



Report of the State Comptroller of Israel | March 2022

Prime Minister's Office

Acquisition of a Dedicated Aircraft for the Use of Heads of State



Acquisition of a Dedicated Aircraft for the Use of Heads of State

Background

Today, the prime minister uses civilian aircrafts leased from one of the airlines, and the state president flies on commercial flights. In April 2014, in light of gaps in communication and lack of optimal aircraft security, the Goldberg Committee recommended¹ the acquisition of a dedicated aircraft for the use of the president of the state and prime minister (heads of state) while on duty and the recommendation was approved by a government decision. In August 2015, the Security Cabinet (the Cabinet) decided that the Prime Minister's Office would characterize a dedicated aircraft for the use of heads of state and purchase the aircraft through a tender initiated by the Ministry of Defense. The Cabinet approved a budget estimation for the aircraft's acquisition, transformation, maintenance and operation for five years (the Project). It was further decided that the Prime Minister's office would own the aircraft and that the Air Force would fly it. In September 2016, the Ministry of Defense signed an agreement with Israel Aerospace Industries (IAI). The agreement covers the acquisition of the aircraft, various installations, its operation and maintenance, and subsequently, the IAI started the works.

¹ In December 2013 the government of Israel decided to establish a public committee to examine all the aspects related to acquisition of an aircraft dedicated for air transport of the heads of state, including economic and security aspects. Following the decision, the prime minister appointed a committee headed by former justice Eliezer Goldberg. The committee included two other members.



Key figures

**Approx. NIS
152 million**

(USD 40 million) the price representing the economic viability of the acquisition and conversion to a dedicated aircraft (according to a study conducted by the Ministry of Finance in 2011)

**NIS 729
million**

estimation of the project budget approved by the Cabinet in August 2015, out of which NIS 393 million was allocated for the acquisition and conversion of the aircraft, including infrastructures (foundation phase)

**NIS 590
million**

project's budget based on the government decision from August 2016, including NIS 140 million for changes and unexpected expenses

100–120

the number of passengers the aircraft can carry, according to the requirement made in 2010. Compared to 61 – the maximal number of passengers who joined the prime minister on flights between 2010 and 2013

**NIS 5.2
million**

estimation of an average flight cost of the heads of state aircraft (taking into account foundation costs). Compared to the average flight cost of the prime minister between 2015 and 2019 – NIS 2.5 million

**June – July
2021**

the estimated delivery time of the aircraft as of March 2021 (58–59 months from placing the order). Compared to September 2018 (24 months) – the original estimated delivery time according to the agreement

Audit actions

From February 2019 to March 2020, the State Comptroller of Israel examined, among other things, the following subjects: preparation work before the Goldberg Committee and towards the approval of the project by the Cabinet and its approval by the cabinet; conversion phase security aspects and the response definition to cyber threats; determining the project budget; project changes and their cost; execution of the project's budget vs. planning and meeting timetable deadlines until the aircraft delivery. The audit was conducted in the Prime Minister's office, National Security Council, Ministry of Defense, Air Force, IAI, General Security Service, and the Ministry of Finance. Supplementary audits were conducted by October 2020, and some data were updated by March 2021.

This report was submitted to the prime minister and the Knesset State Control Committee on May 30, 2021. Confidentiality was imposed on it until the subcommittee of the State Control Committee of the Knesset convened.



Under the authority vested in the State Comptroller under Section 17(c) of the State Comptroller Law 1958 [Consolidated Version] and taking into account the government's arguments, and after consulting with the bodies in charge of the protection of national security information and coordination with the Chairman of the Knesset, and since the stated subcommittee failed to convene, it was decided to publish this report while imposing confidentiality on sections of it. These sections shall not be submitted to the Knesset, nor shall they be published.

The findings of the audit report and its recommendations are valid as of the above date of its presentation.

Key findings



Determining the aircraft's characterization, ownership, and the entity flying it before the presentation to the Goldberg's Committee – no documentation was found of the preparation work conducted by the Prime Minister's office in 2010 for the main project requirements settings, such as direct flight range, aircraft's model and age and the requirement it can carry 100–120 passengers, which is 64%–97% higher than the maximal number of passengers who boarded the prime minister's flights between 2010 and 2011 (61 passengers). The National Security Council pointed out to the Goldberg Committee the need to carry 150–200 passengers on board which was higher than the requirement made by the Prime Minister's Office and 146%–228% higher than the maximal number of passengers who boarded the prime minister flights between 2010–2013 (61 passengers), without providing any explanations for the gaps above. Moreover, the Prime Minister's Office did not examine potential alternatives concerning the ownership of the aircraft and the entity that would fly it before announcing in 2012 that the aircraft would be owned by the state and flown by Air Force pilots. Following additional implications raised by the Civil Aviation Authority of Israel and the Military Advocate General Office, the Prime Minister's Office and the National Security Council validated the announcement in early 2013 without any proof of its examination. The main requirements set by the Prime Minister's Office in 2010 (range of direct flight, number of passengers on board, and the aircraft's interior configuration) were not examined as part of the decision-making process conducted in the following years.



Presenting the costs of the dedicated aircraft to the Goldberg Committee and the Cabinet – the Ministry of Defense presented to the Goldberg Committee the estimated cost of aircraft acquisition and conversion (without operational costs) at approx. USD 70 million, however, this estimation did not include VAT, and the cost of initial investment required if the aircraft is operated by the Air Force (approx. USD 6.5 million). The National Security Council that compared and examined these project



estimations costs – by the Ministry of Finance's team and by the Ministry of Defense's team – and presented the findings to the Committee did not emphasize the fact that the cost estimations conducted by the two teams were not comparable due to the VAT component. In addition, the National Security Council did not indicate to the committee whether the target cost it stated (USD 50 million) includes VAT or not and whether it includes the cost of initial investment required if the Air Force operates the aircraft.

It was found that even though the Goldberg Committee recommended the acquisition of a dedicated aircraft for the use of the heads of state with a recommendation to reduce the costs presented in the summary of the Ministry of Defense's team, the costs that the Cabinet eventually approved, approx. NIS 729 million was NIS 137 million higher than the costs presented to the Committee by the Ministry of Defense's team. The National Security Council did not emphasize this fact to the Cabinet. Moreover, the presentation to the Cabinet by the National Security Council was not updated in terms of estimation of the total cost of the aircraft and the figures included in the presentation and in the motion the National Security Council submitted to the Cabinet regarding the acquisition of the aircraft were not comparable – the costs included in the presentation were presented in USD, they did not include VAT, while the costs included in the motion were presented in NIS and included VAT. The members of the Cabinet did not mention the gaps related to the costs during the discussion held at the Cabinet



Presenting additional aspects to the Cabinet – As part of the presentation to the Security Cabinet, the National Security Council mainly emphasized the security importance of a dedicated aircraft for the use of the heads of state regarding the need to secure the aircraft and to maintain ongoing secure satellite communication during flights. The Goldberg Committee discussed these topics, and pointed out specific gaps that justified the acquisition of a dedicated aircraft. Nevertheless, the National Security Council did not specify to the Cabinet several substantial security aspects, and the members of the Cabinet did not discuss them: response to security threats known at the time, gaps and capabilities related to a specific security aspect, and the security responsibility about the conversion phase. Moreover, additional subjects were not presented at the Cabinet, such as aircraft configuration, the implications of acquiring a 20 years old aircraft, as opposed to a newer one, the potential alternatives related to aircraft's ownership, the entity that flies it, its regular parking location, their implications and costs.



Determining security aspects – the Security Department in the Prime Minister's Office and the Protective Security Department in the General Security Service defined a substantial part of the security requirements – estimated at about NIS 92 million – only after the Project's approval by the Cabinet, just before the publishing of the tender and even during the tender phase (before submission of proposals). In addition, the tender clause according to which during the conversion phase, the Director of Security of the Defense Establishment (D.S.D.E) will guide the winning company regarding the security aspects, was accepted without a systemic examination by the relevant bodies, including



the D.S.D.E, the General Security Service and the Security Department of the Prime Minister's Office, regarding the D.S.D.E's suitability to undertake such a responsibility. Furthermore, these bodies did not specify the implementing process of a particular security aspect before publishing the tender, even not during the tender phase.

Defining the response to cyber threats before Project's approval and during the tender phase – two weeks before the Project approval by the Cabinet, the General Security Service defined only an initial and general response related to protection against cyber threats. Moreover, representatives of a Technological Unit in the General Security Service, experts in this area, were not involved in the Project before its approval by the Cabinet and became involved only after the tender phase – in early 2017. In addition, the tender included only general requirements in this area.

Updating the Project's Budget – the estimation of costs presented to the Goldberg Committee in 2014, based on a calculation of five years of operation, was NIS 592 million; the Cabinet approved in August 2015 a cost of NIS 729 million; and the government approved in August 2016 a cost of NIS 590 million based on the tender results, Air Force costs estimation and the Prime Minister's summary from June – July 2016.

The work process conducted by the Prime Minister's Office for the government approval of a budgetary supplement of NIS 40 million in August 2016, led to the approval of the budget of NIS 590 million in comparison with the budget approved by the prime minister in July 2016, based on the tender's results (NIS 550 million), was not carried out in a structural, orderly manner. The Prime Minister's Office did not specifically define the changes in aircraft's configuration and interior design, and did not examine their cost vis a vis their benefits and necessity.

Project Changes during the conversion phase and their costs – it was found that most of the first block of changes², in the cost of NIS 47 million, were configuration and design related, although, they were included in the tender. Furthermore, after the first block of changes was agreed upon, the General Security Service and the Prime Minister's Office added additional changes to the second block,³ in the cost of NIS 13 million. Some of these changes could have been included in the first block. This led to inefficiency that required, among other things, replanning, additional negotiations, and further delay in the schedule.

Timetable for aircraft delivery – the initiative to acquire an aircraft for the use of heads of state started in 2010. Following over a decade, as of March 2021, the aircraft




² The "block" of changes refers to a list of additions and changes that the Ministry of Defense agreed on with IAI following the Prime Minister's Office demand and approval and following the completion of the negotiation with IAI. The first block of changes, which was finalized in June 2017, mainly consisted of changes in aircraft's configuration and interior design as well as changes related to communication and security.

³ The second block of changes, which was finalized in May 2018, mainly consisted of changes related to defense as well as the addition of a shower.



purchased for this purpose in 2016 still has not been delivered to the Prime Minister's Office, and heads of state have not started using it.

As of March 2021, there has been a delay of approx. 34–35 months in the expected delivery time, compare to the timetable agreed upon with IAI, (24 months from placing the order as opposed to 58–59 months). The delay was caused, among other things, by the following reasons: multiple changes in aircraft's interior design and decision-making delays by the Prime Minister's Office regarding finishing materials and shades – key factors that led to delays in planning, manufacturing, and supply of equipment items; IAI's commitment to unfeasible delivery times in the agreement and its updating following the first and second blocks of changes; IAI's underestimation regarding installing equipment in the aircraft, and delayed submission of materials and reports needed for licensing to the Civil Aviation Authority of Israel; IAI's inability to reduce its delivery time; meeting strict security requirements due to the shifting of responsibility for aircraft's security to the Security Department in the Prime Minister Office; and the impact of Covid-19 pandemic.

-  **Cost of average flight** – the cost of an average flight in the heads of state aircraft (including foundation, transformation, and capital costs) is expected to be 108% higher than the cost of an average flight in a leased civil aircraft, as is customary at present (approx. NIS 5.2 million vs. NIS 2.5 million).
-  **Insurance coverage** – the planned insurance coverage for the aircraft is lower than the cost of the foundation. The insurance coverage is for up to USD 60 million, i.e., NIS 204 million⁴. At the same time, the cost of the aircraft, including IAI's foundation cost and the various systems, is estimated at NIS 382 million.
-  **Implementation of Project's Budget** – as of July 2020, before the end of the conversion phase, the remaining budget, given the Department of Production and Procurement's (DOPP) estimations regarding additional expected expenses, is only NIS 2.4 million for unexpected expenses required for aircraft's operation for five years. Moreover, given estimates and assessments related to additional expenses from an external budget, it seems that the Project's cost will be NIS 7.7 million higher than the budget approved by the government – NIS 590 million and that there is potential for an additional cost due to an IAI's financial claim following the freezing of the Project as a result of the Covid-19 pandemic from mid-March 2020 to end of August 2020.

⁴ Based on an exchange rate of 3.4 NIS to 1 USD.



Significant improvements at the level of security including protecting the aircraft and its information security, communication, control, conditions, services provided, and availability, are evident in the heads of state aircraft compared to the current situation (leasing civil aircraft).

This Project reflects the advantages of a tender process as a competitive process aiming to reduce costs and use public resources efficiently – it reflected a reduction of about NIS 268 million in the supplier's share (IAI) in the Project compared to the budgetary estimation approved by the Cabinet (NIS 379 million⁵ vs. NIS 657 million). The overall budget set for the Project in July 2016 (NIS 550 million) reflected a reduction of approx. NIS 180 million compared to the budget estimation approved by the Cabinet (NIS 729 million), among other things, due to the tender process.

Key recommendations



It is recommended that the Prime Minister's office, the National Security Council, and the Ministry of Defense draw conclusions from a project that lasted for more than a decade from its initiation and for five and a half years from the tender date and ensure the shortest possible time for handling future projects of public and security importance. It is further recommended that the bodies above provide a realistic timetable for future projects, considering the project's complexity, the impact of changes, and the opinion of the relevant professionals and that the timeline allows for appropriate monitoring of the project's progress.



Regarding national projects that cost hundreds of millions of NIS, and primarily complex projects, in particular, the Prime Minister's Office should complete preparation work in collaboration with the relevant professional entities to allow regulated decision-making processes and specification of requirements that answer relevant needs. The Prime Minister's Office and the National Security Council should document all the project decisions and their process.



The Ministry of Defense and the National Security Council must ensure that complete, updated, and comparable data are presented throughout the project's phases, considering previous public committees recommendations, if appointed, thus public committees can recommend an appropriate modus operandi, and decision-makers, government and Cabinet, will be able to make decisions based on a complete factual basis. In addition, it is recommended that the National Security Council analyze

⁵ With the exclusion of insurance costs that were excluded from the tender and estimated at approx. NIS 10 million.



alternatives for substantial issues, and their implications on economic and operational aspects, and present its findings to the Cabinet to support their decision-making.



The General Security Service, the D.S.D.E, and the Security Department in the Prime Minister's Office should, as much as possible fully specify future projects concerning security requirements before its approval and, indeed, before the tender publishing. It is further recommended that these bodies divide the responsibilities and the work processes toward the project's implementation collaboratively and based on a systemic view from the project first phase.

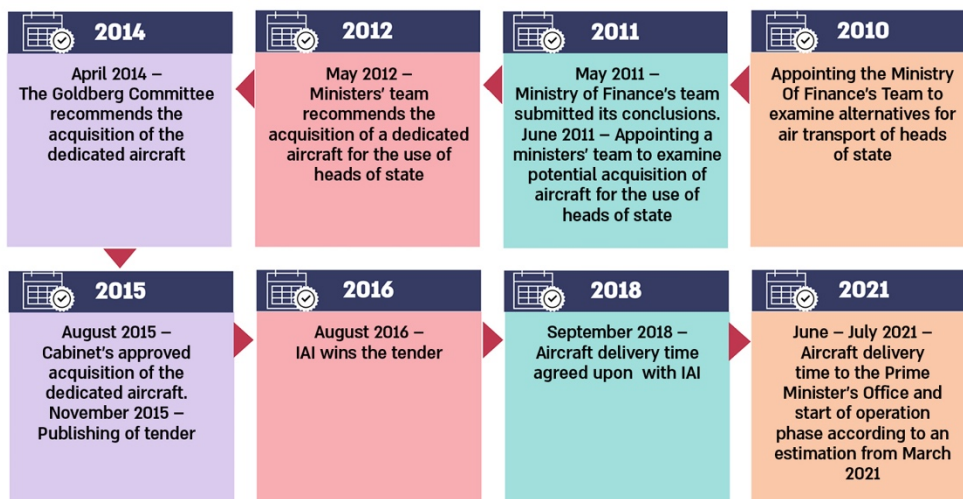


Integrating the Technological Unit of the General Security Service into security-national projects such as the dedicated aircraft project from the very first phases is recommended.



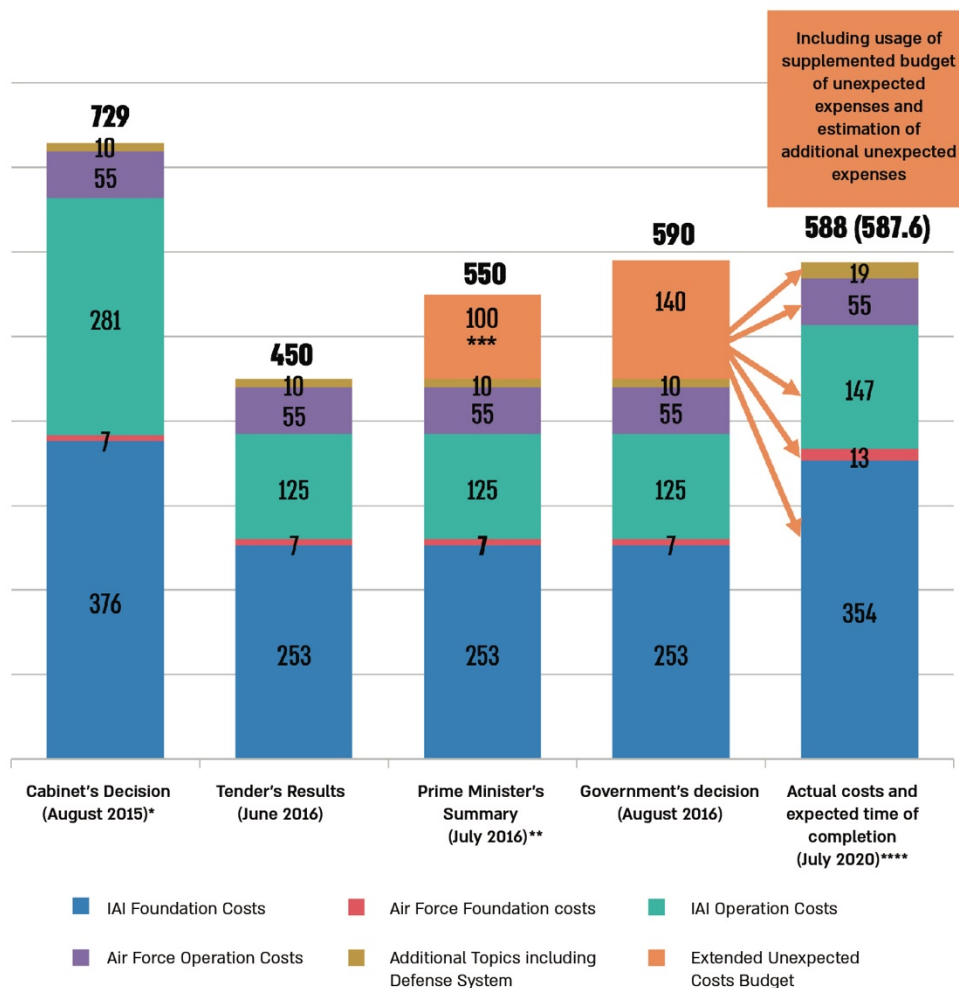
It is recommended that the Prime Minister's Office ensure that the work process for setting budgetary supplements for substantial changes in future projects is conducted in coordination with the Ministry of Finance and carried out based on a regulated manner, including the examination of timetables and budget, to allow well-founded decision making.

Main events from 2010 to expected time of aircraft delivery





Project's budget – planning vs. actual execution (in million NIS)



* Estimation of costs as was approved by the Cabinet.

** In accordance with D.O.P.P documents.

*** Refers to budget for unexpected expenses approved in July 2016 (without budgetary supplement).

**** Including D.O.P.P's estimations of additional expected expenses before negotiation



Summary

Acquisition of a dedicated aircraft for the use of the heads of state is a unique primary and complex project that includes multiple aspects, including security, developmental, technological, national, and regulatory aspects. Moreover, the project involves multiple entities, which do not necessarily have any experience in handling aviation projects.

This audit found some deficiencies related to the preparation works to support decision making from 2010 to the time of approval by the Cabinet, especially regarding cost estimation, determining aircraft's characterizations and main requirements, specification of security requirements, and security coordination amongst the entities involved in the first phases of project's execution. In addition, following the completion of the tender, some changes were made to the project. These changes affected the Project's budget and caused inefficiencies that led, among other things, to replanning, further negotiations, and delays.

As of March 2021, more than a decade after the Prime Minister's Office initiated the acquisition of aircraft, it still has not been delivered to the Prime Minister's Office, and the heads of state have not started using it.

In light of the deficiencies found in this report, it is recommended that, the National Security Council, the Prime Minister's Office, the General Security Service, and the Ministry of Defense optimize their preparation work before decision-making and their preparedness for the execution of future projects.

The decisions presented to the Security Cabinet, such as the heads of state aircraft project, are of national-security importance and involve substantial financial costs. It is appropriate that members of the Cabinet make decisions based on a thorough examination of information and comprehensive data presented to them.