

# **On the trail of chopper scam**

## **By Gautam Pingle**

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In February 2010, AgustaWestland won a 560 million Euro (Rs 3,546-crore) contract for 12 AW101 helicopters to India for VVIP duty. AgustaWestland paid a commission of Euro 51 million (over Rs 350 crore) to middlemen. Middlemen in defence deals were banned by Rajiv Gandhi. This rule threw out Win Chaddha's Anstronic General Corporation from the Bofors deal. The AgustaWestland story is almost a repeat of Bofors.

All information emerges not in India but in Italy, just like the Bofors story was revealed in Sweden, not here. More evidence came out of Italy due to internal politics in Finmeccanica, parent of AgustaWestland. There is a 568-page preliminary report to a Naples court, a 100-page court order for the detention of former commercial director of Finmeccanica, Paolo Pozzessere, and now a 64-page report filed for the arrest of Finmeccanica CEO Giuseppe Orsi.

The Italian investigation started last year after a brutal power struggle between Francesco Guarguaglini, who was then heading Finmeccanica and his successor, Giuseppe Orsi. Meanwhile, Silvio Berlusconi's coalition government was replaced by one led by technocrat Mario Monti.

This prompted Lorenzo Borgogni, a former top employee of Finmeccanica and Orsi enemy, to blow the whistle on AgustaWestland's deal with the Indian government.

Borgogni told prosecutors in a detailed statement that kickbacks were paid by AgustaWestland for the Indian contract through the use of middlemen and that the total amount came up to euro 51 million.

The 568page preliminary report last year contained extensive details of the investigation into the deal and covered several businessmen, consultants and employees, including Indians. Several issues emerge from these police reports to judicial authorities.

First, enter middlemen with secret contracts. Guido Haschke and Carlo Gerosa are both Italian citizens and directors in a Chandigarh-based firm called Aeromatrix. They got 21 million euros (Rs 143 crores). Hascke was earlier on the board of Emaar MGF as an Independent and Non-Executive Director. Aeromatrix, which has 82 per cent foreign holding with a capital of Rs 75 lakh.

With that type of foreign shareholding, it must have got clearance and approval from RBI and Finance Ministry. As the taped recordings of the Italian police investigation reveal Hascke as saying: "They haven't seized any offices, but even if they find it, that contract (for 5%) is not valid because it was not signed by the Indian counterpart and anyway it expired much before the present contract." Bofors had hired AE Services (and their sub-agents) secretly after they got rid of Anstronic General Corporation publicly.

Second, the specifications for the helicopters are changed to enable AgustaWestland to bid. So the deal was already done. The Air Chief at that time was Air Chief Marshall Shashi P Tyagi. The Indian agents are his three cousins, Sanjeev Kumar (Julie) Tyagi, Docs Tyagi and Sandeep Tyagi. They are well known in New Delhi circles.

Further, the 64page report says: "Haschke and Gerosa, through the Tyagi brothers, in turn through their cousin Shashi Tyagi managed first to change the tender details, in a favourable way to AgustaWestland, modifying the 'operational ceiling' from 18,000 ft to 15,000 ft of altitude, thus allowing AgustaWestland (which otherwise could not have even submitted an offer) to take part in the tender." In Bofors case too, its howitzer did not fulfill General Staff Qualitative Requirement but the Chief of Army Staff General Sundarji cleared Bofors placing it at the head of the list.

The same report states: "They promised and managed to pay, through brothers Julie Tyagi, Docsia Tyagi and Sandeep Tyagi, a certain amount of money, not yet quantified, to Air Chief Marshal Shashi Tyagi, Chief of Staff in the Indian Air Force from 2004 to 2007 -- a public officer or anyway in charge of functions and activities equivalent to those of a public officer in India -- to perform and for having performed a deed against his office duties."

The 568-

page report records Gerosa as saying that "the only one who is safe from judicial consequence is Julie (Tyagi) as they (Indian investigators) are morons and that there is no link". So Julie Tyagi is safe ? Are Indian investigators morons or corrupt like the rest?

The clue is in another recorded conversation where Gerosa tells Haschke: "They just need to say: I take orders from (incomprehensible) there in India, but we can't tell this openly to Gautam (Khaitan, their Indian lawyer)".

While the name has been recorded by the investigators, the transcripts of the conversation list it as "incomprehensible". Are the Italians covering for some Indian? If so, for whom? The Air Chief or someone above him? Third, another middleman is based in London (like Bofors' AE Services).

Christian Michel, UK citizen, is the owner of Keyser Incorporated, registered in Panama (like other sub-agents of Bofors). Michel is said to have connections in the Congress Party and had access to the government

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much like his father Wolfgang Michel had when he operated in India in the past. A dynasty in middlemen forming!

Christian Michel filed a controversial case in a French court in 2004 when he sued aircraft manufacturer Dassault for not paying him commission on a deal of 350 million euros to sell 10 Mirage 2000 fighter aircraft to the Indian Air Force in September 2000. The court considered their contract but ruled that it had expired two years before the contract with India was signed. So we have another illegal and secret middleman and the Government of India did not know and did not care even after it became public years ago?

Fourth, the report says that Michel was paid a "total amount of about 30 million euros, partly destined to support the corrupt activity meant to bag the order and partly to implement the contract". Of this 30 million, he got 10 million euros at the last minute in December 2010 after the contract was signed. Just as in Bofors. For whom was this last minute amount for? Borgogni is quoted in the report as saying: "So the money comes out of Augusta and goes to Haschke and to Michel, from Michel to Orsi, from Orsi to Lega Nord (Northern League political party)".

As for the price per helicopter, India agreed to pay US \$63 million (Rs343 crores) each while the list price on Wikipedia (for 2009) was US \$21 million (Rs 115 crores). Of the 51 million euro commission, 21 million have been paid through Tunisia and ended up in Mauritius. For whom? The Italians know and will tell if asked. Will the Government of India ask? It did not take up Bofors' offer to tell all!

What was the Government of India doing while all this was going on? More so over the last year. After all court proceedings in Italy are not secret and these documents were available to media. In the other defence scam -- Tatra --

no arrests have taken place despite all the clear evidence of irregularities that have been going on in BMEL for ten years. But arrests have been made in the Czech Republic of their former defence minister.

One defence deal - Bofors - cost the Congress the 1989 election. Two defence deals - Tatra and Agusta - may cost it the 2014 election.

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