

8

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

TWELFTH LOK SABHA

MINISTRY OF DEFENCE

**DEMANDS FOR GRANTS
(1999-2000)**

EIGHTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1999/Chaitra, 1921 (Saka)

EIGHTH REPORT
STANDING COMMITTEE ON DEFENCE
(1998-99)

(TWELFTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(1999-2000)

Presented to Lok Sabha on **21 APR 1999**

Laid in Rajya Sabha on **23 APR 1999**



LOK SABHA SECRETARIAT
NEW DELHI

April, 1999/Chaitra, 1921 (Saka)

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

Sqn. Ldr. Kamal Chaudhry — *Chairman*

MEMBERS

Lok Sabha

2. Shri Rajendrasinh Ghanshyamsinh Rana
3. Smt. Bhavnaben K. Dave
4. Shri Shanta Kumar
- *5. Lt. Gen. (Retd.) N. Foley
6. Shri Gaurishankar Chaturbhuj Bisen
7. Shri Dada Baburao Paranjpe
8. Shri Bachi Singh Rawat
9. Shri Sohanveer Singh
10. Shri Parvathaneni Upendra
11. Smt. Surya Kanta Patil
12. Shri Arvind Tulshiram Kamble
13. Shri Rajesh Pilot
14. Col. Sona Ram Choudhary
15. Shri Ram Narain Meena
16. Shri Gajendra Singh Rajukhedhi
17. Shri A. Venkatesh Naik
18. Shri Hannan Mollah
19. Shri S. Ajayakumar
20. Shri Pradeep Kumar Yadav
21. Smt. Reena Chaudhary
22. Shri V. Sathiamoorthy
23. Shri Digvijay Singh

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

24. Shri Indrajit Gupta
25. Shri H.D. Devegowda
26. Shri Madhukar Sirpotdar
27. Shri Promotes Mukherjee
28. Shri Ramachandran N. Gingee
29. Dr. Subramanian Swamy
30. Shri Sultan Salahuddin Owaisi

Rajya Sabha

31. Shri V.N. Gadgil
32. Shri V. Kishore Chandra S. Deo
33. Shri K.R. Malkani
34. Shri A. Vijaya Raghavan
35. Shri Ish Dutt Yadav
36. Shri Adhik Shirodkar
37. Shri S. Peter Alphonse
38. Sardar Gurcharan Singh Tohra
39. Dr. Rajya Ramanna
40. Shri Kapil Sibal
41. Shri Arun Shourie
42. Shri Pritish Nandy
- *43. Shri Pramod Mahajan
44. Shri S. Sivasubramanian
45. Shri Suresh Kalmadi

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>Assistant Director</i> |

* Ceased to be Member consequent upon his appointment as Minister w.e.f. 5.12.98.

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 Eighth Report on demands for grants of the Ministry of Defence for the year 1999-2000.

2. The detailed demands for grants of the Ministry of Defence for the year 1999-2000 were laid on the Table of the House on 11th March, 1999.

3. The Committee scrutinised the following relevant documents on demands for grants as furnished by the Ministry of Defence :-

- (i) Defence Services Estimates (1999-2000);
- (ii) Detailed demands for grants (1999-2000) of the Ministry of Defence (Civil Estimates);
- (iii) Brief on demands for grants (1999-2000) of the Ministry of Defence furnished by the Ministry;
- (iv) Brief on the requirements submitted by various Service heads/ Departments of the Ministry of Defence for the year 1999-2000, the actual budget estimates and variations between these two in absolute and percentage terms;
- (v) Brief on capital expenditure budget (1999-2000) furnished by the Ministry of Defence; and
- (vi) Replies to the list of points on demands for grants (1999-2000).

4. The Committee took evidence of the representatives of the Ministry of Defence on 26th March, 1999. The Committee considered and adopted the Report at their sitting held on 5th April, 1999.

5. The Committee wish to express their thanks to the officers of the Ministry of Defence for the co-operation extended by them in furnishing information in a very short span of time which the Committee desired in connection with the examination of demands for grants of the Ministry for 1999-2000 and for sharing with the Committee their views, perceptions concerning security, Defence capability, modernisation/upgradation programmes and resource constraints which came up for discussion during evidence.

6. For facility of reference and convenience, the observation/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.

REPORT

GENERAL

Introductory

The foremost task of the Indian Government is to defend the territorial integrity and sovereignty of our country. The Armed Forces of India under the control of an elected Government and the President of India, as the Supreme Commander, are responsible for carrying out this task. The establishment, maintenance, modernisation of Armed Forces, the conduct of exercises under simulated conditions, their deployment for relief work in times of natural calamities and their role for peace keeping work on foreign land under the aegis of United Nations require large expenditure.

2. Funds are allocated for defence purposes in the five yearly Defence Plans and then in the annual General Budget every year.

3. The Budget proposals of the Ministry of Defence are contained in seven demands for grants *i.e.* demand nos. 16 to 22. Demand nos. 16 and 17 cater to the requirements of the civil expenditure of the Ministry of Defence and demand nos. 18 to 22 to the budgetary requirements of the Defence Services.

4. The budgetary requirements of the Defence Services are included in the following five demands for grants presented to Parliament :—

Demand No. 18 : Defence Services — Army.

Demand No. 19 : Defence Services — Navy.

Demand No. 20 : Defence Services — Air Force.

Demand No. 21 : Ordnance Factories.

Demand No. 22 : Capital Outlay on Defence Services.

5. Demand nos. 18 to 21 while catering to the revenue expenditure of the three Services and Ordnance Factories also cater to the 'running' or 'operating' expenditure of associated departments *viz.* Defence Research and Development Organisation, Directorate General of Ordnance Factories, Directorate General of Quality Assurance, National Cadet Corps, Directorate General of Air Quality Assurance and Directorate of Standardisation. Demand no. 22 exclusively caters to the capital outlay on Defence Services, Research & Development and Ordnance Factories.

6. The Revenue expenditure on three Services and Ordnance Factories includes expenditure on Pay & Allowances, Transportation, Revenue Stores (like Ordnance stores, supplies by Ordnance Factories, rations, petrol, oil and lubricants, spares etc.), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes etc.) and other miscellaneous expenditure. The Capital expenditure under demand no. 22 includes expenditure on land, construction works, plant and machinery, equipment, Naval Vessels, Dockyards etc. 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 a life span of 7 years or more is shown as Capital expenditure.

7. Approval of Parliament is sought for the 'gross' expenditure for the Ministry of Defence under different Demands for Grants Nos. 16 to 22. 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.

Budget estimates 1999-2000 of Defence Services

8. The Budget Estimates of the Defence Services for the year 1999-2000, as compared with the Budget and Revised Estimates for 1998-99 and the actual expenditure during the year 1997-98, are summarised below :

	(Rs. in crores)			
	Actuals 1997-98	Budget Estimates 1998-99	Revised Estimates 1998-99	Budget Estimates 1999-2000
REVENUE EXPENDITURE				
Gross Expenditure: Voted	27363.44	32011.41	32317.41	34805.38
Charged	12.26	13.96	13.96	11.82
Total:	27375.70	32025.37	32331.37	34817.20
Receipt & Recoveries	1201.22	1185.05	1318.55	1352.88
Net Revenue Expenditure	26174.48	30840.32	31012.82	33464.32
CAPITAL EXPENDITURE				
Gross Expenditure : Voted	9088.60	10352.92	10171.42	12222.32
Charged	14.91	6.76	15.76	7.36
Total:	9103.51	10359.68	10187.18	12229.68
Recoveries on Capital Accounts	-	-	-	-
Net Capital Expenditure	9103.51	10359.68	10187.18	12229.68
Net Revenue & Capital Expenditure	35277.99	41200.00	41200.00	45694.00

Civil estimates of the Ministry of Defence

9. The requirements of the civil expenditure of the Ministry of Defence Secretariat, the Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation etc., including share capital contributions made/ loans advanced to the Defence Public Sector Undertakings and the Defence Pensions, are provided for in two separate civil demands for grants of the Ministry of Defence. These are not included in the overall Defence allocation of Rs. 45694.00 crores for 1999-2000. 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.

10. The provisions in RE 1998-99 and BE 1999-2000 under Demand No. 16 are given below :

	(Rs. in crores)		
	BE 1998-99	RE 1998-99	BE 1999-2000
Gross Revenue	2997.32	3085.03	3391.06
Capital	31.67	31.49	39.49
Gross Expenditure	3028.99	3116.52	3430.55
Receipts (CSD) (—)	2767.47	2767.47	3077.65
Amount met from N.R.F. (—)	2.50	2.50	-
Net Expenditure	259.02	346.55	352.90

(Break up given in Annexure-VII)

11. The provision for Defence Pensions and other retirement benefits in 1998-99 and 1999-2000 under Demand No. 17 are as under :—

	(Rs. in crores)		
	BE 1998-99	RE 1998-99	BE 1999-2000
Pension and other retirement benefits	5923.58	7270.00	7348.65

(Break up given in Annexure-VIII)

Allocations For 1998-99

12. As indicated in the Budget (General) the provision for Defence Services under Demand Nos. 18 to 22 for 1998-99 in the Budget Estimates (BE) was

Rs. 41200.00 crores and the Revised Estimates (RE) has been retained at the same level of Rs. 41200.00 crores. As compared to the actuals of 1997-98, (Rs. 35277.99 crores), the R.E. for 1998-99 shows an increase of Rs. 5922.01 crores to a percentage increase of 16.78.

13. The Demand-wise position is as under :—

Demand	(Rs. in crores)	
	B.E. 1998-99	R.E. 1998-99
1. Army (Revenue expdr. of Army, NCC, R&D and DGQA)	21867.10	22533.62
2. Navy (Revenue expdr. of Navy)	2968.48	3211.10
3. Air Force (Revenue expdr. of Air Force)	5905.60	5694.46
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	1284.19	892.19
5. Capital Outlay on Defence Services (Capital expdr. of all Services/ Depths.)	10359.68	10187.18
Total Gross Exp.	42385.05	42518.55
Receipts/Recoveries	(-) 1185.05	(-) 1318.55
Total (Net)	41200.00	41200.00

14. Out of the revised estimates of Rs. 41200.00 crores for 1998-99, the provision for Revenue expenditure is Rs. 31012.82 crores and the provision for Capital expenditure is Rs. 10187.18 crores. The major components of the net Capital expenditure are Land – Rs. 48.94 crores, Works – Rs. 1245.91 crores, Aircraft – Rs. 3155.39 crores, Heavy and Medium Vehicles – Rs. 271.54 crores, Other Equipment – Rs. 2788.09 crores, Naval Fleet – Rs. 2260.00 crores, Machinery and Equipment for Ordnance Factories – Rs. 80.00 crores and other items – Rs. 337.31 crores.

Budget estimates 1999-2000

15. The Budget Estimates for 1999-2000 work out to Rs. 47046.88 crores (Gross) and Rs. 45694.00 crores (Net).

The Demand-wise position is as under :-

Demand	(Rs. in crores)		
	R.E 1998-99	B.E. 1999-2000	Percentage increase/ decrease in B.E. (1999-2000) over R.E. (1998-99)
1. Army (Revenue Expdr. of Army, NCC, R&D and DGQA)	22533.62	24384.59	8.21
2. Navy (Revenue expdr. of Navy)	3211.10	3415.86	6.38
3. Air Force (Revenue expdr. of Air force)	5694.46	6242.31	9.62
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	892.19	774.44	(-) 13.2
5. Capital Outlay on Defence Services (Capital expdr. of All Services/Depts.)	10187.18	12229.68	20.05
Total (Gross)	42518.55	47046.88	10.65
Receipts/Recoveries	(-)1318.55	(-)1352.88	
Total (Net)	41200.00	45694.00	10.91

16. A comparison of the Service/Department-wise allocations in R.E. 1998-99 and BE 1999-2000 is given below :-

(Rupees in crores)					
Service/ Deptt.	R.E. 1998-99	%age of Total Budget	B.E. 1999-2000	%age of Total Budget	Details in
Army	22790.70	55.32%	25264.94	55.29%	Annexure-I
Navy	6191.29	15.03%	6763.45	14.81%	Annexure-II
A.F.	9189.78	22.30%	10278.66	22.49%	Annexure-III
DGOF	407.16	00.99%	262.26	00.57%	Annexure-IV
R&D	2299.80	05.58%	2773.00	06.07%	Annexure-V
DGQA	321.27	00.78%	351.69	00.77%	Annexure-VI
Total	41200.00	100%	45694.00	100%	

* Net Revenue plus Capital provision has been shown here.

Category-wise break up

17. The Gross Revenue Expenditure in the Budget Estimates for 1999-2000 is 74.01% as compared to 76.04% in the Revised Estimates 1998-99. The Gross Capital Expenditure in the Budget Estimates 1999-2000 is 25.99% as against 23.96% in the Revised Estimates 1998-99.

18. The Net Revenue expenditure in the Budget Estimates for 1999-2000 is 73.24% as compared to 75.27% in the Revised Estimates, 1998-99. The Net Capital expenditure in the Budget Estimates 1999-2000 is 26.76% as against 24.73% in the Revised Estimates 1998-99.

Growth of Defence expenditure vis-a-vis other economic parameters

19. The following table shows Defence expenditure as a percentage share of the total Central Government expenditure as well as a percentage of GDP.

Year	Def. Expr. as % age of Central Govt. Expdr.	Def. Expr. as % age of GDP
1985-86	16.10	3.05
1986-87	17.55	3.58
1987-88	18.39	3.59
1988-89	17.81	3.37
1989-90	15.52	3.16
1990-91	14.65	2.88
1991-92	14.67	2.65
1992-93	14.34	2.49
1993-94	15.40	2.49
1994-95	14.46	2.24
1995-96	15.06	2.20
1996-97	14.68	2.09
1997-98	15.20	2.26
1998-99 (RE)	14.61	2.33
1999-2000 (BE)	16.10	2.28

Projection/Allocation of funds for Services

20. The three Defence Services and the Departments projected a total requirement of Rs. 55362.22 crores for 1999-2000. Of this, Rs. 36358.91 crores were under Revenue and Rs. 19003.31 crores under Capital.

21. This followed a series of discussions within the Ministry and with the representatives of the Services Headquarters. Consequently, the Ministry of Defence had recommended a total provision of Rs. 47068.92 crores for 1999-2000 for Defence after detailed consultation with Services Headquarters/Departments. Of this, Rs. 34202.24 crores were under Revenue and Rs. 12866.68 crores under Capital.

22. Ministry of Finance have, however, allocated Rs. 45694 crores against the Ministry of Defence's recommendation. Of this, Rs. 33464.32 crores have been provided under Revenue and Rs. 12229.68 crores under Capital outlay.

23. Service-wise/Department-wise position is given as under :-

(Rs. in crores)

Service/ Deptt.	Projections made by Services/ Deptt.	Recommendation made by Min. of Defence	Budget Allocation as per ceiling made by MoF	Shortfall	%age
Army	29683.30	25879.86	25264.94	614.92	2.37
Navy	7886.73	6872.45	6763.45	109.00	1.59
A.F.	13946.86	10579.66	10278.66	301.00	2.84
DGOF	412.26	412.26	262.26	150.00	36.38
R&D	3076.96	2973.00	2773.00	200.00	6.72
DGQA	356.11	351.69	351.69	-	-
Total	55362.22	47068.92	45694.00	1374.92	2.92

24. The Ministry of Defence recommended a total provision of Rs. 12866.68 crores under Capital Outlay after detailed consultation with Service Headquarters/Departments. Against this, a total of Rs. 12229.68 crores have been allocated under Capital based on the budgetary ceiling conveyed by the Ministry of Finance.

25. The Service-wise/Department-wise position is given as under :-

(Rs. in crores)			
Service/ Deptts.	As projected by Service/Deptt.	As recommended by Min. of Def.	As allocated
1	2	3	4
<i>Army</i>			
Equipment Heads	6447.20	3503.49	3235.49
Lands Works etc.	511.20	510.70	510.70
Sub-Total	6958.40	4014.19	3746.19
<i>Navy</i>			
Equipment Heads	4041.15	3348.25	3279.25
Land, Works etc.	137.08	121.58	121.58
Sub-Total	4178.23	3469.83	3400.83
<i>Air Force</i>			
Equipment Heads	6713.54	4235.15	4035.15
Land Works etc.	205.43	200.85	200.85
Sub-Total	6918.97	4436.00	4236.00
Total (Army Navy & AF)	18055.60	11920.02	11383.02
DGOF	128.12	128.12	128.12
R&D	812.59	811.54	711.54
DGQA	7.00	7.00	7.00
Grand Total	19003.31	12866.68	12229.68

26. The Committee note that the defence outlay for the year 1999-2000 has been estimated at Rs. 45,694 crore, an increase of Rs. 4,494 crore over the revised estimates of Rs. 41,200 crore for the year 1998-99. The Committee are of the view that this increase of 10.9 per cent would at best take care of inflation and possible fluctuations in the value of the Rupee against major international currencies. Taking the provisional inflation rate of 6.9 per cent in January, 1999 and variation in the Dollar rate *vis-a-vis* Rupee, an amount of approximately Rs. 3245 crore would be required to offset these factors in the Budget estimates for the year 1999-2000. Thus in real terms the hike in the defence outlay for the year 1999-2000 appears to be notional.

27. The Committee further note that the defence expenditure as a percentage of GDP which peaked at 3.59 per cent in 1987-88 has subsequently declined substantially and hovered around 2.5 per cent thereafter. The Committee feel that this level of defence spending might not suffice to meet the requirements of modernisation and acquisition programmes of Armed Forces and would necessarily affect the operational preparedness of the Armed Forces in the long run. The Committee have, therefore, time and again emphasized the need for raising the defence funding to the level of at least 3 per cent of GDP. Though the Government had agreed with the Committee's view of a minimum of defence spending at the rate of 3 per cent of GDP in their projections in the Ninth Defence Plan and though the Committee had reiterated their recommendations to this effect in their earlier reports, the annual allocations for Defence Services continue to be far below that level. The Committee feel that the Government ought to adduce cogent reasons for the continued abysmally low allocations for defence.

28. The Committee are also of the opinion that there is a need to rationalise defence expenditure. Rationalisation of defence expenditure could be arrived at by a more co-ordinated and integrated strategy within the three Services.

29. The Committee apart from stressing the optimum utilisation of available resources recommend to the Government to ensure adequate allocations to keep the Armed Forces in the high level of operational preparedness.

30. In the context of overall allocation for defence needs, the Ministry informed the Committee that the defence theories are generally built around deterrence. Deterrence can be built both in terms of strategic weapons and also in terms of conventional weapons. The Ministry further informed the Committee that the danger of a deterrence built on defence capabilities is that it is never sustainable because in developing era of technological options, the existing set of weapons will be replaced inevitably by high technology arms on other side. If it is again responded by the theory of equivalence of deterrence, then build up takes place. This again triggers another round of upgradation on the other side. So, beyond a point, this deterrence capability has to be built by countervailing political process where it enhances good relationships between neighbours.

31. The Committee while appreciating the explanation of the Ministry on the theory of deterrence, feel that the capabilities of a country take a long time to build up while the intentions of countries can change overnight. India cannot forget that a number of high or low intensity wars were imposed on her during 50 years since Independence when she had to defend her territorial integrity. The Committee strongly recommend that the Government should pay full attention to the constant upgradation of defence capabilities on the basis of threat perceptions to our territorial integrity and sovereignty.

ARMY

32. The Ministry have in their written reply stated that deficiencies in major weapon systems and equipment in the Army are addressed by drawing up five yearly priority procurement plans (PPP) on which basis annual procurement plans are subsequently drawn up.

33. During oral evidence the representatives of the Ministry of Defence informed the Committee that the deficiencies of equipment, ammunition and war-fighting equipment in the Army have been mounting over a period of time. The deficiencies have been increasing for want of adequate funding. This year there has been an improvement. The Minister of Finance has said in Parliament that as far as Defence is concerned, additional allocation will be made if the need arises.

34. The following steps are being taken to reduce the revenue expenditure of the Army :

- (i) Army has voluntarily cut down the number of personnel by 50,000. The Army will be saving about Rs. 126 crore every year as a result thereof and the savings will be canalised for modernisation of Army.
- (ii) The stores management is being automated. Once this project is over, an amount of Rs. one crore per day can be saved.
- (iii) Value engineering and simulators are being introduced to cut down other costs.

35. During the Ninth Plan period the major items under consideration for procurement for Army are tanks, 155mm artillery guns, 155mm Self-propelled guns, battlefield surveillance radars, equipment for low intensity conflict (LIC) operations and advanced communication projects.

155 mm calibre self-propelled gun

36. Self-propelled gun-cum-missile system provide air defence against armed attack helicopters and aircraft. 155 mm self-propelled guns have been a critical requirement of the Army. These guns were prioritised for acquisition/development during the VIIIth Plan. In their written reply the Ministry have stated that initially three systems were trial evaluated. However, due to budgetary constraints DRDO was requested to mate the SP gun turret with the Vijayanta tank chassis. However, the attempt failed. In may, 1994, Government approved proposals for inviting offers for self-propelled guns hybridisation on T-72 chassis. Army Headquarters accordingly trial evaluated a number of guns but none of these proposals could materialise. The latest trial evaluation was carried out in 1998 (summer), on the T-6 BHIM comprising an imported gun turret mated on Arjun chassis. During trials, the gun system developed certain snags due to the excessive heat in the desert. Consequently, the trials were adjourned and the turret was returned to the manufacturer for ruggedisation. The trials of the ruggedised T-6 BHIM are scheduled to commence in 1999 (summer). It is also envisaged to invite foreign manufacturer of another gun turret (also to be mated on Arjun chassis) to participate in the 1999 SP guns trials.

37. The Committee have been informed of the various options for manufacture/acquisition of 155 mm calibre self-propelled guns. The Committee are unhappy over the long delay in acquisition/development of these guns which is a critical requirement of the Army. The Committee feel that there has not been proper planning in choosing the gun system and the chassis on which the system would be mated/hybridised. If a tank is chosen for acquisition/manufacture and along with it the gun system that has to be mated with complete compatibility is not chosen, then the weapon system as a whole is bound to fail. The Committee, therefore, demand that in the matter of acquisition/manufacture of 155 mm calibre SP guns, the Government should work in a fast track mode in securing the best technical advice. The technical advice must also provide for alternatives for on-the-spot rectification procedures in case all or any of the field procedures fail while testing so that the Army need not wait for the next summer to arrive for the next re-test.

The Committee desire that the Ministry of Defence should chalk out a time bound plan for the expeditious acquisition/development of this critically required equipment.

Spares for Bofors guns

38. The Ministry of Defence have stated that a contract was concluded with M/s. Bofors for procurement of 410 nos. of FH 77B gun systems along with spares package. The initial requirement of spares, required for the maintenance of the gun system, was to be met from the spares package, so contracted. Subsequent requirement of spares was to be met by indigenous production for which a licence agreement was also concluded with M/s. Bofors. However, due to ban on dealing with M/s. Bofors, the licence agreement clause could not materialise. Therefore, in order to meet the requirement of spares, the process of indigenisation was initiated. Some spares, however, cannot be indigenised, which is causing certain problems in the maintenance of guns. Import proposals for such spares are being examined in the Ministry of Defence.

39. On the non-availability of spares for Bofors guns, the Defence Secretary during oral evidence stated:

"I have reviewed this at a high level meeting. So far, there have been efforts to develop indigenous components. Where we are not able to develop them indigenously, we are trying to get them from alternative non-Bofors sources from abroad. But even those non-Bofors sources have dried up; the fact is that some of them agreed to supply us the spares on the basis of the designs that are to be given to them by us which means that they never have supplied all those things before, or they have found to have Bofors connections somewhere still coming in a different route. This is one case where we have paid for all these things - for training, for transfer of technology and for other things. Bofors has since undergone management and ownership change. The substantive shareholding of Bofors now is owned by the Government and by the people. So, now

we are taking note of it at the highest level; where we would like to review this, in terms of ensuring that guns do not become dysfunctional for want of spares. Meanwhile, cannibalization of a limited number of guns is being done to get most of them going. A very small number is dysfunctional. But most of them are kept in a fighting form by cannibalizing the spare parts from other guns."

40. In their subsequent written reply, the Ministry have stated:

"An Empowered Committee visited abroad to contract Spares for the 155 mm weapon system from sources other than M/s. Bofors. *Inter alia*, a contract was entered into with M/s. MFL of Austria. However, even though there was no such obligation cast on the Buyer in the Contract. M/s. MFL, later sought Buyers assistance by way of drawings and technical documents in order for them to be able to execute the Contract. Besides, meeting this requisition of seller would have violated the commercial secrecy clauses signed with M/s. Bofors and caused legal complications. M/s. Bofors (now Celsius) also objected to this request of MFL, in their representations to the MoD. A view was thus taken not to progress the contract with M/s. MFL. M/s. MFL have recently written to the MOD conveying their request for cancellation of the contract asking the MOD to return the bank guarantees, furnished by them in connection with the contract."

41. The Defence Secretary during oral evidence also stated that even today Bofors is willing to fulfil the contractual obligations for which they had taken the money. The Committee were also informed that 20 to 40 guns remained off-road at various points of time during the last two years.

42. The Committee note that due to the ban on dealing with M/s. Bofors, the Army is facing shortage of spares for 410 nos. of FH 77 B guns. In order to meet the requirement of spares, the process of indigenisation was initiated. Some spares, however, could not be indigenised. Efforts were made to procure those spares from non-Bofors sources from abroad. But even those non-Bofors sources have dried up. There have also been cases when some non-Bofors sources supplied those spares to us after allegedly procuring the same from Bofors. Cannibalization of a limited number of guns is being resorted to get most of them going and at various points of time 20 to 40 guns remained off-road during the last two years.

The Committee are of the view that since the country has made a very substantial investment for procurement of FH 77 B guns and spares from Bofors, as well as for licensed production of spares as per contract, the Government should take necessary measures to ensure the availability of all spares for these guns so that the entire stock of the guns can be utilised by the Army. Such measures may include lifting the ban on M/s. Bofors in respect of licensed production of spares.

NAVY

43. The Committee have been informed that over the years there has been neglect of funding for the Navy. But of late this has been redressed to a great extent and what is presently being allotted is absorbable. Efforts in the Navy have basically been of indigenisation and standing on their own feet. Our shipyards, unfortunately, will find it difficult to cater for the sudden inflow of funds and their building capability will not be able to make up to that level suddenly. Over the years the decline in the force level of Navy has been slowed down, though it has not been completely arrested.

44. Navy has instituted a number of measures for saving funds and getting more money for modernisation:

- (i) Navy has gone in for the pool reserve concept of ammunition which saves around Rs. 400 crore every year.
- (ii) Navy also undertakes a fair amount of hydrographic work where it makes some money.
- (iii) Navy is also using some of their training facilities like diving which it has opened up selectively for some commercial activity to make money.
- (iv) Navy does not have a ceiling on manpower, however, it has kept a certain shortage and as a result there is considerable saving on this account.
- (v) Navy has also instituted a review of all its infrastructure to see if it can integrate or close down, if it is no longer required. This study is continuing at present. Once that is completed Navy will probably be able to undertake certain amount of reduction in the expenditure.

45. As far as the state of the Navy is concerned, certain schemes are in active stages of consideration. If some of them come through then probably Navy will require additional funding. Navy has been assured that this will be considered favourably.

Indigenous construction of submarines

46. The role of submarines in today's maritime warfare is crucial. Submarine is the only platform which is still difficult to detect despite rapid advances in weapons and sensor technology. In view of depleting force level of submarines, the Government issued sanction for the indigenous construction of 2 SSK submarines in February, 1997.

The facilities to construct submarines in the country have been installed only at the Mazagon Dock Ltd. and rare skills in this field have been acquired by training our personnel in Germany. These facilities have been lying idle since

May, 1994. The Ministry have informed that the Government sanction for indigenous construction of submarines was issued on the condition that approval for the firm cost of the project will be sought from Government after cost of material package and other details are available. Presently, the matter is pending with the Price Negotiation Committee. Once the cost is finalised, a note will be submitted for Government's approval. After the approval of the Government, contract would be concluded.

47. The Committee have also been informed that the Navy's 30 year Plan for indigenisation of submarines is being processed. The Ministry of Defence have got favourable response from the Ministry of Finance. The plan will now go to the Cabinet.

48. The Committee are unhappy to note that the facilities for construction of submarines at the Mazagon Dock Ltd. (MDL) created with considerable investments have been lying idle since May, 1994 and the approval for the firm cost of indigenous construction of 2 SSK submarines has not been sought from the Government despite the lapse of a period of more than two years. The Government are paying wages to idle employees of MDL and the technical expertise of high order is being wasted. This is a case of poor planning and inefficient management of scarce national resources. The Ministry should, in national interests, expedite the formalities for obtaining Government's approval for the firm cost of the project for indigenous construction of 2 SSK submarines. The Government should also expeditiously process and evaluate the Navy's plan for indigenisation of submarines. The plan as approved by the Government should be implemented in a fixed time schedule and adequate funds be made available therefor.

Pending major works of Navy on revenue expenditure account

49. In a written reply, the Ministry of Defence have stated that the major revenue expenditure in respect of Navy pending at the end of Eighth Defence Plan and brought forward to the Ninth Plan are refit and modernisation of ships, submarines and aircraft. Out of these, those currently pending are as follows :—

- (a) modernisation of SNF class ships.
- (b) Godavari modernisation.
- (c) modernisation/refurbishment of IL 38.
- (d) modernisation/refurbishment of Sea King.

50. As regards the reasons for which these projects are pending, the Defence Secretary during oral evidence stated:

"-----In each case there are a variety of reasons why the time-schedule has not been adhered to. In earlier period it was also fund

constraint but in recent period we find the delays are occurring even in foreign shipyards which are unable to adhere to time schedule. So, we engage them in various dialogue and send our team to review the progress. This is a part of the established procedure. Re-fit and modernisation takes time as the work has to be often done in a sequential manner."

51. The Committee note that some major revenue expenditure projects of the Navy relating to the Eighth Defence Plan have been pending for 2 years even after the Plan period. The Committee are of the view that the Ministry need to review and streamline their procedure to avoid time overruns in major revenue expenditure projects. The Committee agree that re-fit etc. take time but this fact is known to the Ministry as well as the bidder at the time of signing of contract. The Ministry should include such terms and conditions including a penalty clause for time overruns in agreements with bidders/suppliers to ensure that they carry out the work in a fixed time-frame as prescribed in the contract.

AIR FORCE

52. The Indian Air Force, established six decades ago is the Fourth largest Air Force in the world. the Tata Committee formed after the 1962 debacle under the Chairmanship of Shri J.R.D. Tata had recommended at that time a Force level of 64 Squadrons for the IAF. However, the Government of India approved 45 Squadrons and finally only 37 Squadrons were actually and physically given to Indian Air Force. When Pakistan inducted the F-16's as an exceptional measure two and a half Squadrons were further authorised and the Force level thus reached 39 1/2 Squadrons and this has remained ever since.

53. The Ministry of Defence have stated that our threat perceptions are based on whatever modernisation has already taken place in Pakistan and China. At present an effort is being made to study to decide the force structure of the I.A.F. based on the actual threats which are emanating both from China and Pakistan.

Both China and Pakistan are frantically modernising and adding new forces. India is presently inducting 50 SU-30s while China is acquiring 470 SU-27/30 aircraft in one go. If India has to fight two front wars, a 55 Squadron Air Force is required. If we have to just defend against China and have a decisive victory against Pakistan, but not simultaneously, we will require a 44 Squadron Air Force. Against this the present Force level is only 39 1/2 Squadrons and 1 1/2 Squadron has already depleted.

54. The Services have also informed that the situation today is not retrievable due to set backs in the past Defence plans and even if money is made available, by the time decisions are taken on the procurement of aircraft, to manufacture and make physically operational, it would be too late.

However, the Air Force is satisfied with the allocations made in the Ninth Defence Plan to the tune of Rs. 60,000 crores. 60 per cent of the allocated amount goes to the revenue and 40 per cent for modernisation.

The Air Force was short of Rs. 1176 crores as perceived by the Services this year. Though the Budget has shown a definite tendency towards an increase yet cumulative shortfall on the capital side amounts to Rs. 3,700 crs. The modernisation pace would be improved if the shortfall is made good.

55. Induction of force multipliers like AWACS, Flight refuelling aircraft (FRA), Aerostat and such devices will further make the Force more effective. AWACS will give tremendous multiplier effect to aircraft. Multi-role aircraft also will give added advantage to the IAF. Earlier different aircraft were available for interdiction Penetration strike, ground support and maritime reconnaissance. The SU-30 and Mirage 2000 today fall in this category and are multi-role aircraft. Another advantage is the weapon platforms. These can carry 4-8 times more weapons than previous ones, visual range fixing is another force multiplier in which missiles are fixed 30 to 40 km range and the aircraft is undetectable by short range or medium range radars.

56. The Committee note that a satisfactory level of funding has been made for the Air Force in the Ninth Defence Plan and 40% of the budget has been earmarked for modernisation. However, the Service has specified that last year there was a shortage of Rs. 1176 crores which would increase to Rs. 3,700 crores this year. According to the study conducted by the Services on the force level, additional Squadrons would be required to hold China and have decisive victory against Pakistan. Additional equipments such as AWACS, Flight Refuelling Aircraft (FRA), Aerostat and state-of-the-art multi-role aircraft, modern weapon carrying platform will give additional Force multiplier effect to the Air Force.

The Committee feel that set backs suffered by the IAF due to low fund allocation should not be allowed to increase further and adequate fund allocation should be made to the IAF. Additional funds if asked for, should be made available for modernisation of equipment and for inducting force multipliers. The Committee also desire that a special team of experts may be constituted for determining the optimal force level of the IAF based on the threat perceptions.

Acquisition/induction of aircraft

57. Acquisition/induction of aircraft and various other systems are based on the performance of the existing system, acquisitions across the border, threat perceptions etc. This is required from time to time for modernisation of the IAF. To maintain the multi-role capability of the IAF, the Government have decided to acquire additional multi-role aircraft. Based on evaluation carried out and suggestions made by Air Headquarters, the Government has approved induction of SU-30 MK aircraft in the IAF. 8 SU-30 K aircraft are already operating with the IAF since May, 97. The remaining 32 aircraft of MK-I standard are to be supplied in stages during the period 2000 to 2002 as per the revised delivery schedule.

The Ministry have stated that negotiations for renewed delivery schedule of SU-30 MK-I aircraft were held in July, 98 and an additional agreement was signed on 3rd August, 98. Negotiations for delivery of 10 additional SU-30MK-I aircraft to the IAF were held in December, 98 and a contract for supply of these aircraft was signed on 15th December, 98. The additional 10 SU-30MK-I aircraft are scheduled to be delivered by June, 1999.

Regarding the licensed production of the SU-30 aircraft at HAL, the MOD have stated that the techno-economic feasibility of Licence production of SU-30 aircraft is under the consideration of MOD in association with HAL keeping in view the long range requirements of IAF. Calculation of capital/non-recurring and recurring costs of the programme and the phased fund needs and preparation for comprehensive negotiations with the concerned agencies would be undertaken at the appropriate stage.

58. During evidence, the Defence Production Secretary pointed out that TOT fee, cost of production, the different variants of the number of SU-30s that will be produced will all have to be worked out and the Cabinet has to finally approve the number of the aircraft. The economics of the proposals have to be kept in view to ensure that cost of domestic production remains comparable to the cost of outright acquisition.

59. The Committee note that 8 SU-30 multi-role aircraft acquired from Russia are operating with the IAF since 1997. The remaining 32 aircraft were expected to be delivered as per the following schedule.

10 SU-30 MK-I latter half of 1998.

12 SU-30 MK-II latter half of 1999.

10 SU-30 MK-III latter half of 2000.

However, out of the remaining aircraft 10 are expected to be delivered according to the revised schedule by June, 1999, after a delay of almost a year. The Committee also note that no ground work has been done and requisite clearance obtained for the licensed production of the aircraft at HAL in India. With the declining fleet strength, obsolescence of existing aircraft, delay in the projects of upgradation of MiG aircraft and indigenised development, production of LCA, the IAF urgently needs to induct state-of-the-art aircraft. In the light of the above the Committee recommend that the Ministry expedite the acquisition of the SU-30 aircraft and also make a headway in completing all formalities for licence production of SU-30 aircraft in India.

Advanced Light Helicopter (ALH)

60. Regarding the latest position of the development of the Advanced Light Helicopter (ALH), the Ministry of Defence have stated that the flying performance during the prototype evaluation has been found satisfactory. A "pre-production limited series production" of a batch of 12 utility helicopters has been launched by HAL with four Advanced Light helicopters for Army, four for Navy, two for Air Force and two for non-defence customers. Deliveries from the limited series production in 1999 with 10 helicopters earmarked for three Services for delivery over the course of the year along with military airworthiness certification are likely to be delayed for want of supply of engine by M/s. Allied Signals of U.S. because of imposition of sanctions by the U.S. Government. Steering Committee meetings were subsequently held and all the customers had to be consulted for selection of another engine. The negotiations have just concluded and after the clearance, there will also be certain lead time. Only in the next year when the engines come, the rate of production can be accelerated.

61. The Committee note that there have been considerable time and cost overruns in the development of the ALH project. Further delay has occurred due to non-availability of the engine from a U.S. Company due to sanctions. The U.S. embargo has resulted in almost total stoppage of activity in regard to ALH for a full year. With a view to obviating a similar situation being encountered in future, the Committee recommend that a panel of more than one supplier of equal or equivalent standards should be formed in respect of all defence purchases so that if the first supplier fails the subsequent ones can keep up the supply.

The Committee are also of the view that the Government should as a befitting response to denial of critical war equipment by firms in 'sanctions-imposing' countries, in future, avoid contracting these firms, if alternate sources are available.

ORDNANCE FACTORIES

Modernisation

62. In regard to the modernisation and upgradation of the Ordnance Factories, the Ministry have stated that a committee has already been set up. The committee has given two reports. The First Report is about a capital investment of about Rs. 375 Crs. for 12 factories. The same is being processed and tenders are being invited. According to internal target, the process of investment will start in 3-6 months. The Second Report recommends an investment of about Rs. 1500 Crs. for modernisation. The same is being processed.

63. The Committee note that the critical need for modernisation of Ordnance Factories is basically to maintain their efficiency and utilise their capacities. The amount desired for the maintenance of the Ordnance Factories (Revenue) has been slashed by the Ministry of Finance. This may affect the modernisation of Ordnance Factories. The Committee, therefore, recommend that the funds required for modernisation of the Ordnance Factories should be provided for.

Training of apprentices by Ordnance Factories

64. According to the data supplied by the Ministry of Defence 539 apprentices were trained during the last five years by the Ordnance Factories in and around Jabalpur and about 210 were absorbed. Only those apprentices who are trained by the Ordnance Factories are absorbed by them. A large no. of apprentices are trained under the obligation of law but due to a ban on the recruitment and due to lack of sufficient orders from the Services, all the apprentices could not be recruited on regular basis after the apprenticeship. While taking a specific no. of persons under the Apprenticeship Act in an industrial establishment is a matter of fixity, recruitment of the apprentices on a regular basis is a fluctuating one, as recruitment is to match the pressure of job. As sufficient orders from the Services are not forthcoming, a large no. of apprentices trained in Ordnance Factories remain unemployed.

65. The Committee feel that the jobless apprentices trained in the Ordnance Factories have the expertise of making arms and if they remain unabsorbed in Ordnance Factories they may use their knowledge in making arms unauthorisedly. As the number of apprentices to be trained in Ordnance Factories is fixed by the statute which bears no rational relationship to the actual vacancies, the Committee feel that the Ordnance Factories should be exempted from the purview of the relevant statute. Ordnance Factories should however, have the freedom to train only a certain number of apprentices who can be recruited after the apprenticeship training.

Modernisation of Ordnance Depots

66. Introduction of costly and sophisticated equipment in the Armed forces and the concept of high intensity, short and swift wars outline the need for proper storage, care and handling of the inventory to ensure quick movement and timely material support to the combat Army. 7 Ordnance Depots exist on date with the Army. As most of the Ordnance Depots are of second world war vintage, it would be imperative to modernise them. The modernisation is being planned in phases keeping in view the financial constraints. In the first phase it is proposed to undertake modernisation of COD Kanpur.

As no in-house expertise in the Defence establishments were available to handle such a complex job, two public sector undertakings viz. M/s. NIDC (National Industrial Development Corporation) and M/s. MECON (Metallurgical and Engineering Consultants, India) were selected for preparation of detailed

project reports. The sanction for modernisation work was given on 23rd June, 1994. The agreement for the preparation of Detailed Project Reports was concluded on the 16th December, 1994 and 18th January, 1995 with these two public sector undertakings. The detailed project reports have been received, the supplementaries have also been replied. The work is now confined to examination of these project reports by the Engineer-in-Chief's Branch, who are evaluating the implications of the two sets of proposals.

67. The Committee note that a considerable time has elapsed since the two public sector undertakings M/s. NIDC and M/s. MECON were given the task of preparation of Detailed Project Reports for modernisation of COD Kanpur in 1994. The Committee are not convinced with the reasons given by the Government for not initiating the modernisation of Ordnance Depot at Kanpur so far. The Committee wonder as to how many years it would take to modernise all the 7 depots. The Committee urge upon the Government to expeditiously modernise all the 7 Ordnance Depots.

NAVAL PROJECTS-KARWAR AND EZHIMALAI

68. Though large amount of funds has been allotted to these two naval projects, only a very small amount of funds has been used giving an indication that the projects are progressing very slowly. The Ministry of Defence have stated that in the case of Karwar project the non-utilisation of funds is due to delay in finalisation of Marine works contract which is linked to evacuation of the core area by project affected families. An MOU has been signed with the MOD and Karnataka State Government. The project is expected to pick-up in the Financial year 1999-2000. Phase-I of the project is likely to be completed by 2005. In case of Ezhimalai, the delay has been due to late finalisation of the stage II of the contract with the architects, delay in soil investigation and topographical survey by architects.

69. The Committee express their concern over the tardy progress being made in completing the Karwar and Ezhimalai Naval Projects despite allocation of substantial funds. The Committee voice their concern over the non-utilisation of funds allocated for these projects on the ground that the accompanied processes have not been completed in time. The Committee, therefore, advise the Ministry to execute the projects well in time especially when there is no shortage of funds.

NEW DELHI;
April 6, 1999
Chaitra 16, 1921 (Saka)

SQN. LDR. KAMAL CHAUDHRY,
Chairman,
Standing Committee on Defence.

ARMY

(Rs. in crores)

Minor Head	R.E. 1998-99	B.E. 1999-2000
<i>Revenue</i>		
101-P&A-Army	8935.67	9200.08
103-P&A-Aux. Forces	94.86	99.45
104-P&A-Civilians	1161.11	1187.00
105-Transportation	667.49	651.46
106-Military Farms	123.52	136.50
110-Stores	7073.39	7893.28
111-Works	1441.55	1580.82
112-Rashtriya Rifles	375.00	586.70
113-National Cadet Corps	187.31	206.04
800-Other Expenditure	417.20	427.42
Total Gross	20477.10	21968.75
Receipts/Recoveries	446.10	450.00
Total Net	20031.00	21518.75
<i>Capital</i>		
Land	25.38	33.50
Works	381.10	452.20
Aircraft	195.06	189.86
Vehicles	263.96	281.72
Other Eqpt.	1888.20	2763.91
Mily. Farms	2.50	3.50
Rolling Stock	2.25	20.00
Rashtriya Rifles	0.00	0.00
National Cadet Corps	1.25	1.50
Stock suspense	0.00	0.00
Other Expenditure	0.00	0.00
Total Capital	2759.70	3746.19
Total Revenue/Capital	22790.70	25264.94

NAVY

(Rs. in crores)

Minor Head	R.E. 1998-99	B.E. 1999-2000
<i>Revenue</i>		
101-P&A-Navy	597.01	599.00
102-P&A-Reservists	0.00	0.00
104-P&A-Civilians	467.50	477.50
105-Transportation	71.00	81.65
110-Stores	1283.50	1400.00
111-Works	284.04	290.04
800-Other Expenditure	508.05	567.67
Total Gross	3211.10	3415.86
Receipts/Recoveries	71.66	53.24
Total Net	3139.44	3362.62
<i>Capital</i>		
Land	1.50	11.50
Works	115.60	110.08
Aircraft	245.00	285.00
Vehicles	7.50	7.00
Other Eqpt.	140.00	181.00
Fleet	2260.00	2431.00
Dockyards	282.25	375.25
Capital Recovery	0.00	0.00
Net Capital	3051.85	3400.83
Total Revenue/Capital	6191.29	6763.45

AIR FORCE

(Rs. in crores)

Minor Head	R.E. 1998-99	B.E. 1999-2000
<i>Revenue</i>		
101-P&A-AIR FORCE	1563.17	1631.00
104-P&A-Civilians	268.16	285.00
105-Transportation	147.26	139.73
110-Stores	3196.05	3618.87
111-Works	426.41	467.79
200-Spl. Projects	7.33	8.02
800-Other Expenditure	86.08	91.90
Total Gross	5694.46	6242.31
Receipts/Recoveries	181.50	199.65
Total Net	5512.96	6042.66
<i>Capital</i>		
Land	22.06	2.85
Works	140.61	155.00
Aircraft	2715.33	3200.00
Vehicles	0.08	0.15
Other Eqpt.	759.89	835.00
Spl. Projects	38.85	43.00
Total Capital	3676.82	4236.00
Total Revenue/Capital	9189.78	10278.66

(Please see Para 16)

DGOF

(Rs. in crores)

Minor Head	R.E. 1998-99	B.E. 1999-2000
<i>Revenue</i>		
001-Direction & Admin.	31.60	36.00
004-Research	5.69	6.54
052-Mach. & Eqpt.	11.12	13.00
054-Manufacture	1610.16	1650.00
105-Transportation	43.85	50.43
110-Stores	2324.12	2617.91
111-Works	37.95	43.64
106-Renewal & Replacement	90.00	120.00
797-Transfer to R/R Fund	110.00	120.00
800-Other Expenditure	325.70	374.53
Supplies to services	-3698.00	-4257.61
Total Gross	892.19	774.44
Receipts/Recoveries	609.84	640.30
Total Net	282.35	134.14
<i>Capital</i>		
Mach & Eqpt.	80.00	80.00
Works	34.60	40.05
Suspense	10.21	8.07
Total Capital	124.81	128.12
Total Revenue/Capital	407.16	262.26
Supplies to Services		
	3425.00	3991.61
	60.00	66.00
	120.00	100.00
	93.00	100.00
	3698.00	4257.61

ANNEXURE V
(Please see Para 16)

R & D

(Rs. in crores)

Minor Head	R.E. 1998-99	B.E. 1999-2000
<i>Revenue</i>		
1. Pay & Allowances	395.23	435.09
2. Miscellaneous	29.41	33.39
3. Transportation	26.59	29.49
4. Grant of Fellowships	0.60	0.60
5. Grants-in-Aid	202.23	250.93
6. Training of personnel	0.22	0.22
7. Stores	961.81	1190.00
8. Works	115.28	122.51
9. Educational Facilities	5.20	6.00
10. Amenity Grants	0.17	0.18
11. Departmental Canteens	0.06	0.05
Total Gross	1736.80	2068.46
Receipts/Recoveries	7.00	7.00
Total Net	1729.80	2061.46
Capital	570.00	711.54
Total Revenue/Capital	2299.80	2773.00

DGQA

(Rs. in crores)

Minor Head	R.E. 1998-99	B.E. 1999-2000
<i>Revenue</i>		
1. Pay & Allowances	203.00	235.29
2. Miscellaneous	9.13	13.45
3. Transportation	4.40	4.45
4. Stores	85.00	76.00
5. Works	18.00	18.00
6. Departmental Canteens	0.19	0.19
Total Gross	319.72	347.38
Receipts/Recoveries	2.45	2.69
Total Net	317.27	344.69
Total Capital	4.00	7.00
Total Revenue/Capital	321.27	351.69

ANNEXURE VII
(Please see Para 10)

MINISTRY OF DEFENCE

(Rs. in crores)

	R.E. 1998-99	B.E. 1999-2000
<i>Revenue Section</i>		
1. Deptt. of Defence	22.76	24.30
2. Deptt. of Defence Production & Supplies	3.87	4.12
3. Deptt. of Defence Research and Development	0.38	0.42
4. Defence Accounts Department	352.78	364.20
5. Defence Estate Organisation	35.40	37.54
Total Sectt. General Services	415.19	430.58
6. Canteen Stores Department	2658.47	2950.90
7. Maintenance - DAD Offices	2.90	3.06
8. Maintenance - DAD Housing	4.73	5.28
9. Army Purchase Organisation	1.24	1.24
10. Subsidy in Lieu of Interest - MDL	-	-
11. Grant for V.R.S. to		
(A) Bharat Earth Movers Ltd. (BEML)	1.00	-
(B) Mazagon Dock Ltd.	0.50	-
(C) Garden Reach Ship Builders & Engineers (GRSE)	1.00	-
Total Revenue Section	3085.03	3391.06
Less Receipts Generated by CSD	(-) 2767.47	(-) 3077.65
Less Amount met from National Renewal Fund	(-) 2.50	(-) -
Net Revenue Budget	315.06	313.41
<i>Capital Section</i>		
1. Construction - DAD Offices	6.50	8.36
2. Construction - DEO Officers	0.50	3.00
3. Construction - CSD Offices	4.00	6.75
4. Construction - DAD Housing	9.00	16.87
5. Construction - CSD Housing	0.44	1.50
6. Investment in PSUs (GSL)	6.47	-
7. Loans for water supply schemes	2.06	-
8. Miscellaneous	2.52	3.01
Total Capital Section	31.49	39.49

DEFENCE PENSIONS

	(Rs. in crores)	
	R.E. 1998-99	B.E. 1999-2000
<i>Pension & Other Retirement Benefits</i>		
Army	6821.94	6936.43
Navy	120.91	116.44
Air Force	327.15	295.78
Total	7270.00	7348.65

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

The Committee sat on Friday, the 26th March, 1999 from 1030 hours to 1330 hours and 1415 hours to 1615 hours to take oral evidence of the representatives of Ministry of Defence on the demands for grants of the Ministry for the year 1999-2000 and also to consider and adopt the draft 7th Report of the Standing Committee on Defence (1998-99).

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 Parvathaneni Upendra
8. Shri Arvind Tulshiram Kamble
9. Col. Sona Ram Choudhary
10. Shri Ram Narain Meena
11. Shri Hannan Mollah
12. Shri S. Ajayakumar
13. Shri Pradeep Kumar Yadav
14. Smt. Reena Chaudhary
15. Shri V. Sathiamoorthy
16. Shri Madhukar Sirpotdar
17. Shri Promotes Mukherjee
18. Dr. Subramanian Swamy

Rajya Sabha

19. Shri V.N. Gadgil
20. Shri K.R. Malkani
21. Shri A. Vijaya Raghavan
22. Dr. Raja Ramanna
23. Shri Arun Shourie
24. Shri Pritish Nandy
25. Shri Suresh Kalmadi

SECRETARIAT

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

Representatives of Ministry of Defence

1. Shri T.R. Prasad, Defence Secretary
2. Shri Prabir Sengupta, Secretary (DP&S).
3. Dr. A.P.J. Abdul Kalam, Secretary (DR&D).
4. Shri P.R. Sivasubramanian, FA (DS).
5. Shri Subir Dutta, Addl. Secy. (D).
6. Shri P.M. Nair, Addl. Secy. (N).
7. Shri Dharendra Singh, Addl. Secretary (DP&S).
8. Lt. Gen. Chandra Shekhar, PVSM, AVSM, VSM, Vice Chief of Army Staff.
9. Lt. Gen. S.S. Mehta, Dy. Chief of Army Staff.
10. Vice Admiral P.J. Jacob, PVSM, AVSM, VSM, Vice Chief of Naval Staff.
11. Air Marshal, SSH Naqvi, AVSM, Vir Chakra, Dy. Chief of Air Staff.
12. Dr. C.G.K. Nair, Chairman, HAL.
13. Shri L.M. Mehta, JS (O).
14. Shri Falguni Raj Kumar, JS (APO&W) & (P&C).
15. Shri D. Rajagopal, Chairman, OFB.

2. The Chairman welcomed the Defence Secretary and his colleagues to the sitting of the Committee and invited their attention to the provisions contained in Directions 55 and 58 of the Directions by the Speaker.

3. The Committee then took oral evidence of the representatives of the Ministry of Defence on various points arising out of the demands for grants (1999-2000) and also on the written replies to the list of points furnished by the Ministry.

The representatives of the Ministry replied to the queries of the Members. The evidence was concluded.

4. A verbatim record of the proceedings was kept.

(The Witnesses then withdrew)

5. The Committee decided to meet again on Monday, the 5th April, 1999 to consider and adopt : (i) the draft Report on demands for grants (1999-2000) of the Ministry of Defence, (ii) the draft 7th Report on action taken on recommendations contained in the 2nd Report of the Committee on demands for grants (1998-99) of Ministry of Defence.

The Committee then adjourned.

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 the 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 Promotes 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 – *Joint Secretary*
2. Shri R. Kothandaraman – *Deputy Secretary*
3. Shri. K.D. Muley – *Asstt. Director*

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.