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**STANDING COMMITTEE ON
DEFENCE
(1998-99)**

TWELFTH LOK SABHA

MINISTRY OF DEFENCE

SEVENTH REPORT

[Action Taken on the recommendations contained in the 2nd Report of the
Committee (Twelfth Lok Sabha) on Demand for Grants of Ministry of
Defence for 1998-99]



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1999/Chaitra, 1921 (Saka)

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Presented to Lok Sabha on 21-4-99

Laid in Rajya Sabha on

23 APR 1999



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LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE (1998-99)	(iii)
PREFACE	(v)
CHAPTER I Report	1
CHAPTER II Recommendations/Observations which have been accepted by the Government	12
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies	21
CHAPTER IV Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee	22
CHAPTER V Recommendations/Observations in respect of which final replies of Government are still awaited	34
MINUTES OF THE SITTING	35

APPENDICES

I.	Communication from Ministry of Defence to Ministry of Finance	37
II.	Analysis of Action Taken by Government on the recommendations contained in the Second Report of the Standing Committee on Defence (Twelfth Lok Sabha).....	39

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (1998-99)

Sqn. Ldr. Kamal Chaudhry — *Chairman*

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3. Smt. Bhavnaben K. Dave
4. Shri Shanta Kumar
- *5. Lt. Gen. (Retd.) N. Foley
6. Shri Gaurishankar Chaturbhuj Bisen
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23. Shri Digvijay Singh

*Nominated w.e.f. 18.03.99 *vice* Shri Suresh Chandel ceased to be member.

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SECRETARIAT

- | | | |
|--------------------------|---|-----------------------------|
| 1. Dr. A.K. Pandey | — | <i>Additional Secretary</i> |
| 2. Shri Harnam Singh | — | <i>Joint Secretary</i> |
| 3. Shri R. Kothandaraman | — | <i>Deputy Secretary</i> |
| 4. Shri K.D. Muley | — | <i>Asstt. Director</i> |

PREFACE

1. the Chairman, Standing Committee on Defence (1998-99) having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on Action Taken by Government on the recommendations contained in the Second Report of the Committee (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1998-99.

2. The Second Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 9th July 1998. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 11th February 1999. The Draft Report was considered and adopted by the Standing Committee on Defence (1998-99) at their sitting held on 5th April, 1999.

3. An analysis of action taken by Government on recommendations contained in the Second Report of the Standing Committee on Defence (Twelfth Lok Sabha) is given in Appendix II.

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

NEW DELHI.

April 6, 1999

Chaitra 16, 1921 (Saka)

SQN. LDR. KAMAL CHAUDHRY,

Chairman,

Standing Committee on Defence.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations/observations contained in their Second Report (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year, 1998-99 which was presented to Lok Sabha/laid on the Table of Rajya Sabha on 9th July, 1998.

2. In their Second Report (Twelfth Lok Sabha), the Committee had made 14 recommendations/ observations as follows :

<i>S.No.</i>	<i>Subject</i>
1	2
1.	Enhancing the defence allocation (Para No. 24)
2.	Quickening the decision making process and rationalising procedures for according financial sanctions (Para No. 25).
3.	Critical review of the functioning and role of DGQA and other similar organisations (Para No. 26).
4.	Provision of married accommodation for Other Ranks in Army (Para No. 30).
5.	Accelerating indigenisation efforts by Defence Research and Development Organisation (Para No. 33).
6.	Improving the Force level of Navy (Para No. 36).
7.	Expediting the induction of Light Combat Aircraft (Para No. 39).
8.	Modernisation of the MIG fleet of aircraft (Para No. 42).
9.	Acquisition of SU-30 aircraft from Russia (Para No. 44).
10.	Modernisation of Ordnance Factories (Para No. 46).
11.	Investment in Semi-conductor research (Para No. 49).

1	2
12.	Disposal of old equipment/vehicles (Para Nos. 50 & 51).
13.	Engagement of combatants for non-combat duties (Para Nos. 52 & 53).
14.	Delegation of Financial Powers (Para No. 55).

3. Action Taken Notes have been received from the Government in respect of all the above 14 recommendations/observations. These have been categorised as follows :

- (i) Recommendations/Observations which have been accepted by Government (Please *see* Chapter II) :
Sl. Nos. 2, 4, 6, 9, 10 and 12 to 14.
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies (Please *see* Chapter III) :
Nil
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee (Please *see* Chapter IV) :
Sl. Nos. 1, 3, 5, 7, 8 and 11.
- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited (Please *see* Chapter V) :
Nil

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Defence Allocation

Recommendation (Sl. No. 1, Para No. 24)

5. The Committee had desired that in the interest of the Security of the country defence spending should be raised at least to the level of 3 per cent of the G.D.P. and Government should accord high priority to the defence sector and budget allocation for the year 1998-99 should be enhanced adequately so that various modernisation and upgradation schemes

which were on anvil and were vital for the defence preparedness of the country were not hampered.

6. The Ministry of Defence have in their action taken reply intimated that the observation of the Committee have been communicated to the Ministry of Finance through a written communication.

7. The Committee are pained to note that the Ministry of Defence have simply forwarded the recommendation of the Committee to the Ministry of Finance in a very routine manner. The Committee feel that the serious concern expressed in the report in regard to enhancement of allocation to bolster our defence preparedness has been taken very lightly. The Committee, therefore, recommend that the Ministry of Defence should hold quarterly financial/budgetary review meetings with representatives of Ministry of Finance, Planning Commission etc. to make available adequate finances to meet the essential and urgent requirements for ensuring defence preparedness and to take necessary corrective measures for suitably revising the Budget Estimates, and for making realistic projections for the succeeding year.

Rationalisation of Procedures for Financial Sanctions

Recommendation (Sl. No. 2, Para No. 25)

8. The Committee felt that for the optimum utilisation of budget allocations and to avoid time and cost overruns both in acquisition of equipment as well as in manufacturing and research projects, it was of utmost importance that a mechanism was evolved for taking quick decisions in such matters. The need for reform in procedure had become more critical when restrictions had been imposed on acquiring latest technology and equipment from abroad. In the area of according financial sanctions there was considerable scope for rationalisation of procedures being followed in the Ministry, DRDO and the Services. The Committee recommended to the Government to initiate steps in that regard immediately.

9. The Ministry of Defence in their action taken reply have stated as follows :

"In the light of the recommendations of the Standing Committee, on the need for reforms and rationalisation of procedure, the position in this regard has been reviewed. Presently, there are

monitoring mechanisms to avoid time and cost overruns in the Ministry of Defence in respect of acquisition of equipment, manufacturing and research projects. However, the scope for further improvement has been examined and steps taken to expedite decision-making. First step that has been taken is to delegate greater powers to Service Headquarters. Secondly, Procurement boards have been constituted for Revenue Stores and Capital equipment. The objective of setting up these Boards is to help in ensuring an efficient and time bound procurement of prioritised needs. These Boards would provide an institutionalised mechanism to periodically review the relative priorities and procurement status, help in resolving major impediments, if any in this process. To expedite decision making on defence matters, Ministry of Finance have also constituted an inter-ministerial task force. The terms of reference of the task force include simplification and streamlining of procedures for expenditure control and management and delegation of enhanced financial powers.

10. The Committee note that some steps have been taken by the Ministry of Defence for expeditious decision making in regard to defence purchases. However, the Committee reiterate their earlier recommendations made in their Third Report (Twelfth Lok Sabha) in regard to constitution of a single integrated Board of Defence Approvals. The foremost objective of effecting reforms in the defence purchase procedure is to quicken the decision making process and to impart certain amount of intra-departmental transparency at least for the eyes of those who are authorised to oversee the processes and procedures relating to defence purchases.

Functioning and Role of DGQA

Recommendation (Sl. No. 3, Para No. 26)

11. The Committee had desired the Ministry of Defence to critically examine the functioning and role of Directorate General Quality Assurance (DGQA) and other similar organisations in the Ministry so as to reduce the expenditure by restricting their presence only in very essential activities.

12. The Ministry of Defence have in their action taken reply *inter alia* stated that a recent visit to forward areas has revealed widespread

dissatisfaction amongst troops on account of poor quality of Clothing items being issued. Preliminary investigations showed that the same was largely attributable to locally purchased items without DGQA inspection. The Ministry have thus ruled out reduction of the role of DGQA in low technology items.

13. The Committee note with concern that there have been cases of supply of poor quality items to the troops. The Committee desire the Ministry of Defence to furnish the details of :

- (i) such instances during the last three years.**
- (ii) the action taken for black-listing and also for suing the unscrupulous suppliers, and**
- (iii) the action taken against those who were primarily responsible for procuring such items for the Services.**

Defence Research and Development

Recommendation (Sl. No. 5, Para No. 33)

14. The Committee had desired the DRDO to mount a national programme to accelerate not only its existing programmes of indigenisation but also to indigenise other critical Defence technologies. The Committee had, therefore, strongly recommended raising of DRDO share in defence budget to 8 percent during 1998-99 and to 10 per cent by the year 2000 so that indigenisation efforts of DRDO do not suffer for want of funds.

15. The Ministry in their action taken reply stated that the level of DRDO budget for 1998-99 was expected to range between 6.5 and 7 per cent of defence budget. The Ministry further stated that the DRDO budget requirements for the year 1999-2000 based on IXth Plan projections would be between 7 per cent and 7.5 per cent of the total defence budget.

16. As per the Budget, 1999-2000, DRDO share in defence budget, 1998-99 has actually declined in revised estimates as compared to Budget Estimates. The allocation for DRDO in Budget Estimates for the year 1999-2000 is only 6 per cent of defence budget.

17. The Committee note with concern the increase of time and cost overruns in several crucial DRDO projects like the MBT, LCA etc. In view of the technology denial regimes imposed by the

advanced countries on our country, it has become all the more imperative for the DRDO to vigorously pursue 100% indigenisation in all defence production. The Committee feel that the Government, in order to streamline the functioning of the DRDO to cope up with the demands of the next millenium and give up its dependence on foreign suppliers in key areas, should –

- (a) urgently review the working conditions of the community of scientists and technocrats including their service condstions, pay, perks and other incentives with a view to attracting the best talent in the country to convert the DRDO into a highly professional, and world class organisation;
- (b) evolve a suitable mechanism for integrating the potentials of the community of scientists and technocrats in the other Governmental and non-Governmental organisations outside the DRDO for broad basing the research activities in the field of Defence Research and Development;
- (c) institute special service benefits and cash incentives for those achieving break throughs;
- (d) name major projects for indigenisation after the name(s) of the scientist(s)/technocrat(s) who did the lead work; and
- (e) take such other steps essential for achieving the desired goal.

Force Level of Navy

Recommendation (Sl. No. 6, Para No. 36)

18. The Committee had noted with concern that the inventory of ships, frigates, submarines etc. of Indian Navy had been on the decline for about a decade due to low allocation of funds by the Government. Recognising an imperative need for a sustained capital investment in the Indian Navy, the Committee had recommended to the Government to take action to make available adequate funds for new projects on sustained basis for the Indian Navy.

19. In reply, the Ministry of Defence have stated the details about increase in allocations of financial resources for capital Budget of Navy for 1998-99.

20. In view of the heavy demands of funds for meeting Navy's urgent special requirements, the Committee reiterate their earlier recommendation made in their Third Report (12th Lok Sabha) regarding mobilisation of adequate funds by Government by reducing establishment charges, re-prioritising the works in hand and in pipeline, and also to increase allocations for Navy as per recommendations of the Government Committee on Defence Expenditure and also the Tenth Finance Commission.

L.C.A. and MIG-21 Upgradation Projects

Recommendation (Sl. Nos. 7 & 8, Para Nos. 39 & 42)

21. In regard to the two major projects (LCA & Modernisation of MIG) of the IAF the Committee had recommended that there were considerable delays and cost overruns in the development of L.C.A. and that all efforts be made to meet the situation created by the sanctions imposed by the U.S. Government on supply of hardware and technology inputs for the LCA project for ensuring scheduled induction of LCA into IAF by 2003.

The Committee also felt that modernisation of the MIG Fleet of aircraft was very essential to maintain the operational preparedness of ageing IAF Fleet and recommended that Ministry of Defence should ensure that the progress on the same was not hampered for lack of funds.

22. The Ministry of Defence in their Action Taken Replies have stated that the sanctions by the U.S. Government have made it necessary to look for alternate sources for certain items like flight control system (FCS). These sanctions have delayed the development of FCS by a period of six months. The first flight of L.C.A. will therefore, be undertaken now in July, 1999.

The Ministry have further stated that all out efforts are being made for induction of L.C.A. into IAF by 2003. Apart from developing two technology demonstrators, 5 prototype vehicles (PV-1 to PV-5) are being developed so as to compress time frame by simultaneous testing and logging of required commulative flight hours. However, the milestone for Final Operational Clearance (FOC) has been set by the Ministry as December, 2005.

23. In regard to the upgradation/ Modernisation of MIG Bis, the Ministry have stated that a contract for upgradation/ Modernisation of 125 MIG-21 Bis aircraft was signed in March, 1996 with the Russians and that 2 MIG-21 Bis aircraft at present were being upgraded in Russia as a part of design and development phase and the remaining 123 aircraft were to be series upgraded at HAL Nasik Division. They have further stated that there was an option clause in the contract for the upgradation of another 50 aircrafts, if required. Upgradation of another variant of MIG is also at present under consideration and the requirement of funds would be projected adequately when project proposals are sent.

24. The Committee are dismayed to learn that according to the revised milestones for the LCA project only the induction and initial clearance will take place by December, 2003 and Final Operational Clearance (FOC) will only be in December, 2005. Hence, it appears that induction of Squadrons of the L.C.A. into the IAF will be further delayed. The Committee note that there have already been considerable time and cost overruns in the development of L.C.A. The initial date of completion of the project was projected as June, 1996. Even the first prototype flight trial has not yet taken place. The modernisation of the MIG was supposed to bridge the gap between its phasing out and the induction of LCA. However, the Committee note that initially only 2 MIG-21 Bis aircraft have been sent to Russia for upgradation. For the remaining 123, transfer of technology for upgradation at HAL Nasik Division will take place consequently. The Committee note that almost three years have already passed since the signing of the contract for upgradation of the aircraft in March, 1996 and not even two aircraft have been upgraded till date. The Committee, therefore, recommend to the Government to take a review of the decision to modernise the MIG-21 Bis as already three years have passed since the initiation of the project and not even two aircraft have been upgraded yet, leave alone the remaining 123. The Committee, therefore, recommend that all resources should be pooled towards early productionisation of LCA to achieve self-reliance. The Committee infer that it may be quite possible that the LCA project is being delayed in order to accommodate the delay caused in upgrading the MIG-21 Bis aircraft so that early induction of LCA does not render the MIG-21 Bis upgradation project irrelevant. The Government should, therefore, keep utmost vigil over the completion of all projects aimed at indigenisation so that the vested interests do not hamper the country's progress.

Modernisation of Ordnance Factories

Recommendation (Sl. No. 10, Para No. 46)

25. The Committee note the fact that 41% of the equipment in Ordnance Factories was of the sixties vintage. Therefore, there was an urgent need to modernise the Ordnance Factories and that after a long gap of almost 20 years the Ministry of Defence had constituted a Committee of 4 experts to prepare a scheme for modernisation and Rs. 800 crores had been earmarked for this purpose in the 9th plan.

26. The Ministry in their reply have stated that it was proposed to have a programme of replacement of old machineries during the 9th and 10th plan in a planned manner. The expert Committee which had been constituted to give proposals for modernisation of a number of factories with a view to amend the product profile and augment the existing product profile would be giving a comprehensive proposal for an investment of Rs. 1000 crores to be invested during 9th and 10th plan.

Regarding the appointment of Committee after a gap of 20 years the Ministry of Defence have stated that all projects entrusted to the Ordnance Factories in 60s and 70s were able to meet the requirements of Armed Forces till end of 80s. From 1990 onwards with a decline in the offtake of items from the Armed Forces, the modernisation of Ordnance Factories involving investment in plant and machinery could not be done in the absence of firm indication of items required under perspective plan.

27. The Committee note that perspective planning of the items to be manufactured in the Ordnance Factories has to be made to enable goal oriented modernisation programmes for two decades at least. The Committee, therefore, recommend that appropriate enhancement of financial delegation of power to the Ordnance Factory Board be made for modernisation and technology development projects according to perspective planning of items to be manufactured for at least a decade to come. The Committee also reiterate their earlier recommendations contained in the Sixth Report on the subject "Ordnance Factories" that due representation to the professionals/scientists from non-defence areas particularly from premier academic and other research institution should be given in the Committee on modernisation which has been constituted

by the Ministry of Defence, so that the task of modernisation is undertaken perfectly and comprehensively. The Committee also feel that modernisation once undertaken should be valid for at least 15 to 20 years. The Government should place the blue print prepared by the modernisation Committee before the Parliamentary Committee or before a select group of them so that Hon'ble Members some of whom are scientists themselves could offer their valuable suggestions particularly in the fast changing technological areas.

Semi Conductor Facilities

Recomendation (Sl. No. 11, Para 49)

28. The Committee had taken note of the fact that there was no sizeable semi-conductor facility in the country and that modernisation of the Armed Forces may suffer on account of the non-availability of semi-conductors in the event of sanctions being imposed on such electronic items. The Committee, therefore, recommended that the Govenment should make substantial, investment in semi-conductor research, notwithstanding the high initial cost, to be self-reliant in this vital field of defence technology which would have spin offs for the civil sectors as well.

29. The ministry of Defence have stated in their reply that a pilot plant facility to process GaAs wafers and make Monolithic Microwave Integrated Circuits (MMICs) upto 12 GHz has been established. This plant used DRDO developed 0.7 micrometre Metal Expitaxy Semiconductor Field Effect Transistor (MESFET) technology. Five MMICs design centres had been set up at GAETEC and four DRDO labs. The technology was planned to be upgraded to 18 GHz by end of 1999. DRDO has already undertaken development work for active and passive devices working upto 40 GHz and for 40 GHz measurements so that 40 GHz technology and facilities were available by 2003. A 1.0 micrometre silicon foundry capable of being upgraded to 0.7 micrometre for fifteen cm dia wafers had been set up, as a co-operative facility between DAE, ISRO nad DRDO. This facility was capable of making the country independent of foreign sources for 90% of VLSI requirements of the three scientific departments..It was proposed to upgrade this technology to 0.5 micrometre

followed by upgrade to 0.35 micrometre technology. These initiatives would go a long way in providing self-reliance in semi-conductor materials and devices.

30. The Committee appreciate the steps being taken to improve the semi conductor facilities in the country by the scientists of DRDO. The Committee however, recommend that a consortium of specialists/scientists from the information industry be formed for setting up high technology plants to fabricate chips/ wafers etc. for dynamic communication and computer systems for the Armed Forces and the country as a whole.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 2, Para No. 25)

While recommending the budget allocations proposed for the year 1998-99 for the Ministry of Defence, the Committee feel that for the optimum utilisation of budget allocations and to avoid time and cost overruns both in acquisition of equipment as well as in manufacturing and research projects, it is of utmost importance that a mechanism is evolved for taking quick decision in such matters. The need for reform in procedure has become more critical in the present scenario when restrictions have been imposed on acquiring latest technology and equipment from abroad. In the area of according financial sanctions there is considerable scope for rationalisation of procedures being followed at present in the Ministry, DRDO and the Services. The Committee, therefore recommend to the Government to initiate steps in this regard immediately.

Reply of the Government

In the light of the recommendations of the Standing Committee, on the need for reforms and rationalisation of procedures, the position in this regard has been reviewed. Presently, there are monitoring mechanisms to avoid time and cost overruns in the Ministry of Defence in respect of acquisition of equipment, manufacturing and research projects. However the scope for further improvement has been examined and steps taken to expedite decision-making. First step that has been taken is to delegate greater powers to Service Headquarters. Secondly, Procurement boards have been constituted for Revenue Stores and Capital equipment. The objective of setting up these Boards is to help in ensuring an efficient and time bound procurement of prioritised needs. These Boards would provide an institutionalised mechanism to periodically review the relative priorities and procurement status, help in resolving major impediments, if any in this process. To expedite decision making on defence matters, Ministry of Finance have also constituted an inter-ministerial task force. The terms of reference of the task force include simplification and streamlining of procedures for expenditure control and management and delegation of enhanced Financial powers.

[Ministry of Defence O.M. No. 11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please see Para No. 10 of Chapter I of the Report.

Recommendation (Sl. No. 4, Para No. 30)

The Committee note with concern the deficiency of married accommodation in Army particularly in respect of Other Ranks (ORs). The authorisation of married accommodation for ORs in the Army had been 14 per cent and the accommodation actually built/ available was 78 per cent of the authorisation *i.e.* for about 11 per cent of the strength. The authorisation has recently been enhanced to 35 per cent and the Ministry propose to achieve the target within the next five years.

The Committee are not satisfied with mere raising of the authorisation to 35 per cent when the Government have not been able to achieve even the authorisation of 14 per cent. In 1991 the estimated cost of providing married accommodation to all ranks as per authorisation was Rs. 3500 crore which would become more than double by the time constructions are completed. At the present rate of funding *viz.*, Rs. 176 crores per year approximately, it is very unlikely that the target can be achieved within a span of five years as assured by the Ministry during the evidence.

Housing being one of the basic necessities, the Committee strongly recommend that sufficient funds should be allocated for Army Capital Works for construction of married accommodation for the serving Army personnel particularly the ORs, so that the target in this regard could be achieved within five years.

Reply of the Government

The Government is well-aware of the shortage of married accommodation for ORs in the Armed Forces. Directions have been issued to the Services HQrs. to give thrust to construction of married accommodation for ORs and spare adequate funds for this purpose. As far as Army is concerned, Government is already implementing Project Quick Shelter (Phase-I and Phase-II) and has also adopted the Fast Track Procedure for the purpose of faster construction of married accommodation. An exercise is on hand to ascertain the overall requirement of funds of the three Services for construction of married and other than married accommodation. In case of any real shortfall, it is proposed to

take up the matter with the Ministry of Finance for enhancing the allocation of funds for Capital Works with a view to solving the problem of deficiency of accommodation in a time bound manner.

[Ministry of Defence, O.M. No. H-11019/6/98/D (Parl.) Dated 11.2.99]

Recommendation (Sl. No. 6, Para No. 36)

The Committee are of the view that to defend our long coast lines and maritime interests, and with the expected fast growth in the use of sea lanes, the responsibility of the Indian Navy will increase substantially during the coming years. The growing interest and presence of major powers in the Indian Ocean are going to put additional demands on the Indian Navy. In such a scenario only a Navy with a proven capability would be in a position to protect country's strategic and economic interests.

The Committee note with concern that the inventory of ships, frigates, submarines etc. of Indian Navy has been on decline for about a decade due to low allocation of funds by the Government. Though the Government have now initiated corrective action by sanctioning a number of new project during 1997-98, it is a fact that the investment in the capital projects of the Navy has been neglected for a very long time. Recognising an imperative need for a sustained capital investment in the Indian Navy, the Committee recommend to the Government to take action to make available adequate funds for new projects on sustained basis for the Indian Navy so as to bring up this arm of Defence Forces to a level where it can discharge its obligations with full confidence.

Reply of the Government

Keeping in view the overall availability of financial resources with the Central Government and the competing demand of resources from other sectors of the economy, the overall capital budget of Navy has been fixed at about 30% of the total capital budget of the Defence Services. The capital outlay on Navy for 1998-99 is Rs. 3051.85 crores as against Rs. 10,359.68 crores for the entire Defence Services. In addition, this year's capital budget for Navy is 30% more than the previous year's budget. The increased allocation has been made to fulfil the committed liabilities of on-going projects such as acquisition of submarines, frigates, Viraat modernisation, Project Sea Bird, Project Ashok, etc. Funds have

also been earmarked for urgent priority schemes including force multipliers such as communication sets, ESM for aircrafts etc. Depending upon the critical needs of the Navy, Government approves the requisite funds for augmentation/ modernisation of the naval fleet.

The following are some of the actions taken to improve the force level of Navy:—

1. Import of three frigates from Russia.
2. Indigenous construction of three frigates.
3. Indigenous construction of two SSK submarines.
4. Acquisition of two submarines from Russia.
5. Indigenous construction of two missile boats.
6. Indigenous construction of two hydrographic survey vessels.
7. Acquisition of two Harrier trainer aircraft.
8. Modernisation of Aircraft Carrier INS Viraat.

It would be seen from the above that the Government have been paying adequate attention to the modernisation and upgradation of the naval fleet.

In addition to procurement of ships, submarines and aircraft, certain state-of-art weapons are being inducted. These weapons, functioning as force multipliers, enhance capability of existing warships considerably. The necessity of upgrading and modernising the Indian Navy is continuously reviewed keeping in mind the security environment.

[Ministry of Defence, O.M.No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please *see* Para No. 20 of Chapter I of the Report.

Recommendation (Sl. No. 9, Para No. 44)

The Committee desire that all necessary steps be taken to overcome hurdles in the acquisition of remaining SU-30 aircraft in order to strengthen the IAF to counter any potential threat to the security of the country.

Reply of the Government

Negotiations are at present in progress with the Russians on the new delivery schedule for the SU-30 aircraft in order to minimise any further delay in the acquisition.

[Ministry of Defence O.M. No. H-11019/6/98/D (Par1.) dated 11.2.99]

Recommendation (Sl. No. 10, Para No. 46)

The Committee note that 41% of the equipment in Ordnance Factories is of the sixties vintage. Therefore, there is an urgent need to modernise the Ordnance Factories. The Committee note that after a long gap of almost 20 years the Ministry of Defence have constituted a Committee of four experts to prepare a scheme for modernisation and that Rs. 800 crores have been earmarked for this purpose in the 9th plan.

The Committee recommend that in order to increase the productivity in the Ordnance Factories, steps should be taken for modernisation of the equipment, production process and management structure. For this a large amount of allocation on renewals/replacements and on the capital account has to be made in the coming years.

Reply of the Government

It is proposed to have a programme of replacement of old machineries during the 9th and 10th Plan in a planned manner involving an estimated expenditure of Rs. 800 crores for every plan period.

It is also to be stated that the ordnance Factories through various projects for specific products have invested Rs. 1800 cr. both by way of new capital and Renewal & Replacements (RR) during the last 12 years. It is expected to have an estimated investment of approximately Rs. 200 Cr. under capital during the 9th plan. Besides an investment of approx Rs. 245 Cr. on the new projects is being processed. The expert committee which has been formed to give proposals for modernisation of a number of factories with a view to amend the product profile and augment the existing product profile will be giving a comprehensive proposal for an

investment of approx. Rs. 1000 Cr. to be invested during 9th and 10th plan. It is expected that with the investment there will be a marked shift in technology and product profile of ordnance factories that will enable ordnance factories to attain a reasonable proficiency in self-reliance of Defence production.

Even though the age profile of the machine procured in 60s and earlier need replacement because of a quantum jump in technology in the design and process capabilities of machines, all the existing machines requiring replacement will not be replaced one to one involving same quantity, it may be possible to club the operations/capabilities of existing machines available into one or more of the modern machine tool capable of combining a number of conventional operations. It is expected that with the modernisation proposals going to be given by the 4 member expert committee, almost all the machines requiring replacement in ordnance factories will be replaced after incurring a renewal plan of Rs. 800 Cr. each for 9th and 10th plan along with the proposals involving Rs. 1000 Cr. modernisation from the committee. The Ordnance Factories will be self-sufficient to meet any futuristic requirement of the Armed Forces from the angle of self-reliance in Defence.

Regarding the appointment of committee after a gap of 20 yrs. it has to be appreciated that the projects inducted into Ordnance Factories in 60s and 70s were able to meet the requirements of Armed Forces till end of 80s. From 1990 onwards with a decline in the offtake of items from Armed Forces and also because of change in perception of requirements of Armed Forces, the modernisation of Ordnance Factories involving investment in plant and machinery could not be done in the absence of firm indication of items required under Perspective Plan.

[Ministry of Defence, O.M.No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please see Para No. 27 of Chapter I of the Report.

Recommendation (Sl. No. 12, Para Nos. 50 & 51)

The Committee observe that the maintenance/running expenditure of a number of old equipment being used by the three Services is very high.

Some types of vehicles, being used by the three Services are guzzlers, as far as fuel-consumption is concerned.

The Committee desire that the Government should examine the feasibility of quick disposal of old equipment/vehicle having high maintenance/running expenditure and switching over to latest modern ones with low maintenance/ running expenditure in a time-bound manner, as a measure to achieve the twin objectives of reducing the maintenance/running expenditure of the three Services and Technological upgradation of the Ordnance Factories.

Reply of the Government

Under the existing discard policy, before being discarded, vehicles are required to complete a prescribed distance of Kms. or a prescribed number of years, whichever is later. A new discard policy relating to the new generation of vehicles is under consideration.

The old generation vehicles, in use, in the Defence Forces, such as 250 Kg. vehicles, 1 Ton and 3 Ton vehicles are being replaced by the new generation of vehicles. 250 Kg. vehicles are being replaced by 500 Kg. vehicles from Maruti and Mahindra & Mahindra 550. The earlier version of 1 Ton vehicles, such as NSN 1 Ton, are being replaced by 2.5 Ton trucks and the earlier Shaktiman vehicles (3 Ton) are being replaced by 5/7.5 Ton stallion vehicles. It will thus be seen that the recommendation of the Standing Committee, regarding switching over to the latest available modern vehicles, is already under implementation by the Govt. in the Ministry of Defence albeit in a phased manner. However, owing to constraints of budgetary allocation as well as the capacity of the Army to discard the older vehicles for newer ones, the switch-over to the latest technology of vehicles is bound to be spread, over a few years. Thus, the exercise, on the part of the MOD, to introduce modern technology vehicles, in the Defence Services, is a phased, ongoing programme.

[Ministry of Defence, O.M. No. 11019/6/98/D (Par1.) dated 11.2.99]

Recommendation (Sl. No. 13, Para No. 52 & 53)

It has come to the notice that services of Combatants are being utilised in non-combatant activities like in CSD Canteens, Military Farms, Stores and other places for which purposes they are not meant.

The Committee recommend that the practice of engaging combatant for non-combatant duties like in Unit Run Canteens, Military Farms, Stores and other places should be discouraged. The Committee further recommend that disabled combatants and ex-servicemen may be deployed for such duties.

Reply of the Government

The services of Armed Forces personnel are not being utilised in non-combatant activities except where they are authorised on deputation to Army Stores and Canteens etc. Regimental institutions including unit run CSD canteens and stores, are functioning as welfare measures within the unit resources for the troops and the employees are drawn from out of ex-servicemen, wards of deceased and serving jawans, as well as widows, Combatant personnel of low medical category or casualty soldiers, whose employment on combat duties is restricted due to their disability, are also utilised for this purpose, temporarily till they are declared fit for combat duties. Also, in case of units, deployed in high altitude areas, like Siachen, field areas of Jammu & Kashmir, North-East and Western region of the country, where no civil habitat is around, low medical category personnel, not considered fit for combatant duties, are so employed as a temporary measure. Otherwise, combatants are not utilised in CSD canteens, stores, Military Farms and other such quasi-commercial organisations. However, occasionally, combatants are deployed for supervising the functioning of the employees, working in these organisations, without being given extra remuneration for such duties.

This recommendation of the Standing Committee on Defence, as such, already being practised and the disabled combatants and ex-servicemen alone are deployed on non-combatant duties of Unit Run Canteens and Stores etc., particularly, in the operational areas.

[Ministry of Defence, O.M. No. H-11019/6/98/D (Parl.) dated 11.2.99]

Recommendation (Sl. No. 14, Para No. 55)

The Committee recommend that the Government may consider suitable enhancement in the financial powers delegated to the Ministry of Defence so as to ensure the acquisition of equipment for the Armed Forces within the requisite time-frame.

Reply of the Government

As regards, greater delegation of financial powers to the Ministry of Defence, Ministry of Finance have constituted a task force consisting of representatives of Ministry of Finance, MoD and Service Headquarters. The task force will examine the question of delegating enhanced financial powers to the Ministry of Defence and simplifying the existing procedures for management of defence related expenditure. Separately, the question of enhancing delegation of powers to Service Hqrs. out of that presently available with MoD, is also under examination.

[Ministry of Defence, O.M. No. H-11019/6/98/D (Par1.) dated 11.2.99]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

There is no recommendation/observation of the Committee which falls under this category.

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 1, Para No. 24)

The Committee note that the total defence allocation for the year 1998-99 has been pegged at Rs. 41,200 crores, an increase of 14.13% over the Revised Estimates 1997-98. The hike in defence budget is just enough to meet the outflow of the Fifth Pay Commission recommendations which is estimated to be 10 per cent of the B.E. and general inflation of about 6 per cent. The rupee devaluation has further eroded budget capacity. Thus in real terms the provision for items other than salaries & allowances in the defence budget has remained static, if not reduced. In terms of percentage of GDP also the defence budget has been stagnating at 2.4 per cent over the last decade. This low level of funding is totally insufficient to meet crucial requirements including modernisation of Armed Forces. This Committee in the preceding years also emphasised that in the interest of the security of the country's defence spending should be raised at least to the level of 3 per cent of the GDP.

Keeping in view the current security environment in the region, the Committee feels that as reflected by the budget allocations the defence of the country is yet to receive the due priority it deserves from the Government. The Committee, therefore, desire that Government should accord high priority to the defence sector and budget allocation for the year 1998-99 should be enhanced adequately so that various modernisation and upgradation schemes which are on anvil and are vital for the defence preparedness of the country are not hampered.

Reply of the Government

The observations of the Committee that Government should accord high priority to the defence sector and budget allocations for the year 1998-99 should be enhanced adequately so that various modernisation and upgradation schemes which are on anvil and are vital for the defence

preparedness of the country are not hampered have been communicated to the Ministry of Finance for their consideration and necessary action vide Ministry of Defence (Finance) I.D. No. 10 (2)/B.I/98 dated 31st July, 1998 (Appendix I).

[Ministry of Defence, O.M. No. H-11019/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please *see* Para No. 7 of Chapter I of the Report.

Recommendation (Sl. No. 3, Para No. 26)

The Committee also note that the budget allocation for DGQA during 1998-99 is Rs. 275.10 Crore. There has been an increase of Rs. 54.44 crore therein as compared to B.E. 1997-98. The Committee desire the Ministry of Defence to critically examine the functioning and role of DGQA and other similar organisations in the Ministry so as to reduce the expenditure by restricting their presence only in very essential activities.

Reply of the Government

The Objectives of the Directorate General of Quality Assurance (DGQA) are :-

- (a) To ensure that the entire range of Armaments Stores and Equipments used by the Army and only those stores of the Navy and Air Force for which DGQA is responsible, are of the specified quality and reliability and furthermore, they are easily maintainable, thus enhancing the combat effectiveness as well as efficiency of the Armed Forces.
- (b) To achieve self-reliance in Defence Equipments and stores by exploiting the industrial potential of the country under the aegis of the Department of Defence Production and Supplies.

DGQA Organisation is a Controlling body and lays down the policies/ procedures and effect co-ordination in respect of :-

- (a) Quality Assurance of Defence Stores & Equipments.
- (b) Undertakes development projects for all indigenous production/ import substitution and minor modification/product improvements.
- (c) Productionising of the design developed by DRDO.
- (d) Defect investigations and consumers complaints.
- (e) Keep the relevant paper particulars up-to-date.
- (f) Advise the Indentors about the procuring source of supply.
- (g) Introduction/obsolescence and catalogue the Defence Stores.
- (h) Compilation and vetting of service technical publications.
- (j) Advise to Service HQ on technical matters relating to stores in service.
- (k) Participation in the activities of Directorate of Standardisation.
- (l) Rendering of Quality Assurance and the testing assistance to Civil Departments and Private bodies.

A perusal of role and functions of DGQA Organisation might indicate that there could be some scope of reduction in expenditure in the field of:

- (a) Quality Assurance of Defence Stores and equipment by concentrating on critical equipment/stores and shedding responsibility in low technology items.
- (b) Rendering of Quality Assurance and testing assistance to Civil Departments and Private bodies may be given up to conserve resources.

Quality Assurance of Defence Stores and Equipments

The quantum of manpower and effort associated with QA depends upon the quality of vendors. Where a vendor is capable of producing "Zero defect" goods, the QA effort will be minimal. In the event of

successful quality and reliability studies it may be possible to accord even self-certification to the vendor reducing the role of DGQA to quality audit and surveillance only. However, in the prevailing quality and industrial culture in the country there are very few vendors who have qualified for such a status. In most cases QA of input raw-materials, stage control and full acceptance – QA has to be resorted to which is time consuming and entails considerable manpower deployment.

With the advent of ISO:9000 quality systems, it was expected that quality of those vendors who opt for it, will improve. But experience has shown otherwise. An analysis of performance of such vendors reveals no perceptible improvement. The case of Ordnance Factories who are the sole manufacturers of Armament Stores may be cited. These OFs have acquired ISO:9000 certification from 1994 onwards, the results of which would be reflected in their performance in 1994-95 onwards. The details are as under :-

	1993-94	1994-95	1995-96	1996-97	1997-98
Value of Stores Inspected	1464.5	1505.0	2769.4	2791.9	2083.3
Value of Stores Accepted	1360.2	1359.0	2415.2	2484.6	1846.3
Percentage acceptance	93%	90.3%	87.3%	89.9%	89.5%

It would thus be seen that there is no scope for any reduction in the role of DGQA even in ISO certified OFs.

The quality culture in industry in general and SSI units in particular is worse. A recent visit to forward areas has revealed wide-spread dis-satisfaction amongst troops on account of poor quality of clothing items being issued. Preliminary investigations show that this is largely attributable to locally purchased items without DGQA inspection. This rules out reduction of the role of DGQA in low-technology items also.

Quality Assurance and Testing for Civil Departments and Private Sector:

The DGQA undertakes such tasks only when the resources such as manpower and equipment can be spared and not at the expense of defence quality assurance activities. This assistance is provided on charges laid down by the Ministry from time to time and thus yields revenue by utilising lean periods productively.

Conclusion

DGQA Organisation provides product - quality related services to users, DGO, DRDO, PSUs and the private sector. Most of these services, though valuable but are intangible and thus cannot be quantified. The responsibility commences right from the time when an idea is conceived, to design, formulation of specifications, preparation of users Manuals and other paper particulars, quality related services during manufacture and later during the life cycle of the equipment. The organisation has core competence in various spheres and is the only centre of excellence in quality related activities of Defence equipment/stores such as armaments, military explosives, armoured fighting vehicles, bridging equipments, warship projects, electronics and electronic warfare etc. Such a vast role demands continuous upgradation of resources of both men and material. Defence Institute of Quality Assurance, Bangalore has been created from within the existing authorisation of DGQA in the year 1992 to develop human resources and impart continuous training to officers and staff. Some laboratories have already been accredited under the NABL scheme of Department of Science and Technology and the others are gearing up. The organisation has also taken up QA responsibilities of many new projects without any additional manpower and has been stretching its functions to provide maximum satisfaction to Services as per the principles of total quality management. With the induction of State-of-Art Complex Systems in the Army, there is a need to step up Quality Audit and Surveillance activities for which the existing resources are far from adequate. Besides this, there are new areas of, reliability, studies viz., reliability prediction, mathematical modelling/ simulation, reliability demonstration, Software Standards and Software Quality Assurance which need to be taken up but due to inadequate resources it has not been possible. The

corresponding increase in the budgetary allocation has been minimum. Any financial constraints imposed on the organisation will impair its functional efficiency and may affect the quality of the equipments being supplied to the Forces.

[Ministry of Defence O.M.No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments on the Committee

Please *see* Para No. 13 of Chapter I of the Report.

Recommendation (Sl. No. 5, Para No. 33)

DRDO has been making commendable efforts in the field of defence research and development programmes with a view to indigenising key technologies. In their fourth Report, (10th Lok Sabha) and also in subsequent reports, the Committee have been recommending that allocation for DRDO should be progressively increased to about 10 percent level by the year 2000 so as to fully gear up to DRDO to achieve the desired objectives of self reliance in critical defence technologies and to meet the requirements of Defence Services. The Ministry had also stated earlier that they planned to raise DRDO allocation to 10 per cent of the budget by the year 2000. However, the DRDO budget was enhanced (by 0.10%) to 5.1% in 1995-96, reduced (by 0.16%) to 4.94% in 1996-97, enhanced (by 0.57%) to 5.51% in 1997-98 and now enhanced (by 0.48%) to 5.99% of Defence Budget in 1998-99. This is highly unsatisfactory pace of enhancement in the budget of the DRDO keeping in view the increasing restrictions on inflow of state-of-the-art technologies for crucial areas of defence sector. The Committee, therefore, strongly recommend raising of the DRDO share in the defence budget to 10 percent by the year 2000 as earlier planned by the Ministry. This process may start from the current year itself by raising the current year allocation to the level of 8 percent so that indigenisation efforts of DRDO do not suffer for want of funds.

The Committee desire that the DRDO may make all efforts to co-ordinate the scientific and technological resources available in

non-defence laboratories and institutions of the country and mount a national programme to accelerate not only its existing programmes of indigenisation but also to indigenise other critical Defence technologies.

Reply of the Government

DRDO had projected a requirement of Rs. 2791.64 Cr (6.77% Defence Budget) for 1998-99 against which Rs. 2469.80 Cr were provided, which is 5.99% of the total Defence Budget. Many new schemes have been sanctioned during 1997-98 against which good amount of cash outgo is expected to take place during the current financial year 1998-99, for which additional funds would be needed. An additional requirement of Rs. 214 Cr. has already been projected at PR stage for this purpose. This amount may have to be further enhanced at RE stage. It is expected that level of DRDO budget for 1998-99 will range between 6.5% to 7%.

The budget requirements for the year 1999-2000 based on IXth plan projections will be between 7% to 7.5% of the total Defence budget. DRDO will make all efforts to further accelerate its existing and new programmes due to which level of DRDO budget in the subsequent years would further go up.

In order to enhance technological self-reliance in critical technologies, components and materials, DRDO has launched initiatives in critical and enabling technologies in consortium with R&D laboratories in other sectors and academic institutions in the country thereby making use of expertise and infrastructure available in the country. These initiatives include CODE programme for development of critical electronic components and devices. Gallium Arsenide Technology Enabling Centre (GAETEC) for development of Gallium Arsenide Wafers and monolithic microwave integrated circuits, silicon foundry for very large scale integrated circuits (VLSIs). Programmes are also planned for self-sufficiency in poly silicon pre-cursors for high strength carbon fibre and other strategic materials such as titanium and magnesium. Department of Electronics, Department of Space, Department of Atomic Energy and Industry are among the partners in these initiatives. It is

considered that with the establishment of the critical device and materials, our Defence programmes for development and production of state-of-the-art systems will be independent of foreign sources and will not be affected by denial of critical inputs by advance countries.

[Ministry of Defence, O.M. No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please *see* Para No. 17 of Chapter I of the Report.

Recommendation (Sl. No. 7, Para No. 39)

The Committee note that there have already been considerable time and cost overruns on the development of the LCA. As the prototype of the LCA is yet to fly, the Committee do not find the reasons given by the Ministry convincing so as to satisfy themselves that the scheduled induction of the LCA by 2003 into the IAF would be possible.

The Committee recommend that all out efforts be made to meet the situation created by restrictions on getting hardware and technology inputs for the LCA project. If necessary, the Ministry of Defence may make additional funds available to ensure timely completion of the project.

Reply of the Government

LCA is a complex development project involving state-of-the art technologies. When LCA project was undertaken the requisite expertise and infrastructure facilities were not available in the country so the design and development of LCA had to be undertaken concurrently with the establishing of the facilities and development of technological competence. The recent imposition of the sanctions by the US Govt. have brough in the necessity of developing alternate sources for certain items like flight control system (FCS). These sanctions have delayed the development of FCS by a period of six months. The first flight of LCA will therefore be undertaken now in July 99.

All out efforts are being put in for induction of LCA into IAF by 2003. Apart from developing two technology demonstrators, 5 prototype vehicles (PV 1 - PV5) are being developed so as to compress the timeframe by simultaneous testing and logging of required cumulative flight hours. The state of readiness of two technology demonstrators (TD-1 & TD-2) and the prototype vehicles (PV2 to PV5) is explained as under :

- (a) The second (TD-2) was rolled out in Aug. 98. It is expected that integration and airworthiness problems which have been resolved in the first LCA (TD-1) will not recur in TD-2.
- (b) First LCA prototype vehicle (PV1) is already under assembly.
- (c) Kaveri engines have logged about 700 hours of testing on multiple test beds. High altitude tests on its core engine are in progress in Russian facilities. It is reasonable to expect delivery of flight worthy engines by mid-2000.
- (d) Multi Mode Radar (MMR) is under development, jointly by HAL, Hyderabad and LRDE DRDO. MMR will be delivered in Mar 99 for inflight trials on "HACK" aircraft. One AVRO aircraft has been modified and tested for this purpose. Flight worthy MMR would be available for integration into LCA (PV1) by mid-99. The target for the first flight of PV1 *i.e.* Sep. 2000 is certainly achievable.
- (e) Two sets of assembly jigs have been planned for LCA prototype so that PV2, PV3, PV4 would be built and flown with a gap of six months.
- (f) Design of PV5, which would be a 2-seater trainer version, is already under progress. It differs from the fighter version primarily in respect of front fuselage. PV5 is expected to fly by June 2002.
- (g) A dedicated group has been working on integration of weapons for the past one year. Flight tests on TD2 and PV1 to PV5 include tests for carriage and delivery of weapons specified by Air HQ for IOC.

Therefore, from the state of readiness as stated above, it is reasonable to expect induction and initial operational clearance by the year 2003.

The revised milestones are as under :

Sl. No.	Mile Stone	Target Date
1.	TD1 first flight	July 1999
2.	TD2 first flight	Oct. 1999
3.	Structural Test Specimen ready	Mar. 2000
4.	PV1 first flight with Kaveri Engine	Sep. 2000
5.	PV2 first flight with Multi Mode Radar (MMR)	Dec. 2000
6.	PV3 first flight	June 2001
7.	PV4 first flight	Dec. 2001
8.	PV5 first flight	June 2002
9.	Induction and Initial Operational Clearance	Dec. 2003
10.	Final Operational Clearance (FOC)	Dec. 2005

[Ministry of Defence O.M. No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please *see* Para No. 24 of Chapter I of the Report.

Recommendation (Sl. No. 8, Para No. 42)

The Committee feel that the modernisation of the MIG fleet of aircraft is very essential to maintain the operational preparedness and combat worthiness of the ageing IAF fleet. The Committee therefore, strongly recommend that the MOD should give utmost priority to these programmes and ensure that progress on the same is not hampered due to lack of funds.

Reply of the Government

Due priority is being accorded to upgradation of MIG fleet in the inventory of the IAF. As stated earlier, a contract for upgradation/modernisation of 125 MIG-21 Bis aircraft has been signed in March 1996. 2 MIG-21 Bis aircraft at present are being upgraded in Russia as a part of Design and Development phase and the remaining 123 aircraft are to be series upgraded at HAL, Nasik division. There is an option clause in the contract for upgradation of another 50 aircraft, if required. Total cost of the existing project is US \$ 626 million. Upgradation of another variant of MIG is also at present under consideration. Requirement of funds will be projected adequately when budget proposals are sent.

[Ministry of Defence O.M. No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please *see* Para No. 24 of Chapter I of the Report.

Recommendation (Sl. No. 11, Para No. 49)

The Committee note that there is no sizeable semi-conductor facility in the country. Modernisation of the Armed Forces may suffer on account of the non-availability of semi-conductors in the event of sanctions being imposed on such electronic items. The Committee, therefore, recommend that the Government should make substantial investment in semi-conductor research, notwithstanding the high initial cost, to be self-reliant in this vital field of defence technology which would have spin offs for the civil sectors as well.

Reply of the Government

A pilot plant facility to process GaAs wafers and make Monolithic Microwave Integrated Circuits (MMICs) upto 12 GHz has been established.

This plant uses DRDO developed 0.7 micrometre Metal Epitaxy Semiconductor Field Effect Transistor (MESFET) technology. Five MMICs design centres have been set up at GAETEC and four DRDO labs. The technology is planned to be upgraded to 18 GHz by end 1999. DRDO has already undertaken development work for active and passive devices working upto 40 GHz and for 40 GHz measurements so that 40 GHz technology and facilities are available by 2003. A 1.0 micrometre silicon foundry capable of being upgraded to 0.7 micrometre for fifteen cm. dia wafers has been set up, as a co-operative facility between DAE, ISRO and DRDO. This facility is capable of making the country independent of foreign sources for 90% of VLSI requirements of the three scientific departments. It is proposed to upgrade this technology to 0.5 micrometre followed by upgrade to 0.35 micrometre technology. These initiatives will go a long way in providing self-reliance in semi-conductor materials and devices.

[Ministry of Defence O.M. No. H-11019/6/98/D (Parl.) dated 11.2.99]

Comments of the Committee

Please see Para No. 30 of Chapter I of the Report.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

There is no recommendation/bservation of the Committee which falls under this category.

NEW DELHI.

April 6, 1999

Chaitra 16, 1921 (Saka)

SQN. LDR. KAMAL CHAUDHRY.

Chairman,

Standing Committee on Defence.

**MINUTES OF THE TWENTIETH SITTING OF THE STANDING
COMMITTEE ON DEFENCE
(1998-99)**

The Committee sat on Monday, the 5th April, 1999 from 1100 hours to 1300 hours to consider and adopt draft reports on (i), Demands for Grants, 1999-2000, of Ministry of Defence, and (ii) action taken by Government on recommendations contained in Second Report of the Committee (12th Lok Sabha) on Demands for Grants, 1998-99, of Ministry of Defence.

PRESENT

Sqn. Ldr. Kamal Chaudhry – *Chairman*

MEMBERS

Lok Sabha

2. Shri Shanta Kumar
3. Lt. Gen. (Retd.) N. Foley
4. Shri Gaurishankar Chaturbhuj Bisen
5. Shri Dada Baburao Paranjpe
6. Shri Sohanveer Singh
7. Shri Arvind Tulshiram Kamble
8. Shri Ram Narain Meena
9. Shri Hannan Mollah
10. Shri Pradeep Kumar Yadav
11. Smt. Reena Chaudhary
12. Shri Madhukar Sirpotdar
13. Shri Promothas Mukherjee
14. Dr. Subramanian Swamy

Rajya Sabha

15. Shri V.N. Gadgil
16. Shri V. Kishore Chandra S. Deo
17. Shri K.R. Malkani

18. Shri Pritish Nandy
19. Shri Suresh Kalmadi

SECRETARIAT

- | | | |
|--------------------------|---|---------------------------|
| 1. Shri Harnam Singh | – | <i>Joint Secretary</i> |
| 2. Shri R. Kothandaraman | – | <i>Deputy Secretary</i> |
| 3. Shri K.D. Muley | – | <i>Assistant Director</i> |

2. The Committee considered the draft report on Demands for Grants 1999-2000 of the Ministry of Defence. The Chairman invited Members to offer their suggestions for incorporation in the draft report.

3. The Members suggested certain additions/modifications/ amendments and desired that those be suitably incorporated in the Report. The Committee adopted the Report.

4. The Committee then took up for consideration the draft report on action taken by Government on recommendations contained in the Second Report of the Committee (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1998-99 and adopted the same.

5. The Committee then authorised the Chairman to finalise both the Reports in the light of verbal and consequential changes and for presentation of the Reports to Parliament.

The Committee then Adjourned.

APPENDIX I

Communication from Ministry of Defence to Ministry of Finance

(Vide Page No. 23)

Ministry of Defence (Finance)

Subject : Action taken statement on the recommendations contained in the Second Report of the Standing Committee on Defence (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1998-99.

The Standing Committee on Defence in the Second Report (Twelfth Lok Sabha) have made certain observations/ recommendations in Paras Nos. 24, 36 and 42 (extracts of each para enclosed) as given below :

- (i) The Committee desires that Government should accord high priority to the defence sector and budget allocation for the year 1998-99 should be enhanced adequately so that various modernisation and upgradation schemes which are on anvil and are vital for the defence preparedness of the country are not hampered. (Para 24)
- (ii) Though the Government have now initiated corrective action by sanctioning a number of new projects during 1997-98, it is a fact that the investment in the Capital Projects of the Navy has been neglected for a very long time. Recognising an imperative need for a sustained capital investment in the Indian Navy, the Committee recommend to the Government to take action to make available adequate funds for new projects on sustained basis for the Indian Navy so as to bring up this arm of Defence Forces to a level where it can discharge its obligations with full confidence. (Para 36)
- (iii) The Committee feel that the modernisation of the MiG fleet of aircraft is very essential to maintain the operational preparedness and combat worthiness of the ageing IAF Fleet. The Committee therefore, strongly recommend that the MoD should give utmost priority to these programmes and ensure that progress on the same is not hampered due to lack of funds. (Para 42)

2. In view of the above, it is requested that the observations/ recommendations of the Standing Committee on Defence may be kept in view while allocating funds for Defence Services in the RE 1998-99 and subsequent years so that various modernisation and upgradation schemes, which are on anvil and are vital for the Defence preparedness of the country, are not hampered.

Sd./-
(P.R.Sivasubramanian)
Financial Adviser (DS)
31st July, 1998

Additional Secretary (Budget)
Ministry of Finance

MoD (Fin.) ID No. 10(2)/B.I./98 dated 31st July, 1998

Copy to : Secretary (Expenditure)

APPENDIX II

Analysis of the Action Taken by Government on the recommendations contained in the Second Report of the Standing Committee on Defence (Twelfth Lok Sabha) on the Demands for Grants of the Ministry of Defence for the year 1998-99.

		Percentage of Total
(i)	Total number of recommendations	14
(ii)	Recommendations/Observations which have been accepted by Government (<i>vide</i> recommendations at Sl. Nos. 2, 4, 6, 9, 10 and 12-14)	8 57.14
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies	Nil Nil
(iv)	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee (<i>vide</i> recommendations at Sl. Nos. 1, 3 5, 7, 8 and 11)	6 42.86
(v)	Recommendations/Observations in respect of which final replies of Government are still awaited	Nil Nil