



Extract from the report to the
Public Accounts Committee on
the Danish Defence's EH-101
helicopters (II)

Oktober
2012

revision
revision
revision

I. Introduction and conclusion

1. This report is about the EH-101 helicopters that were procured by the Danish Defence to perform search and rescue tasks as well as transport tasks including transportation of troops. The decision to acquire the EH-101 helicopters was authorised in an act passed in 2001 and entailed an investment of approximately DKK 3 billion.

Rigsrevisionen has initiated the study. The study follows up on report no. 17/2007 on the Danish Defence's procurement and use of the EH-101 helicopters, including the contract entered with the supplier. On the basis of the findings of this report, Rigsrevisionen decided to pursue further four issues relating to the EH-101 helicopters:

- 1) the outcome of the legal action taken by the Defence, with the assistance of the Attorney to the Government, against the supplier in regard to the warranties, etc. included in the contract;
- 2) the operational availability of the EH-101 helicopters;
- 3) the effort made by the Defence to ensure that the EH-101 helicopters can be used for transporting troops;
- 4) the estimated operational costs of the EH-101 helicopters.

Rigsrevisionen followed up on these issues in its memorandum to the Public Accounts Committee of 5 April 2011. With this memorandum the issues concerning the Defence's contract with the supplier – including the legal action taken against the supplier – were closed as the Attorney to the Government concluded that the most significant legal issues raised by the Defence had been resolved in an addendum to the contract. The Defence had also with the assistance of the Attorney to the Government made claims for compensation against the supplier.

2. The objective of the study is to follow up on the three issues that are still unresolved and provide an overall status on the Defence's use of the EH-101 helicopters and the costs related to operating the helicopters. The three issues concern

- 1) the operational availability of the EH-101 helicopters;
- 2) transporting troops with the EH-101 helicopters;
- 3) operational costs of the EH-101 helicopters.

3. The report answers the following questions:

- Are the EH-101 helicopters now capable of fulfilling the intended tasks?
- Is the Danish Defence now positioned to estimate the total operational costs of the EH-101 helicopters?

Case history

Report no. 17/2007 on the Danish Defence's procurement of E-101 helicopters, issued in September 2008.

Statement by the Minister for Defence of 24 November 2008.

The auditor general's memorandum to the Public Accounts Committee of 18 December 2008.

Comment by the Public Accounts Committee of 28 January 2009.

The auditor general's memorandum to the Public Accounts Committee of 5 April 2011.

Comment by the Public Accounts Committee of 13 April 2011.

MAIN CONCLUSION

The EH-101 helicopters still do not fulfil all the required tasks; they are not used for transporting troops engaged in international missions and performing this task has been postponed to 2014. This is not satisfactory, as the EH-101 helicopters were procured to fulfil also this task. The search and rescue tasks are performed as intended. The Defence is still struggling with high error rates and lengthy turnaround times for spare parts for the EH-101 helicopters, which makes it unduly difficult for the Defence to get the helicopters ready for missions.

Rigsrevisionen finds it unsatisfactory that the Defence has not in the past been able to estimate the total operational costs of the EH-101 helicopters. The Defence has therefore not had a complete overview of the size of the operational costs and their impact on the economy of the Defence. The Defence is now able to estimate the total operational costs. However, operational costs and the expected life-cycle costs of the EH-101 helicopters have turned out to be considerably higher than estimated by the Defence in 2001 when the decision to buy the EH-101 helicopter was made. The procurement of the EH-101 helicopters has therefore absorbed more of the Defence's resources than initially assumed and will continue to do so in the years ahead.

As the Defence is now capable of estimating the total operational costs in accordance with the total cost principles, Rigsrevisionen expects the Ministry of Defence to inform the funding authorities of the increased costs associated with the EH-101 helicopters.

The main conclusion is based on the following findings:

Are the EH-101 helicopters now capable of fulfilling their intended tasks?

The Defence performs the search and rescue task, but not the task of transporting troops engaged in international missions.

Since the procurement of the EH-101 helicopters, the Defence has postponed deployment of the EH-101 helicopters for troop transport from 2010 to 2012 on account of the transfer of EH-101 helicopters to Great Britain, political considerations regarding the future requirement for helicopter capacity, etc. Subsequently, deployment of the EH-101 helicopters for troop transport has been postponed to 2014 on account of high error rates and lengthy turnaround times for spare parts.

The operational availability of the EH-101 helicopters has since 2010 varied between 53 and 55 per cent, which is sufficient to perform the search and rescue task. The Defence is aiming for an operational availability of 65 per cent when the task of transporting troops is also performed. The Defence expects to start the re-education of personnel for the performance of the troop transport task early in 2013.

High error rates and lengthy turnaround times for spare parts continue to complicate maintaining the EH-101 helicopters. Getting the helicopters ready to perform the required tasks, including primarily the search and rescue tasks, is therefore a demanding task for the Defence. The Defence has focus on the maintenance issues and is cooperating with the suppliers on resolving the problems, and action has been taken to improve the situation. However, the effect of these initiatives is long term and cannot be assessed at this point.

Is the Danish Defence now positioned to estimate the total operational costs of the EH-101 helicopters?

So far the Defence has not been able to estimate the total operational costs of the EH-101 helicopters. The Defence is now positioned to do so and therefore has a better basis for assessing the impact of the EH-101 helicopters on the economy. According to the estimates prepared by the Defence, total annual operational costs are considerably higher than the DKK 76 million estimated at the time of procurement in 2001. In 2011 operational costs amounted to approximately DKK 214 million. This increase reflects the fact that operating the EH-101 helicopters has turned out to be more expensive than expected and that all significant costs are now included in the estimate prepared by the Defence. Total operational costs will increase further when the Defence starts using the EH-101 helicopters for transporting troops.

The Defence has projected total life-cycle costs of the EH-101 helicopters at approximately DKK 8.7 billion, which is approximately DKK 1.1 billion up on the estimate made by the Defence in 2001 when the decision to buy the EH-101 helicopters was made. The new estimate is based on fewer flying hours. In spite hereof the life-cycle costs are, according to the estimate made in 2012, considerably higher than expected when the decision to buy the EH-101 helicopters was made in 2001. Fulfilling the troop transport task is expected to entail increased consumption of materials, yet these costs are not included in the 2012 estimate. The Defence has estimated these costs at annually approximately DKK 78 million.