

4

**STANDING COMMITTEE
ON DEFENCE
(1995-96)**

(TENTH LOK SABHA)

**MINISTRY OF DEFENCE
DEMAND FOR GRANTS (1995-96)**

FOURTH REPORT



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LOK SABHA SECRETARIAT
NEW DELHI

April, 1995/Vaisakha, 1917 (Saka)

FOURTH REPORT

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DEFENCE**

(1995-96)

(TENTH LOK SABHA)

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DEMANDS FOR GRANTS (1995-96)**

Presented to Lok Sabha on
Laid in Rajya Sabha on.....

3 MAY 1995



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1995/Vaisakha, 1917 (Saka)

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AGENDA TO THE 4TH REPORT OF STANDING COMMITTEE ON DEFENCE
 DEMANDS FOR GRANTS (1995-96)

Para	Line	For	Read
	18	G. Patwardhan	G.R. Patwardhan
3	1	relevent	relevant
6	6	capability	capabilities,
4	5	Air Forces	Air Force
14	14	61933.24	6933.24
18	5	Depot	Deptt.
30	7	defance	defence
31	2	<u>Delete</u> 'is'	
36	6	Yogoslvia	Yugoslavia
	17	T-72	T-72 Tank
	12	Yougoslavia	Yugoslavia
41	5	guidence	guidance
	2	increase	increased
49	1	naval	Naval
52	6	capaital	capital
	14	jet	Jet
	1	Acquisition	Acquisition of
76	11	acqisition	acquisition
80	4	not	note
82	3	ordnance	Ordnance
84	1	annual	Annual
	17	11314.54	11714.54
	3	april	April
	11	Choudhary	Chaudhry
3	4	suggestion	suggestions
	11	Choudhary	Chaudhry
4	1	Reports	Report
	3	consequentional	consequential
	3	Third	Fourth
2	6	security	on security
5	4	Annexure	Appendix

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**COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE
(1994-95)**

CHAIRMAN

****Shri Indrajit Gupta**

MEMBERS

Lok Sabha

2. Shri Ayub Khan
3. Shri Nurul Islam
4. Shri Bhupinder Singh Hooda
5. Shri Nandi Yellaiah
6. Shri Rajaram Shankarrao Mane
7. Shri Manikrao Hodalya Gavit
8. Sqn. Ldr. Kamal Chaudhry
9. Shri Vijay Naval Patil
10. Shri Ram Niwas Mirdha
11. Shri Sharad Dighe
12. Prof. Ashokrao Anandrao Deshmukh
13. Shri Umrao Singh
14. Maj. D. D. Khanoria
15. Shri Yoganand Saraswati
16. Shri Prakash Narayan Tripathi
17. Shri B. L. Sharma Prem
18. Shri Jagat Vir Singh Drona
19. Shri Gabhaji Mangaji Thakore
20. Shri Pandurang Pundlik Fundkar
21. Shri Pratap Singh
22. Dr. Mumtaz Ansari
23. Shri Chhedi Paswan
24. Shri Chun Chun Prasad Yadav
25. Shri Abhay Pratap Singh
26. Shri Amal Datta
27. Shri Hannan Mollah
28. Shri C. Sreenivasan
29. Maj. Gen. R. G. Williams

* Nominated w.e.f. 5 September, 1994.

** Appointed w.e.f. 23 March, 1995 vice Shri Buta Singh ceased to be Member/Chairman consequent on his appointment as Minister w.e.f. 10.2.95.

Rajya Sabha

30. Shri B. B. Dutta
31. Shri Misa R. Ganesan
32. Shri Hiphei
33. Shri Suresh Kalmadi
34. Shri R. K. Karanjia
35. Shri Prabhakar B. Kore
36. Shri K.R. Malkani
37. Shri A. Nallsivan
38. Shri S. Jaipal Reddy
39. Shri Satchindananda
40. Shri Sushil Kumar Sambhajirao Shinde
41. Shri Digvijay Singh
42. Shri Gopalsinh G. Solanki
- *43. Shri M.P. Abdussamad Samadani

SECRETARIAT

1. Dr. A. K. Pandey — *Additional Secretary*
2. Shri G. R. Patwardhan — *Joint Secretary*
3. Shri K. L. Narang — *Deputy Secretary*
4. Shri A. K. Singh — *Under Secretary*

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INTRODUCTION

1. The Chairman, Standing Committee on Defence (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Fourth Report on Demands for Grants of the Ministry of Defence for the year 1995-96.

2. The Demands for Grants of the Ministry of Defence for the year 1995-96 were laid on the Table of the House on 29 March, 1995.

3. The Committee on Defence (1994-95) scrutinised the relevant documents, considered and finalized the list of points on the Demands for Grants (1995-96) of the Ministry for seeking written information forming the basis for discussion with the representatives of the Ministry of Defence.

4. Term of the Committee on Defence (1994-95) expired on 7th April, 1995. This Committee was reconstituted on the 8th April, 1995.

5. The Committee took evidence of the representatives of the Ministry of Defence on 10th and 12th April, 1995. The Committee considered and adopted the Report at their sitting held on April 19, 1995 and finalised it at their sitting held on 25th April, 1995.

6. The Committee wish to express their thanks to the officers of the Ministry of Defence for the cooperation extended by them in furnishing information in a very short span of time which they desired in connection with the examination of Demands for Grants of the Ministry for 1995-96 and for sharing with the Committee their views, perceptions concerning security concerns, defence capability modernisation/ upgradation programmes and re-equipment schemes and resource constraints which came for discussion during evidence.

7. For reference facility and convenience, the observations/recommendations of the Committee have been printed in thick type in the body of the report.

NEW DELHI :

April 25, 1995

Vaisaka 5, 1917 (Saka)

INDRAJIT GUPTA.

Chairman.

Standing Committee on Defence

REPORT

Security scenario in our region has not shown any significant improvement. Despite the ending of cold war five years ago and resolution of some of the more intractable problems of the past in other parts of the world, prospect of peace and tranquility in our South Asia sub-Continent still seems very remote. Acquisitions of sophisticated weaponry, arms technology and modernisation of armed forces by our potential adversaries far beyond their legitimate defence requirements have raised long term security concerns for India.

2. Whether the Budget estimates of the Defence Services for the year 1995-96 would be sufficient to enable the Government in taking every measure that is necessary to ensure our territorial integrity and sovereignty in response to the deteriorating security scenario in our neighbourhood, needs examination.

3. The Budget proposals of Ministry of Defence are contained in seven Demands for Grants i.e, Demand Nos. 15 to 21. Demand Nos. 15 and 16 which are known as Civil Demands for Grants of the Ministry of Defence, cater to the requirements for the civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department etc., including share capital contributions made/loans advanced to Defence Public Sector Undertakings and Defence Pensions.

4. Demand Nos. 17 to 21 relate to the budgetary requirements for the Defence Services:

Demand No. 17, Defence Services — Army

Demand No. 18, Defence Services — Navy

Demand No. 19, Defence Services — Air Forces

Demand No. 20, Defence Ordnance Factories

Demand No. 21, Capital Outlay on Defence Services.

Civil Estimates of the Ministry of Defence

5. The provisions in 1994-95 and 1995-96 under Demand No. 15 are given below. Major components of Gross Revenue Expenditure in Revised Estimates 1994-95 are CSD (Rs. 1565.68 crores), Defence Accounts Department (Rs. 176.50 crores) and Ministry of Defence Secretariat (Rs. 12.50 crores).

In the Capital outlay of Rs. 46.30 crores in Revised Estimates 1994-95, the major allocations are for Loans to PSUs (Rs.10 crores), Investment in Share Capital of PSUs (Rs. 15 crores) and Loans for Water Supply Schemes and Miscellaneous (Rs. 9.13 crores).

(Rs. in Crores)

	BE 94-95	RE 94-95	BE 95-96
Gross Revenue	1890.36	1793.09	2026.88
Capital	88.36	46.30	26.52
Gross Expenditure	1978.72	1839.39	2053.40
Receipts	(-) 1702.85	(-) 1596.85	(-) 1858.13
Amount met from N.R.F	(-) 18.00	(-) 20.00	
Net Expenditure	257.87	222.54	195.27

(Break up given in Annexure - I)

6. The provisions for Defence Pensions and other retirement benefits in 1994-95 and 1995-96 under Demand No. 16 are as under:-

(Rs. in crores)

	BE 94-95	RE 94-95	BE 95-96
Pension and other retirement benefits	2706.00	2721.00	2857.00

(Break up given in Annexure - II)

Budget Estimates 1995-96 of Defence Services

7. The Budget Estimates of the Defence Services for the year 1995-96, as compared with the Budget and Revised Estimates for 1994-95 and the actual expenditure during the year 1993-94 are summarised below:-

(Rs. in Crores)

	Actual 1993-94	Budget Estimates 1994-95	Revised Estimates 1994-95	Budget Estimates 1995-96
REVENUE EXPENDITURE				
Gross Expenditure :				
Voted	16105.02	17138.76	17714.60	19383.32
Charged	4.65	11.04	8.83	9.59
Total	16109.67	17149.80	17723.43	19392.91
Receipts & Recoveries	1132.33	980.93	1112.67	1247.40
Net Revenue Expenditure	14977.34	16168.87	16610.76	18145.51
CAPITAL EXPENDITURE				
Gross Expenditure :				
Voted	6874.47	6824.10	6926.21	7347.31
Charged	3.84	7.03	7.03	7.18
Total	6878.31	6831.13	6933.24	7354.49
Recoveries on Capital Account	10.92	-	-	-
Net Capital Expenditure	6867.39	6831.13	6933.24	7354.49
Net Revenue & Capital Expenditure	21844.73	23000.00	23544.00	25500.00

8. The 'running' or 'operating' expenditure of the three Services and other Departments viz. Defence Research & Development Organisation (DRDO), Directorate General Ordnance Factories (DGOF), Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC), Directorate of Technical Development and Production (DTD&P), Air and Dte. of Standardisation are provided under Demand Nos. 17 to 20, which cater to the revenue expenditure. The revenue expenditure includes expenditure on Pay and Allowances, Transportation, Revenue Stores (like rations, petrol, oil and lubricants, spares, etc.),

Revenue Works (which include maintenance of buildings, water and electricity supplies, rents, rates and taxes etc.) and other miscellaneous expenditure. Demand No. 17 (Defence Services - Army) caters to the Revenue expenditure of Army, NCC, R&D and DGQA.

9. Demand No. 21, viz., Capital Outlay on Defence Services, caters to the expenditure incurred on building or acquiring durable assets. The capital expenditure includes expenditure on land, construction works, plant and machinery, Naval Vessels etc. From 1987-88, expenditure on procurement of Aircraft and Aeroengines is shown as Capital expenditure. From the same year, expenditure on procurement of Heavy and Medium Vehicles as well as other Equipment, which have a unit value of Rs. 2 lakhs and above and life span of 7 years or more is debited to the Capital heads.

10. Approval of Parliament is taken for the 'gross' expenditure provision under different Demands for Grants. Receipts and Recoveries which include items like sale proceeds of surplus/obsolete stores, receipts on account of services rendered to State Governments/other Ministries, etc. and other miscellaneous items are deducted from the gross expenditure to arrive at the net expenditure on Defence Services. What is accepted in common parlance as the Defence Budget is the net expenditure thus arrived at for the five Demands, viz. Demand Nos. 17 to 21.

11. An amount of Rs. 25,500 crores has been provided for the Defence Services in the Budget Estimates for the year 1995-96. Compared to the Budget Estimates of 1994-95 the Budget Estimates of 1995-96 point to a growth of 10.87 per cent. The rate of inflation during 1994-95 was 11.41 percent. Thus, there has not been any increase (in real terms) in Defence Budget, 1995-96 compared with the previous year.

12. The requirements of the Coast Guard Organisation and the Border Roads Organisation are provided for by the Department of Revenue and the Ministry of Surface Transport, respectively.

Allocations for 1994-95

13. As indicated in the General Budget, the provision for Defence Services under Demand Nos. 17 to 21 for 1994-95 in the Budget Estimates (BE) was Rs. 23000 crores and that in the Revised Estimates (RE) is Rs. 23544 crores, reflecting an increase of Rs.544 crores and a percentage increase of 2.36%. Compared to the actuals of 1993-94, (Rs. 21845 crores), the R.E. for 94-95 shows an increase of Rs.1699 crores and a percentage increase of 7.78%.

14. The Demand-wise position is as under:

(Rs. in Crores)

Demand	B.E. 1994-95	R.E. 1994-95
1. Army (Revenue expenditure of Army, NCC, R&D and DGQA)	11499.38	11753.87
2. Navy (Revenue expenditure of Navy)	1390.43	1468.30
3. Air Force (Revenue expenditure of Air Force)	3696.33	3901.76
4. Defence Ordnance Factories (Revenue expenditure of Ordnance Factories)	563.66	599.50
5. Capital Outlay on Defence Services (Capital expenditure of all Services/ Departments)	6831.13	61933.24
Total Gross Exp.	23980.93	24656.67
Receipts/Recoveries	(-) 980.93	(-) 1112.67
Total (Net)	23000.00	23544.00

15. Out of the Revised Estimates of Rs. 23544 crores for 1994-95, the provision for Revenue expenditure is Rs. 16610.76 crores, while that for Capital expenditure is Rs. 6933.24 crores. The major components of the net Capital expenditure are Land —Rs. 80.44 crores, Works - Rs.810.80 crores, Aircraft - Rs.2634.36 crores, Heavy and Medium Vehicles - Rs.109.67 crores, Other Equipment - Rs. 1923.68 crores, Naval Fleet - Rs. 1132.97 crores, Machinery and Equipment for Ordnance Factories - Rs. 142.00 crores and other items - Rs. 99.32 crores.

Allocation for 1995-96

16. The Budget Estimates for 1995-96 work out to Rs.26747.40 crores (Gross) and Rs. 25500.00 crores (Net).

17. The Demand - wise position is as under:

Demand	(Rs. in Crores)	
	R.E. 1994-95	B.E. 1995-96
1. Army (Revenue expenditure of Army, NCC, R&D and DGQA)	11753.87	12848.01
2. Navy (Revenue expenditure of Navy)	1468.30	1570.39
3. Air Force (Revenue expenditure of Air Force)	3901.76	4264.91
4. Defence Ordnance Factories (Revenue expenditure of Ordnance Factories)	599.50	709.60
5. Capital Outlay on Defence Services (Capital expenditure of all Services/Departments)	6933.24	7354.49
Total Gross Exp.	24656.67	26747.40
Receipts/Recoveries	(-) 1112.67	(-) 1247.40
Total (Net)	23544.00	25500.00

18. A comparison of the Service/Department-wise allocations in 1994-95 and BE 1995-96 is given below:

(Rs. in Crores)

Service Depot	RE 94-95	%age of Total Budget	BE 95-96	%age of Total Budget	DETAILS IN
Army*	12433.09	52.8	13760.16	54.0	ANNEXURE-III
Navy*	2935.53	12.5	3389.57	13.3	ANNEXURE-IV
A.F.*	6597.96	28.0	6552.28	25.7	ANNEXURE-V
DGOF*	263.58	1.1	290.07	1.1	ANNEXURE-VI
DGQA*	138.84	0.6	159.44	0.6	ANNEXURE-VII
R&D*	1175.00	5.0	1348.48	5.3	ANNEXURE-VIII
Total	23544.00	100	25500.00	100	

* Net Revenue plus Capital provision has been shown here.

Category-wise breakup

19. The Gross Revenue Expenditure in the Budget Estimates for 1995-96 is 72.5% as compared to 71.88% in the Revised Estimates 1994-95. The Gross Capital Expenditure in the Budget Estimates 1995-96 is 27.50% as against 28.12% in the Revised Estimates, 1994-95.

20. The Net Revenue expenditure in the Budget Estimates for 1995-96 is 71.16% as compared to 70.55% in the Revised Estimates 1994-95. The Net Capital Expenditure in the Budget Estimates 1995-96 is 28.84% as against 29.45% in the Revised Estimates 1994-95. However, there is an increase in Capital Budget in absolute terms in the provisions made for 1995-96.

Modernisation/upgradation and Re-equipment Projects

21. The Services have prioritized the following areas of modernisation/upgradation and re-equipment for the VIIth Plan period.

Army

1. Acquisition of Battle Field Surveillance Tactical Control Radar

2. Remotely Piloted Vehicles
3. Self Propelled Artillery
4. Modernisation of T-72, T-55 Tanks
5. Induction of Attack Helicopters
6. Electronic Warfare and Electronic Communications

Air Force

1. Procurement of Advanced Jet Trainers
2. Upgradation of MiG 21, and MiG-27 Aircrafts
3. Acquisition of a Multi Role Combat Aircraft with Deep Strike Capabilities.
4. A Number of systems of Force Multipliers.

Navy

1. Replacement of ageing Aircraft Carriers
2. Replacement of ageing Fox Trot class of Submarines
3. Acquisition of six frigates
4. Seaward Defence Boat Replacement Programme
5. Procurement of Dorniers for Maritime Reconnaissance
6. 3rd/4th Line Maintenance Facilities for Sea Harriers
7. Project Sea Bird
8. Project Ezhimala

22. Due to resource crunch and budgetary insufficiency it has not been possible for the Ministry to accommodate all the schemes projected by the Services. However, concerted efforts have been made to ensure that Defence preparedness does not suffer. Prioritisation of the modernisation schemes/acquisition programme, adopting various economy measures to restrict expenditure and steps to initiate internal resource generation together have been enabling the Services to manage. The minimum inescapable requirements of the services are worked out and discussions are on with Ministry of Finance for obtaining sufficient budgetary support during VIIIth Plan period.

23. Keeping in view the extreme resource crunch of Government of India, the Ministry of Defence had projected a requirement of Rs. 26,000 crores for 1995-96. Against this, the allocation approved by Ministry of Finance was Rs. 25,500 crores.

24. Notwithstanding the resource constraints, concerted efforts were made to ensure that emergent maintenance and modernisation priorities did not suffer. Though, it has not been possible to accommodate all the schemes projected by the Services, it has been ensured that priority schemes did not suffer.

25. The allocation to a Service is decided considering its requirements for meeting its inescapable Revenue requirements, its past contractual liabilities, and its essential modernisation needs. The requirements on account of Revenue commitments have been fully catered for in the BE 1995-96.

26. Out of Rs. 6945 crores provided in BE 1995-96 for modernisation of the three Services, approximately Rs. 2000 crores is for new acquisitions. This amount reflects the cash outflow in 1995-96 on modernisation schemes and not the total value of modernisation schemes implemented. The amount provided is sufficient for looking after the Combat worthiness of our forces, in the assessment of Ministry of Defence.

The break up in respect of the three Services is as under:

(Rs. in crores)

	Projected by Service HQrs.	Provided in BE 1995-96
Army	3721.04	2305.82
Navy	4464.34	1853.40
Air Force	3364.02	2786.21
Total	11549.40	6945.43

27. The Committee note the modernisation/upgradation schemes and re-equipment programmes prioritized by the three Services for the Eighth Plan period. The Committee note that in the Budget Estimates 1995-96 only 60 per cent of the amount projected by the three Services for modernisation for the year has been provided. The Committee regret to note that most of the prioritized modernisation/upgradation and re-equipment projects though heavily capital intensive are still in the infancy stage even in the 4th year viz. 1995-96 of the Eighth Plan period 1992-97.

28. The Committee feel it necessary to stress that failure to acquire new equipment each year will only result in an accumulation or backlog which can become prohibitive and unaffordable. The Committee agree with the view that while considering the modernisation/upgradation and re-equipping of our Armed Forces it is necessary to look at least 15 to 20 years ahead and plan accordingly. It is equally essential that adequate allocation should be earmarked each year and the plan should go ahead and purchases made accordingly.

29. The Committee are concerned at the fact that there has been an increase of 10.87% in the Budget Estimates of 1995-96 *vis-a-vis* 1994-95 whereas the rate of inflation during 1994-95 was 11.41% , making no increase in real terms in the Defence Budget, 1995-96. The Committee are also concerned to note that gross capital expenditure which was 29.45% in 1994-95 (R.E.) declined in 1995-96 (B.E.) to 28.84%. The Committee desire that the Ministry of Defence should take up the matter with the Ministry of Finance at highest level so that there is no decline in the Defence allocation in real terms in coming years.

ARMY

New Generation Artillery Weapons

30. New generation of artillery weapon systems include state-of-the-art guns such as self propelled guns with improved fire control system and modernised ammunition. These also include better surveillance systems , and area weapon systems (such as multi-barrel rocket launcher and surface to surface missiles). Remotely delivered anti-personnel and anti-tank mine systems, which use rockets, are also in service with some major Armies. Self propelled gun-cum- missile system provide air defence against armed attack helicopters and aircraft.

Evaluation trials are in progress to select a 155mm self propelled hybrid gun for eventual induction in the artillery. Procurement action is in advanced stage for induction of some Remotely Piloted Vehicles and tactical control radars. Other weapon systems and equipment are in various stages of evaluation for induction. A multi- barrel rocket launcher 'Pinaka' has been developed indigenously and is likely to be offered for trials in the second half of 1995.

31. The Committee have been informed by the Ministry in their written reply as well as during evidence that acquisition is process under way in respect of 155 mm self propelled guns and other new generation weapon systems are at different stages of implementation/finalisation.

32. The Committee desire that these proposals for acquisition may be finalised within a reasonable time frame and adequate allocation made to meet the requirements.

TANKS

MBT ARJUN

33. It has been stated before the Committee that the Main Battle Tank (MBT) Arjun developed by the DRDO far advanced in fire power, mobility and protection is Contemporary with other world tanks like Leopard-II and MIAI. The MBT has undergone several trials, the last of which was held in 1994. The modifications required to further improve the design are being carried out by the designing agency namely DRDO and the next user trial would be held in the summer of 1995. In the meanwhile, plans for its series production are being formulated. Accordingly, a firm time schedule for its productionisation and induction in the Forces can be finalised only thereafter. However, it is proposed to induct 2 regts of MBT Arjun initially during 9th Plan. As production of MBT 'Arjun' is not likely to commence in 1995-96, no funds for production have been incorporated in the Budget Estimates for 1995-96.

34. Explaining the position on the present status further during evidence the Secretary (DR&D) of the Ministry of Defence stated as follows:

"After 1993, the Army wanted to have troop trials on a number of pre-production series with a view to find deficiencies and rectify them. Trials on nine pre-production tanks were carried out in 1994 and many improvements have been made. Simultaneously, the Department of Defence has prepared a Paper for Government sanctions to produce certain number of tanks. The Government's sanction for production is expected this year and we are putting about six tanks in the summer trials to ensure that troop trials are completed."

35. On being asked the reasons for not displaying the Arjun Tank at Defence exhibition in the Middle East, the Secretary (DR&D) responded :

"Regarding 'Arjun' as to why we had not displayed it in IDEX International Defence Exhibition at Abu Dabi-we had discussions with the Ministry of Defence and the Army to decide as to whether it was the right time to go for the exhibition. As the designing and developing agency, I felt we would be on stronger ground if our tanks first enter into our own Army before going for International exhibitions. We will

get the production order this year. This exhibition is held every two years. In the next exhibition, our tank will be right there."

Modernisation of T- 55 Tank

36. With regard to modernisation of T-55 tank, the Defence Secretary informed as follows :

"It has been going on for the last few years. Quite a few tanks have been modernised. The only remaining item to be installed in the modernised tank is the tank fire control system for which we had entered into a contract with former Yugoslavia. But unfortunately, because of the UN embargo on them, we have had to look for an alternate source. We are still in search of an alternate source and when we are able to locate suitable sources, the tank fire control system will also be modernised."

37. In response to a query, the representative informed :

"We have been on the look out for an alternate source. We have got a few offers. We are yet to evaluate them. Once we select a firm party, the tank fire control system of T-55 will also be modernised."

Modernisation of T-72

38. As regards T-72 tank, the Defence Secretary informed as follows:

"It is fully modernised by DRDO. Two of these tanks are now in Mahajan Ranges for trial in summer. When these trials are completed, if the tank is successful the fleet will be modernised. This is a wholly indigenous effort with certain imported components and sub-systems."

39. In this connection, the Secretary (DR & D) of Ministry of Defence added :

"About the modernisation of T-72, we have two tanks modernised especially on two aspects. One is the night fighting capability and we are increasing ammunition capacity both with regard to accuracy and penetration. Preliminary tests are going on and we hope to complete the trials by June. This is one of the latest technologies that we are incorporating in T-72 modernisation programme, especially in the ammunition area, the softcore FSAPDS."

40. **The Committee note that next user trial of MBT Arjun would be held in the summer of 1995 and meanwhile plans for its series produc-**

tion are being formulated whereafter the firm time schedule for its production and induction in the forces would be finalised. The Committee also note that it is proposed to induct two regiments of MBT Arjun initially during Ninth Plan and that Government's sanction for its production is expected this year.

The Committee desire that a firm time schedule for commencement of production and induction of MBT Arjun be indicated and the concrete steps taken to remove all bottlenecks urgently as the project has already been delayed too much.

In regard to modernisation of T-55 tanks, the only remaining item to be installed in the modernised tank is the tank fire control system for which a contract was entered into with former Yugoslavia which could not be executed because of the U. N. embargo. The Committee further note that Ministry is on look out for an alternate source and are yet to evaluate the offers received by them.

In order to remove delay and uncertainty in modernisation of T-55 tanks, the Committee desire that offers received in regard to fire control system in T-55 tank should be evaluated and finalised as expeditiously as possible.

The modernisation of T-72 tank is being undertaken by DRDO and that two of these tanks have been modernised specially on two aspects viz. night fighting capability and increasing ammunition capacity both in regard to accuracy and penetration.

The Committee hope that the modernisation of T-72 tanks would be expedited ensuring adequate funds for the same.

Deployment of 'Prithvi'

41. 'Prithvi' is a surface-to-surface tactical battle field missile with a range of 40 to 150 Kms. It can carry a warhead upto 1,000 Kg. The range can be extended upto 250 Kms with a reduced pay-load of 450 Kg. 'Prithvi' uses single stage liquid propulsion system and strap down inertial navigation system for guidance.

14 flight trials of 'Prithvi' missile have been conducted so far, the first on 25.2.88 and the last on 6th June, 1994. In the 12 developmental flights using various ground systems, the performance was as per the specifications and thus the development of the missile system was completed successfully within the

IGMDP PDC of June, 1995. The last two launches (13th & 14 th) have been conducted successfully by the users as part of the users' trials.

42. The Committee are informed that Pakistan has its own missile development programmes. Pakistan Armed Forces have already in their inventory two surface-to-surface (ss) missiles variants - Hatf I and Hatf II with ranges between 70 to 150 kms. Pakistan has received the supply of longer range M-11 missiles from China which can carry nuclear warheads. These nuclear capable missiles are reported to have been deployed by Pakistan in the vicinity of its border with India .

The Committee do not want to advocate build up of any great arsenal but are only in favour of maintaining parity in Defence preparedness based on the perception of threat from a very hostile neighbour to the nation's security. As the defence preparedness is the first priority of any Government to protect the country from outside aggression, it has become imperative that Government take quick decision on the induction and deployment of the indigenously developed surface-to surface 'Prithvi' missile. This will not only boost the morale of the armed forces but also act as a deterrent against enemy attacks and help maintain peace and stability in the region.

Vacation of land under Occupation of Security Forces

43. During the oral evidence, it was pointed out :

"...the Army or the security forces posted in Mizoram had left their occupied areas of land in 1987-88 . Even after they vacated, the respective areas of land are not given to the original owners of land. So, the Defence Ministry or the Home Ministry had to pay rental charges till today. In order to avoid this unnecessary expenditure, land owners should be allowed to reoccupy their respective land."

44. The Defence Secretary explaining the position, stated as follows :

"The issue which has been raised is about Army and other security forces occupying certain lands in Mizoram. The fact is that about 600 acres had been occupied since 1966 by the Army, Assam Rifles and the Central paramilitary forces till the signing of the accord in 1986. So, for the period of 20 years, all the paramilitary forces and the Army had been functioning for CI tasks under the Ministry of Home Affairs. So, the MHA are the agency to make this payment. They have already finalised the amount. Rs. 14,95,74,981 has been finalised and they are process-

ing for payment to the respective States which will then be disbursed to the land owners. Now, after 1986, there have been lands which have been under the occupation of the Army in Mizoram. We have the responsibility to pay for that. We have already paid rental compensation Rs. 13,67,394 for the period 1986 to 31st March, 1991. The second instalment paid was Rs. 2,21,826 for the period 1st April, 1991 to 31st March, 1992. This is in respect of about 54 acres of land. We are in arrears for the remaining period. We have already asked the Army to prepare the final bill so that we can pay the amount to them."

45. Asked why the owners were not allowed to occupy their own land as some property of the Army is still lying there, the Defence Secretary then assured :

"I will have the matter inquired into by a senior Army official and take necessary action."

46. The Committee note that land under occupation of the Army in Mizoram since 1966 has been vacated after signing of Accord in 1986 . However, the land has not so far been returned to the owners. The Committee desire that the land may be restored to owners without any further loss of time and arrears of rentals paid. The Committee would like to be apprised of the action taken in the matter.

NAVY

47. The Navy had projected a demand of Rs. 4464.34 crores for Capital Budget during 1995-96. However, only Rs. 1853.40 crores have been provided in Budget Estimates for the purpose during the year. Thus, only about 41 per cent of the amount projected has been provided. However, this represent an increase of 34.28 per cent over Capital Budget Estimates for 1994-95. In a written reply the Ministry have stated that with this increase, it would be possible for Navy to progress acquisition of several new Naval Vessels under modernisation and re-equipment.

48. The last CCPA sanction for indigenous construction of ships for the Navy is stated to have been given in 1986. In regard to requirement of ships for maintaining combat worthiness of the Navy, the Ministry have stated as follows :

".... If the IN is required to maintain a fleet of 120 ships where the average lifespan per ship is about 20 years, then there will be a need for CCPA sanctions at the average rate of 6 ships per year, just to meet the

replacement programme of the Navy. For the Navy to maintain force levels commensurate with increase responsibilities and consistent with the threat perceptions, there will be need to commission an average of 8 ships per year to sustain the force levels. However, necessary steps have been initiated to catch up with the projected force levels as also to add force multipliers for maintaining combat worthiness of the Navy."

49. As regards naval Chief's priorities for quick sanctioning of two Air Defence Ships and also Submarine Project-75, the Defence Secretary informed that Ministry were yet to go to the Cabinet with a proposal. The proposal was under finalisation.

50. As regards the replacement of aircraft carrier, Vikrant, the Ministry of Defence have stated as follows :

"The Cabinet Paper for indigenous construction of the Air Defence Ship (ADS) is being processed by the Ministry. To bridge the gap between the time frame of proposed decommissioning of Vikrant (1995-96) and the induction of the ADS (2003-04), a proposal for outright purchase/lease of an aircraft carrier is being examined. This is necessary in view of the urgent operational requirements of NHQ to have a replacement carrier for Vikrant during the interim period."

51. During oral evidence in response to a query, the Defence Secretary informed that they had Government's approval for approaching the Russian authorities for negotiating on such a deal.

52. The Committee note that as against the projected demand of Rs. 4464.34 crores for modernisation and capital acquisitions during 1995-96, only Rs.1853.40 crores have been provided in Budget Estimates which comes to about 41% of the projection of the Naval Headquarters. The Committee have been informed that this represent an increase of nearly 34% over capital Budget Estimates for 1994-95. The Committee are, however, constrained to note that in past the Navy has been most affected by the financial crunch which particularly hampered indigenous construction of ships for which last CCPA sanction was given in 1986. The Committee find this particularly disturbing in view of Ministry's own admission that to maintain force levels commensurate with increased responsibilities and consistent with the threat perceptions, there will be need to commission an average of 8 ships per year to sustain the force levels.

53. The Committee need hardly emphasise the adverse impact of low priority accorded to indigenous construction of ships . The Committee

hope that the necessary steps have been initiated on priority basis to catch up with projected force levels as to ensure that there is no depletion in the Naval Force Levels. Adequate allocation has to be ensured to maintain the combat worthiness of the Navy.

54. The Committee also note that the Naval Chief's priorities were for quick sanctioning of two Air Defence Ships and Submarine Project-75. The matter regarding indigenous construction of Air Defence Ships (ADS) was being processed by the Ministry. To bridge the gap between decommissioning of Vikrant (1995-96) and the induction of the ADS (2003-04), a proposal for outright purchase/lease of Aircraft Carrier from Russia is also under processing.

55. The Committee, however, express their anguish over the manner in which the Ministry have handled the matter regarding replacement of ageing Aircraft Carrier 'Vikrant' when it was obvious for past many years that there is a gradual erosion in operational viability and that the life span of Vikrant cannot be stretched beyond the mid 90's .

56. The Committee desire the Ministry to speed up the process of Cabinet approval to the matter and other negotiations for early induction of ADS.

Naval Project Karwar

57. In a written reply the Ministry have stated :

"Construction Phase I of the Naval Project Karwar is likely to commence on obtaining of revised CCPA approval in the near future. In the meantime, most of the required land has been acquired and environment clearance obtained.

At present the budgetary outlay is confined to maintenance of the project team, payment of compensation and securities etc.

Completion of Phase I is likely to take 10 to 12 years."

58. During the oral evidence, the Defence Secretary added :

"....The Karwar Project is a major naval base project. A naval base project of the magnitude of Karwar will normally take 25 to 30 years to complete. The first phase is expected to be completed in 10 years which is a very reasonable time frame. The first phase itself is likely to cost around Rs. 1200 crores to Rs. 1300 crores. The provision of Rs. 2.5 crores is

towards some arrears of compensation because of court cases and pay allowances of the project staff. For the completion of first phase, 10 years is a reasonable pace of construction and it will not be possible to reduce it further because the work will have to be done under water in the sea. We will have to build it up from there."

59. Asked to give specific time frame for obtaining CCPA approval for construction phase of the Project, the Defence Secretary stated that they were planning to get the same during 1995-96.

60. Asked to explain the reasons for taking such a long time in obtaining the CCPA approval, the Defence Secretary stated as follows :

"Six to seven years were wasted. A part of the time was lost in litigation. Then from 1990 onwards we were passing through an unprecedented financial crunch phase in the Central Government. We were not in a position to undertake any major work. So, it was kept in cold storage. It is only now we have revived it."

61. The Committee note that the construction Phase I of Naval Project Karwar is likely to commence after obtaining the CCPA approval in the near future. A provision of Rs. 2.5 crores for the project was made in Budget Estimates of 1994-95 which was subsequently reduced to Rs. 1.90 crore in Revised Estimates of 1994-95 and that the present outlay is confined to maintenance of project team, payment of compensation and securities etc. Completion of Phase I is likely to take 10-12 years.

62. The Committee have also been informed that Karwar Project which is a major Naval Project is likely to cost around Rs. 1200 to 1300 crores in first phase itself which is expected to be completed in 10 years. The Committee also note that 6 to 7 years were wasted in litigation and from 1990 onwards no major work could be undertaken because of unprecedented financial crunch.

63. The Committee regret the inordinate delay in commencement of Karwar Naval Project which was stated to be one of the most strategic and ambitious projects of the Indian Navy. The Committee are further surprised that the Ministry have not yet fully completed the process of obtaining CCPA approval. The Committee expect that after taking CCPA approval during the current year the Government would make provisions for adequate allocations for construction and completion of the project within the stipulated time frame. The Committee desire that such proposals vital for nation's security deserve to be accorded high priority and finalised expeditiously.

AIR FORCE

64. The Service-wise allocation for the Air Force in the Budget Estimates for 1995-96 is Rs. 6552.28 crores which, as a percentage, is 25.7% of the Defence Budget. The R.E for 1994-95 show an account of Rs. 6597.96 crores which is 28% of the total Defence Budget. The allocation for 1994-95 B.E. was 27.8% of the Defence Budget.

65. The Air Force have prioritized the following areas of modernisation/upgradation and re-equipment for the VIII Defence Plan period:

- (i) Procurement of Advanced Jet Trainers.
- (ii) Upgradation of MIG 21, and MIG-27 Aircrafts.
- (iii) Acquisition of a Multi Role Combat Aircraft with Deep Strike capabilities.
- (iv) A Number of systems of Force Multipliers.

66. Although the Ministry have admitted that resource constraints in the recent past have compelled the Indian Air Force to evolve plans which are more resource driven instead of programme oriented, the actual allocation on a net outflow basis for new acquisitions by the Air Force, this year stands at about Rs. 900 crores as against Rs.700 crores in the previous year.

67. The priority projects approved for this year for the Air Force are as follows :

- (i) Upgradation of MiG-21 BIS
- (ii) Acquisition of A.J.T.
- (iii) Indigenous repair/overhaul for MiG 29 Aircraft
- (iv) Electronic Warfare Equipment XXXXXXXXXX
- (v) Precision guided munitions

Upgradation of MiG-21 BIS

68. It has been decided to upgrade MiG-21 BIS aircraft in association with Russian agencies since the cost of acquisition of a new state-of-the-art Fighter Aircraft is exorbitant. Upgradation of the MiG -21 BIS is an important

project of the Indian Air Force in the current financial year. The upgradation will be in terms of modern avionics, better combat capabilities etc. It has been stated that commercial negotiations are currently going on with the Russians in this regard. It has been stated that the Government is committed to accord the highest priority to this programme.

69. Regarding the time schedule of the upgradation, the representative of the Ministry of Defence stated :

"It can be fixed only after the negotiations. We are hoping that in the next few months we would be able to come to a reasonable rate and sign a contract."

70. The Ministry have stated that the detailed planning for upgradation of MiG 27 and MiG 29 will be carried out on the successful completion of the MiG 21 BIS upgrade programme.

Acquisition of Advanced jet Trainer (AJT)

71. The acquisition of Advanced Jet Trainer (AJT) for meeting the training requirement of IAF for which two options have been shortlisted is likely to be finalised this year. A sum of Rs. 300 crores has been kept in the IAF Budget for this purpose. The commercial negotiations with the short-listed suppliers for this acquisition are in progress. The negotiations for AJT with both vendors will be confined to the option which involves full indigenous manufacture from raw material stage. The Indian teams who examined the two trainer aircrafts, the British Hawk and the French Alpha Jet have submitted their Detailed Project Report, which is currently under scrutiny in the Ministry of Defence.

Indigenous Repair/Overhaul for MiG-29 Aircraft

72. The Government has approved the setting up of indigenous overhaul facilities for MiG-29 aircraft. The overhaul facilities are planned to be set up at a Base Repair Depot of the IAF for the aircraft and their accessories, and at HAL, Nasik for engines and gear boxes. The indigenous availability of overhaul facilities would help in conserving finances, and would also assist in acquiring self-sufficiency and better serviceability of the IAF fleet. Negotiations have been completed to finalise the requisite agreement with the concerned Russian agencies to ensure timely execution of the project. A high-powered steering committee has been set up in the Ministry of Defence to monitor the execution of the project.

Acquisition a Multi Role Combat Aircraft with Deep Strike Capability

73. The Ministry has stated that the Indian Air Force requires a new generation multi-role aircraft, to be inducted in its present fleet, to combat the threat posed by acquisitions by its adversaries. There is also a need to replace its aging fleet, which would lose its strike capability in the futuristic threat scenario, unless new generation aircrafts are inducted.

74. Commercial negotiations are yet to take place and approval of the Cabinet is still to be taken. Development of the aircraft, the Ministry have specified, will take about four years.

Production of LCA

75. Depletion of the fleet strength of the IAF is intended to be made up by the early productionisation of the Light Combat Aircraft (LCA) and by acquisition of multi-role aircraft from abroad.

76. The Committee note that the pressing need for acquisition of the Advanced Jet Trainer (AJT) has been hanging fire for more than a decade. As admitted by the Defence Secretary during evidence, lack of proper trainer has already cost the IAF heavily in terms of loss of precious life and costly aircrafts diverted for training. The Committee desire that the Government accord high priority for finalisation of choice of aircraft and make adequate funding for acquisition. The Committee feel that in view of the acute financial crunch and the time likely to be taken for finalisation of terms and conditions for acquiring and ultimate induction of AJT, the Russian AJT at practically half the price should also be considered and properly evaluated for acquisition.

77. The Committee note that the Ministry of Defence in consultation with the Air force Headquarters have taken up for execution prioritised long pending plans of the Air Force for upgradation of MiG-21 BIS, acquisition of Multi Role Combat Aircraft with deep strike capability, development of indigenous repair/overhaul facility for MiG-29 aircraft and ^{early} production of LCA to make up the depletion of IAF fleet strength. The Committee desire that these prioritised projects should be completed in a specified time frame for which adequate funding may also be ensured.

The Committee also desire that upgradation of MiG 27 and MiG 29 aircrafts should also be given priority.

Defence Exports

78. In their Annual Report (1994-95) the Ministry of Defence have stated that initiatives and measures adopted for defence exports as a part of diversification have yielded results. In percentage terms, there has been a substantial increase of 95 per cent in exports from Rs. 64 crores in 1992-93 to Rs. 125 crores in 1993-94. The level of exports in absolute size, however, remains modest. The export target of Rs. 200 crores fixed for the current year is expected to be achieved.

79. In regard to the value of defence exports direct and deemed separately, during 1993-94 and 1994-95, the Ministry have stated that the value of exports achieved by defence public sector undertakings & their subsidiaries and ordnance factories during 1993-94 and 1994-95 is as under :

(Rupees in crores)

	<i>Direct</i>	<i>Deemed</i>	<i>Total</i>
1993-94	124.33	413.61	537.94
1994-95 (Provisional)	86.99	457.57	544.56

In addition to above there have also been exports of approximately Rs.2.5 crores from some of the private sector companies manufacturing non-lethal equipments.

BE-DELFT, a joint venture company between BEL and DELFT, which has the status of an Export oriented Unit (EOU) has achieved a total turnover of Rs. 6 crores of which Rs. 40 lakhs was direct export and Rs. 5.6 crores has deemed export status .

The exports are expected to show an increase during the year 1995-96 as orders worth approximately Rs. 135 crores are already in hand.

80. The Committee note that a strong and efficient indigenous defence production base has come up in the country over the years which is backbone for defence preparedness and operational efficiency of the Armed Forces. The Committee also not that though in percentage there has been a substantial increase of 95% in exports from Rs. 64 crores in 1992-93 to Rs. 125 crores in 1993-94, the level of exports in absolute size has remained modest and that target of Rs. 200 crores fixed for the current year is likely to be achieved.

The Committee also note the steps taken by the Ministry for giving boost to defence exports which include policy and procedural liberalisation, greater involvement of Missions abroad, interacting with foreign delegations and undertaking publicity measures.

81. The Committee feel that the vast and strong infrastructure base for production for various defence related items existing within the country after meeting the country Defence needs, can be gainfully utilised for export production.

The Committee desire that defence PSUs should make strenuous and concerted efforts to promote exports of Defence equipment and light weapons/arms for which substantial potential exists in the global market.

82. The Committee also desire that a Task Force may be set up to identify the potential and capabilities in Defence Public Sector Undertakings and ordnance Factories, for export production and formulate strategy for marketing and intensification of promotional activities.

83. The Committee are of the view that the activities of our production enterprises, particularly those in the areas of aviation, shipbuilding and defence electronics can be greatly enhanced and their technical capabilities can be strengthened if the Government follow a well formulated policy on offsets. All purchases of major equipment should be subject to the selling companies providing work packages to the Indian production enterprises linked to corresponding buy back arrangements.

Defence Research & Development

84. In their annual Report (1994-95) the Ministry of Defence have stated that the Department of Defence Research & Development is engaged in design and development, leading to production of indigenous state-of-the-art weapons, equipment, sensors and platforms to meet the requirements of the Services. The department formulates and executes programmes of research and development to pursue the goal of self-reliance in critical defence technologies through a network of 50 laboratories. The Department also administers the Aeronautical Development Agency (ADA), a society for development of the Light Combat Aircraft (LCA).

85. On the need for raising budgetary allocation to the level of ten per cent for Research and Development efforts, the Ministry have stated that the expenditure on Defence R&D is of the nature of investment for the future. Budgetary allocation on Defence R&D since 1961-62 has been between 1% to 5% of the total Defence Budget. This allocation is rather low as compared to

5% of the total Defence Budget. This allocation is rather low as compared to share of more than 10% in technologically advanced countries (whose overall budgetary level is also very much higher). To realise the objectives of self-reliance in critical defence technologies, there is an urgent need to step up allocation for Defence R&D over the coming years. This is important as Western countries are using MTCR, NPT and COCOM restrictions to deny critical components/technologies to developing countries. Such restrictions may increase as we gain strength in development of state-of-the-art defence weapons/systems. Further, the geo-political and security environment also compels us to give higher thrust to self-reliance in Defence Systems.

86. In view of the above, the Government has already approved 10 years self-reliance plan for enhancing self-reliance level in meeting the requirements of our Armed Forces. It is proposed to increase the self-reliance index from current level of 0.3 to 0.7 by the year 2005. (Self-reliance Index is the ratio of expenditure on defence acquisition from indigenous sources to the total expenditure on defence acquisition to meet the requirements of Armed Forces).

87. Implementation of the 10 years self-reliance plan for defence system requires higher level of budgetary allocations for DRDO. In view of this, allocation for DRDO has already been increased in the proposals for financial year 1995-96, on the basis of discussions in Ministry of Defence. However from second year (1996-97) onwards funds allocation would have to be increased to a much higher level say of the order of 6%- 7% of defence budget. This may have to be progressively increased to about 10% level during 1998-99/1999-2000.

88. The Committee desire that allocations for DRDO are progressively increased to about 10 per cent level during 1998-99 as to fully gear up the R&D Organisations to meet the requirements of Defence Services as also to benefit the civil sector by spin-offs.

89. The Committee hope that with progressive increase in allocations to DRDO, the target of self-reliance index of 0.7 by the year 2005 would be achieved.

90. The Committee also expect that the DRDO, apart from the present programme, should plan futuristic technology for next two decades alongwith its concurrent technology transfer to Defence and Civil Sectors, wherever feasible, to enhance their performance.

NEW DELHI :

April 25, 1995

Vaisakha 5, 1917 (Saka)

INDRAJIT GUPTA,

Chairman,

Standing Committee on Defence.

ANNEXURE-I
(Please see para 5)

MINISTRY OF DEFENCE

(Rs. in Crores)

	RE 94-95	BE 95-96
1	2	3
REVENUE SECTION		
1. DEPTT. OF DEFENCE	10.70	11.50
2. DEPTT. OF DEFENCE PRODUCTION & SUPPLIES	1.63	1.75
3. DEPTT. OF DEFENCE RESEARCH AND DEVELOPMENT	0.17	0.18
4. DEFENCE ACCOUNTS DEPARTMENT	176.50	189.57
TOTAL SECTT. GENERAL SERVICES	189.00	203.00
5. CANTEEN STORES DEPARTMENT	1565.68	1819.77
6. MAINTENANCE -DAD OFFICES	0.53	0.94
7. MAINTENANCE -DAD HOUSING	2.43	2.43
8. ARMY PURCHASE ORGANISATION	0.63	0.74
9. SUBSIDY IN LIEU OF INTEREST - MDL	14.82	0.00
10. GRANT FOR V.R.S. TO (A) VIGYAN INDUSTRIES	5.00	0.00
(B) MAZAGAON DOCK LTD	15.00	0.00
TOTAL REVENUE SECTION	1793.09	2026.88
LESS RECEIPTS GENERATED BY CSD	-1596.85	-1858.13
LESS AMOUNT MET FROM NATIONAL RENEWAL FUND	-20.00	0.00
NET REVENUE BUDGET	176.24	168.75

1	2	3
CAPITAL SECTION		
1. CONSTRUCTION - DAD OFFICES	9.06	9.32
2. CONSTRUCTION - CSD OFFICES	0.30	2.00
3. CONSTRUCTION - DAD HOUSING	2.65	5.76
4. CONSTRUCTION - CSD HOUSING	0.16	0.40
5. INVESTMENT IN PSUs	15.00	0.02
6. LOANS TO PSUs	10.00	0.00
7. LOANS FOR WATER SUPPLY SCHEMES AND MISCELLANEOUS	9.13	9.02
TOTAL CAPITAL SECTION	46.30	26.52

ANNEXURE-II
(Please see para 6)

DEFENCE PENSIONS

(Rs. in Crores)

	RE 94-95	BE 95-96
1	2	3
1. PENSIONS AND OTHER RETIREMENT BENEFITS		
ARMY	2559.25	2683.95
NAVY	43.00	46.49
AIR FORCE	117.73	125.54
2. REWARDS - ARMY, NAVY & AIR FORCE	1.02	1.02
TOTAL	2721.00	2857.00

ARMY

(Rs. in Crores)

MINOR HEAD	RE 94-95	B E 95-96
(Revenue)		
101. - P&A—ARMY	4529.00	4956.23
103. - P&A—AUX. FORCES	36.00	45.00
104. - P & A—CIVILIANS	604.78	655.39
105. - TRANSPORTATION	329.47	335.50
106. - MILITARY FARMS	75.98	80.00
110. - STORES	4025.31	4422.90
111. - WORKS	776.09	811.52
112. - RASHTRIYA RIFLES	14.42	15.93
113. - NATIONAL CADET CORPS	118.87	128.90
800. - OTHER EXPDR.	236.06	263.17
TOTAL GROSS	10745.98	11314.54
RECEIPTS/RECOVERIES	400.00	400.00
TOTAL NET	10345.98	11314.54
Capital		
LAND	43.00	47.00
WORKS	262.15	288.30
AIRCRAFT	102.42	111.85
VEHICLES	102.64	102.64
OTHER EQPT	1557.97	1887.71
MILY. FARMS	1.18	2.50
ROLLING STOCK	14.00	4.35
RASHTRIYA RIFLES	0.54	0.54
NATIONAL CADET CORPS	3.21	0.73
STOCK SUSPENSE	0.00	0.00
OTHER EXPDR.	0.00	0.00
TOTAL CAPITAL	2087.11	2445.62
TOTAL REVENUE/CAPITAL	12433.09	13760.16

ANNEXURE-IV
(Please see para 18)

NAVY

(Rs. in Crores)

MINOR HEAD	R E 94-95	B E 95-96
(Revenue)		
101. - P&A—NAVY	293.00	316.44
102. - P&A—RESERVISTS	0.00	0.00
104. - P&A—CIVILIANS	227.10	245.26
105. - TRANSPORTATION	42.00	44.00
110. - STORES	600.00	634.45
111. - WORKS	136.00	145.02
800 - OTHER EXPDR.	170.20	185.22
TOTAL GROSS	1468.30	1570.39
RECEIPTS/RECOVERIES	28.90	35.67
TOTAL NET	1439.40	1534.72
Capital		
LAND	12.14	6.62
WORKS	56.50	62.44
AIRCRAFT	199.84	350.00
VEHICLES	3.00	3.58
OTHER EQPT	39.93	60.00
FLEET	1132.97	1286.82
DOCKYARDS	51.75	85.39
NET CAPITAL	1496.13	1854.85
TOTAL REVENUE/CAPITAL	2935.53	3389.57

AIR FORCE

(Rs. in Crores)

MINOR HEAD	RE 94-95	BE 95-96
(Revenue)		
101. - P&A-AIR FORCE	758.53	818.77
104. - P & A-CIVILIANS	151.63	163.83
105. - TRANSPORTATION	76.00	82.00
110 - STORES	2632.37	2888.35
111 - WORKS	219.36	241.26
200. - SPL. PROJECTS	6.41	8.30
800 - OTHER EXPDR.	57.40	62.40
TOTAL GROSS	3901.76	4264.91
RECEIPTS/RECOVERIES	130.00	130.00
TOTAL NET	3771.76	4134.91
Capital		
LAND	25.30	18.15
WORKS	112.35	125.30
AIRCRAFT	2332.10	1963.24
VEHICLES	4.03	3.75
OTHER EQPT	325.78	277.00
SPL. PROJECTS	26.64	29.93
TOTAL CAPITAL	2826.20	2417.37
TOTAL REVENUE/CAPITAL	6597.96	6552.28

DEFENCE ORDNANCE FACTORIES

(Rs. in Crores)

MINOR HEAD	RE 94-95	BE 95-96
(Revenue)		
001. - DIRECTION & ADMIN.	19.12	21.03
004 - RESEARCH	4.00	4.50
053 - MAINT.—MACH. & EQPT.	6.69	7.50
054. - MANUFACTURE	790.86	880.30
105. - TRANSPORTATION	26.90	29.50
110. - STORES	1271.75	1369.91
111. - WORKS	32.10	35.50
106. - RENEWAL & REPLACEMENT	90.00	117.00
797. - TRANSFER TO R/R FUND	70.00	80.00
800. - OTHER EXPDR.	195.10	214.60
SUPPLIES TO SERVICES	1907.02	2050.24
TOTAL GROSS	599.50	709.60
RECEIPTS/RECOVERIES	540.07	666.53
TOTAL NET	59.43	43.07
Capital		
MACH & EQPT.	142.00	180.00
WORKS	60.15	65.00
SUSPENSE	2.00	2.00
TOTAL CAPITAL	204.15	247.00
TOTAL REVENUE/CAPITAL	263.58	290.07

ANNEXURE-VII
(Please see para 18)

D G Q A

(Rs. in Crores)

MINOR HEAD	RE 94-95	BE 95-96
(Revenue)		
1. PAY & ALLCES	102.75	117.00
2. MISCELLANEOUS	3.70	4.00
3. TRANSPORTATION	2.90	3.20
4. STORES	20.00	24.00
5. WORKS	7.50	9.00
6. DEPTL. CANTEENS	0.19	0.19
TOTAL GROSS	137.04	157.39
RECEIPTS/RECOVERIES	(-)1.70	(-)2.20
TOTAL NET	135.34	155.19
CAPITAL	3.50	4.25
TOTAL REVENUE/CAPITAL	138.84	159.44

ANNEXURE-VIII

(Please see para 18)

R & D

(Rs. in Crores)

MINOR HEAD	RE 94-95	BE 95-96
(Revenue)		
1. PAY & ALLCES	190.62	211.52
2. MISCELLANEOUS	16.12	19.73
3. TRANSPORTATION	13.88	15.92
4. GRANT OF FELLOWSHIPS	0.40	0.60
5. GRANTS-IN-AID	229.01	247.25
6. TRAINING OF PERSONNEL	0.11	0.15
7. STORES	362.26	414.90
8. WORKS	56.31	63.42
9. EDUCATIONAL FACILITIES	1.99	2.42
10. AMENITY GRANTS	0.11	0.12
11. DEPTL. CANTEENS	0.04	0.05
TOTAL GROSS	870.85	976.08
RECEIPTS/RECOVERIES	(-)12.00	(-)13.00
TOTAL NET	858.85	963.08
CAPITAL	316.15	385.40
TOTAL REVENUE/CAPITAL	1175.00	1348.48

MINUTES OF THE 8TH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1994-95).

The Committee sat on Tuesday, the 4th April, 1995 from 1500 hours to 1715 hours.

PRESENT

Shri Indrajit Gupta - *Chairman*

MEMBERS

Lok Sabha

2. Shri Ayub Khan
3. Shri Nurul Islam
4. Sqn. Ldr. Kamal Choudhary
5. Shri Ram Niwas Mirdha
6. Shri Sharad Dighe
7. Shri Yoganand Saraswati
8. Shri Prakash Narain Tripathi
9. Shri B. L. Sharma Prem
10. Shri Gabhaji Mangaji Thakore
11. Shri Pratap Singh
12. Shri Abhay Pratap Singh
13. Maj.Gen. R.G. Williams

Rajya Sabha

14. Shri Misa R. Ganesan
15. Shri Suresh Kalmadi
16. Shri S. Jaipal Reddy
17. Shri Satchindananda
18. Shri Sushil Kumar Sambhajirao Shinde
19. Shri Digvijay Singh
20. Shri Gopalsinh G. Solanki

SECRETARIAT

- | | | | |
|----|----------------------|---|-----------------------------|
| 1. | Dr.A.K. Pandey | - | <i>Additional Secretary</i> |
| 2. | Shri G.R. Patwardhan | - | Joint Secretary |
| 3. | Shri K. L. Narang | - | <i>Deputy Secretary</i> |
| 4. | Shri A.K. Singh | - | <i>Under Secretary</i> |

2. At the outset, the Members welcomed Shri Indrajit Gupta on his appointment as the new Chairman of the Committee.

3. The Committee then considered the list of points prepared by the Secretariat and circulated to the Committee on the Demands for Grants of the Ministry of Defence 1995-96. The Chairman invited Members to give their views/ suggestion on additional points which might be added to the list of points for referring to the Ministry of Defence for eliciting written replies thereon for consideration by the Committee.

4. The Committee directed that additional points in the light of suggestions/views expressed by Members during sitting of the Committee might be incorporated in the list for reference to the Ministry.

5. The Committee then adjourned to meet again on 10th and 11th April, 1995 for taking oral evidence of the representatives of the Ministry of Defence.

MINUTES OF THE 8TH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1994-95).

The Committee sat on Tuesday, the 4th April, 1995 from 1500 hours to 1715 hours.

PRESENT

Shri Indrajit Gupta - *Chairman*

MEMBERS

Lok Sabha

2. Shri Ayub Khan
3. Shri Nurul Islam
4. Sqn. Ldr. Kamal Choudhary
5. Shri Ram Niwas Mirdha
6. Shri Sharad Dighe
7. Shri Yoganand Saraswati
8. Shri Prakash Narain Tripathi
9. Shri B. L. Sharma Prcm
10. Shri Gubhaji Mangaji Thakore
11. Shri Pratap Singh
12. Shri Abhay Pratap Singh
13. Maj.Gen. R.G. Williams

Rajya Sabha

14. Shri Misa R. Ganesan
15. Shri Suresh Kalmadi
16. Shri S. Jaipal Reddy
17. Shri Satchindananda
18. Shri Sushil Kumar Sambhajirao Shinde
19. Shri Digvijay Singh
20. Shri Gopalsinh G. Solanki

SECRETARIAT

- | | | | |
|----|----------------------|---|-----------------------------|
| 1. | Dr.A.K. Pandey | - | <i>Additional Secretary</i> |
| 2. | Shri G.R. Patwardhan | - | <i>Joint Secretary</i> |
| 3. | Shri K. L. Narang | - | <i>Deputy Secretary</i> |
| 4. | Shri A.K. Singh | - | <i>Under Secretary</i> |

2. At the outset, the Members welcomed Shri Indrajit Gupta on his appointment as the new Chairman of the Committee.

3. The Committee then considered the list of points prepared by the Secretariat and circulated to the Committee on the Demands for Grants of the Ministry of Defence 1995-96. The Chairman invited Members to give their views/ suggestion on additional points which might be added to the list of points for referring to the Ministry of Defence for eliciting written replies thereon for consideration by the Committee.

4. The Committee directed that additional points in the light of suggestions/views expressed by Members during sitting of the Committee might be incorporated in the list for reference to the Ministry.

5. The Committee then adjourned to meet again on 10th and 11th April, 1995 for taking oral evidence of the representatives of the Ministry of Defence.

MINUTES OF THE 1ST SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1995-96).

The Committee sat on Monday, the 10th April, 1995 from 1500 hours to
1605 hours.

PRESENT

Shri Indrajit Gupta - *Chairman*

MEMBERS

Lok Sabha

2. Shri Ayub Khan
3. Shri Nurul Islam
4. Shri Manikrao Hodlya Gavit
5. Sqn. Ldr. Kamal Chaudhry
6. Shri Umrao Singh
7. Shri Yoganand Saraswati
8. Shri Prakash Narain Tripathi
9. Shri Jagat Vir Singh Drona
10. Shri Amal Datta
11. Shri Hannan Mollah
12. Shri Pratap Singh
13. Shri Chhedi Paswan
14. Shri Abhay Pratap Singh
15. Maj. Gen. R.G. Williams

Rajya Sabha

16. Shri B.B. Dutta
17. Shri Misa R. Ganesan
18. Shri Hiphei
19. Shri Suresh Kalmadi
20. Shri K.R. Malkani
21. Shri S. Jaipal Reddy
22. Shri Satchindananda
23. Shri Sushil Kumar Sambhajirao Shinde
24. Shri Digvijay Singh
25. Shri Gopalsinh G. Solanki

SECRETARIAT

- | | | |
|----------------------|---|-----------------------------|
| 1. Dr. A. K. Pandey | — | <i>Additional Secretary</i> |
| 2. Shri K. L. Narang | — | <i>Deputy Secretary</i> |
| 3. Shri A. K. Singh | — | <i>Under Secretary</i> |

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

- | | | |
|------------------------------|---|------------------------------------|
| 1. Shri K. A. Nambiar | — | <i>Defence Secretary</i> |
| 2. Shri V. K. Kapoor | — | <i>Secretary (DP&S)</i> |
| 3. Shri A. P. J. Abdul Kalam | — | <i>Secretary (DR&D)</i> |
| 4. Shri A. K. Ghosh | — | <i>FA (DS)</i> |
| 5. Shri T. K. Banerji | — | <i>Additional Secretary(B)</i> |
| 6. Shri G. P. Rao | — | <i>Additional Secretary(R)</i> |
| 7. Shri R. Srinivasan | — | <i>DGDE</i> |
| 8. Shri K. Santhanam | — | <i>Chief Adviser(Tech/R&D)</i> |

2. At the outset, the Chairman welcomed the Members on their renomination to the Committee on Defence (1995-96).

3. The Chairman also welcomed the Defence Secretary and his colleagues to the sitting of the Committee and invited their attention to the Direction 58 of the Directions by the Speaker.

4. The Committee then took evidence of the representatives of the Ministry of Defence on the various points arising out of the Demands for Grants of the Ministry of Defence for the year 1995-96 as also written replies furnished by the Ministry to the List of Points thereon.

5. During the course of evidence, the Chairman read out a PTI flash that "the former Prime Minister Mr. Morarji Desai died at Jaslok Hospital in South Bombay this afternoon. He was 100". The Members and officials then stood in silence for a short while as a mark of respect to the great leader.

6. The evidence was not concluded as the Committee decided to adjourn as mark of respect to the memory of the great leader. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE 2ND SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1995-96).

The Committee sat on Wednesday, the 12th April, 1995 from 1100 hours to
1320 hours and from 1515 hours to 1815 hours.

PRESENT

Shri Indrajit Gupta - *Chairman*

MEMBERS

Lok Sabha

2. Shri Ayub Khan
3. Shri Nurul Islam
4. Sqn. Ldr. Kamal Choudhary
5. Shri Vijay Naval Patil
6. Shri Sharad Dighe
7. Shri Prakash Narain Tripathi
8. Shri Jagat Vir Singh Drona
9. Shri Gabhaji Mangaji Thakore
10. Shri Amal Datta
11. Shri Pratap Singh
12. Shri Chhedi Paswan
13. Shri Abhay Pratap Singh
14. Maj.Gen. R.G. Williams

Rajya Sabha

15. Shri Misa R. Ganesan
16. Shri Hiphei
17. Shri Suresh Kalmadi
18. Shri K.R. Malkani
19. Shri S. Jaipal Reddy
20. Shri Satchindananda

SECRETARIAT

1. Dr.A.K. Pandey - *Additional Secretary*
2. Shri G.R. Patwardhan - *Joint Secretary*
3. Shri K.L. Narang - *Deputy Secretary*
4. Shri A.K. Singh - *Under Secretary*

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri K.A. Nambiar - *Defence Secretary*
2. Shri V.K. Kapoor - *Secretary(DP&S)*
3. Shri A.P.J. Abdul Kalam - *Secretary (DR&D)*
4. Shri A.K. Ghosh - *FA (DS)*
5. Shri T.K. Banerji - *Additional Secretary(B)*
6. Shri G.P.Rao - *Additional Secretary(R)*
7. Shri R. Srinivasan - *DGDE*
8. Shri K. Santhanam - *Chief Adviser (Tech/R&D)*

2. The Committee resumed evidence of the representatives of the Ministry of Defence on the various points arising out of the Demands for Grants of the Ministry of Defence for the year 1995-96.

3. The representatives of the Ministry explained and elaborated on the relevant queries from the Members. The evidence was concluded. (The Witnesses then withdrew.)

4. A verbatim record of the proceedings was kept.

5. The Committee decided to meet again on Wednesday, the 19th April, 1995 to consider and adopt the draft Report.

The Committee then adjourned.

MINUTES OF THE 3RD SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1995-96)

The Committee sat on Wednesday, the 19th April, 1995 from 1500 hours, to 1730 hours.

PRESENT

Shri Indrajit Gupta

MEMBERS

Lok Sabha

2. Shri Ayub Khan
3. Shri Nandi Yellaiah
4. Sqn. Ldr. Kamal Chaudhry
5. Shri Sharad Dighe
6. Shri Umrao Singh
7. Shri Yoganand Saraswati
8. Shri Jagat Vir Singh Drona
9. Shri Gabhaji Mangaji Thakore
10. Shri Amal Datta
11. Shri Hannan Mollah
12. Shri Pratap Singh
13. Dr. Muntaz Ansari
14. Maj. Gen R.G. Williams

Rajya Sabha

15. Shri B.B. Dutta
16. Shri Misa R. Ganesan
17. Shri Suresh Kalmadi
18. Shri Satchindananda
19. Shri Sushil Kumar Sambhajirao Shinde
20. Shri Digvijay Singh

20. Shri Digvijay Singh

SECRETARIAT

- | | | | |
|----|----------------------|---|-----------------------------|
| 1. | Dr. A.K. Pandey | - | <i>Additional Secretary</i> |
| 2. | Shri G.R. Patwardhan | - | <i>Joint Secretary</i> |
| 3. | Shri K.L. Narang | - | <i>Deputy Secretary</i> |
| 4. | Shri A.K. Singh | - | <i>Under Secretary</i> |

2. The Committee considered the draft Report on Demands for Grants of the Ministry of Defence for the year 1995-96. The Chairman invited Members to offer their suggestions for incorporation in the Draft Report. The Committee deliberated over the suggestions made by the Members for modifications/amendments in the Draft Report.

The Committee adopted the Report with modifications/amendments as given in Appendix.

3. ** ** **
 ** ** **

4. The Committee authorised the Chairman to finalise the Reports in the light of factual verification received from the Ministry as also of verbal and consequential changes for presentation to the parliament.

5. ** ** **
 ** ** **

The Committee then adjourned.

[See Para 2 of the Minutes of the 3rd Sitting of the Standing Committee on Defence (1995-96)]

Modifications/Amendments in the Third Report on Demands for Grants (1995-96) of Ministry of Defence

Para	Line(s)	Modifications/Amendments
1	2	3
27	11-13	<i>Delete</i> "The Committee have doubts whether any of the prioritised schemes would get completed during the current Plan period."
28		<i>Recast the existing para as follows:</i> "The Committee feel it necessary to stress that failure to acquire new equipment each year will only result in an accumulation or backlog which can become prohibitive and unaffordable. The Committee agree with the view that while considering the modernisation/upgradation and re-equipping of our Armed Forces it is necessary to look at least 15 to 20 years ahead and plan accordingly. It is equally essential that adequate allocation should be earmarked each year and the plan should go ahead and purchases made accordingly."
53	3-4	<i>Delete</i> ", as evident from the fact that last CCPA sanction was given in 1986"
76	8	<i>For</i> "commercial proposal" <i>Substitute</i> "choice of aircraft"
	13	<i>Delete</i> "version of" <i>For</i> "May" <i>Substitute</i> "should"
	14	<i>After</i> "evaluated" <i>Add</i> "for acquisition"

Para	Line(s)	Modifications/Amendments
1	2	3
77	<i>Add</i> sub-para:	"The Committee also desire that upgradation of MIG 27 and MIG 29 aircrafts should also be given priority."
82	1	<i>Delete</i> 'dedicated' <i>Add</i> new para after existing para 82 and re-number the subsequent paras: "The Committee are of the view that the activities of our production enterprises, particularly those in the areas of aviation, shipbuilding and defence electronics can be greatly enhanced and their technical capabilities can be strengthened if the Government follow a well formulated policy on offsets. All purchases of major equipment should be subject to the selling companies providing work packages to the Indian production enterprises linked to the corresponding buy back arrangements."
87		<i>Add</i> two new paras after existing para 87. "The Committee hope that with progressive increase in allocations to DRDO, the target of self-reliance index of 0.7 by the year 2005 would be achieved." "The Committee also expect that the DRDO, apart from the present programme, should plan futuristic technology for next two decades alongwith its concurrent technology transfer to Defence and Civil Sectors, wherever feasible, to enhance their performance."

MINUTES OF THE 4TH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1995-96)

The Committee sat on Tuesday, the 25th April, 1995 from 1500 hours to 1615 hours.

PRESENT

Shri Indrajit Gupta - *Chairman*

MEMBERS

Lok Sabha

2. Shri Bhupinder Singh Hooda
3. Shri Nandi Yellaiah
4. Shri Manikrao Hodlya Gavit
5. Sqn. Ldr. Kamal Chaudhry
6. Shri Sharad Dighe
7. Shri Umrao Singh
8. Maj. D.D. Khanoria
9. Shri Yoganand Saraswati
10. Shri Prakash Narain Tripathi
11. Shri Amal Datta
12. Shri Hannan Mollah
13. Shri Pratap Singh
14. Maj. Gen.R.G.Williams

Rajya Sabha

15. Shri B.B. Dutta
16. Shri Misa R. Ganesan
17. Shri Hiphei
18. Shri K.R. Malkani
19. Shri Satchindananda

20. Shri Sushil Kumar Sambhajirao Shinde
21. Shri Digvijay Singh
22. Shri Gopalsinh G. Solanki

SECRETARIAT

1. Dr. A.K. Pandey - *Additional Secretary*
2. Shri K.L. Narang - *Deputy Secretary*
3. Shri A.K. Singh - *Under Secretary*

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri K.A. Nambiar - *Defence Secretary*
2. Shri A.P.J. Abdul Kalam - *Secretary (DR&D)*

2. The Chairman recalled that the Committee at their sitting held on 19th April, 1995 had adopted the Draft Report on the Demands for Grants for the year 1995-96. In the Report which was sent to the Ministry of Defence for factual verification, the Ministry vide their communication dated the 21st April, 1995 had made suggestions for certain deletions in paras 30, 41, 67, 68, 74 and 75 security considerations.

3. The Committee then heard views expressed by the Members on the deletions suggested by the Ministry. The Committee deliberated over the matter and decided to call in the Defence Secretary and Secretary (DR&D) of the Ministry of Defence to hear their views in person also.

4. The Committee then heard views of the representatives of the Ministry of Defence on the 'deletions' suggested by them in the Report para-wise. The Committee in the light of discussions held with the representatives of the Ministry of Defence approved/modified the 'deletions'.

5. The Committee then authorised the Chairman to finalise the Report in the light of deletions/modifications approved at the sitting and also verbal and other consequential changes/deletions/modifications in their earlier decisions incorporated in the Annexure to the Minutes of the sitting held on 19.4.95 and also in the recommendations of the Report. The Committee also authorised the Chairman to present the Report to the Parliament.

The Committee then adjourned.