be available for the indigenous development of other aircraft. Keeping this in view, the time for carrying out adequate number of trials on the prototype till Oct.' 84 was allowed, where after the project was reviewed. The comments of the Public Accounts Committee have, however, been noted.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by PDA(AF&N).

[Ministry of Defence O.M.No. 4 (1)/92/DO IIL/D (Air I), dated 26.5.1993]

Recommendation

The Committee constituted in pursuance of the decision taken in February, 1985 recommended in June, 1985 that clearance might be given for the production of the trainer aircraft. Consequently, Government sanctioned in August 1985, the procurement of trainer aircraft from HAL but reduced the quantity on order from twelve to eight. Amendment to the earlier order of August, 1980 was issued by the Air Headquarters in March 1986 reducing the quantity on order to eight. 'Stop order' imposed in March 1983 was also lifted in July 1986. Strangely enough the Air headquarters which had in the past recommended for the foreclosure of the project, when specifically consulted before clearing the production of trainer aircraft in August, 1985 stated that there could be no serious objection to a production go-ahead for 8 trainers, as these were intended to serve as type familiarisers. The Committee strongly disapprove the vacillating attitude of the Air Headquarters. This is borne out by the fact that in 1986, Air Headquarters once again suggested premature withdrawal of the combat aircraft 'A'. They also suggested cancellation of the orders for trainer aircraft as it was only a type trainer and once the aircraft 'A' themselves were withdrawn the trainer would not be necessary. This is further corroborated by the statement made by the Chief of the Air Staff, during evidence before the Committee that 'To say that the Air Force did not make any mistake is not correct and to that extent I feel sorry that I have to say this'.

[Sl.No. 6 (Para 1.60) of Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha)]

Action Taken

The recommendations of the PAC have been noted by the Air Hqrs. for compliance in future.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by the PDA(AF&N).

[Ministry of Defence O.M.No. 4 (1)/92/DO IIL/D (Air I), dated 26.5.1993]

Recommendation

What is all the more surprising is the fact that the Government sanctioned in August, 1985 the procurement of eight trainer aircraft inspite of the fact that phasing out of the project was to commence from the same year itself. The subsequent development, which have been discussed in the succeeding paragraphs clearly prove that the decision taken in August, 1985 was not a judicious one. Further, an expenditure of about Rs. 7 crore incurred thereafter proved to be infructuous.

(Sl.No. 7 (Para 1.61) of Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha)

Action Taken

The decision taken in August 1985 for procurement of 8 trainer aircraft was based on the specific recommendation of the Chief of Air Staff, which was based on the conclusion drawn by a Technical Committee headed by the Dy. CAS. The decision may not appear to be a judicious one, as has been observed by the PAC. The other observation of the PAC is factually correct. The same has been noted for compliance in respect of future projects. Remedial measures have since been taken vide instructions enclosed as mentioned in Action Taken against para 1.66.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by the PDA(AF&N).

[Ministry of Defence O.M.No. 4 (1)/92/DO IIL/D (Air I), dated 26.5.1993]

Recommendation

The issue relating to the foreclosure of trainer project was further discussed in a meeting held under the Chairmanship of the Rajya Raksha Mantri on December 1, 1986, wherein it was decided that a paper would be prepared indicating the savings and additional costs of the proposal of the Indian Air Force. The issue was further discussed in a subsequent meeting held in the Ministry of Defence on December 23, 1986; when it was decided to keep the production of trainer aircraft in abeyance and HAL was informed accordingly in January 1987. At the meeting held in the Defence Minister's room on 9.6.1988, the Defence Minister had expressed his concern that, knowing the Air Staff Requirements (ASRs)

which had been given to the HAL, and the Flight Safety Record of the aircraft in 1985, the project should have been allowed to reach the stage where it had reached till then. He had also expressed the view that in the larger interests of the security of the country we would not like to use an aircraft which is not found fit by the IAF. The decision taken at this meeting was to find out an economically viable agreed solution to the question of foreclosing the trainer project. It was decided in October 1988 that a detailed paper would be prepared regarding premature withdrawal of aircraft 'A' and foreclosure of trainer aircraft project for submission to the Government. Unfortunately, no such paper was prepared. According to the Ministry of Defence, the matter was considered in a meeting where it was decided that though aircraft 'A' would not be withdrawn before 1991-92, the trainer aircraft would not be required by Indian Air Force. The last squadron of aircraft 'A' was phased out in March, 1991.

[Sl. No. 8 (Para 1.62) of Appendix II to Twenty-Fifth Report of PAC
(10th Lok Sabha)]

Action Taken

The Para gives a gist of the factual position and, therefore, no remedial action is called for.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by PDA (AF&N).

[Ministry of Defence O.M.No.4(1)/92/DOIL/D(Air I) dated 26.5.93]

Recommendation

The Committee note that the Navy had also projected a requirement of eight trainer aircraft and obtained Government sanction in November 1982 to procure them at a cost of Rs. 19.51 crores. An order for procurement of eight trainer aircraft was placed by Navy on HAL in November, 1985. Against this order, an amount of Rs. 9 crores as 'on account payment' was paid to HAL in March 1986. Strangely enough, the Navy did not carry out any evaluation to adjudge the suitability of the trainers for their requirements and relied upon IAF's evaluation of the aircraft. Surprisingly, when in 1988 IAF reiterated the premature withdrawal of aircraft 'A' and the foreclosure of the trainer aircraft project, the Navy also indicated in June 1988 that they would not require the trainer aircraft in case the IAF was not going in for them. According to the Ministry of Defence the amount advanced by the Indian Navy is part of the total outflow of funds from the Ministry of HAL for the project. This clearly proves that the Navy did not have any pressing need for these trainer aircraft but the order was placed to merely sustain the trainer aircraft project.

[Sl. No. 9 (Para 1.63) of Appendix II to Twenty-Fifth Report of PAC
(10th Lok Sabha)]

Action Taken

In view of the past experience the Indian Navy has introduced a thorough and exhaustive selection process. A few of these measures are given below:—

- (1) Detailed performance evaluation of all trainers available for naval rolls has been done.
- (2) Flight evaluation trials of the aircraft under consideration for their suitability for naval roles has been done by naval pilots.
- (3) Naval members are now nominated on the Technical Evaluation Committee for induction of new aircraft.
- (4) The aircraft which are now under consideration for procurement for Navy's use are developed to meet the Navy's long-term fleet and pilot training requirements.

This has been concurred in by the Finance and vetted by PDA (AF&N).

[Ministry of Defence O.M.No.4(1)/92/DO-III/D(Air I) dated 26.5.93]

Recommendation

The Committee note that HAL delivered only two trainer aircraft of IAF one in December 1987 and the other in April 1988. The first of these two aircraft was a production aircraft while the other a prototype modified to production standard. No. aircraft was delivered to the Navy. The first trainer aircraft was inducted in squadron service in December 1987 while the second was inducted in April 1988. The Committee are extremely unhappy to note that utilisation rate achieved by these trainer aircraft was extremely poor as it ranged from 0.15 to 5.30 hours per month during January 1988 to May 1990.

[Sl. No. 10 (Para 1.64) of Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha)]

Action Taken

The position stated in the para is factual. The low utilisation rate was due to the low serviceability of the aircraft and non-availability of adequate product support.

This has been concurred in by the Finance Division and vetted by PDA(AF&N).

[Ministry of Defence O.M.No.4(1)/92/DOIII/D(Air I) dated 26.5.93]

Recommendation

The Committee note that according to the original estimate trainer aircraft 'A' was to be developed by HAL within a time frame of 54 months at an estimated cost of Rs. 4.16 crores. Further, According to the delivery schedule indicated by HAL 2, 4 and 6 trainer aircrafts were to be delivered during 1982-83, 1983-84 and 1984-85. The Committee are deeply concerned to find that the inordinate delay in the development and production of a trainer aircraft resulted in enormous increase in costs. While the cost of development increased from Rs. 4.16 cr. to Rs. 14.42 crores, the cost of production of two trainer aircrafts went up to Rs. 4.42 crores from Rs. 1 crore each. further, out of redundant material due to the foreclosure of the project has been of the order of Rs. 19.18 crores, out of which HAL could so far utilise the material worth Rs. 82 lakhs only, what is all the more distressing is the fact that the two trainer aircraft which were produced by HAL after strenuous/efforts of more than 12 years were phased out on 31 March, 1991 alongwith aircraft 'A' fighters on expiry of their UE and would be disposed of as per existing procedure. This goes to prove that the concern expressed by the Air headquarters from time to time for the foreclosure of the trainer aircraft project was completely justified but the concerned authorities in the Ministry decided time and again to keep the development project alive for which the Ministry have failed to convince the Committee.

[Sl. No. 11 (Para 1.65) of Appendix II to Twenty-Fifth Report of PAC
(10th Lok Sabha)]

Action Taken

The recommendations of the Committee have been noted for guidance in respect of future project. Necessary instructions have since been issued and enclosed to the ATN as mentioned in Action Taken against para 1.66.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by the PDA(AF&N)

[Ministry of Defence O.M.No.4(1)/92/DOIII/D(Air I) dated 26.5.93]

Recommendation

In view of the serious drawbacks like high accident rate and poor utilisation of combat aircraft 'A', IAF had been repeatedly insisting from 1983 onwards, on its premature with-drawal and foreclosure of the trainer aircraft project. The project, however, was allowed to continue. There has also been a vacillating attitude on the part of the Air Headquarters. Surprisingly, when in 1988 IAF reiterated the premature withdrawal of aircraft 'A' and the fore-closure of the trainer aircraft project, the Navy

also indicated that they would not require the trainer aircraft in case the IAF was not going in for them, While the cost of development increased from Rs. 4.16 crores to Rs. 14.42 cr. the cost of production of two trainer aircraft went up to Rs. 4.42 crores, from Rs. 1 crore each. Further, the redundant material due to the foreclosure of the project has been of the order of Rs. 19.18 crores, out of which HAL could so far utilise the material worth Rs. 82 lakhs only. HAL delivered only two trainer aircraft to IAF, one in December 1987 and the other April, 1988. The utilisation rate of these aircraft was extremely poor and were phased out on 31 March 1991. The Committee are, therefore, deeply distressed to note that these facts as detailed in the foregoing paragraphs clearly prove that the entire expenditure of about Rs. 37 crores incurred on this project had turned out to be entirely infructuous apart from the manhours expended on the project that could have been deployed more productively elsewhere. The Committee strongly recommend that Government should draw suitable lessons from the said experience in this case and take all corrective steps with a view to abviate the chances of such recurrences in future. The Committee would like to know the detailed corrective steps taken in this regard.

[Sl. No. 12 (Para 1.66) of Appendix II to Twenty-Fifth Report of PAC
(10th Lok Sabha)]

Action Taken

Although the possibility of incurring infructuous expenditure on such development activities cannot be totally eliminated yet it would be the endeavour of the Ministry of Defence to keep such infructuous expenditure at the minimum. The following remedial measures have been taken:

(i) Ministry of Defence shall henceforth constantly monitor all such development projects involving the users and the manufactures to ensure against infructuous expenditure being incurred.

(ii) Chairman HAL will hold regular meetings to review/monitor all design and development projects and would ensure similar reviews/monitoring at appropriate lower levels for all other similar projects.

(iii) The Navy would also evaluate the aircraft proposed to be inducted in the Navy.

(iv) Naval Hqrs would also be associated with the Technical Evaluation Committee set up for the induction of any aircraft which are of interest to both IAF and Navy, to determine whether the recommended aircraft would meet the Navy's specific requirement before the orders are placed.

This has been concurred in by the Finance Division of the Ministry of Defence and vetted by the PDA (AF&N).

[Ministry of defence O.M. No.4 (1)92/DOIII/D(AirI), dated 26.5.93]

MINISTRY OF DEFENCE

SUBJECT:— *Action taken note on the recommendations contained in the 25th report (10th Lok Sabha) of the PAC regarding development and production of a trainer aircraft.*

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During examination of the Audit Para relating to "Development and Production of a Trainer Aircraft", the PAC observed that lack of regular monitoring of the case led to the avoidable expenditure. It has, therefore, been desired that the Ministry of Defence should henceforth regularly monitor all such developmental projects involving the users and the manufacturers to ensure against infructuous expenditure being incurred.

2. All Joint Secretaries in the Ministry of Defence may please have the development projects under their charge reviewed and monitored on a regular basis so that infructuous expenditure is avoided.

Sd/-
(Abraham Prathipati)
Addl. Secretary(A)

All Joint Secretaries in the Deptt. of Defence

MOD I.D. No.4(1)/92/DO-III-D(Air-I) dt. 2nd Jan, 1993
JS(A), JS(E), JS(G), JS(N), JS(O), JS(P&C), JS(PP&TM), JS(Prov&Vig)
JS(Ad)

CHAPTER III

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

Recommendation

The first prototype of the trainer aircraft 'A' which was due in December 1980, was actually flown in September, 1982 with a delay of about two years. Unfortunately, this prototype crashed in December, 1982. Chief of the Air Staff informed the Committee during evidence that aircraft 'A' were in service by the time the first prototype of the trainer aircraft crashed. According to him, at that time aircraft 'A' was found to be unsuitable for the operational conversion unit role. In spite of the fact that after the crash of the first prototype in December, 1982, it was established that the trainer aircraft 'A' was not fit for Operational Conversion Unit, no further review of the need for the trainer aircraft was conducted even at that stage. The Committee strongly disapprove of this failure on the part of the Ministry.

[Sl. No. 3, (Para 1.57 to Appendix II to Twenty-Fifth Report of PAC (10th Lok Sabha))]

Action Taken

After the crash of the first proto type in December ' 82 the project was further reviewed in March '83, wherein the following decisions were taken after discussions with the users and the public sector undertaking:

(i) Further expenditure on manufacturing activities would be discontinued till such time adequate inputs are available for taking a decision.

(ii) Development activities were to continue so as to avoid any additional infructuous expenditure.

(iii) The details of the remedial measures taken to avoid recurrence of cases of this nature in future have been given in the Action Taken Note on Para 1.66 of the PAC's 25th Report (10th Lok Sabha)

This has been concurred in by Finance Division of the Ministry of Defence and vetted by PDA (AF&N)

[Ministry of Defence O.M.No. 4(1)/92/DOIII/D(Air I), dated 26.5.93]

CHAPTER IV

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

—NIL—

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF
WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
12 October, 1994

20 Asvina, 1916 (*Saka*)

BHAGWAN SHANKAR RAWAT,
Chairman,
Public Accounts Committee.

APPENDIX

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/ Deptt. Concerned	Recommendations/Conclusions
1	2	3	4
1	13	Ministry of Defence	To sum up, the Committee in their earlier Report had concluded that the entire expenditure of about Rs. 37 crores (Rs. 14.42 crores towards cost of development, Rs. 4.42 crores being cost of production of two trainer aircrafts and the redundant materials valuing Rs. 18.36 crores due to the foreclosure of the project) incurred on the project for development and production of a trainer version of aircraft 'A' had turned out to be entirely infructuous apart from the manhours expended on the project that could have been deployed more productively elsewhere. They had strongly recommended that Government should draw suitable lessons from the sad experience in this case and take all corrective steps with a view to obviating the chances of such recurrences in future. From the Action Taken Notes furnished by the Ministry of Defence, the Committee note that Government have accorded sanction to write off the development cost of Rs. 11.25 crores and the loss of Rs. 4.42 crores towards the cost of the two aircrafts. According to the Ministry, Hindustan Aeronautics Ltd. (HAL) will bear its share of development cost of Rs. 3.17 crores and Government have also sanctioned the disposal of the redundant material valued at Rs. 18.36 crores and material worth Rs. 0.55 crores procured for development by HAL. The Ministry of Defence in their Action Taken Note have stated that though the

1**2****3****4**

possibility of incurring infructuous expenditure on such development activities cannot be totally eliminated yet, it would be their endeavour to keep such infructuous expenditure at the minimum. The Ministry have also stated that remedial measures have also since been taken. Those measures include, constant monitoring of all such developmental projects by the Ministry of Defence involving the users and the manufactures, regular meetings by Chairman, HAL to review/monitor all design of development projects, evaluation of aircrafts by the Navy proposed to be inducted, association of Naval Headquarters also with the Technical Evaluation Committee set up for induction of aircrafts which are of interest to both IAF and Navy etc. The Committee desire that the corrective steps enumerated above should be strictly followed both in letter and spirit by all concerned with a view to ensuring that the infructuous expenditure on similar defence projects are brought to the minimum in future. They also desire that non-compliance of these instructions should be viewed seriously.

The Committee would also like to be apprised of the realisations made from the disposal of redundant material valued Rs. 18.91 crores.

The Committee considered the following draft Reports:

- | | | | | |
|------|----|----|----|----|
| (i) | ** | ** | ** | ** |
| (ii) | ** | ** | ** | ** |

(iii) Development and Production of a trainer aircraft

[Action Taken on 25th Report of PAC (10th Lok Sabha)]

2. The Committee adopted the draft Report at serial No. (i) with the addition of the word "reality" after "decency" appearing in page 10, para 14 (fourth line from bottom) of the draft Report. The Committee adopted the draft Reports at serial Nos. (ii) & (iii) without any amendment/modification.

3. The Committee authorised the Chairman to finalise these draft Reports in the light of other verbal and consequential changes suggested by some Members and also those arising out of factual verification by Audit and present the same to Parliament.

4.	**	**	**	**
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The Committee then adjourned.

PART II

MINUTES OF THE EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 19 SEPTEMBER, 1994

The Committee sat from 1100 hrs. to 1200 hrs. on 19 September, 1994 in Committee Room No. 'C' Parliament House Annexe, New Delhi.

PRESENT

Shri Bhagwan Shankar Rawat — *Chairman*

MEMBERS

2. Shri Bandaru Dattatraya
3. Shri Dileep Singh Bhuria
4. Sqn. Ldr. Kamal Chaudhry
5. Dr. K.V.R. Chowdary
6. Shri Sharad Dighe
7. Shri Mrutyunjaya Nayak
8. Shri V. Krishna Rao
9. Shri Mohan Singh
10. Shri Somappa R. Bommai
11. Shri Triloki Nath Chaturvedi
12. Miss Saroj Khaparde
13. Shri Murasoli Maran
14. Shri G.G. Swell

SECRETARIAT

1. Smt. Paramjeet Kaur Sandhu — *Director*
2. Shri P. Sreedharan — *Under Secretary*

REPRESENTATIVES OF AUDOT

- | | | |
|------------------------|---|------------------------------------|
| 1. Shri P.K. Brahma | — | Pr. Director
(Indirect Taxes) |
| 2. Shri B.M. Oza | — | Pr. Director
(Central Revenues) |
| 3. Shri Vikram Chandra | — | Pr. Director, Reports (Central) |
| 4. Shri K.S. Menon | — | Pr. Director
(Air Force & Navy) |
| 5. Smt. Revathi Bedi | — | Director
(Air Force & Navy) |
| 6. Smt. Ruchira Pant | — | Director (Customs) |