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**STANDING COMMITTEE
ON DEFENCE
(2005-06)
FOURTEENTH LOK SABHA**

MINISTRY OF DEFENCE

**DEMANDS FOR GRANTS
(2006-07)**

ELEVENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

May, 2006/Vaisakha, 1928 (Saka)

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STANDING COMMITTEE ON DEFENCE
(2005-06)

(FOURTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(2006-07)

*Presented to Lok Sabha on 23.5.2006
Laid in Rajya Sabha on 23.5.2006*



LOK SABHA SECRETARIAT
NEW DELHI

May, 2006/Vaisakha, 1928 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE
ON DEFENCE (2005-06)

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Churchill Alemao
3. Shri Iliyas Azmi
4. Shri A.V. Bellarmin
- ***5. Shri Suresh Chandel
6. Shri Thupstan Chhewang
7. Smt. Sangeeta Kumari Singh Deo
8. Shri Milind Deora
- **9. Smt. Priya Dutt
10. Shri Ramesh Jigajinagi
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17. Shri Ganesh Prasad Singh
18. Shri Manvendra Singh
19. Shri Balashowry Vallabhaneni
20. Ms. Ingrid Mcleod
21. Shri Dharmendra Yadav

** Nominated *w.e.f.* 9.12.2005.

*** Ceased to be a Member of the Committee *w.e.f.* 22.12.2005.

(iv)

Rajya Sabha

- *****22. Shri R.K. Anand
23. Dr. Farooq Abdullah
*****24. Shri Jai Prakash Aggarwal
*25. Gen. Shankar Roy Chowdhury (Retd.)
26. Shri T.T.V. Dhinakaran
27. Smt. N.P. Durga
*****28. Shri Janardan Dwivedi
*****29. Shri Pramod Mahajan
30. Shri Mukhtar Abbas Naqvi
****31. Shri Anand Sharma
32. Shri Lalit Suri

SECRETARIAT

- | | |
|---------------------------|-------------------------------------|
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| 2. Shri R.C. Ahuja | — <i>Joint Secretary</i> |
| 3. Smt. Anita Jain | — <i>Deputy Secretary</i> |
| 4. Shri D.R. Shekhar | — <i>Under Secretary</i> |
| 5. Smt. Jyochnamayi Sinha | — <i>Committee Officer</i> |
| 6. Shri Rahul Singh | — <i>Senior Executive Assistant</i> |
| 7. Shri Nilendu Kumar | — <i>Senior Executive Assistant</i> |

* Ceased to be a Member of the Committee *w.e.f.* 18.8.2005.

**** Ceased to be a Member of the Committee *w.e.f.* 29.1.2006.

***** Ceased to be a Member of the Committee *w.e.f.* 8.3.2006.

***** Nominated *w.e.f.* 8.3.2006.

***** Ceased to be a Member of the Committee *w.e.f.* 2.4.2006.

***** Demised on 3.5.2006, consequently his seat remained vacant *w.e.f.* 3.5.2006.

INTRODUCTION

I, the Chairman, Standing Committee on Defence (2005-06) having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on Demands for Grants of the Ministry of Defence for the year 2006-07.

2. The Standing Committee on Defence (2005-06) was constituted on 5th August, 2005. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider Demands for Grants of the concerned Ministry/Department and to make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Defence for the year 2006-07, which were laid on the Table of the House on 08 March 2006. The Committee took evidence of the representatives of the Ministry of Defence on 8, 9 March and 3, 10, 18, 19 April, 2006. Besides this, the Committee took evidence of the representatives of the Ministry of Finance. The Committee also took expert's opinion. The Committee considered and adopted the Report at their sitting held on 18 May, 2006.

4. The Committee wish to express their thanks to the representatives of the Ministry of Defence and the non-official experts Major General Bikram Singh Kanwar (Retd.), Ex. M.P., Capt. Sudhir Sawant (Retd.) Ex. M.P., Shri Ajai Vikram Singh, Former Defence Secretary, General. V.P. Malik (Retd.) Former Chief of the Army Staff, Vice Admiral K.K. Nair (Retd.) for appearing before the Committee in connection with the examination of Demands for Grants of the Ministry of Defence for the year 2006-07.

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

NEW DELHI;
18 May, 2006

28 Vaisakha, 1928 (Saka)

BALASAHEB VIKHE PATIL,
Chairman,
Standing Committee on Defence.

REPORT

CHAPTER I

GENERAL DEFENCE BUDGET

India faces a range of security challenges, concerns and threats both conventional as well as non-conventional, from terrorism and low intensity conflicts to nuclear weapons and missiles in its neighbourhood. Its security concerns are influenced by the dynamics of the global and regional strategic and security environment which are further triggered by the rapid advancement in technology across the world. Various countries have developed technology not only to build up weapons and missiles but also have the potential to destroy the weapons before their launch. This in turn, has resulted into the changing nature of threats like chemical, biological and nuclear from across the border, thereby compelling India to maintain high level of vigilance and a strong defence base. To meet this requirement, India has to continuously keep its armed forces at the highest level of defence preparedness with ability to react speedily. In addition to their prime task of containing threats emanating from external as well as internal sources, the help and assistance of Indian Armed Forces is invariably sought for welfare activities in times of occurrence of natural disasters.

1.2 To maintain highest level of defence preparedness, Government has to take consistent efforts for modernisation and upgradation of overall defence forces *viz.*, in human skills and equipment and to eliminate all delays in the defence modernisation process. However, in the existing arena of technological denial regime, foreign availability of defence systems is limited to relatively low-end-technology. Therefore, to strengthen our defence forces to face the changing nature of warfare, a greater thrust should be given to self-reliance in defence system, alongwith the spare parts of the equipment. All these tasks require a long term strategic planning, a detailed assessment of the present and future security scenario, availability of resources and organisational structures to mobilize the resources as per the assessment. The Ministry of Defence and the Defence Services should strive to perform the above task within the allocated resources through the wide and integrated network of their organisations and establishments.

1.3 The Committee are of the view that the global security scenario has been changing drastically and with this change the concept of threat perception has also changed significantly. Today, war is not confined to conventional and non-conventional methods of warfare but it also encompasses a host of other threats e.g. threats to energy, financial, economic and food security etc. and as such there is a need to rethink our strategy for tackling the various threats to the security of the nation. The Committee also feel that a comprehensive review of the existing security advisory mechanism may be undertaken and experts from different fields like security, defence, economy and industry should also be associated with the mechanism. To face all such threats, it is imperative that we have adequate contingency plan and maintain a high level of preparedness and ability to react speedily to meet any eventuality.

1.4 The Committee are aware of the rapid technological advancements and changes taking place globally in the warfare technology and feel that there is an imperative need to constitute a high level empowered Committee to examine the entire security gamut and suggest reforms including re-structuring of the Armed forces, as may be necessary to meet any eventuality in the future. The Committee note that there has been no thorough review of the structural set up of the Armed forces since independence, especially of the Army whose strength constitutes almost ninety percent of our defence forces. The need of the hour is to optimally use the available limited resources. For a country like India, there are several budgetary constraints even for the defence forces and therefore the fund allocated have to be utilised judiciously. The proposed Committee should be given the mandate to suggest suitable manpower restructuring by way of trimming the force size (Teeth to tail ratio) with corresponding increase in the use of advanced and sophisticated technology in our armed forces; review the authorization of the peace and war establishments which are existing since the second World War. The Committee should also examine the relevance of involvement of the Defence forces in non-defence activities like military farms, stud farms and other such activities which can be out sourced. It is high time to effect substantial savings within the available Defence budget for restructuring and modernizing our forces. The entire defence budget is a Government Budget without any other source and hence the savings become all the more important.

1.5 The Committee note that our Defence forces apart from containing threats emanating from external sources are also involved

in handling various internal security operations, including terrorism. This is a different kind of operation, which requires specialized training. There has also been an increasing demand by the State Governments for military assistance for maintaining law and order in their States. The Committee feel that it is neither in the interest of the Armed forces nor desirable to deploy them for such purposes. The Committee feel that use of Armed Forces as a substitute of the state police force diverts the attention of the Army from their prime objective *i.e.* to safeguard our borders. The Committee therefore, are of the strong view that there should be a separate specialized force for handling such situations and the Ministry should take necessary action in this regard.

1.6 The Committee in their earlier reports have repeatedly emphasized on need for achieving self-reliance in defence production. The Committee again reiterate that greater thrust should be given to strengthen R&D in Defence sector on sharing basis with private sector.

1.7 The Demands for Grants of the Ministry of Defence are contained in Eight Demands. The Budgetary requirements for the Civil expenditure are provided in the following two Demands for Grants:

Demand No. 20, Ministry of Defence

Demand No. 21, Defence Pension

1.8 The budgetary requirements for the Defence Services commonly known as Defence Budget are included in the following six Demands for Grants presented to Parliament:—

Demand No. 22, Defence Services—Army

Demand No. 23, Defence Services—Navy

Demand No. 24, Defence Services—Air Force

Demand No. 25, Defence Ordnance Factories

Demand No. 26, Defence Services—Research & Development

Demand No. 27, Capital Outlay on Defence Services

1.9 The 'running' or 'operating' expenditure of the three Services and other Departments *viz.* DRDO, DGO, DGQA, NCC, DGAQA and Directorate of Standardisation, are provided under the first five Demands, which cater to the Revenue expenditure, while the sixth, *viz.* Capital Outlay on Defence Services, caters to the expenditure incurred on building or acquiring durable assets.

1.10 The Revenue expenditure 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 their miscellaneous expenditure. The Capital expenditure includes expenditure on Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. The expenditure on items which have a unit value of Rs. 10 lakhs and above and a life span of 7 years or more, is debited to the Capital Heads.

DEFENCE SERVICES ESTIMATES

1.11 An allocation of Rs. 89,000 crore has been provided for Defence Services in BE (2006-07), an increase of 7.23 percent, against BE (2005-06) and 8.94 percent, against RE (2005-06).

1.12 The Budget Estimates for the year 2006-07, as compared with the Budget and Revised Estimates for 2005-06 and the actual expenditure during the year 2004-2005 are summarized below:

		Actuals 2004-05	Budget Estimates 2005-06	Revised Estimates 2005-06	Budget Estimates 2006-07
REVENUE EXPENDITURE					
Gross Expenditure :	Voted	46627.73	51362.97	51328.88	54581.71
	Charged	11.35	18.27	19.52	22.73
	Total	46639.08	51381.24	51348.40	54604.44
Receipt and Recoveries		2776.95	2756.38	2723.54	3062.44
Net Revenue Expenditure		43862.13	48624.86	48624.86	51542.00
CAPITAL EXPENDITURE					
Gross Expenditure :	Voted	31987.45	34360.28	33060.28	37444.25
	Charged	6.34	14.86	14.86	13.75
	Total	31993.79	34375.14	33075.14	37458.00
Recoveries on Capital Account		—	—	—	—
Net Capital Expenditure		31993.79	34375.14	33075.14	37458.00
Net Revenue Expenditure		75855.92	83000.00	81700.00	89000.00

1.13 The Demand-wise position of allocation for 2005-06 is as under:

		(Rs. in crores)	
Demand	B.E. 2005-06	R.E. 2005-06	
1. Army (Revenue expdr. of Army, NCC and DGQA)	32098.70	31539.14	
2. Navy (Revenue expdr. of Navy and Joint Staff)	6105.95	6422.79	
3. Air Force (Revenue expdr. of Air Force)	9192.67	9350.27	
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	1159.44	1226.24	
5. Research & Development	2824.48	2809.96	
6. Capital Outlay on Defence Services (Capital expdr. of all Services/Depts.)	34375.14	33075.14	
Total (Gross)	85756.38	84423.54	
Receipts/Recoveries	2756.38	2723.54	
Total (Net)	83000.00	81700.00	

Out of the Revised Estimates of Rs. 81700.00 crore for 2005-06, the provision for Revenue Expenditure is Rs. 48624.86 crore, while that for Capital Expenditure is Rs. 33075.14 crore.

1.14 The Budget Estimates for 2006-07 work out to Rs. 92062.44 crore (Gross) and Rs. 89000.00 crore (Net). The provision for Revenue Expenditure is Rs. 51542.00 crore, while that for Capital Expenditure is Rs. 37458.00 crore.

1.15 The Demand-wise position of allocation during R.E. 2005-06 and B.E. 2006-07 is as under:

(Rs. in crores)

Demand		R.E. 2005-06	B.E. 2006-07
1.	Army (Revenue expdr. of Army, NCC, R & D and DGQA)	31539.14	33205.14
2.	Navy (Revenue expdr. of Navy and Joint Staff)	6422.79	6791.78
3.	Air Force (Revenue expdr. of Air Force)	9350.27	10087.36
4.	Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	1226.24	1500.08
5.	R & D	2809.96	3020.08
6.	Capital Outlay on Def. Services (Capital expdr. of all Services/Deptts.)	33075.14	37458.00
Total (Gross)		84423.54	92062.44
Receipts/Recoveries		2723.54	3062.44
Total (Net)		81700.00	89000.00

1.16 A comparison of the Service/Department-wise allocation in RE 2005-2006 and BE 2006-07 is given below:

(Rupees in crore)

Service/ Deptt.	R.E. 2005-2006	%age of Total Budget	B.E. 2006-2007	%age of Total Budget
Army	40026.46	48.99%	42316.61	47.55%
Navy	14776.89	18.09%	16141.03	18.14%
Air Force	21251.28	26.01%	24864.91	27.94%
DGOF	(-) 67.67	(-) 0.08%	(-) 196.78	(-)0.22%
R&D	5330.84	6.52. %	5453.73	6.13%
DGQA	382.20	0.47%	420.50	0.47%
Total	81700.00	100.00%	89000.00	100.00%

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

1.17 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. Exp. as % age of Central Govt. Expdr.	Def. Exp. as % age of GDP
1987-88	18.39	3.38
1988-89	17.81	3.16
1989-90	15.52	2.97
1990-91	14.65	2.71
1991-92	14.67	2.50
1992-93	14.34	2.35
1993-94	15.40	2.54
1994-95	14.46	2.30
1995-96	15.06	2.26
1996-97	14.68	2.16
1997-98	15.20	2.32
1998-99	14.28	2.29
1999-2000	15.79	2.40
2000-2001	15.24	2.35
2001-2002	14.97	2.38
2002-2003	13.44	2.27
2003-2004	12.74	2.18
2004-2005	15.24	2.43 (Q)
2005-2006 (RE)	16.06	2.31 (AE)
2006-2007 (BE)	15.78	2.25 (AE)

Q- Quick Estimates

A- Advance Estimates

Source

1. The data relating to Central Government expenditure has been taken from the document "Budget at a Glance" of the relevant years, circulated by Ministry of Finance as part of the General Budget documents.
2. The data relating to GDP (at Market prices) has been taken from Economic Survey 2005-2006 (page S-7)

Projection/Allocation of funds for Services

1.18 The Ministry has informed that the Defence Services and the Departments made a projection of Rs. 94,880.09 crore for the year 2006-07. After examination of the estimates and the stages at which various acquisition proposals are presently poised, the Ministry of Defence sought an allocation of Rs. 94,183.17 crore from the Ministry of Finance. Against which the allocation made is Rs. 89,000 crore.

1.19 Service-wise/Department-wise position of projection & BE for 2006-07 is given as under:

(Rs. in crore)

Service/ Department	Projections made by Services/Deptts.	Budget Allocation as per ceiling made by MOF	Shortfall of (3) over (2)	%age shortfall
Army	45018.63	42316.61	2702.02	6.00
Navy	16653.21	16141.03	512.18	3.08
Air Force	26639.41	24864.91	1774.50	6.66
DGOF	-106.78	-196.78	90.00	-84.29
R & D	6240.12	5453.73	786.39	12.60
DGQA	435.50	420.50	15.00	3.44
Total	94880.09	89000.00	5880.09	6.20

1.20 The allocation of Rs. 89,000 crore accounts for 7.23 percent increase over the BE of 2005-06 and 8.94 percent increase over the RE 2005-06. However, despite increase of almost nine percent over RE 2005-06, there is a gap of Rs. 5,183,17 crore between the projection made by the Ministry of Defence and the allocation made in the Budget.

1.21 Pertaining to the mechanism available with the Ministry of Defence and the with the services on the budgeting process, the Ministry of Defence in its supplementary replies has stated:—

“There are Financial Planning Directorates attached with the Service HQrs/Departments. The projections made by various Directorates of the Service HQrs/Departments are examined/scrutinized by the concerned Financial Planning Directorate of the Services before

being forwarded to Ministry of Defence (Finance). These projections are examined by the concerned Integrated Finance and subsequently also by the Budget Division. A series of meetings are also held at the highest level before assessing the final requirement being sent to the Ministry of Finance. Instructions are issued to all concerned to monitor the progress of expenditure closely every month to ensure full utilisation of allocated funds."

1.22 The Committee observe that despite an increase of 7.23 per cent in the BE 2006-07 against the BE 2005-06 and 8.94 per cent increase over the RE 2005-06, there is still a gap of Rs. 5,183.17 crore between the projections made by the Ministry of Defence and the allocation made in the Defence Budget Estimates for the year 2006-07. The Committee note that the projections for funds flow from the Services Acquisition Plan, which are examined thoroughly in the Ministry of Defence and are based on the changing security environment and threat perception. The Committee, therefore, desire that the Government should take immediate steps to bridge the gap between the projections and budgetary allocation, so that there is no compromise on defence preparedness due to shortfall in defence acquisition programme.

Revenue and Capital Expenditure Budget 2006-2007

1.23 Revenue expenditure includes expenditure on Pay & Allowances, Transportation, Revenue Stores (like Ordnances stores, supplies by Ordnances 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.

1.24 The Capital expenditure includes expenditure on Land, Construction Works, Married Accommodation Project and for Capital Acquisitions etc.

1.25 Percentage share of Revenue & Capital Budget since last Five years of the three Services are as under:

(Rs. in Crores)

		Army		Total
		Revenue	Capital	
1		2	3	4
2001-02	Actual	25522.56	5574.32	31096.88
	Percentage	82.07	17.93	100.00

1		2	3	4
2002-03	Actual	26837.21	5290.57	32127.78
	Percentage	83.53	16.47	100.00
2003-04	Actual	28026.68	5173.30	33199.98
	Percentage	84.42	15.58	100.00
2004-05	Actual	27840.61	7411.79	35252.40
	Percentage	78.98	21.02	100.00
2005-06 RE	RE	30320.99	9705.47	40026.46
	Percentage	75.75	24.25	100.00
2006-07 BE	BE	31917.14	10399.47	42316.61
	Percentage	75.42	24.58	100.00
Navy				
2001-02	Actual	3568.73	4799.72	8368.45
	Percentage	42.65	57.35	100.00
2002-03	Actual	4350.62	3804.70	8155.32
	Percentage	53.35	46.65	100.00
2003-04	Actual	4742.87	5366.48	10109.35
	Percentage	46.92	53.08	100.00
2004-05	Actual	5213.9	8315.39	13529.29
	Percentage	38.54	61.46	100.00
2005-06 RE	RE	6287.19	8489.7	14776.89
	Percentage	42.55	57.45	100.00
2006-07 BE	BE	6713.18	9427.85	16141.03
	Percentage	41.59	58.41	100.00
Air Force				
2001-02	Actual	6835.78	4947.98	11783.76
	Percentage	58.01	41.99	100.00
2002-03	Actual	7368.73	5016.53	12385.26
	Percentage	59.50	40.50	100.00
2003-04	Actual	7731.69	5455.33	13187.02
	Percentage	58.63	41.37	100.00

1		2	3	4
2004-05	Actual	8252.24	14783.67	23035.91
	Percentage	35.82	64.18	100.00
2005-06 RE	RE	9142.11	12109.17	21251.28
	Percentage	43.02	56.98	100.00
2006-07 BE	BE	9858.41	15006.50	24864.91
	Percentage	39.65	60.35	100.00

1.26 The Capital Acquisition allocation for all the services during 2005-06 and 2006-07 is as under:

Service	BE 2005-06	RE 2005-06	BE 2006-07	%age increase (BE 2005-06 to BE 06-07)	%age increase (RE 2005-06 to BE 06-07)
ARMY	5647.74	6331.88	6472.50	14.60	2.22
NAVY	8574.00	8074.00	8803.32	2.67	9.03
JOINT STAFF	350.23	167.79	270.00	(-) 22.91	59.02
AIR FORCE	12361.44	11611.61	14445.01	16.86	24.40
TOTAL	26933.41	26185.28	29990.83	11.35	14.52

1.27 From the above tables it can be inferred that only in Navy and Air Force the ratio for capital expenditure has been increased whereas in the case of Army, the percentage increase is very meager. During BE 2006-07 the revenue and capital expenditure of the three services is as under

	Army		Navy		Air Force	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2006-07	31917.14	10399.47	6713.18	9427.85	9858.41	15006.50

1.28 On being asked what is the healthy revenue capital ratio as envisaged by the Ministry, the Ministry of Defence in its written reply has stated:—

“The Defence outlay provides for obligatory charges and essential maintenance requirements, which form part of the Revenue

expenditure, and the committed liabilities as well as prioritized new schemes, which form part of the Capital expenditure. Analysis of the trend of Defence expenditure as a whole shows that the ratio between Revenue and Capital expenditure, which was 75:25 in 2000-01 has changed to 58:42 in 2006-07 (BE). This indicates that it has been possible to allocate higher share of defence budget towards capital expenditure, of which the share of modernization schemes has been approximately 80% and more".

1.29 One of the non-official expert has furnished the following observation on the lesser Capital outlay for Army.

"The Army share of the total defence budget hovers between 50% and 60%. The Revenue Head of the Army budget, which is fixed and negotiable, is 80% to 85% of the Army budget. The Capital Head is limited to just about 15% to 20% of the overall Army Budget. This years funds for modernisation for the Army, though more than earlier years, are the least amongst three services. After making allowances for contractual liabilities within the Capital Head, only about 10% of the Army budget is available for modernisation. In most developed countries 30-40% of the Army budget is spent on modernisation programme every year to prevent accumulation of modernisation deficit."

1.30 The Committee note that the ratio of Revenue to capital expenditure in Defence Budget has improved from 75:25 in 2000-01 to 58:42 in BE (2006-07). This reflects the intention of the Government to allocate higher share of defence budget towards modernisation process capital expenditure. However, the Committee note with concern that in comparison to Air force and Navy, the percentage share of revenue expenditure of Army is on much higher side i.e. 82.07 per cent in 2001-02 and 75.42 per cent in 2006-07 vis-a-vis capital expenditure i.e. 17.93 per cent in 2001-02 and 24.58 per cent in 2006-07. In B. E. (2006-07), the Capital Acquisition allocation of Army is only Rs. 6472.50 crore as against Rs. 8803.32 crore provided for Navy and Rs. 14445.01 crore for Air Force. The Committee therefore feel that the intention of the Ministry to allocate higher share of Defence budget towards capital expenditure to boost modernisation does not reflect in the case of Army's budget. Therefore, the Committee recommend that the Government must give serious thought to this aspect and provide higher allocation for Army's Capital budget with a view to modernise and upgrade its weapon systems to enhance its combat capability to address the requirements of modern day warfare. The Committee further desire the Ministry

should submit long term perspective plan of the Services to Ministry of Finance urgently to get assurance of funds so that the modernisation process is carried out in a planned and systematic manner.

Reduction in RE 2005-06

1.31 The BE, RE, Actuals and surrender of allocation, for the defence services from the year 200-01 is as under:

Rs. in crore				
Year	BE	RE	Actuals	Shortfall
2000-01	58587.00	54460.91	49622.04	4838.87
2001-02	62000.00	57000.00	54265.73	2734.27
2002-03	65000.00	56000.00	55661.83	338.17
2003-04	65300.00	60300.00	60065.80	234.20
2004-05	77000.00	77000.00	75855.92	1144.08
2005-06	83000.00	81700.00	-	-
2006-07	89000.00	-	-	-

1.32 Figures shown in the above table shows that there is reduction of allocation from BE to RE & from RE to actual since 2000-01 except in the year 2004-05. shows thereby shortfall/under utilisation of budgetary allocations.

1.33 The representatives of the Ministry of Finance during deposition before the Committee stated that:—

“In no year during the past decade, the Ministry of Defence was able to spend hundred percent of the budget allocated to them. The shortfalls have been from 0.1% to 10% of the allocation”.

1.34 It is seen that the B.E. (2005-06) of Rs. 83000 crore was reduced to Rs. 81700 crore in R.E.(2005-06) thereby showing a reduction of Rs. 1300 crore. The reduction has been made in the Capital allocation which was reduced from Rs. 34375 crore provide in BE (2005-06) to Rs. 33075 crore in RE (2005-06).

1.35 When asked as to the reasons for cut at RE stage in the capital outlay, the Ministry of Defence in their written replies stated.

“The projections of the Ministry of Defence for Defence Services during 2005-06 were considered by the Ministry of Finance and

based on the progress of expenditure and their assessment of requirement of funds during the remaining part of the financial year, Ministry of Finance allotted Rs. 81700 crore thereby imposing a cut of Rs. 1300 crore in the Capital Outlay”.

1.36 Pertaining to a query, while reducing the amount at Revised Estimate stage or squeezing the projected demand of the Ministry of Defence, does the Ministry of Finance consult the Ministry of Defence about their requirements and on likely impact on their ongoing schemes, the Finance Secretary, during oral evidence clarified as under:—

“Yes, it is true. Sometimes this unpleasant task of reducing the Budget Estimate is done by the Ministry of Finance. It is done – at the highest level of two Ministries. Defence Secretary sits down with me. Secretary, Defence (Finance) sits down with me. There are Vice Chiefs of Services who come and discuss the possibilities. I assure you with all sense of responsibility that the Revised Estimate is the least of the debated figure in the entire community of Ministries of the Government of India. We hackle, we criticize and we question all other Ministries but not the Ministry of Defence. It is an agreed figure at the highest level of the officials in the Government of India. Then, Sir, it is submitted with a rationale—the reduction proposed – and the final figure of Revised Estimate is submitted to the Finance Minister with a rationale as to why it is being done so with the summary record of discussions, what had happened, what was the argument, what was the failure and what was the success. It is done in a reasonable prognosis as to how shall the financial year close with what kind of an expenditure. If he is agreeable to that, he accepts and writes a Demi Official confidential letter to *Raksha Mantri*, his counterpart in the Government. That figure sometimes is responded to in two manner. One is: Okay, this is the final figure which has been agreed upon, and I accept it.” Sometimes the hon. *Raksha Mantri* also suggest: “Here the reduction is slightly severe. Can you restore a bit of it?” So, that figure is purely a consultative figure. I assure you—this is to specific response of the hon. Chairman and the Secretariat’s point of view—that the Revised Estimates, the prioritization, the final figure which will go into the Budget for that particular year for Defence Services, acquisition and other expenditure is done at the highest level approval by both the political masters of the two Ministries.”

1.37 While further clarifying the reasons, the Ministry of Finance, in their written replies has stated:

“Revised Estimates during the course of the year are fixed after mid-term review of the progress of expenditure/schemes by various Ministries/Departments. Revised Estimates are expected to be as close to actual expenditure requirement of the Ministry/Department concerned. Based on the availability of resources, reasonableness of the requirement and prioritizing the competing needs of various sectors, funds are allocated to various Ministries/Departments. Care is always taken to meet the additional expenditure of utmost importance with alacrity and expediency. It may also merit mention here that Defence expenditure is the single largest item of expenditure, after ‘interest payments’ and Ministry of Defence gets major allocations from Government budget. In all these years, it was found that during the course of mid-year review that capital expenditure of Ministry of Defence was much below the amount provided in the budget. In 2005-06, the situation is that while revised Estimates were assumed at Rs. 81,700 crore (Rs. 1,300 crore less than BE provision), the Ministry of Defence actually surrendered about Rs. 2,646 crore in the year 2005-06. The actual expenditure upto December 2005 was 14,019 crore and Rs. 15,694 crore upto January, 2006 as against a provision of Rs. 34,375 crore made in BE 2005-06. Keeping this pace of expenditure and absorptive capacity of the Ministry of Defence in next two months in view, the defence capital expenditure was assumed as Rs. 33,075 crore in RE 2005-06. Latest position upto February, 2006 show that an amount of Rs. 18,361 crore was incurred under capital side. Based on this, it would appear that the revised estimates for 2005-06 have been reasonably arrived at the context of overall fiscal strategy. The Ministry of Defence actually surrendered about Rs. 2646 crore in the year 2005-06. With the Union Legislature approval of the Budget, the amount provided towards revenue and capital expenditure is available to Ministry of Defence throughout the year. It is, therefore, as important for the spending agencies like the Ministry of Defence to complete all the administrative actions needed to secure financing for projects provided in the Budget as it is for ministry of Finance to monitor the flow expenditure and provide for supplementary budget needs, where required. Considering the fact that it is the responsibility of Ministry of Finance to match resources with demands, it would not be feasible to not have review/reduction expenditure under any demand including that of Ministry of Defence if utilisation of the same is not taking place”.

1.38 Giving the Percentage trend of expenditure of Ministry of Defence during the year 2005-06, the Ministry of Finance in a note to the Committee stated:

Percentage expenditure by the end of first quarter	—	5.3%
Percentage expenditure by the end of second quarter, by 30th September, 2005	—	24%
Percentage expenditure by the end of the third quarter, ending 31st December	—	41%

1.39 When asked to state the reasons for slow pace of expenditure and efforts proposed to be made for evenly utilisation of budgetary allocation, the Ministry of Defence in a written reply furnished the following information:

“The above trend of expenditure relate to Capital outlay only. For modernisation of Defence Services, various schemes for acquisition of Tanks, Aircrafts, Ships, Vehicles, Equipments etc. are funded from capital Outlay. Processing of these schemes/projects which include selection of vendors, technical evaluation, price negotiation, finalisation of contracts etc. is a long drawn process and outgo against many of them materialize towards the later part of the financial year. To streamline the acquisition proceeding Defence Procurement Manual 2005 has been institutionalized. This is likely to reduce the time interval between various stages of acquisition proceeding and thereby it is hoped that the bunching of expenditure towards the end of the financial years will be less accentuated.”

1.40 On the questions of surrenders, the representatives of Ministry of Defence during final oral evidence stated:

“Sometimes, the Ministry of Finance can take the line that based on the trend of expenditure till the end of December or January, it imposed a reduction of Rs. 1,300 crore in the capital budget of the Defence Services. The expenditure till the end of December was of the order of 40 per cent of the total outlays. That was the reduction imposed by the Ministry of Finance. Later because of the slow progress of some of the cases, particularly on the Navy side, even though the negotiations got finalized, the approvals could not be secured in time. The cases had been sent across to the Ministry of Finance. Yet, within the short time it was not possible for them to clear those cases and thereafter for us to go to the

CCS to get the final approval and to incur that expenditure. That is why surrender at the modified appropriations became necessary.”

1.41 When asked as to what major projects were dropped/postponed/remained incomplete due to cut in revised estimate the Ministry of Defence in their written replies stated:

“The reduction is not likely to affect the modernisation proposals for both the committed liabilities and the new schemes since there was adequate budget available for the purpose of meeting the requirement of the proposals on hand of the three Services and Joint Staff during 2005-06. Though a scheme may be sanctioned in a particular year, the cash outgo is generally spread over several years depending on the milestones achieved in implementation. The spill over requirements for the committed liabilities of schemes approved during 2005-06 will be met out of the budget allocation for the year 2006-07.”

1.42 However, during oral evidence session, the representatives of the Ministry of Defence stated:

“There are enough number of cases with all the three services in the pipeline and the discussions go on between the Ministry of Finance and Ministry of Defence. If, all the cases are through, than we would require all the money. We have put all the cases. We are pursuing with the Ministry of Finance for all the last two or three months.”

1.43 The Committee note with serious concern that B.E.(2005-06) of Rs. 83000 crore was reduced to Rs. 81700 crore in R.E.(2005-06) stage thereby showing a reduction of Rs. 1300 crore . The reduction has also been made in capital budget which has been reduced from Rs. 34375 crore in BE(2005-06) to Rs. 33075 crore in RE(2005-06) even though there were enough projects with Ministry in the pipeline. In this connection, the Committee were informed by the Ministry of Finance that the reduction has been made after due consultation at the Minister’s level taking into account the actual trend of expenditure during the year. Upto December 2005, the capital expenditure was only 41% of the allocation made in the BE(2005-06). Further, the Committee were given to understand that Rs. 2646 crore was surrendered by Ministry of Defence at the end of financial year 2005-06 due to non-fructification of envisaged schemes. The

Committee feel that this clearly shows the inability of the Ministry of Defence to timely plan and process the cases so as to bring them to the concluding stage during the first three quarters of the financial year so as to secure financing of projects provided in the budget. Expressing strong displeasure, the Committee feel that there is a need for better financial planning and management in Ministry of Defence. The large scale surrender of funds at the end of the year has eroded their credibility and ability to utilise the allocated funds which are so much required for modernisation/upgradation of defence forces. The Committee further observe that rush of proposal in the last month of initial year and hurried expenditure gives room for imports and discourage the indigenisation. The Committee therefore recommend that the Ministry should analyse the whole issue and monitor the progress of Capital expenditures more closely. In this regard, the Committee wish to reiterate their recommendation made in their earlier Report that the Ministry should make advance planning in order to submit a calendar for acquisition during the year with firm commitment to the Ministry of Finance. This will facilitate optimum utilisation of scarce resources allocated for 'Defence' and timely completion of schemes / projects envisaged by the Ministry of Defence to maintain highest level of Defence preparedness.

Clearance of Proposals by Ministry of Defence and Ministry of Finance

1.44 The Committee were informed that there are 245 new proposals from the Army, 118 from the Navy and 231 from the Air Force that were to be processed in the last two years of the 10th Plan. The status of their approval is as under:

Proposals of the Indian Army

Category of contracts	No. of Proposals	Estimated cost (Rs. In Crore)
Concluded	30	3720.19
At post-CNC stage	13	5236.07
At CNC stage	13	915.38
At pre-CNC stage	389	72808.13
Total	445	82678.77

Proposals of the Indian Navy

Category of contracts	No. of Proposals	Estimated cost (Rs. In Crore)
Concluded	15	19110.84
At post-CNC stage	14	4863.73
At CNC stage	09	5414.98
At pre-CNC stage	80	22091.27
Total	118	51475.82

Proposals of the Indian Air Force

Category of contracts	No. of Proposals	Estimated cost (Rs. In Crore)
Concluded	06	1017.20
At post-CNC stage	21	12698.10
At CNC stage	06	1694.40
At pre-CNC stage	184	85439.10
Total	217*	100848.80

*Initial total – 234

Added – 16

Dropped – 33

Balance – 217

1.45 When asked about the reasons for accumulation of large number of proposal at the fag end of the plan and why they could not be processed in time for their approval, the Ministry of Defence in its written reply has stated as under:

“The acquisition proposals are planned in a phased manner spread over the X Plan period. The gestation period for a scheme is normally about 24-36 months required for completion of various activities such as categorisation, according acceptance of necessity approval, sending Request for Proposals, trials, negotiation etc. Therefore, the schemes started within the 10th Plan period will fructify only towards the end of the plan period. Further, few proposals pertaining to setting up of infrastructure, repair/

maintenance facilities or supply of Buyer Furnished Equipment are linked to delivery of ship/aircraft in XI plan period. These have, therefore, been initiated in the X Plan so that they are co-terminus with induction of these platforms”.

1.46 When asked about the number of cases sent for approval to Ministry of Finance during 2005-06 and status of approval of these cases, the Ministry informed:

“According to information available, a total of 37 cases of capital acquisition comprising of 17 cases of Navy, 9 cases of Army, 6 cases of Air Force, 3 cases of Coast Guard and two cases of Systems Division were sent to Ministry of Finance for approval in FY 05-06. Ministry of Finance approved 38 cases comprising of 15 cases of Navy, 10 cases of Air Force, 8 cases of Army, 3 cases of Coast Guard and 2 cases of Systems Division. The number of cases approved in 2005-06 by Ministry of Finance is more than the number of cases sent to them, as some cases sent in 2004-05 were approved by Ministry of Finance in 2005-06. Two cases of Navy pending with Ministry of Finance in 05-06 were cleared by them subject to certain observations in April 2006. In one case of Army, the proposal was not cleared by Ministry of Finance. Ministry of Finance took 113 days to accord final clearance to one proposal of the Navy in 2005-06.”

1.47 Explaining the reason for less utilisation of budgetary allocation the Defence Secretary during oral evidence stated as under:

“There are cases in the pipeline; still there are three case with the Ministry of Finance; suppose had they been completed, we would have required more money, more than what we had and the surrenders would not have been there. These are not really arithmetical, because at any given point of time, there are a number of case pending where PNC or CNC had been completed and negotiations had been completed—every aspect has been seen, draft Cabinet note is made and then sent to the Ministry of Finance. They also legitimately raised some questions. These questions had been raised and the Ministry of Defence is sometimes able to reply and some other times, it requires more information from the Services concerned and then the replies are given. Then, the papers are sent to the Ministry of Finance. This happens number of times.”

1.48 The Defence Secretary further elaborated:

“It is because there is serious work which goes on. At the same time, if we want to got to the Ministry of Finance or to the Cabinet,

we are also very conscious that we should not be giving greater amounts or less probity or less surety of reliability of maintenance and other things. There is a lot of negotiation which goes on between the Ministry of Defence and the Service Headquarters and the person who is selling the equipment. Take for example the bunch of frigates. We could have capitulated in front of Russians as they wanted in the month of September itself but we held on and finally we got their people to come. We negotiated with them. Therefore, we took this to the Ministry of Finance. So there is a lot of responsibility even in expenditure. We are not any time ready to say well we got it."

1.49 Answering to a query to evolve a systematic improvement for hundred percent utilisation of allocation and cut short delay in clearing proposals by the Ministry of Finance, the Finance Secretary during oral evidence stated as under:

"At the beginning to cut out the delays and remove the bottlenecks. I should present to the Committee the communications which have been exchanged at the level of the Finance Secretary with the Defence Secretary, the Finance Minister and the Defence Minister and *vice versa*. You will be glad to know that a core of consensus has now developed on what are the criteria or parameters on which the Ministry of Finance shall examine the proposals of the Ministry of Defence and what are the things which *prima facie*, in the first instance, the Ministry of Defence shall contain in their proposals. Suppose you were kind enough to ask me: "Give me a proposal." I will give you a two –liner which has no background or nothing. Then you will say: "Do not make a fun of this proposal. These are the items on which you must give it." Now, this has been agreed to as to what shall be contained in the proposal of the Ministry of Defence. Sir, you have observed that cross-referencing should be reduced and there should be only one reference to the Ministry of Defence and one reply. No cross-referencing should be there. The obvious questions should not be asked and they should be answered *prima facie*. Secondly, we have delimited ourselves by saying that these are the only points on which we shall query and not beyond that".

1.50 Pertaining to the time taken by the Ministry of Finance to clear acquisition proposals, the representatives of Ministry of Finance during oral evidence stated that the average time taken by the Ministry of Finance on any acquisition proposal has been four weeks. When asked whether the normal time being taken by the Ministry of Defence

to clear the proposal can be reduced and the systematic improvements suggested thereof, the Defence Secretary has stated:

“Sir, let me clarify, we are not taking up an issue with the Ministry of Finance. The whole approach of examination of cases between the Ministry of Defence and Ministry of Finance is constantly being reviewed and the case after case, the time is getting shortened. We have many more instances where cases have been returned three times or four times. We are not complaining that the scrutiny takes time. It will take time as everybody has to act responsibly. But we are evolving with the Ministry of Finance a method of scrutiny so that it can be done. Even after that, when we take the matter to the Cabinet, there will be questions. So, we have to answer all the questions”.

1.51 The Committee note that a time period of 20 to 30 months is required by Ministry of Defence for clearing acquisition cases in accordance with the procedure laid down in Defence Procurement Procedure, 2005. As also recommended in their earlier reports, the Committee would like that the Ministry should give serious thought to it, and work out mechanism in consultation with concerned agencies to cut down levels and curtail the time period.

The Committee note that certain parameters have been laid down by the Ministry of Finance for submission of proposals by the Ministry of Defence so as to answer the queries *prima facie* to avoid cross referencing. Therefore, the Committee desire that the Ministry of Defence should strictly adhere to these parameters while sending the acquisition proposals. The Ministry of Defence, in consultation with the Ministry of Finance, should work out a strategy to have a systematic improvement in clearing of the proposals. If parameters given by the Ministry of Finance are stringent, the Ministry of Defence should take up this matter with Ministry of Finance in order to cut short delays. The Committee desire that a small core group comprising of official of Ministry of Defence and Ministry of Finance should be formed for the purpose.

Need to enhance Financial power of Service Headquarters to approve capital expenditure of lesser amount

1.52 It has been observed that out of 800 schemes in the Ministry there are certain schemes which are of very small nature, having lesser amount. A non-official expert informed the Committee that:

“approximately 67% of the procurement cases for the Army cost less than 100 crore. The entire processing of case to include

categorization, acceptance of necessity, quality vetting, technical evaluation, trials, contract negotiation and placement of supply order. For case upto Rs. 50 crore should be delegated to services Headquarters, 100 crore to the Raksha Mantri and Rs. 300 crore to the Raksha Mantri and Finance Minister jointly over and above that expenditure, the case can be taken up with the CCS, as is being done now.”

1.53 As regards enhancement of the delegation of financial power to Raksha Mantri, the Ministry in their note stated:

“Raksha Mantri has powers for sanctioning capital acquisitions/projects upto Rs. 50 crore. A proposal for enhancement of these powers to Rs. 100 crore has recently been considered by the Cabinet. Any further revision of Raksha Mantri’s power would, thus, be appropriate only after Ministry of Defence’s experience on the operationalisation of new powers (*i.e.* upto Rs. 100 crore).

1.54 When asked whether on Schemes having expenditure below Rs. 50 crore, power can be delegated to the Services to take final decision, the Defence Secretary, during oral evidence has stated as under:

“We have also done a bit of modification in our procedures for PNCs. In some of the cases we have given the PNCs to be held in the concerned services’ Headquarters. We have also appointed a Committee under the FADS to increase the powers of delegation. As far as revenue purchase is concerned, that has been increased considerably. This Committee is looking in the capital side also and, therefore, once we have these delegations, they will be able to do it. You are right that a number of very small items, which are not required to be given that kind of due diligence over here, can definitely be done. Along with it, the Services Headquarters people are augmenting our PNCs.”

1.55 The Committee observe that there are many procurement cases with the Services which cost less than Rs. 50 crore. The entire procurement procedure includes categorisation, acceptance of necessity, quality vetting, technical evaluation trials, contract negotiation and placement of supply order of these cases, which consumes a lot of time in getting the proposal cleared by the Ministry. The Committee are informed that the Ministry of Defence has modified the procedure for Price Negotiation Committee (PNC). They have delegated this power to the Service Headquarters in case of revenue purchase and are planning to extend this to the capital

procurements also. Therefore, the Committee recommend that the Government should delegate the entire processing of cases of acquisition, both in the case of revenue and capital, upto Rs. 50 crore to the Service Headquarters and Rs. 300 crore to the *Raksha Mantri* as per the priorities of the Services. Appropriate financial delegation should also be given to the Defence Secretary for capital acquisition.

The Committee strongly feel that the delegation of power will reduce the work load of the Ministry of Defence, allowing them more time for processing proposals of higher cost, thereby clearing the proposals well in time and bringing improvement in the utilisation of allocated funds. This will also reduce the time taken on procurement and ensure timely availability of the procured capital items.

Defence Modernisation Fund

1.56 The Committee in their earlier reports had recommended for creation of a non-lapsable Defence Fund to streamline the Procurement Procedure and to ensure timely availability of Funds for acquisition of defence equipments. In the Action Taken Replies, to the observations/recommendations contained in the Ist Report (14th Lok Sabha) the Ministry of Defence had stated that utility of DMF in addressing the issue of assured availability of funds would be limited since unspent funds of DMF would not be automatically available to the Ministry of Defence for utilization in subsequent financial years and the Ministry of Defence would be required to seek approval of Ministry of Finance and Parliament for its utilization. When asked to state the practical difficulties in creation of a non-lapsable DMF on the line of non-lapsable fund being provided for other Government Departments, the Ministry of Defence, in their written reply has stated as under:

“As per the Ministry of Finance Guidelines/Instructions issued on 7th January 2005 (copy enclosed), Reserve/Corpus Funds in Government account are created when Government has surplus funds to spare on specific objects of expenditure. However, as Government is resorting to deficit financing, creation of fund out of its revenue stream or through borrowing is considered not appropriate. Funds created out of borrowings also add to fiscal deficit and become a liability of the Government. These instructions further provide that proposals for creation of Fund either out of revenue stream or out of Government borrowings will henceforth not be allowed. In the circumstances, creation of Defence Modernization Fund may not be viable”

1.57 Clarifying on this issue, the Finance Secretary, during oral evidence has stated:

“The question regarding modernisation fund and indigenisation fund was raised. These are two very important points this hon. Committee has flagged. After Ministry of Finance agreed to set up a Modernisation Fund, the Ministry of Defence, for reasons best known to them, asked us not to set up it. The question was raised about non-lapsable fund. I would like to put the mechanism of non-lapsable fund. We have three or four non-lapsable funds in India. Such funds are Central Road Fund, *Sarvashikha Abhiyan* fund, *Prarambhik Shiksha Kosh* and North-East Fund. Let me tell you how it operates. All non-lapsable funds essentially—there are exceptions—are rooted in a specific levy of a duty or a cess. It is directly related to a purpose. Petrol and diesel cess will go to the improvement of roads. The National Calamity Funds duty on all excise items and all income tax will go to the fund of national calamities and so on.

Usually, they are kept in public account and outside the consolidated Fund of India. It is because there is greater flexibility. Most importantly, I take out money from that fund by the leave of Parliament. All moneys must come to the Consolidated Fund of India. From there, the budgetary provision will be made. The procedure is that it will be voted by Parliament to be transferred into the public account because nothing can go out of CFI without authorization of Parliament. So, from the Consolidated Fund of India, it will go to public account or non-lapsable account. There, it will continue to lodge. If Rs. 100 crore are remitted there and I spend only Rs. 90 crore, then Rs. 10 crore will not lapse on 31st March. It will continue to be the closing balance of that year to which Rs. 100 crore will come next year and it will become Rs. 110 crore. This is an assured sum in the minds of the Ministry or the organisation related to that I have this much money. But when it comes back for expenditure, I have to come to you, to Parliament for appropriating that amount for expenditure. My question rhetorically put to the Ministry of Defence is that whenever you want to spend money, you have to go to Parliament. Then, what is the advantage? Parliament cannot be bypassed. If Parliament can be approached for drawing Rs. 100 crore from the non-lapsable fund, then Parliament can be approached for drawing Rs. 100 crore from the CFI also. We have no major conceptual problem in raising a non-lapsable fund. My submission to the hon. Committee is that in case you feel that they will be extremely happy to have this fund, we will also not be unhappy, but I can assure you that after having it, they will not be particularly happy because the same procedure will have to be applied because Parliament cannot be bypassed.”

1.58 The Committee, in their earlier reports, had recommended for creation of a non-lapsable Defence Modernisation Fund (DMF) to streamline the Procurement Procedure and to ensure timely availability of Funds for acquisition of Defence equipment. The Committee have been informed that utility of DMF in addressing the issue of assured availability of funds would be limited since unspent funds of DMF would not be automatically available to the Ministry of Defence for utilization in subsequent financial years and the Ministry of Defence would be required to seek approval of Ministry of Finance and Parliament for its utilization.

The Committee observe that during 2005-06, there were large number of proposals in the pipeline, but since they could not be approved in time there was large surrender of funds at the end of financial year. Had all the cases in the pipeline were cleared, the Ministry would have required additional allocation. As procurement of Defence equipment requires a long lead time ranging from two to three years, the proposals which do not fructify in a financial year, normally spill over to next financial year. Therefore, the Committee strongly recommend that the Ministry of Defence as well as Ministry of Finance must reconsider the proposal for setting up of DMF at the earliest. The Committee are of the view that if the planned and assured budgetary allocations are made known to the Services, then the capital acquisition schemes and long term plan can be drawn up within the funds available with the DMF in a systematic manner as per futuristic requirements. The Committee strongly recommend that Defence Modernisation Fund (DMF) should be used only for the priority projects and not for all projects.

Utilisation of allocation for Married Accommodation project

1.59 One of the main elements of Capital Budget is Married Accommodation project. RE and actual expenditure under MAP during the 10th plan is as under:

(Rs. in crore)

Service	2002-03		2003-04		2004-05		2005-06		2006-07	
	RE	Expdr.	RE	Expdr.	RE	Expdr.	RE	Expdr.	BE	Expdr.
Army	9.00	1.61	45.00	17.62	186.40	121.53	625.45	622.58	1120.00	
Navy	0.00	0.00	1.00	0.00	1.20	0.25	3.36	0.054	80.00	
Air Force	30.00	0.50	12.00	1.03	65.00	45.06	112.18	139.25	190.00	
Total	39.00	2.11	58.00	18.65	252.60	166.84	740.99	761.88	1390.00	

1.60 The BE & RE of 2005-06 & BE for 2006-07 is as under:

2005-06		2006-07
BE	RE	BE
1363.93	740.99	1390.00

1.61 One of the major segments in which there has been lack of expenditure on the capital side during 2005-06 has been the Married Accommodation Project. There has been 50% reduction in the allocation for Married Accommodation Project in R.E. (2005-06). Explaining the reasons for such drastic reduction, the Ministry of Defence in their written replies has submitted as under:

- “(i) Time taken in selection and appointment of Executing Agencies (EAs) and consultants for execution of projects.
- (ii) Finalisation of MAP Works Procedure for implementation.
- (iii) Delay in finalisation of Detailed Project Reports(DPRs) due to involvement of number of state/central agencies (Jal Board/Public Health Engineers Department, Electricity Department, Central Ground Water Board, Municipal Corporation, Fire Department, Airport Authority of India, Archaeological Survey of India and State Development Authority etc.).
- (iv) After approval of DPRs, three to six months were taken by the Executing Agencies to finalise tender action for commencement of construction”.

1.62 Pertaining to the progress of MAP the Defence Secretary during Oral evidence has stated:

“Now, all those projects have got their sanctions and many other things required for them from the local authorities. Therefore, from next year onwards the project would gather momentum. This chunk has been kept because all are tendered out, and different agencies have mustered all raw material, etc. Therefore, from next year the progress would be higher. In the event they require additional money—as those contracts are already under way—then we would have no choice but to make available additional allocation for the same. It could be either by diversion from elsewhere into the Capital Budget or through additional funds from the Ministry of Finance at the Supplementary stage or RE stage. We will have to monitor the situation as it evolves. That project is now all under way. Phase-I has more or less fully taken off. We anticipate no further problems in the implementation of Phase-1 of MAP project.”

1.63 The Defence Secretary informed the Committee that major consultants in the private and public sector have been engaged. Therefore, this project is a major departure from the practices of the past. Explaining further he stated as under:

“There are good construction companies which have been involved. Normally the MES or CPWD starts it. It is a project that a Major General or a Lieutenant General heads. It is all done in a project manner. Then there are a lot of decentralized powers given to the Area Headquarters which then monitors and okays. There is a Steering Committee. The capital acquisition budget for modernisation. As mentioned earlier, this is the subset of the capital budget. This expenditure is primarily related to modernisation of defence forces. It would be noticed that there is an increase in capital acquisition budget in 2006-07 at 11.35 per cent over BE 2005-06 and 14.52 per cent over RE 2005-06.”

1.64 The Committee are pained to note that due to delay in finalisation of the Detailed Project Report (DPR) and other procedural matters, there has been under utilisation of allocation under Married Accommodation Project (MAP) since 2002-03. Further, there has been about 50% reduction of budgetary allocation in RE (2005-06) compared to B.E. (2005-06) under the project. As a result of such inordinate delay, the personnel of the three Services suffer a lot. The Committee are further given to understand that the Ministry has engaged major consultants from the private and public sectors to expedite the project. The Committee, recommend that in addition to the above, the Ministry of Defence may involve private construction companies as it is being done in a number of mega projects. The Committee hope that the Ministry will take all corrective steps to expedite the project so that the intended benefits are accrued to the service personnel without further delay.

CHAPTER II

DEFENCE PLANNING

Tenth Defence Plan

2.1 The Ministry of Finance had agreed in principle to the projections made by the Ministry of Defence of Rs. 4,18,101/- crore for the Tenth Defence Plan (2002-2007), in December, 2004. However, the total allocation for Tenth Plan on the basis of annual plan allocation comes to Rs. 3,64,000 crores. Hence, there has been a gap of Rs. 54,100 crore between the indicative figure given and the total allocation made by Ministry of Finance for the 10th Plan.

2.2 Pertaining to the reasons forwarded by the Ministry of Finance to the Ministry of Defence for not providing the allocation as per the indicative figures given in December, 2004, the Ministry of Defence in its written replies has stated as under:

“While agreeing to place the 10th Defence Plan provision at Rs. 418101 crores, Ministry of Finance had stated that it was an indicative figure, and that actual allocation for Defence Services would depend largely on resources available with the government at that point of time, capacity to utilize funds, pace of expenditure, contractual agreements and other committed liabilities.”

2.3 On being asked, how the shortfall is proposed to be met and the programmes that would be affected by the reduced allocation, the Ministry of Defence in their written replies stated:

“Ministry of Finance did not specify how the shortfall was proposed to be met. As regards effect of reduction of allocation on programmes, it is stated that most of the programmes are ‘on-going’ projects, which shall spill-over to the next plan period, if they do not fructify in the current plan period. The modernization of armed forces is a continuous process and additional funds, as and when required, will be asked for from the Ministry of Finance during the course of the year.”

2.4 When the Committee enquired about the late approval of Tenth Plan, Finance Secretary during oral evidence stated:

“It was proposed in January, 2002 whereas the period of Tenth Plan was to begin from April, 2002 and it will finish on

31st March, 2007, co-terminus with the National Development Plan. The Tenth Plan has been approved. It is already there, as was rightly pointed out. But there is going to be a substantial gap”.

2.5 On the query of the Committee regarding objective of 10th plan and how far these objectives have been achieved/likely to be achieved the Ministry of Defence in a written note stated:

“The underlying theme of the 10th Plan is “to make up deficiencies and voids, and to maintain a sustained thrust towards continuous upgradation and modernization of the existing assets besides inducting suitable replacements for equipment to be phased out on life expiry”. The philosophy of the armed forces is ‘to be an optimally equipped and weaponised force, with the capability to operate effectively in a joint services environment, in the entire spectrum of conflict, in the regional context’. However, most of the modernization plan is an ongoing process and towards the end of the 10th Plan in March, 2007, shortfalls if any, will be made up in subsequent plan periods, to the extent feasible.”

2.6 Pertaining to Mid-term review of Defence Plan by the Ministry of Finance the Ministry of Defence in its written reply has stated:

“We may have no objection to the mid term review of Defence Plan (11th) by the ministry of Finance as it will give a realistic view of the fund requirement during the remaining part of the Plan period.”

2.7 The Committee are distressed to note that the 10th Defence Plan was proposed by Ministry of Defence only in January, 2002, whereas the period of Tenth Plan was to begin from April 2002. There has been further inordinate delay in approving the plan by Ministry of Finance as it was approved only in December, 2004. Although, the Ministry of Finance had agreed, in principle, to the latest projections made by the Ministry of Defence of Rs. 4,18,101 crore for the Tenth Defence Plan (2002-2007), the total allocation for the Plan is Rs. 3,64,000 crore. Therefore, there has been a gap of Rs. 54,101 crore between the indicative figure and the total allocation. The Committee are concerned to note that this gap has resulted in shortfall in some of the modernisation schemes as some acquisition proposals targetted for the 10th Plan have been postponed and spilled over to the next Plan. It appears to the Committee that due to lack of systematic planning and proper coordination with Ministry of Finance, the Ministry of Defence has not been able to push forward their planned proposals. This has led to adhocism in decision making,

thereby creating a stumbling block on the path of modernisation and overall Defence preparedness.

The Committee note that acquisition of capital assets and modernisation flows from 15-year long-term Perspective Plan to 5 year Defence plan and ultimately Annual acquisition plan. It is, therefore, noteworthy that the Ministry of Defence must formulate such Plan well in advance and get it approved by the Ministry of Finance with firm commitment of funds. The Government must evolve a better coordination between these two Ministries and work out a systematic approach to be followed in the years to come. The Committee further recommend that the mid-term review of the Defence plan by the Ministry of Finance may be carried out in the five years Defence Plans, as it is being done in other Ministries. The Committee are of the view that Ministry of Defence should prepare a long term perspective plan for the three Services and get it approved from the Ministry of Finance so that its defence acquisition may not suffer due to lack of planning, coordination and timely availability of funds.

11th Defence Plan

2.8 The aims and objectives to be achieved in the 11th Defence Plan by the three Services as intimated by the Ministry of Defence are briefly as under:

Army. Development of capability to attain military objectives in a short, high intensity war against nuclear backdrop. Continued upgradation of capability for countering proxy war/insurgencies and other emerging internal security challenges.

Navy. Impetus on improving the capability in the area of air-borne maritime surveillance, anti-submarine warfare, air defence capability through induction of aircrafts, integral helos and UAVs (Unmanned Armoured Vehicles). Arresting the force level decline of submarines and networking platforms for more effective maritime operations. Add force multipliers like satellite based communications and reconnaissance and network enabled platforms.

Air Force. The formulation of 11th IAF Plan (2007-12) has been driven by the imperative of keeping an equal focus on several vital issues; strategic reach, enhancement of firepower of combat forces, enhancement of air lift capability and operating infrastructure with due regard to the perceived security concerns and technological environment. The broad thrust of the plan has been

on containing the adverse effect of force depletion to the extent possible and thereafter maintaining a sustained thrust continuous upgradation and modernization of the existing assets.

A multi-dimensional and balanced modernization of the Defence Services is essential to safeguard the interest of the country, which are immense and growing at a rapid pace. The schemes and programmes envisaged in the 11th Plan, which is presently under examination, aim at meeting these objectives."

2.9 The 11th Defence Plan is presently under examination in the Ministry of Defence. After obtaining necessary approvals of the Ministry of Finance and the Cabinet Committee on Security, the Plan should be in place before the commencement of the first year of the 11th Plan.

2.10 The representatives of Ministry of Finance during oral evidence before the Committee has given the following clarifications on Eleventh Defence Plan:

"As far as the question of Eleventh Plan is concerned, we must take a lesson from the delay that has occurred in the Tenth plan and we have to rectify the situation now. Eleventh Plan will have been launched in less than 12 months time, that is, in April, 2007. I am stating the fact that the Plan is yet to be finalised by the Ministry of Defence. It is yet, therefore, to be referred to the Ministry of Finance and, therefore, both the Ministries together must now envisage a situation in which this is expedited and well before the actual time of launching of the Plan, we must know as to what is the situation. But factually this is the submission. In fact, yesterday afternoon they had a high-level group meeting in which three services Chiefs made a presentation of their requirements to the ministry of Defence. But this is informally learnt, the short bottom line is that the Ministry of Defence is yet to finalise their draft 11th Plan proposal and it will be received in the Ministry of Finance. I assure the Hon. Committee that whatever modifications we have to say will reach the Ministry of Defence soon."

2.11 When asked about the status of 11th plan and expected time by which the 11th plan proposals will go to Ministry of Finance, the Ministry of Defence their written replies submitted to the Committee stated as under:

"The process to finalise the 11th Plan has already been initiated. The Plan document was discussed in a meeting held under the

Chairmanship of FA(DS) on 11th April, 2006. It is expected that the entire process of finalisation/submission of the Plan to Ministry of Finance shall be completed around June 2006."

2.12 The Defence Secretary during oral evidence further stated that:

"In the meanwhile we have modified our system. We have improved our method of discussion with the Army, Navy and Air Force and we have got a draft plan from the Services Headquarters which we are looking at and we will be sending it to the Ministry of Finance so that there can be a finality on the Eleventh Plan size. Eleventh Plan size would not just be in terms of money but it will also be in terms of basically what are the equipment and how they are prioritized and the procurement action would be in the pipeline."

2.13 The Committee observe that the 11th Defence Plan is presently under examination in the Ministry of Defence and it is expected that the entire process of finalisation/submission of the Plan to the Ministry of Finance shall be completed around June, 2006. The Ministry of Finance has also assured that the Plan when received in their Ministry, will be returned to the Ministry of Defence with comments in a short period. Therefore, the Committee strongly desire that the Ministry of Defence should expedite the finalisation of the 11th plan and send it to the Ministry of Finance at the earliest. Early finalisation of the Defence plan will give impetus to indigestion efforts. The Committee also desire that a Long-Term perspective Plan should also be got approved alongwith the 11th Plan. The Committee hope that, with proper coordination with the Ministry of Finance, the Ministry of Defence would be able to get the approval of the 11th Defence Plan by the month of December, 2006.

Establishment of CDS

2.14 The GoM constituted to review the national security system in its entirety and in particular, to consider the recommendations of the Kargil Review Committee had recommended for establishment of the Chief of Defence Staff(CDS)

2.15 Realising the importance of this post the Standing Committee on Defence, in their earlier reports on Demands for Grants and Action Taken Reports thereon, have been recommending for initiating steps for creation of CDS.

2.16 The Committee in their 8th Action Taken Report expressed concern that inspite of the GoM's recommendation submitted in February, 2001 for establishment of CDS and the Governments decision to consult various political parties before taking a view on the GoM's recommendations, the Government have not taken any initiative for consultation to come to a consensus. When asked to furnish the reasons for the same, the Ministry of Defence in their written reply stated:

"While accepting the recommendations of the Group of Ministers on reforming the National Security System, it was decided by the Government that a view on the institution of CDS will be taken after wider consultation with political parties. In accordance with the above decision, RM has written to national and State parties on 02 March, 2006. Further action will be taken after replies from all political parties are received and consensus on appointment of CDS is arrived at."

2.17 The non-official witnesses appeared before the Committee, for rendering oral evidence has supported the rationale for creating the post of Chief of Defence staff. During the course of deposition, he *inter-alia* stated as under:

"I personally feel that it would be better because you have one more person and he can do the referee's job. Otherwise, today the Chiefs are only talking of their own Service and they are not concerned with other Services. They are competing with each other for money."

2.18 Another non-official expert supplemented the importance of CDS by stating as under:

"The nature of war is changing, and we are absolutely unprepared to fight a 21st century war. We have segregated the armed forces, and the politico-military relationship is not sorted out. The politico-military dialogue – which is required to establish a national strategy – is not there. The first step to achieve this is to have the Chief of Defence Staff. This is the first point that I want to give emphasis upon namely, higher direction of war and the requirement of Chief of Defence Staff"

2.19 The Committee are happy to note that as a result of repeated recommendations of the Committee in their earlier reports for the creation of the post of Chief of Defence Staff (CDS), the Ministry of Defence has issued letters to National and State level political parties in March, 2006 to begin political consultations with them on

the issue of establishment of the Post. The Committee desire that since already inordinate delay has taken place, the Government must expedite the matter and come to a consensus for establishment of CDS, which is the need of the hour to face the changing nature of war in the 21st century. The Committee would like to know the progress made by the Government from time to time in this regard.

Setting up of INDU

2.20 The Committee in their earlier reports on Demands for Grants and the Action Taken reports thereto, have been recommending for setting up of Defence University i.e. National Institute for Defence and Strategic Studies/ Central Defence University. Pertaining to the present status of INDU and the budgetary allocation provided for this purpose, the Ministry in their written replies stated as under:

“The proposal for the setting up of the Indian National Defence University (INDU) has been formulated. However, issues regarding the location of the proposed University have come up and are being considered in consultation with the Chiefs of Staff Committee. The budget provision for setting up of INDU would be made as soon as the requisite approvals are obtained.”

2.21 The Committee note that the proposal for setting up of Indian National Defence University(INDU) has been formulated and selection of site is going on. As the matter has been long delayed, the Committee desire the Ministry to take an early decision in this regard and start functioning at the earliest. The Committee desire that they may be apprised of the progress from time to time.

CHAPTER III

ARMY

3.1 Out of the total (net) Defence budget of Rs. 89,000 crore in the Budget Estimates(BE) for 2006-07, Army shares 47.55 per cent *i.e.* Rs. 42316.61 crore as compared to 48.99 per cent *i.e.* Rs. 40026.46 crore of the total (net) budget of Rs. 81700 crore in the Revised Estimates(RE) for 2005-06.

3.2 In presentation before the Committee, the Ministry gave Army's share of Defence budget in 10th Defence Plan:

Financial Year	Total Budget	Army's Share	
		Amount	Percentage
2002-03	55,662	31,847	57
2003-04	60,066	32,928	55
2004-05	75,856	34,926	46
2005-06	80,811	39,181	48
2006-07 (BE)	89,000	41,915	47
Total	3,61,395	1,80,797	50

3.3 The Ministry further gave the share of Revenue and Capital of Army in 10th Defence Plan:

Financial Year	Capital		Revenue		Total
	Amount	Percentage	Amount	Percentage	
2002-03	5,288	17	26,559	83	31,847
2003-04	5,171	16	27,757	84	32,928
2004-05	7,410	21	27,516	79	34,926
2005-06	9,340	24	29,841	76	39,181
2006-07 (BE)	10,388	25	31,527	75	41,915
Total	37,597	21	1,43,200	79	1,80,797

3.4 Out of the total (Net) allocation made to Army for the year 2006-07, Revenue expenditure shares 75.42 percent against 75.75 per cent for RE 2005-06; whereas Capital component is 24.58 per cent against 24.25 per cent for RE 2005-06.

3.5 The total allocation (Revenue Expenditure) made to the Army in the Budget Estimates 2005-06 was Rs. 32098.70 crore which was reduced to Rs. 31539.14 crore in the Revised Estimate stage. In the Budget Estimate 2006-07 the allocation has been increased to Rs. 33205.14 crore.

3.6 On the Capital Account the allocation for the Army in the Budget Estimate 2005-06 was Rs. 9427.14 crore which was increased to Rs. 9705.47 crore in the Revised Estimate. The Capital allocation in the Budget Estimate 2006-07 has been put at Rs. 10387.58 crore thus showing an increase of Rs. 694 crore.

3.7 In presentation before the Committee, the Ministry gave growth chart of Capital Budget for Tenth Army Plan :

Financial Year	BE	RE	Actual Expenditure	
			Amount	% Increase
2002-03	7414.47	4901.98	5287.77	(-) 5.12
2003-04	5676.71	4381.14	5170.96	(-) 2.20
2004-05	8831.86	7316.40	7409.36	4.6
2005-06	9421.14	9698.97	—	(RE to RE) 32.57
2006-07	10387.56	—	—	(RE to BE) 7.10

3.8 Giving the analysis of Capital Budget estimates (2006-07) the Ministry furnished the following information:

HEAD	PROJECTION	ALLOCATION	SHORTFALL
Modernisation	7139.50	6472.50	667.00
Construction Works	3043.41	2393.41	650.00
NCC	21.91	11.91	10.00
Total	10,204.82	8,877.82	1327.00

Modernisation of Army

3.9 As seen from the above table, during 2006-07, Army projected a demand of Rs. 7139.50 crore for modernisation against which only Rs. 6472.50 crore have been allocated in the BE 2006-07.

3.10 In the presentation before the Committee, the Ministry informed the following core areas for modernisation:

“The core areas for modernisation are improve fire power, improve all weather battle field surveillance capability, enhance night fighting capability, increase individual and collective protection, including counter IED capability, increase individual and collective mobility, including mobility expedients, improve communications including infrastructure, modernisation of Command and control systems, information warfare, missile capability, enhance Nuclear Biological Chemical (NBC) capability, enhance capability of special forces and maximum use of simulators for training.”

3.11 The Ministry further informed that this shortfall would affect the following modernisation plan of Army:

HEAD	VARIATION
Aircraft & Aero Engines	(-) 149.57
Heavy & Medium Vehicles	(-) 55.24
Other Equipment (Trade)	(-) 445.31
Rolling Stock	(+) 10.68
Rashtriya Rifles	(-) 6.20
Total	(-) 667.00

3.12 On Capital acquisition (modernisation) Army's allocation in defence the representative informed the Committee:

Service	BE 2005-06	RE 2005-06	BE 2006-07	% INCR (BE to BE)	% INCR (BE to BE)
Army share	5647.74	6331.88	6472.50	14.60	2.22

3.13 Elaborating on the long term perspective plan for modernisation of Army, the representative of the Ministry during

evidence informed the Committee :—

“We have drawn out a long-term perspective plan for our Army and that is to be optimally equipped, weaponised and responsive force with the capability of operating effectively in a joint services environment in the entire spectrum of conflict. To achieve this, we have a planned method; we have a long term perspective plan which was for 15 years, that is from 2002-2017. From this long-term perspective plan, we draw out a five year plan. That was the 10th Plan, 11th Plan and the 12th Plan. As this year is the last year of the Tenth Plan and from next year well start the 11th Plan. We, in drawing out this effective plan, we learnt a few lesions while drawing out the Tenth Plan. That we were little delayed in getting it approved. However, for the 11th Plan, it has already been approved by the hon. Minister of Defence and forwarded to the hon. Minister of Finance.”

3.14 The Committee note with concern that there is decline in share of Army in total Defence budget. During 10th Defence Plan, it has declined from 57% in the beginning of the Plan to 47% by the end of the Plan. The Committee, however, further note that revenue to capital ratio has improved from 83:17 to 75:25 since the start of 10th Plan but it is still very much on the higher side. Since there are serious limitations in curtailing revenue expenditure, the Committee desire that the Army should focus on increasing capital expenditure.

The Committee note that the Army projected a demand of Rs. 7139.50 crore for modernisation in the BE 2006-07. However, only Rs. 6472.50 crore were allocated which is less than 15% of the total Army budget. The Committee note that reduced allocation will have adverse effect on acquisition of aircraft, aero-engines, heavy and medium vehicles and speedy modernisation of *Rashtriya Rifles*. The Committee further note that allocation of Rs. 5647 crore provided in B.E. (2005-06) for Capital acquisition (modernisation) was increased to Rs. 6332 crore at the R.E. stage. This shows the capacity of Army to absorb additional allocation of funds for modernisation. The Committee feel that Indian Army besides combating external security threats are also involved in tackling internal security problems and disaster management and therefore, should be equipped with modern armaments weapons and equipments with special attention to infantry soldiers. The Committee, therefore, recommend modernisation of Army should be undertaken vigorously on priority basis and sufficient allocation be made for the purpose.

Night Fighting Capability

3.15 On being asked by the Committee about night fighting capability of the Army, the Ministry stated as under:—

“Night fighting capability is related to the holding of night vision devices and night sights. The Army is holding Thermal Imaging, Image Intensification and Infra Red devices to enhance night fighting capability. The quality of the devices held by the Army is not fully at par with the advanced countries.

There is a need to acquire third generation Thermal Imaging (TI) sights and night vision devices. Development of this technology in the country with the involvement of private sector would be possible but time consuming. It would be ideal to resort to indigenous production through transfer of technology.”

3.16 When the Committee desired to know efforts made by the Ministry to enhance their night fighting capability, the representative of the Ministry stated:—

“By the middle of the Eleventh Plan, we would have equipped all out Tanks. The second issue which I was mentioning, is that we are giving image intensification sights to all the drivers and even to the gunners and commanders of T-55 Tanks. These are going to be taken from the Ordnance Factory, Dehradun. We are buying about 4,000 sights from them.

We are very much alive to the problem. You have rightly raised the issue that it needs to be addressed and as an Army we are addressing it at all levels, whether it is Infantry, whether it is soldiers, whether it is mechanized Infantry or whether it is tanks. We hope that at least a large number of them will get fighting capability by the end of Tenth Plan. There are about three-four equipment tested and trials are over. Soon, they will be on the table for a negotiation. I assure you that by the end of the next year, a large number of night vision devices for all types of equipment will be introduced in the Army.”

3.17 The Committee are constrained to note that the quality of the night fighting devices held by the Army is not fully at par with the advanced countries. The Committee observe that war winning capability of any country is determined not only on the availability of sophisticated lethal weaponry but also capability to identify and accurately strike the enemy in the dark gives the necessary edge to our force against enemy.

The Committee therefore desire that our country must be ahead from the neighbouring countries in particular in quality of night fighting devices for the security of the country.

The Committee, therefore, recommend the Government to make concerted efforts to acquire the latest state-of-art devices with Transfer of Technology (ToT) urgently so that armed forces are fully equipped with night fighting devices by the end of 10th Plan period. Simultaneously DRDO in partnership with private sector should undertake development of these sophisticated equipment so that self reliance can be attained in the vital area. The Indian manufacturer industries should be encouraged for developing the technology.

Artillery Guns

3.18 On requirement of Artillery Guns, the Ministry in their action taken reply on the recommendations contained in the second report of the Committee on Demands for Grants of the Ministry of Defence for the year 2005-06 has stated:—

“The Army is looking for induction of following two types of guns:—

- (a) 155mm Self Propelled Gun (both on tracked and wheeled chassis).
- (b) 155mm Towed Gun

3.19 The status with regard to procurement of the above guns is given as under:—

Wheeled SP Gun: Requested for Proposals(RFP) for procurement of 155mm/52 Calibre Wheeled Self Propelled (SP) Guns was issued to 11 vendors. Only 5 vendors responded. Of these, 4 were rejected in Technical Evaluation as they do not meet. The required parameters. Since only one SP Gun met all the qualitative requirements, it has since been decided to explore if there are any additional vendors currently producing Wheeled SP guns so that a competitive situation can be developed. Gun of M/s Denel, South Africa, would not be considered due to allegations of certain payoffs by them to a UK firm for facilitating a defence contract with India.

Tracked SP Gun: Tracked SP Gun is a project developed by Defence Research and Development Organisation (DRDO). It involves mating a suitable imported 155mm/52 Calibre turret with

indigenously developed BHIM chassis. Process of identification of a suitable turret was completed after global tendering and successful trial evaluation. The contract Negotiations had been completed. The case has been put on hold due to certain allegations about the payoffs by M/s DENEL to a UK Firm for facilitating a defence contract with India.

Towed Guns: Global RFP was issued in December, 2001. Three vendors responded. Trial evaluation of all three guns was carried out in May/July, 2002 and June/July, 2003. Validation firing of all three guns were held in November, 2004. Validation, mobility trials and environmental tests have been completed. Currently, General staff evaluation are in progress with Army Headquarters. The gun fielded by M/s Denel South Africa would not be considered any further, as explained above."

3.20 The Ministry further stated:—

"The present requirement of SP Guns in Army Acquisition Plan (AAP) 05-06 was 280 (Tracked – 100 and Wheeled – 180). The procurement from M/s DENEL, South Africa has been put on hold.

Currently DRDO has not undertaken research work on development of 155 mm SP Gun. Certain activities like modification of Arjun chassis was done in 1998-99. Hull was to be made by Bharat Earth Movers Ltd. (BEML). Price negotiation were concluded for supply of turret. For certain Government decisions, supply order was not placed. So far has not received any new proposal."

3.21 The Committee note that the Army need 280 Tracked and Wheeled Guns and procurement from single vendor M/s. Denel has been put on hold. Therefore, the Committee recommend that whenever the procurement of any type of weapons system is decided, Procurement Board should always have atleast three vendors on the panel so that in case of any irregularity from the vendor selected, the other vendors on the panel can be considered and delay in procurement can be minimized. In the present case the Committee desire that all out efforts should be made to procure the Guns at the earliest.

3.22 The Committee are constrained to note that DRDO has not undertaken research work on development of 155 mm SP Gun despite the Committee's recommendation in earlier report. The Committee again recommend that DRDO should initiate research work for

development of 155mm SP Gun so that the country does not depend on foreign suppliers for this crucial equipment. The Committee further recommend that while signing the contract for procurement of Gun, Transfer of Technology (ToT) should be obtained from the exporting country.

Bullet Proof Jackets

3.23 In reply to a question on bullet proof jackets, the Ministry stated:—

“At present, the Army requires 1,40,130 Bullet Proof Jackets (BPJ). The BPJs being supplied at present to the Army weigh 5.5 kgs. The jackets being supplied meet the international standards and are capable of resisting the firepower on enemies as well as weapons used by insurgents. The BPJs meet the General Service Quality Requirements (GSQR) laid down by the Army, which are formulated after considering such requirements only.

The details in respect of all types of Bullet Proof Jackets (BPJs) being manufactured in the country and available in the world cannot be commented upon. However, the data in respect of two types of BPJs procured by the Indian Army in the last two years are as given below:-

Sl.No.	Type of BPJ	Weight	Price (Rs.)	Material used
1.	As per GSQR 759	5.5 kgs	11,900	Ceramic Plate in Kevlar
2.	As per GSQR 878	5.5 kgs	20,100	Poly Amides

3.24 During the oral evidence representatives of the Ministry of Defence stated:—

“There is no problem as far as bullet proof jackets is concerned. We were trying out the jacket made in India and the jacket made outside. A final decision has now been taken that the bullet-proof jacket made in India is better than the one made outside. Earlier, the soldier found it difficult to go around wearing it because it was heavy. Now the good thing is that the Indian bullet-proof jacket is found to be better than the one we were wanting to buy from outside. I assure you that by the end of this Plan we will have enough bullet-proof jackets for all our soldiers.”

3.25 In a subsequent note regarding status of procurement and indigenous manufacturing of BPJs, the Ministry informed the following:

“The Bullet Proof Jackets (BPJs) for jawans are presently being procured from indigenous firms after following the prescribed procurement procedures. The BPJs being supplied by the indigenous firms are at par with international standards. However, the raw material for the same is being imported.”

3.26 The Committee note that there is a large requirement of Bullet Proof Jackets (BPJs) in the Army, which is very essential for saving the life of a soldier. The Committee are happy to note that that the bullet-proof jacket made in India is at par with international standard and by the end of this Plan the country would have enough bullet-proof jackets for all the soldiers. The Committee note that crucial fibre used in making BPJ is being imported. Since the jackets are required in large number, the Committee desire that the Ministry should try to obtain ToT so that the production of fibre can be undertaken in the country itself.

Production of Arjun Tank

3.27 On a specific query of the Committee regarding production of 124 Arjun Tanks and time limit prescribed in this regard, the Ministry stated:

“The production schedule for MBT Arjun has been decided by the Steering Committee on productionisation of MBT Arjun. First five tanks are undergoing comparative trials by Army. Subsequently, DRDO would carry out suitable modifications in Gunners Main Sight and Gun Control Systems of balance 24 tanks which are ready in assembled condition at HVF, Avadi. The total 124 nos. tanks are planned to be handed over to the Army by 2007-08.”

The Ministry in their subsequent note on latest position of the Arjun Tank further stated as under:

“Five production tanks (Nos 001 to 005) were subjected to comparative trials during June 2005 wherein some defects were reported by the User with regard to (a) fire control system and (b) gun control system. In view of these defects the tanks were withdrawn by DRDO to carry out extensive re-examinations, system defect analysis, carry out rectification work and re offer at a later date as and when these tanks are fully prepared for its readiness by conducting in – House (DRDO) revalidation trials to fully satisfy

the user requirements. Accordingly, a plan of action was charted out to resolve all issues. Broadly, the problems are comprising to OEM supplies only, viz. (a) OIP Sagem Belgium – France (for GMS/LRF), and (b) Rexrath, Germany (for Gun control system). Rest are all minor issues pertaining to quality and workmanship/assembly integration which has already been resolved.

As regards current factual status of Arjun Tank the Ministry in their written note further stated as under:

“All tanks 001 to 005 at MFFR are updated with complete improvements duly in house validated in respect of (a) GCS (b) Automotive systems (c) FCS systems (except for the LRF meeting 60 C temp spec) Tank No. 002 to 005 are expected to be fitted with LRF meeting 60 temp Spec by 25th May, soon thereafter Army’s evaluation will start off.”

3.28 The Committee are deeply concerned about the progress of Arjun Tank as its production schedule are going very slow. The Committee, as recommended in their earlier reports, desire that Ordnance Factory in coordination with DRDO should carry out suitable modifications in ‘Gunners main sight’ and ‘Gun control system’ of the Arjun Tank at the earliest and hand over the rectified Tanks to the Army by 2007-08. The Committee also stress that time limit prescribed should not be further extended. The Committee also desire that accountability for delay in production of the Arjun Tank may be fixed.

Directorate General of Quality Assurance (DGQA)

3.29 Directorate General of Quality Assurance is an inter-service organisation functioning under the Department of Defence Production in the Ministry of Defence. DGQA is responsible for Quality Assurance of all defence stores and equipment, both imported and indigenous for the Army, Navy (Excluding Naval Armaments) and common user items for the Air Force procured from all sources viz Private Sector, Public Sector Undertakings and Ordnance Factories.

3.30 DGQA Organisation is structured into ten Technical Directorates each responsible for a distinct range of equipment. The Technical Directorates are vertically structured in three tiers for functional purposes, comprising their respective Headquarters, Controllerates and Field Quality Assurance Establishments. The tasks performed by them are complementary and are integrated to achieve maximum efficiency.

3.31 On the question of manufacturing units are to be made responsible to insure the quality of the items produced by them in line with modern quality assurance practice, the Ministry stated:

“That initiatives have been taken by the department to progressively make the manufacturers responsible for quality of product manufactured by them. DGQA awards self-certification status to manufacturers both in private and public sector after assessing their capability. In addition ordnance factories are presently manufacturing some of the clothing items under self-certification. Inspection of input material required by manufacturing units under the department and vendor development, which was earlier done by DGQA has now been transferred to the manufacturing units. This reposes greater responsibility on the manufacturers to ensure better quality of products manufactured by them. However, DGQA will continue to give final inspection coverage as well as perform quality audit and surveillance.

3.32 The C&AG in their report has criticized the performance and role of DGQA is as under:-

- (a) DGQA had not evolved from an inspection agency into a quality assurance agency, in terms of its systems, procedures and practices.
- (b) Multiplicity of Controllerates of Quality Assurance contributed to inefficiencies and problems of coordination.
- (c) DGQA was unable to effectively assure the quality of supplies from the Ordnance Factories primarily because of the inappropriate model of quality assurance in which DGQA had assumed the role of first party quality assurance and its inability to adopt accepted quality assurance practices.
- (d) DGQA's approach to quality assurance of supplies from industry (trade) was inspection based and did not take into account the levels of risks involved in procurement of different categories of supplies.
- (e) The concept of 'Authority Holding Sealed Particulars' (AHSP) was leading to conflicts between production and quality assurance agency.
- (f) Multiple cadres and posts created a layered organisation unsuited for quality assurance work.

3.33 The C&AG has given their recommendations as under:—

- (a) In order to have effective quality assurance system for the products supplied to the Army, DGQA has to suitably distance itself from the production organisation and should assume the role of a second party quality assurance status. Towards this end, the feasibility of creating a Defence Quality Assurance Board (DQAB) under the ministry may be explored in consultation with the stakeholders.
- (b) The Controllerates of quality assurance may be reorganized by suitably merging and redefining their roles and jurisdiction to reduce their multiplicity so that they provided better interface with the production units and the Army.
- (c) A policy directive covering all aspects of Quality Management including the roles and the responsibility of the agencies involved in Defence should be issued by the MOD. The Army should formally adopt a Quality Standard, governing all quality related systems, procedures and decisions of all concerned including DGQA.
- (d) A computerized management information system with automated documentation and control functions should be implemented to enhance data integrity.
- (e) DGQA as a second part quality assurance should restrict itself to acceptance inspection and periodic audit and surveillance. It should roll back its intensive engagement within the Ordnance factories leaving the primary responsibility of quality to the factories. DGQA should adopt modern quality assurance practices and clearly define the scope of quality assurance activities and lay down guidelines for their conduct based on international standards and best practices.
- (f) The Ministry should help the Ordnance factories strengthen their quality management so that they assume total ownership of quality as manufacturers.
- (g) With regard to the supplies from the industry (trade) there was need for better coordination between DGQA and the procurement agencies in the Army. Adoption of risk based approach in quality assurance practices would ensure more efficient utilization of available manpower and eliminate delays.

- (h) With regard to imports DGQA should be involved in the important stages of procurement. The system of Pre Despatch Inspection (PDI) needed to be streamlined. Since the onus for quality of imports rested largely with the suppliers, MOD should conclude quality assurance agreements with the supplier countries.
- (i) The concept of AHSP should be replaced with modern day concept of Configuration Management.
- (j) The intake of the Defence Quality Assurance Service cadre i.e. Group 'A' Civilian Officers of DGQA through the Indian Engineering Service Examination of the Union Public Service Commission may be considered. The Ministry of Defence may consider commissioning younger and technically qualified Service Officers directly into DGQA Cadre.

3.34 The Ministry informed the Committee that the post of DGQA is vacant and is being headed by acting DGQA . In reply to a query of the Committee regarding vacancy of Director General, the Ministry stated;

“That the post of Director General (QA), which is in the rank of Lt. Gen is lying vacant since 31st August 2004. Additional DGQA, a civilian officer, who is of the same rank as that of Director General is officiating as DG(QA). The post of DGQA is filled by promotion from among the Maj. General of Permanently Seconded Service Officers Cadre of DGQA. The Department had initiated action for selection to the post of DGQA in the year 2004, when representations were received from some of the Maj Generals questioning the inter-se-seniority of the Maj Generals. On examination, in consultation with DOP&T an apparent error in fixation of seniority was noticed. Thereafter, DGQA was directed to publish seniority list of the Permanently Seconded Service Officers. The seniority list was published in August 2004, after which number of representations including some relating to inter-se-seniority of Maj Gen were received in the Department. After examination of the representations, it was decided to conduct review Boards for correcting the inter-se-seniority of the Officers. Thereafter revised seniority list was issued in March 2005. The revised list was challenged by one of the Maj Generals in the High Court of Delhi. The Court has granted interim stay on operation of the seniority list published in March 2005 and after hearing on 24th March 2006 judgement has been reserved. After hearing in May/2005 department had filed an application for early

hearing, which had been dismissed. Since the case was being heard by the Hon'ble High Court, SLP was not filed against the stay order. However, a proposal for filing SLP against the stay granted by the High Court had been sent for legal advise in March 2006. The judgement having been reserved, Additional Solicitor General has opined that it is not a fit case for filing SLP at this stage."

3.35 In the presentation before the Committee, the representative of the Ministry informed about organisation structure:

- (i) Headed by DGQA in the rank of Lt Gen.
- (ii) Addl DGQA in charge of Administration, Policy Planning & Training.
- (iii) 10 Technical Directorates headed by (Maj Gen / Equivalent) responsible for distinct range of stores.
- (iv) 29 Controllerates, which are repository of sealed particulars.
- (v) 78 Field Units engaged in QA functions.
- (vi) 2 Proof Ranges.
- (vii) Defence Institute of Quality Assurance, Bangalore.

3.36 The representative of the Ministry further informed about the allocation of budget:

Head	Actual 2004-05	RE 2005-06	BE 2006-07
Revenue	350	362	381
Capital	42	20	39
Total	392	382	420

3.37 In the presentation before the Committee, the representative informed that Committee about establishment and sanctioned strength:

Sanctioned Strength

Service & Civilian (Gp A) officers	1088
Civilian officers (Gp B, C & D)	15376
Combatants	1093
Total	17557
Held Strength	12855

3.38 On the information on changes in functions and organisation, he further informed:

- (i) Indigenisation responsibility transferred from DGQA to manufacturing units (OFs & DPUSUs) and Service HQs (Army HQs is yet to take over the responsibility).
- (ii) Responsibility of input material inspection and Vendor development transferred from DGQA to manufacturing units.
- (iii) Three new Technical Directorates opened after Cadre Review.
- (iv) Performance Audit of DGQA conducted by C&AG has recommended changes in structure and working procedures, which are being studied.

3.39 During the oral evidence the representative of the Ministry stated:

“.....Whenever the equipment is introduced in the services and whenever there is a defect, the DGQA also carries out the defect investigation. Of course, wherever there is any design defect, the remedial measures are suggested. So, these are the very broad outlines of our roles and functions.”

3.40 The Committee note DGQA is responsible for quality assurance of all defence stores and equipment, both imported and indigenous for the Army, Navy (Excluding Naval Armaments) and common user items for the Air Force procured from all sources viz. Private Sector, Public Sector Undertakings and Ordnance Factories.

The Committee also note the shortcomings of DGQA for which it has been severely criticized by the Comptroller and Auditor General (CAG). The Committee would like the Ministry to seriously examine the CAG report and take corrective action in this regard. The Committee may be apprised of the action taken by the Government in this regard and how it proposed to restructure the DGQA in the light of the CAG report.

The Committee further note that the post of Director General (QA) has been lying vacant since 31st August 2004 due to stay order granted by the High Court. The Committee feel that Government has not made serious efforts in this direction. Since DGQA is a key organization headed by Director General (QA) responsible for ensuring the quality assurance of all defence stores and equipment,

the Committee desire that Ministry should clarify the position before High Court to get the stay order vacated so that post of Director General (QA) can be filled up as early as possible.

The Committee note that as per the changes made in the functioning of DGQA, the indigenisation responsibility has been transferred from DGQA to manufacturing units and service headquarters. Also steps are being taken to progressively make the manufacturers including DPSUs, OFs and private sector responsible for quality assurance of product manufactured by them. Inspection of input material required by manufacturing units under the department and vendor development which was earlier done by DGQA has now been transferred to manufacturing units. Only the final inspection coverage and quality outputs & surveillance has remained with DGQA.

In view of the forgoing, it is seen that there has been sharp decline in responsibilities of DGQA. Moreover, there have been complaints from the users of quality of equipment that have been certified by this organization. In this connection, the Committee had expressed serious concern over revalidating of vintage mines during operation 'Prakaram' which led to large scale of casualties. The Committee, therefore, desire that Government should seriously examine the role of DGQA with a view of disbanding the organisation. The quality assurance can be entrusted to DRDO and manufacturers. In this regard the staff of DGQA can be absorbed in other departments. This will save the country a fair amount of revenue and self-certification by manufacturers will bring more accountability and responsibility in the vital area of defence preparedness.

CHAPTER IV

NAVY

4.1 Out of the total (Net) Defence budget of Rs. 89,000 crore in the Budget Estimates(BE) for 2006-07, Navy shares 18.14 per cent *i.e.* Rs. 16141.03 crore as compared to 18.09 per cent *i.e.* Rs. 14776.89 crore of the total (net) budget of Rs. 81,700 crore in the Revised Estimates(RE) for 2005-06. Out of the total (Net) allocation made to Navy for the year 2006-07, Revenue expenditure shares 41.59 percent against 42.55 per cent for RE 2005-06; whereas Capital component is 58.41 per cent against 57.45 per cent for RE 2005-06.

4.2 The total (Gross) allocation (Revenue expenditure) made to Indian Navy was Rs. 6105.95 crore in the Budget Estimates(BE) 2005-06 which slightly went up by approximately Rs. 300 crore to Rs. 6422.79 crore at the Revised Estimates stage. The allocation has been further increased to Rs. 6791.78 crore in BE 2006-07.

4.3 On the Capital Account, the allocation in the BE 2005-06 was Rs. 9225.65 crore which declined by approximately Rs. 736 crore to Rs. 8489.70 crore at RE stage. The allocation in BE 2006-07 has however, been put at Rs. 9427.85 crore which is slightly higher than the BE 2005-06.

Modernisation of Indian Navy

4.4 India has a vast coastline *i.e.* 7516.6 kilometre, with its economy largely dependent on the seas. In recent years, out maritime interests have been triggered by voluminous transport of oil and gas from various parts of the world, thereby increasing the role of Indian Navy to play all along the oil routes, in addition to the defence of the peninsular land from a range of maritime terrorism, piracy, gunrunning, poaching, drug trafficking etc. Indian Navy has therefore multi-pronged role to play to safeguard the economic and strategic interests of the country. On the issue of capability augmentation of the Navy to face the growing challenges and undertake maritime operations, the Ministry of Defence, during presentation before the Committee, stated as under:

Power Projection Airborne Surveillance

- Sea control capability in our areas of interest needs to be augmented with induction of more capable platforms.

- MR aircrafts are required on priority to enhance Airborne Surveillance and ASW insufficiency.

Sea Denial Integral Aviation

- Additional submarine necessary for credible 'Sea Denial' capability.
- Requirement of integral aircraft in terms of fighters/ helicopters for fleet operations.

Shallow Water ASW Mine Counter Measure Sea Lift

- Shallow water Anti Submarine Warfare (ASW) and Mine Counter Measure (MCM) platforms for effective coastal defence.
- Sea lift capable platforms for Trans National capability/ benign roles.

Intelligence Surveillance Reconnaissance

- Necessity to develop real time Intelligence, Surveillance and Reconnaissance (ISR) capability with space based surveillance.
- Platforms need to be network enabled and secure space based communication is essential to have network centric command and control.
- Base support/maintenance infrastructure need to be augmented.

4.5 The Committee note that, keeping in view the ever-increasing maritime interests of the country, Indian Navy has a major role to play to safeguard the nation on both economic and strategic fronts. To effectively discharge the above role there is an urgent need to augment the capability of the Navy by induction of sophisticated state of art Naval equipment and platform. The Committee, therefore, recommend that the development/procurement of the various Naval equipment should be taken up on priority and adequate availability of funds must be ensured by the Government so as to boost the capability of Indian Navy.

Air Defence Ship

4.6 On the ongoing construction of Air Defence Ship (ADS), likely induction of Admiral Gorshkov and the probabilities of undertaking

another project on the line of ADS, the Ministry of Defence, in a written note, submitted before the Committee, has furnished the following details:

“Aircraft Carrier Admiral Gorshkov is likely to be inducted by end 2008. Air Defence Ship (ADS) is under construction at M/s Cochin Shipyard Ltd. (CSL), Cochin. It is stated that key plan for 6500 Tonnes and production drawings for 1350 Tonnes of steel structure are ready. Cutting of plates of 281 Tonnes has been completed at the shipyard. Block fabrication is expected to commence in Oct 2006 on receipt of bulb sections. Further, CSL have already incurred an expenditure of Rs 146.4 Crs. in the FY 2005-06 and committed additional amount of Rs 101.7 Crs. in 2005-06 towards the project.

Initially, Steel was to be procured from Russia and accordingly a contract was signed in Dec.03 between Cochin Shipyard Limited and Rosobornexport (ROE). However, the contract could not be effected due to non submission of Bank Guarantee by ROE. The special quality Steel required for construction of the Aircraft Carrier was then not available indigenously. The process of development of this special Steel was however being pursued by DMRL, Hyderabad. This development was completed in 2004 and subsequently M/s SAIL was identified to produce this special steel. The project is slightly behind the schedule on account of delay in procurement of bulb bars.”

4.7 In view of the need of three aircraft carriers, expressed by the Ministry of Defence during examination of Demands for Grants (2005-06), the Committee had recommended for necessary infrastructure for the construction of third aircraft carrier, in addition to Admiral Gorshkov and the already under construction Air Defence Ship, to be created to achieve self-reliance in terms of the number of aircraft carriers so as to address the maintenance/repair needs of the other two carriers.

4.8 In written reply to a query of the Committee on the infrastructure for the construction of third aircraft carrier, the Ministry has stated in a written note as under:

“Studies undertaken by Navy indicate that Aircraft Carrier construction is feasible only at M/s Cochin Shipyard Limited, Cochin and not at any other Public Sector Shipyards due to various infrastructural limitations.”

4.9 When enquired about the comparison among the features, capabilities and maneuverability of the presently deployed aircraft carrier INS Viraat, Admiral Gorshkov likely to be procured from Russia and the American aircraft carrier USS Nimitz which participated in the recently concluded Indo-US Naval exercise, Malabar – 05, the Ministry of Defence has furnished the following comparative statement:

Features	INS Viraat	Ex Gorshkov	USS Nimitz
<i>Dimensions</i>			
Length Overall	226.9 m	283.5 m	339.2 m
Displacement	23900 T	34200 T	72916 T
Standard	-	39700 T	91487 T
Normal	28700 T	45300 T	96386 T
Full			
Max Speed	28 knots	28 + knots	30 + knots
Aircraft Carrying Capacity	Total 30 Aircraft	Total 34 Aircraft	Total 75 Aircraft
Main Machinery	Steam, four Admiralty Boilers, two turbines and two shafts.	Steam, eight KWG4 Boilers, four turbines and four shafts.	Nuclear, two Westinghouse/GE PWR A4W, four turbines and four shafts.
Main Weapon Package	Surface to Air Missiles and Guns.	Surface to Air Missiles and Guns.	Surface to Air Missiles and Guns.

4.10 The Committee are unhappy to note that the Ministry of Defence has outrightly rejected the feasibility for creation of necessary infrastructure for undertaking the construction of the third aircraft carrier stating that such facilities are available only at M/s Cochin Shipyard Limited, Cochin and not at any other public sector shipyards. The Committee are unhappy at such a situation and recommend that, keeping in view the requirements of three aircraft carriers, necessary infrastructure should be created in Defence public sector shipyard on priority and required manpower be deployed so as to start the construction of third aircraft carrier.

4.11 The Committee note that project for construction of Air Defence Ship is already behind the schedule on account of non-availability of the Special quality steel and delay in procurement of

bulb bars. Since these two problems have been resolved, the Committee hope that ongoing construction of Air Defence Ship and Aircraft carrier Admiral Gorshkov would be completed as per schedule without showing time and cost overrun.

4.12 The Committee also note that in comparison of the American aircraft carrier USS Nimitz, our aircraft carriers INS Viraat and Admiral Gorshkov, stand nowhere in terms of various features *viz.* dimension, displacement and aircraft carrying capacity. The Committee, therefore, recommend that the features of the Air Defence Ship, already under construction at Cochin Shipyard should be re-examined and steps be taken to match the capabilities of the best aircraft carrier to the extent possible. The Committee wish to be apprised periodically of the progress being made by the Ministry on both these fronts.

Maritime Surveillance of Indian Navy

4.13 On the need of maritime patrol aircraft as well as spy plans to tighten long range coastal surveillance of the country, the Ministry of Defence has furnished the following information, in a written note, submitted to the Committee:

“Indian Navy has TU 142M and IL 38 aircraft for Long Range Maritime Anti-Submarine Warfare. IL 38 aircraft is being upgraded and refurbished to enhance their technical life. It has been decided to replace the TU 142M aircraft by acquiring new Long Range Maritime Reconnaissance Anti-Submarine Warfare aircraft to enhance the long range maritime surveillance capability, for which Request For Proposal on global basis was issued in December, 2005. For undertaking Short Range Maritime Reconnaissance, Navy uses Dornier and Islander aircraft.

Navy presently uses Unmanned Aerial Vehicles and Dornier aircraft for coastal surveillance. The Navy propose to acquire more such aircraft to enhance coastal surveillance capability. Informal requests are received from time to time from regional and extra regional powers, to participate in various regional initiatives. The Navy undertakes regular exercises and coordinated patrols with these Navies to build interoperability and streamline procedures that would greatly assist in tackling sea piracy and such other threats. The quantum of forces required could be determined only by the scale of operation. However, Navy has adequate forces to meet any emergent requirement to safeguard our maritime interests.”

4.14 The Committee note that the Navy faces shortage of both short range as well as long range maritime surveillance aircraft. There is also shortage of Unmanned Aerial Vehicles (UAV) and Dornier Aircraft, being used by the Navy for coastal surveillance. The Committee also note that procurement of these aircraft is in the initial stage. It negates the very proposition of the Ministry that Navy has got adequate forces to meet any emergent requirement to safeguard maritime interests. The Committee feel that Navy is an equipment intensive Service and procurement of such critical equipment cannot be sidelined and therefore strongly stress that adequate attention should be given by the Ministry and required funds made available for procurement of these aircrafts.

4.15 The Committee also feel that, keeping in view the transport of petroleum products by sea from various parts of the world, the Indian Navy has a major role to play in providing security along the oil routes in the subcontinent. With an eye to the present day's environment, not only for security reasons but for economic reasons also, Navy needs to be strengthened.

Radar Surveillance of Indian Navy

4.16 On being asked by the Committee regarding the need of low level radars to strengthen surveillance system of the Navy, Secretary, DRDO stated as under:

"I mentioned earlier also that the design teams in all these areas are limited. You do not have unlimited number. This includes private sector help also. It is because there is only one place in India where design of radars can be done. What we are doing now is that quite a lot of software work plus fabrication plus mechanical operation of the design plus some of the electronics job, we are shifting to the industry. That also based on the education which we have done in the previous radar design. So, by that process we are trying to cut the time for development so that the additional radars can be sourced from these companies. L&T is an important partner in radar development apart from BEL. The system integrator is BEL. We are also getting some electronics and important modules from another company in Hyderabad called Astro-microwaves. Then we are also getting some parts from Tata Electric people. There are other a number of small partners. What happens is that at any point of time as the Navy person said now while the initial ships may go with some of these but subsequent radars are being developed jointly between

BEL and DRDO. It is very well clearly earmarked which ships will go with Indian radars and which ships would go with other radars. There is no ambiguity here. Its focus related to the particular ship."

4.17 Defence Secretary also felt the shortage of radars in Navy during oral evidence as under:—

"Actually, there are some ships where it is already fitted and some are without it. We want to rectify that. All ships which are on operation must have them."

4.18 When the Committee asked on import position of Radars, the representative of the Ministry elaborated on the issue as under:—

"Our concentration so far has been to work with DRDO. Till about five years ago, we were importing. Now we have gone to a great extent not in a high multi-functional radar, for ordinary radars, LRV is design and BEL is making it for us. Most of our ships have got a combination of imported weapon radar for higher definition weapon system. Missile have all the imported radars. For the next five years, we are going to the next step where DRDO and Navy are trying to do all the multi-functional radars. Now future ships even with high definition weapon system would all be Indian. But we cannot go commercial as far as radars and electronic systems are concerned."

4.19 On the import Vs. indigenous options for radars, a representative of the Ministry further apprised the Committee:—

"Where they are required, import option has been exercised. We are getting radars by import till the indigenous options come up."

4.20 During examination of Action Taken Replies to the second report of the Committee on Demands for Grants (2005-06), the Committee observed that proposals for acquiring low level radars in case of Navy are under consideration and the Committee therefore desired that the same be acquired in a time bound manner to strengthen surveillance system.

4.21 To a query of the Committee on preference given by the Ministry to foreign option than the private entrepreneurs of its own country for such items, a representative stated:

".....so far we are buying from Russia. They have got a pact with them where they do not give some kind of radar. Even if

they give the radar, there are frequencies which are only special to India. That frequency will not be given to anybody. That is the kind of understanding we have with only Russians.”

4.22 When the Committee desired to know the role of private sector participation in the production of sophisticated defence items, Defence Secretary stated:

“Many of the private sector entrepreneurs which have been representing before you, they want the whole produce. But then today unfortunately they do not have that infrastructure. For that infrastructure they would require a lot of investment. We cannot issue an RFP to them because if they do not have the infrastructure, they do not have the produce and then we cannot issue it.”

4.23 The Committee are dismayed to note that some of the ships inducted in Navy are operating without radars and most of the radars fitted on ships are imported. Moreover, most of the missiles, under induction of the Armed Forces, are also imported, which is reflective of serious incapability of our indigenous R&D efforts. The Committee are further constrained to note that only one DPSU *i.e.* Bharat Electronics Limited (BEL) has the infrastructure and capability to design and manufacture radars. The Committee also note that L&T company has been projected as an important partner in radar development in collaboration with BEL. Also, assistance for some electronic system and important modules is being sought from other private companies. The Committee feel that involvement of private companies in the development of radar technology is a positive effort. The Committee are of the view that DRDO and private sector should intensify their R&D efforts in order to make Radars indigenously, side-by-side with purchase of Radars from foreign countries. The Committee further desire that Government must sign agreement for procurement of radars under ‘buy and make’ provisions of the new procurement procedure so that dependence on foreign countries for radars can be minimised. The transferred technology and design must be shared among DRDO, Ordnance Factories, Defence PSUs and Private Sector engaged in Defence production for further modernisation of existing technology and developing the new ones. This strategy will not only help the DRDO to develop their own infrastructure and technology base but will also contribute substantially to the production systems, thereby achieving cost effectiveness of the products and reducing dependence on imports in the long run.

CHAPTER V

AIR FORCE

5.1 Out of the total (net) Defence budget of Rs. 89,000 crore in the Budget Estimates(BE) for 2006-07, Air Force shares 27.94 per cent i.e. Rs. 24864.91 crore as compared to 26.01 per cent i.e. Rs. 21251.28 crore of the total (net) budget of Rs. 81700 crore in the Revised Estimates(RE) for 2005-06. Out of the total (Net) allocation made to Air Force for the year 2006-07, Revenue expenditure shares 39.65 percent against 43.02 per cent for RE 2005-06; whereas Capital component is 60.35 per cent against 56.98 per cent for RE 2005-06.

5.2 The total (Gross) allocation (Revenue expenditure) made to Indian Air Force was Rs. 9192.67 crore in the Budget Estimates(BE) 2005-06 which made slight improvement to Rs. 9350.27 crore. The allocation in BE 2006-07 has been fairly increased to Rs. 10087.36 crore.

5.3 Likewise, on the Capital Account, the allocation in the BE 2005-06 was Rs. 12804.15 crore which declined to Rs. 12109.17 crore by Rs. 700 crore at RE stage. The allocation has, however, been substantially enhanced to Rs. 15006.50 crore in BE 2006-07.

Squadron strength in Air Force

5.4 During the examination of Demands for Grants(2005-06), the Committee had expressed concern over the depleting strength of Squadrons and therefore had recommended the Ministry to maintain required number of Squadrons by way of indigenisation and simplification of acquisition procedure. The Ministry of Defence, in its action taken reply, stated as under:—

“The present combat squadron strength of Air Force is 37 against the authorized strength of 39.5 squadrons. With the plan inductions of SU-30, Jaguar, Multi Role Combat Aircraft, Light Combat Aircraft and phasing out of certain aircraft during 2005-2017, the Combat Squadron strength at the end of X, XI and XII Plan period is expected to be 29, 34 and 36 squadrons, respectively.

5.5 When the Committee asked the Ministry regarding efforts made to enhance the indigenous production capability, the Ministry stated:—

“All acquisition related to modernisation of Air Force is presently being done as per the Defence Procurement Procedure, 2002

(versions June 03). This procedure also provides for review of the procedure, from time to time. First such review is currently under progress. The revised procedure would further simplify the procurement process and help in expediting acquisition of aircraft. All efforts are being made to enhance the indigenous production capacities. M/s Hindustan Aeronautic Limited (HAL) is producing SU-30 and Jaguar aircraft under licence. HAL is also the identified agency for the production of Light Combat Aircraft. Regarding the procurement of Fifth Generation Fighter Aircraft, a Protocol has been signed on 29th November, 2004 with Russians. A proposal forwarded by the Russian side for the development of Fifth Generation Fighter Aircraft is currently under examination at Air Headquarters”.

5.6 During the examination of Demands for Grants, 2006-07, when the Committee desired to know squadron strength in the 10th, 11th and 12th Plan period a representative of the Ministry of Defence stated:—

“.....by the end of Eleventh Plan, we will be reaching 31.5 squadrons, and by the end of the Twelfth Plan, we will be reaching 26.5 squadrons. However, by the addition of MMRCA, these 126 aircraft will go to make six squadrons. Starting from the Eleventh Plan onwards, the progressive increase in the squadron strength would take place. We expect that at the end of the Eleventh Plan, we would have approximately two squadrons, therefore, rising by about 33.5 and at the end of the Twelfth Plan, rising by six squadrons, that means, making it 32.5 squadrons with the MMRCA.”

5.7 On the induction of LCA in Air Force and consequently further probable increase in Squadrons, the representative stated:—

“We have taken into account the increase of the LCAs by three squadrons, and the Sukhoi-30 squadrons, we have taken into account 10 squadrons.”

5.8 The representative, however, felt that the requirement was about 44 squadrons. Thus, far away from the ideal requirement of Indian Air Force, the representative emphasized the joint development of fighter aircraft as under:—

“We have already projected for the joint development of the fifth generation fighter aircraft. Russians have offered us the joint development.”

5.9 A representative of the Ministry of Defence, in this connection, further elaborated in the following words:—

“The peak strength attained by the Indian Air Force at any point of time was 39.5 squadrons. Subsequently, they have inducted very potent, multi-role aircraft, the Sukhoi-30 MKI. Fifty of them were imported, and 140 of them are currently under licensed production at the HAL. These 140 would become available to them. It is a different level of debate as to what should be the optimum level of squadron strength.

That is one reason why we are looking at a squadron strength lower than 39.5. There are 100 LCAs which are expected to be available during the Eleventh and Twelfth Plan periods, and order for 20 numbers based on initial operational clearance has already been placed.”

5.10 During examination of Demands for Grants (2004-05), the Committee were informed that initial operational clearance of Light Combat Aircraft (LCA) is planned by 2006 and final operational clearance by 2008. In Action Taken Reply to the same Report, the Ministry furnished revised schedule stating that initial operational clearance of LCA would be over by March 2007 and final operational clearance by 2009. During examination of Demands for Grants (2005-06), the Committee were informed that initial operational clearance would be over by the year 2010. In Action Taken Reply to this Report, the Ministry informed that initial operational clearance is planned by 2008 and final operational configuration by 2010.

5.11 In response to the above observation, the Ministry, in the supplementary reply, has stated as under:—

“Revision to the estimated Initial Operational Clearance/Final Operational Clearance schedule is attributed to the following reasons:

- (a) Procurement of electronic components in limited quantities had to be resorted to, during Full Scale Engineering Development (FSED) Phase I of Tejas Programme due to phased sanctions for LCA programme. This has led to obsolescence problems, i.e. non-availability of components in international markets, and necessitated re-design of Avionics System from the fourth aircraft, onwards.

- (b) Limited financial resources sanctioned during FSED Phase I (i.e. Technology Demonstration Phase) led to restrictions in spares procurement and did not allow stock-piling of strategic electronic components. This restriction was off-set only after sanction of FSED Phase II, but quite a few were not available in the international market.
- (c) Change requests in respect of Weapon configuration for Initial Operational Configuration (IOC) by IAF necessitated re-designing of aircraft and associated systems. Revision of requirements in respect of Electronic Warfare (EW) Suite, specified by IAF in 2004, had to be accommodated. In 2005, IAF specified additional Avionics Systems for integration in aircraft and the same also had to be accommodated. Further, IAF specified Helmet Mounted Display System (HMDS) had to be introduced in aircraft as Sensors.
- (d) Unforeseen technological problems were encountered in design, development and flight-testing of indigenous Multi Mode Radar (MMR). Flight-testing requirements during certification phase increased considerably to facilitate certification of all the changes introduced in aircraft.”

5.12 The Committee note that the squadron strength of Air Force at the end of 10th, 11th and 12th Plan period will be 29, 34 and 36 respectively. The Committee also note that the peak strength attained so far by Air Force at any point of time has been 39.5, while the ideal requirement is of 44 squadrons. The Committee note that induction and phasing out of Aircraft go side by side in Air Force, however, during the upcoming period 2005-17, phasing out of several ageing Aircraft , is likely to be a major concern, thereby causing substantial depletion of squadron strength in the coming Plan periods.

The Committee also note that 140 number of Su-30 MKI and 100 LCAs are expected to be available for induction during 11th and 12th Plans. The Committee, however, feel that despite this, achieving the number of 44 squadrons appears to be a distant dream. Keeping in view the present pace of phasing out and induction of aircraft, the Committee strongly recommend that the Government should accord highest priority to ensure that Squadron strength at any time must not fall below 39.5 and strive to achieve ideal requirement of 44 Squadrons.

5.13 The Committee are constrained to note that, keeping in view the ever-increasing delay in operational clearance of LCA, early induction of the same as IAF squadrons seems to be an unrealistic proposition. The Committee are given to understand by the Ministry that the order for 20 numbers of LCA had already been placed and remaining 100 LCA would be made available during the 11th and 12th Plan period. Keeping in view the slow development and repeatedly revision in the schedule of LCA, the committee recommend that Government should also explore alternate option to import the aircraft on ToT so that squadron strength at any time may not fall below the 39.5. The Committee also desire that Ministry to strive hard to intensify their efforts to achieve the authorized squadron strength during the 11th and 12th plan period.

Force multipliers in the Indian Air Force

5.14 When the Committee desired to know the need of force multipliers in the Air Force viz. Flight Refueling Aircraft (FRA) and Airborne Warning & Control System (AWACS) to enhance its capability, Ministry of Defence, in a written note, has stated as under:—

“The Air Force needs force multipliers like Flight Refuelling Aircraft (FRAs) and Airborne Warning and Control System (AWACS) as they are able to enhance the capability of other weapon systems.

India has not developed a platform capable of taking on the role of FRA. The total requirement of FRA till the end of 12th Plan is not large. Hence ToT will not be cost effective. In the case of Airborne Warning & Control System (AWACS), it has been decided to develop the capability indigenously and therefore, no ToT has been sought. The development of Airborne Early Warning & Control (AEW&C) aircraft has been entrusted to DRDO.”

5.15 The Ministry of Defence, in a note, submitted to the Committee, has also emphasized the indigenous efforts to develop AWACS as under:—

“DRDO assessments suggest that there is enough capability to design critical sub system and integrate them together with a few sub-systems procured/jointly developed with foreign agencies to ensure that the integrated system on the identified platform would meet the operational requirement. The aircraft platform will be procured from experienced aircraft manufacturers. The Airborne Early Warning and Control System (AEW&C) is likely to be developed by April 2011 and will be offered to user for evaluation.”

5.16 Secretary, DRDO, during the evidence, further emphasised, during oral evidence, the role of force multipliers in Air Force as under:—

“You may be aware that earlier we have given in writing that there are two types in Airborne Early Warning and Control system. The Air Force has already ordered one, which is for the longer range. What we are developing in India is for the range of 300 kms for 3D surveillance with active antenna for which we have developed TR modules and capabilities. It will be based on one of the smaller platforms which could be an executive jet or some such platform. The project has been sanctioned by the Cabinet Committee in December 2004. we are expecting the radar development to get completed by 2009. I mean the prototype unit through the laboratory testing and that we have to integrate it with the aircraft. In the aircraft there is not only the radar but also the electronics warfare systems packages specifically configured for it. There are couple of other surveillance related issues, including the Satcom linkages and data linkages. The project schedule is for 2011. These are actually built like rigs. It is like a test rig, of which one of the important elements is radar development. We have taken up the radar development work. It is the joint work of five laboratories, centre for airborne system, radar laboratory, defence avionics and research laboratory, electronic warfare systems.”

5.17 Another representative further elaborated on the issue as under:—

“The Air Force has contracted for three Airborne Warning and Control Systems. These are based on IL 76 platforms. They have got 360 degree coverage rather than the limited coverage the DRDO AWACS have. That will have 240 degree coverage whereas this one has 360 degrees. The critical design reviews are over. The present system which has been contracted, that is what I am talking about. First aircraft will be delivered in December 2007, second aircraft in September 2008 and third in March 2009.”

5.18 During examination of Demands for Grants, 2005-06, a representative of the Ministry of Defence apprised the Committee on the various types of radars available with Indian Air force and their surveillance capability as under:—

“Coming to the radars, the number of radars in the medium level surveillance capability category is 32, and the number of radars

required is 44. The number of low level surveillance radars required is 107, and the available is 38.

The Government Committee on Air Space Management had recommended that 25 additional radars be acquired. Earlier, the requirement was 75, and it has gone up with the reserves, to 107. It is Aerostat. Out of the total requirement of 13, we have inducted two, and the balance would be inducted after we find that the aerostats are successful.

This is just an indication of what is the coverage at medium and high level over the entire country with our medium power radars. You will notice that in the central and peninsular India, there is a gap which exists. At a height of 10,000 feet, with the same radars that are available, there are significant gaps available all over the country.

This is the coverage on the border by the low level transportable radars this indicates that we do not have any defence in depth for our limited area defence list. As you will see, it is just sufficient to cover the border area only. But there is no scope for redundancy and there is no defence in depth for our in-depth vital areas on vital points. This is the point, which the Committee may like to kindly consider.

The induction that are planned are the medium power radars. A total of 15 + 8 medium power radars are planned. These are low level transportable radars. A total of 19 is pending presently with the Ministry of Defence. It is Low Level Light weight radars. We have planned to induct 39. We have inducted three. We are carrying out trials and once, these are proved successful, we can induct the rest. CAR is the Central Acquisition Radars. These are planned to be met indigenously by BEL. There is a requirement of seven radars. This is Indra-II. Six are being manufactured indigenously. It is upgraded and a high power radar. It is THT-55, which is being undertaken”.

5.19 A representative during examination of Demands for Grants, 2006-07, further informed the Committee about the present status of various radars available with Air Force in the following paras:

“I find the Hon. Members repeatedly asking these questions. There are two or three radars. One is ,weapon locating radar which got mentioned. I want to tell you that we have jointly taken up with BEL primarily for locating long range mortars, guns and artillery.”

5.20 When the Committee desired to know the indigenous efforts made for the manufacturing of radars, a representative stated:

“Actually, when this letter of intent was given by Ministry of Defence to DRDO as well as BEL, we are involved right from day one. We actually developed certain parts of the radar. So, we are involved. Now, the prototype is ready. It is going for evaluation now and we are confident that the radar will work.”

5.21 The Secretary, DRDO further elaborated on the issue in details as under:

“After all, in any new development there could be small hiccups which we set right – software glitches and things like that. Then it can be corresponding. As of now, a one-year period is taken for summer trials and winter trials.

The second important radar is the 3D surveillance radar for Indian Air Force for which orders have been placed. Earlier we had made 180 kilometer range. They have placed order for seven numbers. The production agency is again the BEL. We are delivering it in 2008 and the balance by 2010. That means, over a two-year period, all these seven radars will get delivered. This is an already established radar.

Then you have the low-level micro radar – one for heavy artillery and one for the Air Force. The Air Force one is a 3D, low-level, lightweight radar. It is a three-dimensional, compact system for deployment on mountains for detection of aircraft, UAV and helicopters. The sensor acts as a gap filler. The range is 50 kilometers and weigh 250 kg. The multi-target tracking is in three dimensions. It is system configured and quadripod so that it can be disassembled and taken.

The first system is expected to be delivered by January, 2008. Twenty-one numbers are planned to be supplied to Air Force under the MiG category. This was a very recent order. In fact, it was sanctioned only in December, 2004. In fact, it makes use of certain components which we have already made. The other radar is Doppler pulse compression radar Indra PC. This is again for Air Force. Earlier we had an Indra radar of 50 kilometers. Now it is a 90 kilometre one for fighter aircraft range detection and tracking of low-flying aircraft in heavy ground terrain. Elevation coverage is up to three kilometers; 360 degrees azimuth coverage. Some will be inducted in Air Force there. The production agency is BEL.

Thirty systems were earlier inducted in the services. Seven systems are now under production at a cost of Rs. 100 crore to be delivered in 2006.”

5.22 The Committee note the immense role of force multipliers in Indian Air Force *viz.* Flight Refueling Aircraft (FRA) and Airborne Warning & Control System (AWACS), which are able to enhance the capability of other weapon systems presently deployed with Air Force. The Committee note that India has not yet developed a platform for exploiting the role of FRA, thus, Transfer of Technology (ToT) has not been sought for its indigenous development. The Ministry has, however, made significant progress on the procurement of three AWACS to be fitted on IL-76 aircraft which are due to be inducted by 2009. The Committee also note that the Government has decided to develop the technology on the lines of AWACS and has, therefore, initiated the project on the development of Airborne Early Warning & Control (AEW&C) aircraft, which is likely to be developed by April, 2011. The Committee, therefore, keeping in view the role of force multipliers, recommend that the efforts for the indigenous development of AEW&C aircraft should be intensified. The Ministry should also take initiatives to involve private entrepreneurs / agencies in the design & development of critical components of the equipment at under the aegis of DRDO on sharing basis.

5.23 The Committee are concerned to note that there is inadequate coverage with the existing network of radars available with Air Force, resulting in significant gaps all over the country particularly at peninsular India, thereby making it vulnerable to sudden attacks due to failure of timely detection. The Committee note that some efforts in the right direction for indigenous manufacturing of radars have been initiated by the Government. The Committee feel that radar surveillance is such an issue which can hardly be put on side track and therefore recommend that in addition to indigenous efforts for manufacturing, import options should also be taken up on priority, and the Government should not hesitate to make adequate funds available for their procurement.

Upgradation of Aircraft

5.24 In a written note submitted to the Committee, the Ministry of Defence has stated as given below:

“Upgradation of ships/platforms/systems is undertaken to retain their combat edge and other functions keeping in view factors like

technical feasibility, residual life of the platform *vis-a-vis* the cost and life cycle cost of the new acquisition.

5.25 Upgradation of following aircraft and ship were undertaken to make them combat worthy:

- (i) MiG-21 Bis Upgrade
- (ii) Jaguar aircraft Upgrade (Upgrade is in progress)
- (iii) MiG-27 Upgrade
- (iv) Mid life update of Karwar Class of Ships."

5.26 In a related note, the Ministry has further informed the Committee that MiG-29, Mirage 2000 and Jaguar DARIN-1, DARIN-2 have also completed their useful service life and needs replacement/upgradation.

5.27 Giving details about the MiG-27 and MiG-29 upgrades, the Ministry, in its written reply has stated as given below:

MiG-27 Upgrade

MiG-27 upgrade is undertaken in two Phases *viz.*

- (1) Design & Development (D&D) Phase on 2 aircraft with Defence Avionics Research Establishment (DARE) as the nodal agency and HAL Nasik to assist.
- (2) The second is series upgrade of 38 aircraft to be undertaken by Nasik, based on the completion of D&D Phase.

Under D&D Phase, 2 aircraft were delivered by HAL Nasik to Aircraft Systems Testing Establishment (ASTE) during 2004 and are undergoing flight trials for various performance parameters, including extensive armament trials. Based on the trials, Interim IOC (Initial Operational Clearance) was granted by Air Headquarters on 30th September, 2005 so as to undertake the series upgrade work in parallel. It is expected that final IOC will be granted by March end 2006.

Work on series upgrade of first 12 aircraft is under progress at HAL Nasik. Out of this, 6 aircraft have been test flown and the balance aircraft are under various stages. It is expected that 8 aircraft will be produced during the production year 2005-06.

MiG-29 Upgrade

MiG-29 upgrade is proposed to be carried out by the Original Equipment Manufacturer (OEM), i.e. RAC-MiG, Russia. Six lead aircraft are proposed to be upgraded in Russia, while the series upgrade of the remaining 61 aircraft would be undertaken at 11 Base Repair Depot (BRD), Air Force. HAL will assist as per requirement during the upgrade. The specialist facilities available at HAL are envisaged to be utilized for the upgrade. The Request for Proposal (RFP) has been issued on 31st January, 2006."

Sukhoi-30

5.28 On the feasibility of upgradation of SU-30 aircraft and the negotiation with the Russians in this regard, Defence Secretary stated during oral evidence as under:

"...What the Russians have said that they cannot be upgraded and converted into MKI. They had given a value, which we have not agreed. One of the things, what we have done is and that has happened in 2005-06 itself, is that we have compressed the deliveries of Sukhoi-30 MKI and, therefore, we will have a large number in lesser years of time."

5.29 Another representative of the Ministry further supplemented in the matter as under:

"According to Russians, why the upgrade of the Sukhoi-30 could not go through was that major structural modification was required for thrust vector control, canard and primary load bearing structures required to be strengthened. These are the technical requirements for that. The fatigue life of Sukhoi-30K had been used for air combat up to 40 per cent. The full potential of upgraded aircraft would not be available and so it would not be cost effective. So, the Russians advised against it. This was also examined in consultation with the DRDO, HAL and the Air Force and then it was decided to go in for the swap. That was the decision".

5.30 In reply to a query on the cost effectiveness of the upgrade programme of SU-30, a representative of the Ministry of Defence further elaborated before the Committee as under:

"During the initial negotiations in 1996, you may recall that at that time Sukhoi-30 MKI did not exist, only the Sukhoi-30 existed. A concept was evolved and the overall scheme of what kind of

aircraft it will be incorporating canard, thrust vector control of the engines and the load structures were not finalised. This evolved in the intervening period of 10 years. In these 10 years, a lot of changes have taken place and the aircraft today is a far more potent weapon system than it was envisaged to be earlier.

In another assessment in 2002, the Russians informed us that it would not be feasible to upgrade the Sukhoi-30 K because of three major reasons. They said that for accommodating the thrust vector control engine, you have to entirely change the rear portion of the fuselage where the engine has to be accommodated and the swiveling have to be changed which have to be able to swivel in any direction, upwards or downwards, left or right.

Then, the second reason was that this aircraft, Sukhoi-30 MKI can carry 2 tonne additional weapon load as compared to Sukhoi-30 K and because of that, the load carrying capability has gone up significantly. Therefore, the entire primary load structure have to be changed and have to be strengthened significantly which will not be feasible to be done in Sukhoi-30 K economically.

Similarly, other reasons given by them was that the canard which has to give the super maneuverability in Sukhoi-30 MKI has to be fitted on a special structure in the fuselage. Also in our utilisation of Sukhoi-30 K, we had utilised this aircraft primarily because it could carry out only air combat missions. For air combat it has got much higher fatigue spectrum, as compared to the multi-role capable aircraft.

These were the things which could not be visualised in 1996. That is the reason why at that time they thought that it would be possible to upgrade the aircraft which was provided for in the contract whereas when the actual time came, they advised us that it would not be possible , even if you sink in money, it is going to be wasted. So, looking at the cost economics, the decision was taken in consultation with the HAL and DRDO."

5.31 When the Committee desired to know the upgradation plan of Russian aircraft Sukhoi 30 MKI, Defence Secretary stated during oral evidence as under:

"You had mentioned Su-30 MKI. We are improving the Su-30 MKI. MKI is both India and Russia Joint Development. We are making flight computers and many other avionics system; part of them is manufactured in Russia with Indian parts; and part of them is

manufactured in India with Russian parts. So, that kind of joint working is going on. We are persisting with the swap deal. We also had the similar kind of a thing. We discussed very intensely with the Russians. But the Sukhoi 30 aircraft is of a different generation. In fact, bulk of the system would be required to be changed; it cannot be upgraded. That is what the Russians and the Indian technical discussions have come to. So, in that case if we send 'x' numbers of Sukhoi 30 to them, they in turn, will be able to replenish with Sukhoi 30 MKI. This is what their proposals are. This discussion between our side and the Russian side is going on.

5.32 Highlighting the various features of Su-30 MKI, he further stated:—

“The fifth generation aircraft does not exist. Really speaking Sukoi-30 MKI is a generation ahead aircraft because it has a number of features which are not available with the current aircraft of any country. We want something more than that. This kind of discussions are going on. Since we are quite familiar with the Russian design organisations, there were quite a bit of discussions going on but we will only take if the Air Force thinks that aircraft is indeed a generation ahead of Sukhoi-30 MKI.”

5.33 In regard to the ongoing production of Sukhoi-30 MKI, representative of the Ministry has informed:—

“.....Subsequently, they have inducted very potent, multi-role aircraft, the Sukhoi-30 MKI. Fifty of them were imported, and 140 of them are currently under licensed production at the HAL. These 140 would become available to them.”

5.34 The Committee note that most of the aircraft viz. MiG series aircraft, Jaguar, Sukhoi-30, etc. composing the combat fleet of Air Force have become old and outdated and therefore require immediate upgradation/replacement to make the Air Force squadrons vibrant, responsive and combat worthy. The Committee feel that efforts being taken by the Ministry for their upgradation are in the right direction and should go on in a routine manner, as and when required, to keep the fleet up-to-date and meet the constantly increasing challenges of Air Defence.

5.35 The Committee note that while entering into the negotiation for procurement of Sukhoi-30 Aircraft, upgradation of the Aircraft, as and when required, was also provided for in the contract. After

the need for its upgradation was realised by the Indian Air Force, the matter was taken up with the Russian Government. The Russians, after making technical assessment of the economic feasibility of its upgradation, informed that the same could not be taken up due to three reasons *viz.* for accommodating the thrust vector control engine, the rear portion of the fuselage needed to be entirely changed; entire primary load structure required to be changed; and the canard which gives super maneuverability in Sukhoi-30 MKI needed to be fitted on a special structure in the fuselage. The Committee also note that this matter has been examined in consultation with the DRDO, HAL and the Air Force and thus the decision has been taken for the swap deal meaning that a certain number of Sukhoi-30 aircraft will be sent to Russia which will be replenished with MKI features. The Committee further note that, keeping in view the multi role features of the Sukhoi-30 MKI, negotiation for its procurement has been signed under which 50 such aircraft have been imported and further licenced production of 140 aircraft is already going on at HAL.

In view of the foregoing, the Committee feel that the the Ministry should explore economic feasibility for upgradation of Sukhoi-30 aircraft and further recommend that the Ministry should continue with the ongoing production of MKI version of the aircraft which has the capability to enhance the air strike capability of the Air Force.

Management of HAL's operations

5.36 On the multifarious functioning of HAL, Defence Secretary informed the Committee during oral evidence:—

“The other question that you have raised and very validly is this: is HAL chewing more than it can bite? HAL has been formed in such a manner that it has everything. HAL, really speaking, is five different companies. It has accessories, it has engine manufacturers, it has the main air frame; HAL does a fair amount of outsourcing so that if the numbers of aircraft increase, then it can have larger number of outsourcing ventures from which it can outsource, etc. I would request the Chairman of HAL to say something on this.”

5.37 Chairman, HAL, supplemented on the issue as under:

“As the Secretary, Defence said, we are five business groups which are virtually independent companies; they are all headed by Managing Directors, I will explain it.

In the past, we were making MiG series in Nasik and the corresponding engine in Koraput. The other division is doing the earlier, older type Kiran, Jaguar, etc. The same scenario is there today. MiGs are closed; Sukhoi-30 and the corresponding engine will be done in the new plant that is being put up in Nasik and Koraput. That takes care of Sukhoi-30. Knowledge is there in Bangalore. Jaguar, new batch of 20 strikers are being done. Then, let us take Kanpur; Kanpur is presently doing Dornier for Navy and some for others; by the time the Dornier is finished, AJT will go to Kanpur. Like that, we have helicopters, which is a separate group. It is Rs. 1100 crore worth of business; the single division did it this year for ALHS and Cheetah upgrade etc. We have always handled multiple programmes and we will be distributing this to all the divisions in the future too.

In terms of divisions, there are 16 divisions and 9 R&D centres. R&D centres take care of all the upgrades. Jaguar upgrade has been done at Bangalore. The transport aircraft upgrade is done at Kanpur; Sukhoi-30 upgrade will be done and handled at Nasik. So, we are handling the design and others.

Coming to outsourcing, last year, we did about 180 crore worth of components and assemblies. I am not talking about services; this year we have done about Rs. 280 crore; we are increasing exponentially. The turnover is Rs. 5400 crore, of which Rs. 280 crore was on components alone. We are rapidly going in for outsourcing both for Sukhoi-30 which is our new programme and we are not doing Jaguar because we have all the facilities; similar is the case with ALH. I have put out market tenders for entire air frame and detailed boom; and critical structures are going on. We are able to draw from them. I must mention that we are implementing the Kelkar Committee recommendations. But the private sector aircraft parts are complex; it will take time; we are encouraging them to do that; we are putting more workers. So, we are able to handle, with our five business groups, the new aircraft production which is phased, and then the next one starts. Similarly we have the upgrades. By the time 2009-10 goes by, a lot of Indian industries will be evolved to support our production."

5.38 The Committee are pleased to note that the Hindustan Aeronautics Limited (HAL) has attained commendable manufacturing capabilities, which operates through its five companies, consisting of 16 divisions and 9 R&D centres spread across the country. Starting from Jaguar, Su-30, AJT to ALH and Cheetah Helicopters and

upgradation of various MiG series aircraft, the Organisation is involved in multifarious production system. The Committee feel that, with the present organisational set-up, it is difficult for the HAL to cope with the ever-increasing assignments involving cutting-edge technologies. The Committee, therefore, recommend that to bring about better and efficient management of the Organisation and competitiveness among its five companies, the HAL should be converted into full fledged separate PSUs with independent Boards of Management. The Committee also stress that wherever required, HAL must resort to outsourcing of various sub-systems to private agencies so as to achieve cost-effectiveness to the manufacturing activities.

Fifth Generation Fighter Aircraft

5.39 On being asked by the Committee about the unique features and the capabilities of the Fifth Generation Fighter Aircraft (FGFA), the Ministry submitted as under:

- Super Maneuverability
- Supersonic Cruise
- Stealth
- New generation air-air and air-ground weapons
- Thrust Vector Control engines
- Datalink and Network Centric Capability
- High reliability
- Multi Role capability
- Advanced Avionics
- Wide variety of sensors
- Active Phased Array Radar

Presentations on the Fifth Generation Fighter Aircraft (FGFA) have been given by Sukhoi Design Bureau (SDB) and RAC-MiG. The proposal is presently under examination.”

5.40 When the Committee desired to know the present status of the Aircraft, the Ministry has further elaborated as under:

“Meetings with Russians have been held for the Fifth Generation Fighter Aircraft (FGFA) development. The last such meeting was held on 26 & 27 December 2005 when Sukhoi Design Bureau (SDB) and RAC-MiG participated. Based on the inputs received during

the presentations, an approach paper on the subject is being prepared by the IAF. Further, the IAF is finalizing the Air Staff Requirements for the FGFA. The concept for the Fifth Generation Fight Aircraft has not been finalised as yet. Indian involvement in design, development and productionization are essential requirements of the approach to the FGFA programme.”

5.41 The Committee note that the various features of Fifth Generation Fighter Aircraft (FGFA), as enunciated by the Ministry of Defence, are far more advanced as compared to that of the existing aircraft available with Indian Air Force. Presentation on the aircraft has been made by the Sukhoi Design Bureau and RAC MiG and the proposal is still under examination. Also consultations are going on with Russian Government in this regard for joint development. The Committee are informed that Indian Air Force is finalizing the Air staff requirements for the FGFA and the concept for its development has not yet been finalised. The Committee, therefore, recommend that the Ministry must give serious thought to finalise the concept of FGFA at the earliest. The Committee also wish to be apprised periodically by the Ministry of the progress made in this regard.

Procurement of Helicopters for Air Force

5.42 When asked about the details on the existing fleet of helicopters with Air Force, the Ministry of Defence has furnished as under:—

“HAL is exploring the possibility of developing a 10 Ton Class Multi-role Helicopter (IMRH). No funds have been allocated as the proposal is at conceptual stage at present. HAL is in dialogue with leading Helicopter manufacturers of the world for co-development of a Multi-role Helicopter.

The timeframe for development of flight worthy prototype is expected to be 5 years after the project is approved.”

5.43 When enquired about the procurement of Helicopters for the three services, the Ministry of Defence has given the following details for Air Force:

“Air Force has planned to procure various types of helicopters comprising of (i) ALHs, (ii) Medium Light Helicopters, (iii) Attack helicopters and (iv) VIP Helicopters. 2 Limited Series Production ALHs(LSP) were initially inducted in 2002-03 followed by induction

of 11 Series Production(SP) ALH in 2004-05. 9 such ALH are proposed to be inducted in 2006. Besides, cases for induction of 38 ALH(SP-II) with Shakti Engine and glass cockpit, 16 Armed ALH, 80 Mi 17 variant helicopters, 22 Attack helicopters (Mi-35 as follow on purchases) and 12 VIP helicopters are being progressed."

5.44 During oral evidence, the Defence Secretary further informed the Committee as under:

"In some cases it will be a larger number and our approach has always been that we take. Now, for example, Cheeta-Chetak were originally the French technology. Thereafter, we made many hundred of it. So, in the utility version, which cannot be made by, say, ALH, and if there are different kind of helicopters which are required, certainly they will be procured in which there will be offset clause."

5.45 A representative of the Ministry of Defence further added:

"The plan is that initially there will be some flyways and kick. After that 135 helicopters will be under full ToT."

5.46 The Committee note that the Air Force is facing shortage of Helicopters in its fleet and is in the process of acquiring various types to augment the fleet. The Committee are concerned to note that the procurement of heavy category multi-role Helicopters is still at the conceptual stage. The Committee, therefore, strongly feel that the Ministry must give utmost priority to the procurement of requirement- based Helicopters with assured availability of funds for the same. The Ministry should also immediately finalise the procurement or joint development of multi-role Helicopters for the Air Force.

Modernisation of Firing Units for Air Defence

5.47 When asked about the shortage of Missile Firing Units in the Defence Forces, the Ministry of Defence, in its written reply, has stated as follows:

"Yes, there is an acute shortage of Air Defence Missile Firing Units in IAF. The shortage is due to obsolescence of existing inventory and delays in indigenous development and replacements. The status is given below:-

(a) Existing Inventory.

- (i) **Pechora system.** 60 Firing units were acquired from 1974-90 from erstwhile USSR. This potent weapon system is now

suffering from ageing and lack of spare support. As on date only 50 FUs are operational and by end 2006 only 24 FUs would be left operational.

- (ii) **OSA-AK System.** 35 Firing Units were sanctioned to be procured in late eighties. Only 24 were procured from USSR in 1989-90. The system is technologically outdated and is facing shortage of missile and spares.
- (iii) **Igla 1 M.** There are total 1100 Igla missiles held with IAF against authorisation of 1200. The missile is based on IR technology which is now becoming obsolete. 80% of the missiles are on life extension."

5.48 On the status of various modernisation proposals for the firing units for Air Defence and the expected period of their fructification, the Ministry of Defence has furnished the following details:

IGLA missile system

The case for procurement of missiles and launching mechanisms is at the technical evaluation stage. The contract is likely to fructify by 2007.

OSA AK missile system

The system is planned to be overhauled at Army Base Workshop, Meerut. Once overhaul materialises, the system life will be extended upto 2015. 12 Firing Units of Low Level Quick Reaction Missiles are being procured from Global Market. The project is at CNC stage. The contract is likely to fructify by end of 2006.

PECHORA missile system

The plan to upgrade and digitise Pechora system to enhance its life to 2015 was initiated in 1992. The New RFP has now been floated and upgrade is expected to be completed in 3-4 years time. Procurement of 18 New Firing Units Medium Range Missile systems from global market is under progress. The remaining inventories would be maintained on reduce to produce basis and replacement by indigenous system on development. The contract is likely to fructify by 2008.

The case for procurement of Firing Units of modern Medium Range Surface to Air Missile (MRSAM) system is at the stage of issue of Request for Proposal (RFP). The contract is likely to fructify by 2008.

Indigenous Systems

Akash system with a planned range of 25-30 Kms was envisaged in 1988-89, for replacement of Pechora weapon system, which is of 1970 vintage. The system however, has not yet been operationalised. Trishul weapon system which was to replace OSA-AK weapon system has not met with success. These delays have derailed modernisation/replacement programme resulting in critical voids.

The requirement of having the necessary numbers of missile firing units, including meeting the shortages, are being addressed in a phased manner. This envisages effecting acquisition of ships, submarines and aircraft and upgrading existing platforms to make them capable of firing missiles in the Navy. In the case of Army, it entails raising and operationalizing missile units. However, it needs to be stressed that national security is the foremost concern and in the end all steps are taken to ensure that the same is not compromised.

5.49 The Committee note with serious concern that most of the missile firing units of Air Force are extremely old vintage with no spare support and no substantial efforts being taken to upgrade or replace them. In the case of Pechora Missile System, 60 firing units procured from Russia are 1974-90 vintage and as on date only 50 are operational and by the end 2006 only 24 would be left operational. The procurement plan to replace the Pechora System is still at the RFP stage which will not fructify earlier than 2008. As far as OSA-AK System is concerned, the technology is quite outdated and is facing shortage of missile and spares. The overhauling of this system is planned to be done to extend its life. The project of procuring firing units for the same is at CNC stage. Likewise, IGLA Missile System is also obsolete and 80 percent of the missiles are on life extension. The Committee further note that some indigenous efforts for replacement of the existing systems have been taken with insignificant success, thereby resulting in critical voids.

The Committee, therefore, keeping in view the ageing and obsolete missile firing units currently at disposal of Air Force and lackadaisical approach of the Government for their modernisation, strongly recommend that the Government should pay enough attention to the upgradation and modernisation of the missile firing units to enhance air strike capabilities of Air Force, which has been ignored since long. The Committee also desire that adequate funds for their modernisation and procurement must be ensured.

CHAPTER VI

DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION (DRDO)

Defence Research and Development Organisation (DRDO) was formed in 1958 with an objective to build up capability to make improvements in the existing weapon systems and to other imported equipment. Later on, in 70s, it was involved in development of armaments and ammunitions. During 80s, thrust was given to major programmes like, development of guided missiles, electronic warfare systems, aircraft, communication systems, etc. These programmes gave a new impetus to multiple design and technology centres resulting in production of weapon systems during 90s. the Department of Defence Research and Development came into existence in 1980. now, the DRDO has emerged as one of the premier scientific and technological organisation in the country with a mission to design, develop and lead to production of state-of-the-art weapon systems, platforms and allied equipment. It also provides combat support for meeting the current requirements of the Armed Forces. The Organisation is fully dedicated towards progressive enhancement of self-reliance in defence systems, in state-of-the-art technologies, and R&D infrastructure and capability of the country. It has vision to promote the corporate strength and to make the country independent of foreign technologies in critical spheres.

6.2 This year total budget of Research and Development Organisation is Rs. 5453.73 crore which is 6.13 percent of the total budget of the Ministry of Defence, which stands at Rs. 89,000 crore.

6.3 The total allocation (Revenue Expenditure) made to Research & Development Organisation in Budget Estimate 2005-06 was Rs. 2824.48 crore which decreased to Rs. 2809.96 crore at Revised Estimate stage. The allocation in Budget Estimate 2006-07 has been put at Rs. 3020.08 crore recording an increase of approximately Rs. 200 crore.

6.4 On Capital Account the allocation in Budget Estimate 2005-06 was Rs. 2541.86 crore which was increased to Rs. 2532.44 crore at the Revised Estimate stage. The allocation in Budget Estimate 2006-07 is reduced to Rs. 2445.65 crore.

6.5 In reply to a question of the Committee on allocations made for Defence R&D, Ministry has stated:

“That allocations made for Defence R&D based on Modified Appropriation (MA) provisions and its percentage to the total Defence Budget for the last 10 years are as follows:

(Rs. in crores)

Year(s)	R&D Allocations	Defence Allocations	DRDO allocation in % Defence Allocations
1996-97	1455	29498	4.93
1997-98	1979	36099	5.48
1998-99	2300	41200	5.58
1999-00	2827	48504	5.83
2000-01	3359	54461	6.17
2001-02	3173	57000	5.57
2002-03	3079	56000	5.50
2003-04	3458	60300	5.73
2004-05	3747	77000	4.87
2005-06	5315	81700	6.51
2006-07 (BE)	5454	89000	6.13

6.6 On the query of the Committee regarding percentage expenditure on fundamental research, the Ministry stated:

“The expenditure incurred on the fundamental research during the last 10 years including the ‘Grants-in-Aid’ promoting basic research and expenditure on projects envisaging development research is ranging between 8 to 10% of DRDO Budget.”

Expenditure on Imports of Defence Equipments

6.7 A multi-dimensional and balanced modernisation of the Defence Services is essential to safeguard the interest of the country. The objective of modernisation can be achieved by two means *i.e.* import as well as indigenous development.

6.8 Furnishing a written note on the dependence on imports by Defence at the end of Seventh, Eighth, Ninth and Tenth Plan and Target for self-reliance at the end of Eleventh Plan, the Ministry has stated as under:

“At the end of the Seventh, Eighth, Ninth and penultimate year of the Tenth plan, the case outgo of FFE(Free Foreign Exchange) + NCR (Non-Convertible Rupee), towards import of Defence items *vis-à-vis* the total defence expenditure of respective year has been as follows:—

Plan Period	Year	Def. Exp.	Cash Outgo (FFE+NCR)	% of Def. Exp.
7th Plan	1991-92	16347	4225	25.85
8th Plan	1996-97	29505	7529	25.52
9th Plan	2001-02	54266	10988	20.25
10th Plan	2004-05	75856	19265	25.40

While no targets for self-reliance, as such, have been fixed for achievement at the end of the 11th plan, constant efforts are made to promote self-reliance in Defence. Government is committed to encourage indigenisation to the maximum extent possible without, however, making any compromise with the security of the Country.”

6.9 During oral evidence of non-officials experts on DRDO & self-reliance the experts pointed out :

“In 1992, Dr. Kalam the than Scientific Advisor to the Raksha Mantri, had worked on a 10 year old Vision Plan to transform the department into a leader of international class with mission to capture and retain commanding height, in critical technological area. According to that plan, from 1994 to 2005, our self-reliance index would have gone up from 30% to 70%. Earlier we were importing 70% and by 2005, it would come down. But, it remains where we were at that time. It has not changed. Today, we are spending 2.5% of our GDP on defence and out of that 18 billion dollars worth equipment are being imported. If a country of our size wants to become a reasonably powerful state both in terms of its economy, technology and also defence, then we have to take steps right now to improve our self reliance.”

6.10 On the query of the Committee regarding development of 155mm Gun, the Ministry has stated:

“That currently DRDO has not undertaken research work on development of 155 mm SP Gun. Certain activities like modification of Arjun chassis was done in 1998-99. Hull was to be made by Bharat Earth Movers Ltd. (BEML). Price negotiation where concluded for supply of turret. For certain Government decisions, supply order was not placed.

DRDO is in the process of undertaking an ambitious programme named ‘Soldier as a system’. The ‘**Soldier as a system**’ programme has been visualized as next-generation infantry Small Arms system that will give Indian fighting troops an unprecedented capability in the 21st century digitized battlefield. The Feasibility Study for the same has been completed and system has been fully conceptualized. The programme envisages development and integration of various modern sub-systems to transform the ‘**Soldier as a system**’. The system consists of lightweight dual-caliber weapon system. This will be integrated with a Thermal sight with integrated fire control System for all-weather detection & aiming. In addition, a Helmet mounted display/surveillance system/GPS receiver for situational awareness, communication system, wearable computer, protective clothing, anti mine shoes, on line health monitoring vest are proposed to be developed. This fully integrated soldier system would dramatically increase the combat soldier lethality, battle command compatibility, survivability, mobility, awareness, sustainability and combat effectiveness.”

6.11 During the oral evidence when the Committee asked the role of DRDO in self-reliance, non-official expert stated:

“.....In self-reliance, DRDO plays a very important role. Just to give you a little bit of a background, our ‘present cost’ as percentage of defence expenditure is one of the lowest in the world. But our expenditure to acquire weapon systems and equipment is 8th in the world. USA is at the top, and then you have Japan, France, Germany, UK, China, and Saudi Arabia, and then come India. We spent nearly 8.5 billion dollars in 2004-05 on defence stores and equipment. In this if you look at the direct and indirect imports, we have purchased 75% of the total spending on imports.”

6.12 On latest technology, he further stated:

“....That is why there is a need to upgrade DRDO. To do that, you need both capital investment and the highest technology

imports. The latest deal that has been signed with the USA is primarily to bring in high technology into our own country. The role of the private sector is very important. Abroad, technology is available mostly in private sector, except for Russia. These private companies find it very difficult to function jointly with our defence PSUs and Ordnance Factories. We have a totally different culture here. They have different culture there. It is a total mismatch. My recommendation is that unless we bring in the private sector in a big way, it will not be possible for us to obtain and absorb capital investment or high technology from outside."

6.13 The Committee note that the percentage expenditure on R&D in 2006-07 is 6.13 per cent of the Defence Budget. The Committee desire the Ministry to make efforts to increase the percentage expenditure on R&D so as to improve self reliance in defence production.

6.14 The Committee are further constrained to note that only 8 to 10 per cent of DRDO budget is being spent on fundamental research. As recommended by the Committee in their earlier reports, the DRDO should concentrate more on fundamental research and applied research for upgradation of weapons system should be left to the concerned manufacturing units. In this connection, the Committee again emphasise that the DPSUs and OFs should have their inhouse R&D centres so that need to approach DRDO for small upgradation could be avoided and DRDO could concentrate on critical technological.

6.15 The Committee note with deep concern that the percentage of defence expenditure on imports which was 25.95 per cent in the 7th Defence Plan, has not shown improvement even after completion of another four Defence Plan and has remained the same in the *i.e.* 10th Defence Plan. The Committee are further surprised to note that the Ministry has not fixed any target for self reliance for the Eleventh and subsequent Plans. The Committee desire that strategic plan be chalked out containing targets for self reliance for the next 12 years and assessments of achievement of the target with accountability be done year-wise at the highest level.

6.16 The Committee note that the involvement of the user with DRDO is very limited, thereby, the final product lack the facilities and qualities as per the requirement of the user. The Committee recommend that user must be involved at the conceptualization stage so that defects, if any may be rectified during production stage itself and delivery of the product to the user may not get delayed for a long time.

CHAPTER VII

CIVIL ESTIMATES OF THE MINISTRY OF DEFENCE

The requirement for the Civil Expenditure of the Ministry of Defence and Defence Pensions are provided in separate Demands for Grants. These are Demand No. 20—Ministry of Defence (Civil) and Demand No. 21—Defence Pensions.

Demand No. 20

7.2 The provisions in BE and RE of 2005-2006 and BE 2006-2007 under Demand No. 20 are given below:

	(Rs. in crore)				
	BE 2005-06	RE 2005-06	BE 2006-07	%age increase (BE to BE)	%age increase (RE to BE)
Ministry of Defence					
Coast Guard	825.03	870.03	1075.00	30.30	23.56
JAKLI	255.00	288.26	321.79	26.19	11.63
MoD Sectt.	63.70	63.22	68.52	7.56	8.38
DAD	534.55	523.15	580.72	8.64	11.00
DEO	55.16	57.35	69.56	26.10	21.29
CSD	5680.05	4208.42	5382.40	(-)5.24	27.89
Others	1.90	1.90	1.85	2.63	(-)2.63
Gross Total	7415.39	6012.33	7499.84	1.13	24.74
Less CSD Sale Rept	5915.39	4470.00	5600.00	(-)5.33	25.28
Net Total	1500.00	1542.33	1899.84	26.66	23.18

Coast Guard Organisation

Shortage of force level of Coast Guard Organisation

7.3 The BE & RE for 2005-06 & BE 2006-07 for Coast Guard Organisation is as under:

2005-06		2006-07
BE	RE	BE
825.03	870.03	1075.00

7.4 There has been a substantial increase in the budgetary allocation for Coast Guard Organisation from RE 2005-06 to BE 2006-07 on account of acquisition of ships & fleet of Coast Guard. The Committee are informed that all the ships are being acquired through indigenous construction by Indian shipyards. Pertaining to authorized strength of Force level and present strength, the Ministry of Defence in its written reply stated:

“The present Force level of Coast Guard is 111 comprising of 66 vessels (including 8 Interceptor Crafts) and 45 aircraft. The authorised strength of Force level according to Coast Guard Development Plan (2002-07) is 158 comprising of 106 vessels (including 8 Interceptor Crafts) and 52 aircraft.”

7.5 When asked to furnish a detailed programme for procurement of new vessels/ships to augment Coast Guard Surveillance, the Ministry stated:

“Procurement of following vessels has been planned for replacement/augmentation of force level for surveillance by Coast Guard:—

Sl. No.	Name of Vessel	No. of vessels
1.	Advanced Offshore Patrol Vessels	2*
2.	Pollution Control Vessels	3*
3.	Fast Patrol Vessels	5* + 4
4.	Offshore Patrol Vessels	3*
5.	Interceptor Boats	11*
6.	Inshore Patrol Vessels	5* + 16
7.	Fast Speed Boats	5
8.	Station Boats	10

*The contracts for these 29 vessels have been signed and they are at various stages of construction. The proposals for induction of additional 35 vessels will be taken up in 2006-07.”

7.6 The Coast Guard Development Plan (CGDP) 2002-07 with a total outlay of Rs. 4317.01 crore comprising of capital component of Rs. 2736.47 crore and revenue component of Rs. 1580.54 crore was approved by RM in January, 2005. The plan was examined earlier in Ministry of Finance but approval of the Ministry has not yet been obtained.

7.7 The Committee are concerned to note that there are serious shortages in force level of Coast Guard. Against the authorized strength of 158 comprising 106 vessels and 52 aircraft, the present force level is only 111 comprising 66 vessels and 45 aircraft. The Committee are unhappy that force level has been allowed to fall below the authorized strength due to non-acquisition of requisite number of vessels over the years which are procured through indigenous construction by Indian Shipyards. On the one hand, the coast guard fleet has depleted, on the other, ship building capacity of shipyards has been under utilised due to low order book position. The Committee therefore earnestly desire that the Ministry should take effective steps to place sufficient orders to shipyards for construction of ships for Coast Guard and induct them in a time-bound manner. In this connection, the Committee desire the Ministry to fully utilise the increased allocation in BE for 2006-07 and if required they should ask for more funds at the supplementary stage. The Committee further desire that the Coast Guard Development plan, approved by Raksha Mantri may also get approved by the Ministry of Finance so that necessary allocation can be made by Ministry for implementation of the plan.

Protection of Tamil Nadu Coast by Coast Guard Organisation

7.8 On being asked about the role of Coast Guard in protecting the Tamilian in general and Fishermen in particular, the representatives during oral evidence has stated:

“Apparently, the Palk Bay area is being jointly patrolled by the Indian Navy and the Coast Guards. A total of seven coastal stations have been set up. Out of which, at any time five are manned depending upon the season, the North-East monsoon or the South-West monsoon. We are also in dialogue with the Sri Lankan authorities. Along the international maritime border, joint patrolling between us and the Sri Lankan authorities are conducted to ensure that there is no transgression of fishermen either from the Sri Lankan side into the Indian waters or from the Indian fishermen from the Indian side into the Sri Lankan waters, Schemes have

been put in place where fishermen have been issued identity cards to ensure that legitimate fishermen undertake fishing activities in the traditional waters. Steps have been put in place primarily to help our fishermen so that they do not stray into the Sir Lankan water and get apprehended by the Sir Lankan authorities because there after their release is co-ordinated with the Coastguard. Unfortunately, due to the tsunami disaster which took place, the joint patrolling between the Coastguard, Indian Navy and the Sir Lankan authorities temporarily discontinued. That has since been started again, we have not had any major incident of fishermen having been harassed either by the Sir Lankan authorities incorrectly or large migration of Indian fishermen on to the other side. Steps has been reviewed from time to time. We are there to ensure that the safety of our fishermen is ensure at all time."

7.9 The Defence Secretary further stated:

"At the same time, what happens is that there is an increase of narcotics smuggling in that area and a number of catches have been made in which either the narcotics were to be smuggled out of the coast or they were coming or bringing in. So, this kind of thing is there. Therefore, the Coastguards and the local police have to be very much alert so that this kind of thing would not take place. Now, there are instances where the local police and the Intelligence Bureau have given good timely warning. Therefore, these things could be intercepted and we have recovered those things. So, we want them to be more effective in guarding the coastal areas. Actually, this is a joint operation. The information from various sources is gathered. There is sharing of information between the Coastguard and the concerned organisation, whether it is the local police or the Intelligence Bureau. Based on that, we have been able to apprehend all this. Certainly, that is a factor which has to be kept in mind when this kind of incident happened there."

7.10 The Committee are given to understand that protection of Tamil Nadu Coast against infiltration has been entrusted to the Indian Navy and the Coast Guard. Coast Guard ships and aircraft remain on continuous patrol/surveillance duty in the Palk Strait and Gulf of Mannar. The Committee note that along the international maritime border, joint patrolling between coast guards and Sri Lankan authorities are conducted to ensure that there are no transgression of fishermen. The Committee further observe that despite several steps being taken by the Government, several fishing

vessels are very often misguided on the Tamil Nadu coast and take the route to Sri Lanka, and thus the fishermen fall under their custody. Besides, incidence of smuggling of narcotics, petrol and diesel has increased in that region. The Committee observe that same kind of problems are prevailing in other coastal regions also. Therefore, the Committee strongly recommend that Government should intensify their joint patrolling operation between the Coast Guard, Indian Navy and authorities of other respective countries, in order to strengthen and maintain high level of vigilance to contain the increasing incidence of smuggling and protect the interests of people of coastal region in general and the Fishermen in particular.

Defence Estates Organisation

7.11 BE, RE for the year 2005-06 and BE for Defence Estate Organisation is as under:

(Rs. in crore)		
2005-06		2006-07
BE	RE	BE
55.16	57.35	69.56

7.12 There has been substantial increase in revenue budget of Defence Estates Organisation from RE (2005-06) to BE (2006-07). The reasons for increase as stated by the Ministry of Defence is as under:

“There is an increase of Rs. 11.96 crore over RE (2005-06). This is mainly on account of an increase in the Grant-in-Aid given to the deficit Cantonment Boards every year. In RE 2005-06, a total Grant of Rs. 30.98 crore has been allotted against a demand of Rs. 43.41 crore. For the year 2006-07, a total demand of Rs. 47.76 crore for Grant-in-Aid was made. Thus, it may be seen that there was a shortfall of Rs. 12.43 crore during 2005-06 while the fresh Demand for Grant has gone up to Rs. 47.76 crore. However, Rs. 40 crore have been allotted under the Grants Head during BE 2006-07. It may also be mentioned that during 2006-07 Ramgarh Cantonment will have to be provided increased Grant-in-Aid for their water supply scheme in view of the orders of the Hon’ble High Court Jharkhand, Ranchi. Hence, increase in allocation is justified.”

Computerisation of Defence Land Records

7.13 The Ministry informed that Defence Estate Organisation have taken E-Governance measures towards a more efficient and transparent

organisation. These includes projects like computerization of Defence land records.

7.14 When asked to state how far defence land records have since been computerized and whether any time bound programme have been formulated in this regard the Ministry of Defence in their written replies has stated:

“To develop and implement software for capturing and retrieving information on land records pertaining to defence lands all over the country, in an intra-net enabled system and facilitating a Communication Architecture across platform applications and integration, a project has been initiated through the National Informatics Centre at a total cost of Rs. 2.52 crore. This does not include the cost on development of data in the Cantonment Board Offices as the same will be met from their own budgets. The project will be implemented in three phases in a total period of 15 months as against originally estimated time of 18 months. The first stage of the project has already started in the office of Defence Estate Officer (DEO), Chennai. The software so developed and tested in the office of DEO, Chennai will incorporate all necessary generalities for its successful implementation in all other Defence Estates Offices. In the second stage, the software will be installed in the office of DEO, Ahmedabad and in the office of Principal Director, Southern Command at Pune. The third stage of the project will encompass all other offices of DEOs and Cantonment Boards. The proposal for sanction of second and third stage is under examination in the Ministry of Defence.”

7.15 The Committee are happy to note that as a result of the Committee's recommendation in their 5th Report on 'the Cantonment Bill, 2003', Defence Estate Organisation (DEO) has initiated a project to computerize records of Defence lands all over the country. The Committee feel that this positive step will go a long way in streamlining the defence land records. The Committee are informed that the Project will be implemented in three phases in a period of 15 months. The first stage of the project has already started. The proposal for sanction of the second and third stage is under examination of the Ministry of Defence. The Committee therefore desire that the Ministry should approve the second and third stage's of the project at the earliest and implement the same in letter and spirit without any loss of time.

The Committee would also like to be apprised of the Grant-in-Aid given to the deficit Cantonment Boards for last 10 years and the steps taken by the Government to make them self-reliant.

Restructuring of Defence Estate Organisation (DEO)

7.16 It has been mentioned that a proposal for restructuring of DEO has been submitted to the Government. The details of the proposal as stated by the Ministry of Defence in their written replies is as under:

“The following factors have necessitated formulation of proposal to restructure the Defence Estates Organisation:—

- (a) There is a need to shift from Regulatory to Developmental Administration. This is in accordance with PMO’s instructions to evolve a basic agenda to affect the necessary reforms which include decentralization, transparency, accountability and simplification. Cantonment Boards being Urban Local Bodies (ULBs) are also required to carry out such reforms. Besides some cities covered under the Jawaharlal Nehru National Urban Renewal Mission (JN NURM) also comprise of Cantonment areas. Achieving these objectives will require restructuring of Cantonment Boards, its officers and staff.
- (b) The workload is bound to increase with the implementation of National Policy on Relief and Rehabilitation—2003 (NPRR – 03) in all fresh land acquisition cases/ongoing cases.
- (c) The increase in population pressure in Cantonments over the last decade has led to increased workload which also includes fresh initiatives on infrastructural development.
- (d) There is steep quantitative increase in the land related litigation and other appeals and litigation under the provisions of the Cantonments Act. There are about 15,000 cases pending in various courts. There is a requirement of additional officers at different levels to ensure efficient management of litigation and also to ensure prevention and removal of unauthorized constructions and encroachments on defence lands.
- (e) There is an acute shortage of officers and staff to meet the functional demands of Armed Forces. All wings of Armed Forces have repeatedly requested for establishing Defence Estates Offices at strategic locations to enable them to manage land efficiently and to formulate new projects without delays.

- (f) The Army has recently carried out reorganization of territorial jurisdiction of their Commands and has also established a new Command (South Western Command). This has necessitated creation of Directorate of Defence Estates, SWC as well as reorganization of Defence Estates Offices jurisdiction in various Commands. This will, however, require organizational restructuring of Defence Estates.
 - (g) Over the time, the span of control of officers has become unwieldy. There is a need to rationalize and right size the span of control of officers to enable them to give focused attention to their domain of responsibilities.
 - (h) Issues like Right to Information Act, 2005, introduction of e-governance and the need to tap land resources as an asset in the National Budgetary Exercise, also necessitate organizational restructuring.
- (ii) The organizational restructuring of Defence Estates consists of following approach:—
- (a) Provide full time Cantonment Executive Officers (CEOs) in all the Cantonments. Upgrade some of the existing CEOs to the appropriate levels with suitable support structure.
 - (b) To open Defence Estates Offices of appropriate level at each State & Union Territory Capitals to ensure timely action and meaningful interaction with the State Revenue authorities as well as the user Services on all land matters.
 - (c) To re-align/open Defence Estates Offices at each Corps Headquarters to meet their constant land management needs.
 - (d) To re-align/open Defence Estates Offices so as to meet demand of Defence Estates Offices from Headquarters Integrated Defence Command, Air Force and Naval Commands/Units.
 - (e) To upgrade the levels of officers based on new scenario.
 - (f) To ease out concentration of officers at the Principal Directorates at Command level and to re-locate key supervisory officers in proximity of the field offices for an effective span of control.
 - (g) To re-orient the Training Institute(NIDEM) by re-structuring its faculty, staff and infrastructure so that it can train adequately the CEOs, Defence Estate Officers(DEOs) and other staff to meet the new challenges and build capacities.

- (h) To provide for officers and staff for the newly created South-Western Command and new/upgraded offices as an operational requirement. Officers and staff are also needed on transfer of 04 Cantonments from Central to Southern Command and re-organisation of territorial jurisdiction of Army Formations, as a statutory and operational consequence.
- (i) To suitably re-structure the staff in the 06 Defence Estate Directorates.
- (j) To abolish such posts which have either become surplus or are not functionally relevant.
- (iii) The proposed organizational restructuring will result in a net saving of Rs.98,846/- per month in basic pay. Hence, there will be no additional financial burden.
- (iv) It is proposed to implement the proposal over a period of five years.
- (v) The proposal is under examination in the Ministry of Defence.

7.17 The Committee observe that the proposal for restructuring of DEO is under examination of the Ministry of Defence and it is proposed to be implemented over a period of five years. The Committee hope that organizational restructuring will bring democratic reforms in the administration of DEO which include decentralization, transparency, accountability and simplification. The Committee desire that in the re-structuring process, stress should be given on proper training to officers & staff of DEO. Besides, the regular training in Land & Revenue, the officers should also be imparted training in handling sensitive situation involving general public whose land/property has been taken over. The Committee hope this will enable the Officers to effectively interact with the aggrieved parties/individuals showing sensitivity to their grievances. The Committee, therefore desire that the Government should take appropriate view to the matter and apprise the Committee.

Cantonment Bill

7.18 The Committee on Defence presented their report on Cantonment Bill, 2003 on 10 May 2005 and have given certain recommendations for incorporation in the Bill. However, the modified Bill has still not been brought in the Parliament even after the lapse of more than 10 months.

7.19 On being asked to state the reasons for delay in bringing the revised bill in the Parliament the Ministry of Defence in their written reply stated as under:

“The Standing Committee on Defence made various recommendations suggesting modifications to the Cantonments Bill, 2003. Since the Cantonments are administered by Cantonment Boards and users of land in the Cantonments are the Services, consultations had to be made with the three Services and the Directorate General of Defence Estates. The present status is that the Cantonments Bill, 2003 has been modified and has been sent for vetting to the Ministry of Law, Justice and Company Affairs. After the vetting of the modified Cantonments Bill, 2003 and approval of the Cabinet, the Cantonments Bill, 2003 will be placed in the Parliament.”

7.20 The Standing Committee on Defence (14th Lok Sabha) in their 5th Report on ‘the Cantonments Bill, 2003’ had recommended to amend various provisions of the Bill and bring a separate Bill on Defence lands other than the cantonment. The Committee are unhappy to note that despite their having presented the report on Bill in Parliament in May 2005, the Government has not brought the revised Cantonment Bill in Parliament even after a lapse of one year. Out of 62 Cantonments, 61 are varied and there is an urgent need to hold elections in these Cantonments, so that the elected boards as envisaged in the Bill are in place for smooth administration. The Committee, therefore, desire the Ministry of Defence to expedite the matter for placing the modified Cantonments Bill, 2003 in Parliament so that the new Cantonment Act can be enacted at an early date. The Committee further desire that a separate Bill on management of defence land as recommended by the Committee in their above report may be brought urgently in Parliament.

Demand No. 21

7.21 Demand No. 21 caters for Defence Pensions. This provides for pensionary charges in respect of retired Defence Personnel (including Civilian employees) of the three Defence Services, *viz.*, Army, Navy & Air Force and also employees of Ordnance Factories, etc. It covers payment of Service Pensions, gratuity, family pension, disability pension, commuted value of pension, leave encashment & casualty awards such as War-Injury Pension and also Gallantry awards like Param Vir Chakra, Mahavir Chakra, etc.

7.22 The position of budgetary allocation under this head is as under:

(Rs. in crores)

B.E. 2005-2006	R.E. 2005-2006	B.E. 2006-2007	%age increase (BE to RE)	%age increase (RE to BE)
12452.00	12715.00	13224.00	6.20	4.00

7.23 The requirement of an additional Rs. 263.00 crores in RE 2005-06 & Rs.509.00 crores in BE 2006-07 is mainly due to additional Dearness Relief (DR) and normal growth in number of pensioners and pensionary benefits during 2005-06 & 2006-07.

CHAPTER VIII

WELFARE OF EX-SERVICEMEN

8.1 The Finance Minister in his budget speech has announced that Government has fulfilled the long standing need for retired Armed Forces Personnel Below Officer Rank (PBOR) for better pensionary benefits and about 12 lakh PBOR have benefited to the tune of Rs. 460 crore *w.e.f.* January, 2006.

8.2 In reply to a question on details of pensionary benefits, the Ministry of Defence informed the Committee:

“With effect from 1.1.2006, the weightage for the purpose of calculations of pension for past as well as future retirees Sepoy, Naik and Havildar and equivalent ranks in Navy and Air Force has been increased from 5 years to 10, 8 and 6 years respectively subject to a maximum qualifying service of 30 years. In case a person is getting more than 30 years with existing weightage of 5 years he will continue getting that.

The above benefits would be only in respect of service pension including invalid pension, service element of disability pension and war injury pension. In addition, pension of Personnel Below Officers Rank (PBOR) granted Assured Career Progression (ACP) upgradation would be computed with reference to the enhanced pay scale granted under ACP. The above benefits would meet the demand of the ex-servicemen to a large extent as revision of pension with reference to maximum pay of the post—1.1.1996 pay scales in the case of pre—1.1.1996 retirees would in effect mean parity in pension between pre and post—1.1.1996 retiree PBOR.

The long standing demand of ‘one rank one pension’ has been examined by the Government. Considering the relevant factors and various aspects including additional financial liability and repercussions elsewhere, it has not been found feasible to accept the demand. However, Government has significantly improved pensionary benefits of PBOR.”

8.3 During oral evidence, the representatives of the Ministry stated:

“There will be outgo of Rs. 460 crore per annum in providing pension as per the new scheme. In implementation of one rank

one pension scheme Rs. 1200–1300 crore will be the outgo as annual attrition is about 55 to 60 thousand personnel. It is an upward going curve for pension because the retired people are 23 lacs, whereas our standing army is 14 lacs, therefore, the outgo is going to increase further.”

8.4 During the oral evidence, President of Indian Ex-Services League stated:

“ As far as welfare points are concerned, we have plenty of them. In a nutshell, I would like to say that parity in pension, which have been claiming or the last three decades, that is, one rank one pension. Secondly 50 per cent pay as pension. You know all the civilian retirees get 50 per cent pension of their pay. Whereas army person do not do that. One main difficulty is our jawans are retired compulsorily.Actually I would like to say it is very important that jawans must be looked after. He is the main person who fights the war. To my mind officers can look after themselves. They are educated.”

8.5 He also suggested the following points:

- “(i) Private pension to Ex-Servicemen who had put in 10 years plus service in the light of a court relief to few Ex-Servicemen which must be implemented to all affected soldiers. It should also be considered by New Armed Forces Tribunal, which is in the making.
- (ii) Dependent pension to spinsters and daughters above 25 years be considered as the Govt. of India already sanctioned Dependent Pension to divorced and widowed daughters.
- (iii) Honorary Rank pension to Subedar Subedars who were given honorary rank of Sub Maj without monetary benefit which his an injustice and must be extended inline with others who are Hony Rank Pension (like Hav to Hony NB Subs and others).
- (iv) The wards of serving and retired personnel do not get assured admission in General and Professional Colleges across the Nation. A uniform 5% reservation in professional and other colleges across India as recommend by Parliament Committee is to be implemented to address long pending need of the fraternity.
- (v) Second Employment guarantee in Gov test/PSUs/Lateral induction in State/Central Police Forces/Para Military Forces

and other security agencies for assured second employment till universal age of retirement as recommended by Parliament Committee be effected soon.

- (vi) There is a disparity in the monetary award of Disability Pension of pre and post 1996 Pensioners. This anomaly is reflected in Parliamentary Committee Recommendations. This disparity has brought about sufferings to Pre 1996 who do not get same monetary benefit of those who retired after 1996 to survive through the hardship of sustenance. We cannot divide a disabled community on financial outlook. This critical issue must be redressed immediately.
- (vii) Maj. Gen. a higher rank above Brig. is suffering the ignominy for getting less pension than a Brig. (his junior). The Govt. has not yet revised the pension of Maj Gen in the light of court ruling which has asked the Govt. to rectify the anomaly which must be done to remove the unusual disparity.
- (viii) Defence Security Corps personnel are given pension through Ministry of Defence Majority of the personnel are from Armed Forces on second employment. The ECHS does not extend coverage to DSC personnel stating that they are not part and parcel of the fighting forces component. It will be great injustice if soldiers of Armed Forces who have truncated service in DSC are left out from the scheme as they have physically served in the Armed Force.
- (ix) Insurance Coverage Soldier's life in service and after retirement is embedded with risks, privation, incidents, accidents, conflict, casualties and so on. So far the Govt. has not thought of bringing the hapless community under an effective insurance safety-net. Presently the Armed Forces meets this critical need through Contributory Group Insurance with specific requirements. It does not cover all the spectrum of the essential insurances. It is high time for a welfare state to take care of the soldiering fraternity covering all risks in and after service so that their predicament is taken care of. Ministry of Defence must cover the life and demises of the Soldier through a secured insurance coverage."

8.6 During oral evidence another non-official expert stated on the issue of Ex-Servicemen:

"There are two major aberration in the implementation of the Fifth Pay Commission. They need to be set right. The clause that a

PBOR must complete 33 years of service to be able to earn full pension needs to be abolished. Although some money has now been given, I have heard that it is not meeting the requirement..... There was another aberration, which made people to go to the Supreme Court. When the pensions were finalised, some Major Generals got lesser pension than Brigadiers. This has made them unhappy. They went to the Supreme Court. These kinds of aberrations are disheartening. Out of these, the first one is more important.”

8.7 In presentation before the Committee, the representative of the Ministry of Defence informed the allocation of Budget for the Employees Compulsory Health Scheme (ECHS) as under:

**Sanctioned by Government
(01 April 2003 – 31 March 2008)**

Revenue (Per Annum)	354.50 Crore
Capital (One time)	122.00 Crore
No. of Polyclinics	227

8.8 As regards the Ex-serviceman strength (ESM), the representative informed the no. of eligible ESM Prior to 01 April 2003:

No. of Eligible ESM prior to 01 April 2003	16,97,823
Estimated yearly Retirees	60,000

8.9 On ECHS Ministry further elaborated as under:

- (i) Ex-Servicemen Contribution Health Scheme(ECHS) was made operative from 01 April 2003. It aimed at providing comprehensive medical care to the Ex-Servicemen (ESM) and their dependents, through 227 ECHS Polyclinics to be established throughout the country by 31 March 2008. Outpatient facilities are provide at the polyclinics. Those requiring advance diagnostic tests/hospitalization are sent to the nearest Service Hospital. When there is a Service Hospital nearby or the facility is not available in the Service Hospital, the patient is referred to an empanelled facility.
- (ii) ESM who retired prior to 01 April 2003 have the option to join the Scheme by 31 March 2003. Those retiring after 01 April 2003 are compulsory members of the Scheme.

8.10 During the oral evidence before the Committee the representatives of the Ministry of Defence also stated that ECHS is confined to pensionary beneficiary, not for all Ex-servicemen.

8.11 The Committee note that Finance Minister in his Budget speech announced new pensionary benefits to retired Armed Force Personnel whereby increased weightage will be given for the purpose of calculation of pension subject to maximum qualifying service of 30 years. While appreciating the announcement, the Committee observe that it still does not fully meet the demands of ex-servicemen as full pensionary benefits are given to PBOR only on completing 33 years of service. The Committee, in view of the fact that armed forces personnel are retired compulsorily at a younger age than civilian employees, desire that Government should examine their demand sympathetically.

8.12 The Committee note that long standing demand of Ex-servicemen for 'One Rank One Pension' is still pending with the Government. Despite repeated recommendations of the Committee in this regard, the same has not been implemented by the Government so far. The Committee again urge the Government to implement the long awaited 'One Rank One Pension' demand of Armed Forces at the earliest.

8.13 The Committee note that the Government have announced the setting up of Sixth Pay Commission for Central Government employees. In view of altogether different job requirements of defence services in peace and war situation, the Committee desire that separate Pay Commission be constituted for Defence Service or a representative from Armed Forces be included in the proposed Commission so that interests of the Armed Forces Personnel could be looked after in the right perspective.

8.14 The Committee note that Ex-Servicemen Contributory Health Scheme (ECHS) was made operative from 01 April 2003, which aimed at providing comprehensive medical care to the Ex-Servicemen (ESM) and their dependents through 227 ECHS Polyclinics to be established throughout the country by 31 March 2008. The Committee however, find that Ex-Servicemen Contributory Health Scheme is applicable to pensioners only thereby depriving about sixty percent of the Ex-servicemen to avail this necessary medical facilities. The Committee therefore, desire that Government should set up a Committee to examine this issue thoroughly in order to extend ECHS facilities to all their Ex-Servicemen.

8.15 The Committee also recommend that other demands of Ex-servicemen *viz.* issues of dependent pension for unmarried daughters above 25 years of Ex-Servicemen; second employment guarantee/lateral induction into Central Para-Military Forces; disparity in the monetary award of disability pension of pre and post 1996 pensioners; anomaly in fixation of pension and insurance coverage to soldiers should be immediately looked into to provide relief to Ex-Servicemen.

8.16 The Committee learnt that keeping in view of hardship being faced by the Ex-Servicemen, some State Governments have allotted surplus land to the retired Armed Forces personnel. The Committee in view of above fact, desire that Government should take up the matter with the State Governments to make a policy to allot available surplus land in their State to retired Armed Forces personnel. The Ministry of Defence should also explore the possibility to allot Defence surplus land other than Cantonments land to Ex-Servicemen for Housing projects.

CHAPTER IX

ADVENTURE AND SPORTS IN ARMED FORCES

9.1 The 4th Military World Games are scheduled to be held in Hyderabad in October 2007. On a query regarding preparation made for this game, the Ministry stated:

“As many as 100 countries are expected to participate in the 4th Military World Games scheduled at Hyderabad in October 2007. As part of the preparations for these Games, a Military World Games Secretariat has been set up, all major Committees constituted and competition directors for all fifteen disciplines nominated. Action for creation of infrastructure by the Government of Andhra Pradesh and the Army has been initiated.”

9.2 Pertaining to the incentives / benefits given to Sports persons in Defence Services especially who have received awards in national and international levels, the Ministry of Defence in a written note stated that:

“The Army, Navy and the Air Force have a policy for incentives/ benefits to sportspersons who participate and win medals/awards at national and International level. These include:

(a) promotion

- (i) First out of turn promotion to the rank of *Havildar* or equivalent is given by each service for taking part in National Championship.
- (ii) Second out of turn promotion to the rank of *Naib Subedar* or equivalent is given by each service for participating in international competitions.

(b) Cash incentives.

9.3 The Ministry further stated:

“With a view to increase the medal winning prospects of Army sportspersons at National and International sporting events, the Mission Olympics Wing(MOW) has been set up at Army Headquarters comprising of the Army Sports Institute (ASI), Pune

and its five nodes for providing world class infrastructure and training in ten disciplines namely: athletics, archery, boxing, diving, equestrian, rowing, shooting, weightlifting, wrestling and yachting. As part of the efforts to promote water sports amongst its Service personnel, Indian Navy has been set up ten water training centers at various naval stations to promote sailing, wind surfing, kayaking, canoeing and rowing. In addition to this, a long term development plan for procurement of 100 complete sailing boats and 264 boats for rowing, kayaking and canoeing has been drawn up and procurement process initiated.

9.4 The Committee are happy to note that 4th World military sports will be held in October 2007 in Hyderabad and preparations are being made for this purpose. The Committee would like to complement the Defence Forces the good performance of their personnel who participated in international level events viz. the Commonwealth Games, Olympics recently. The Committee would like the Defence Forces to explore the areas where they can compete with international standards and chalk out a Plan to train and motivate their personnel in those sports. The Defence Forces should also send more personnel to take part in national and international events. The Committee also desire that Navy should encourage water sports among its personnel and necessary funds be provided for promotion of the same.

CHAPTER X

ROLE OF ARMED FORCES IN DISASTER MANAGEMENT

10.1 Besides securing borders of our country, the Armed Forces also assist the civil authorities in maintenance of law and order and / or essential services as well as in rescue and relief operations during natural calamities and manmade disasters. In addition of providing actual relief, the Armed Forces maintain regular liaison with the civil authorities to refine contingency planning and to ensure timely response.

10.2 Pertaining to expenditure on such operation, the Ministry in its written replies informed the Committee as under:

“The expenditure on such operations/assistance are incurred by the Armed Forces themselves first and subsequently reimbursed by the concerned State Governments. The relief assistance in form of tents, clothings, medicines etc. have been provided recently in the aftermath of Tsunami, J&K earthquake, floods, etc. in different parts of the country. The details of expenditure incurred in providing relief in Tsunami affected areas, J&K earthquake & other national calamities by Defence Services in the recent past are as under.”

10.3 Details of expenditure incurred on rescue and relief operations in J&K and supply of relief materials to Pakistan in October, 2005

S.No.	Component	Cost (Rs in Cr)
1.	MGO stores for J&K	88.86
2.	Cost of adoption of model villages (03) by the Army	5.57
3.	Cost of adoption of model villages (04) by the Air Force	3.64
4.	Relief Missions/sorties by Transport Aircraft & Helicopters of Air Force	25.82
	GRAND TOTAL	123.89

10.4 Details of expenditure on *Tsunami* Relief Work by Armed Forces including Coast Guard in December 2004

(Figures in Rupees)

Sl.No.	Service	Kerala, Tamil Nadu & Andaman & Nicobar	Sri Lanka (Operation Rainbow)	Indonesia (Operation Gambhir)	Maldives (Operation Castor)
1.	Army	3,33,54,461	2,58,01,977	-	-
2.	Navy	17,07,40,240	9,58,54,137	1,82,07,114	5,13,3,646
3.	Air Force	45,08,13,200	4,52,35,750	-	4,13,82,000
4.	Coast Guard	23,94,74,625	10,81,46,707	-	14,25,12,663
5.	HQ ANC	22,91,91,990	-	-	-
6.	DGAFMS	7,87,67,455	1,03,72,110	32,30,650	9,50,000
Total		120,22,41,971	28,54,10,681	2,14,37,764	23,62,38,309

Summary

1. Within India : Rs.120,22,41,971/-
2. Foreign Assistance : Rs. 54,30,86,754/-
3. Total Expenditure on *Tsunami* Relief Work : Rs.174,53,28,725/-

10.5 When asked to state if there is any need for contingency budget in this regard, the Ministry of Defence in their written replies informed the Committee as under:

“Ministry of Home Affairs, is the nodal Ministry for dealing with the subject matter of Disaster Management. With the constitution of the National Disaster Management Authority (NDMA), under the Disaster Management Act, 2005 and similar authorities at the State and District levels, the funds for mitigation, relief and rescue, and preparedness measures are to be provided by MHA/NDMA.

For incurring expenditure on organising rescue and relief operations by the Defence Services, there are sufficient funds available with the Services that may be supplemented, as and when the need arises, by financing through the Ministry of Home Affairs or the National Disaster Management Authority. Therefore, as of now,

the need for contingency budget in the Ministry of Defence is not envisaged. However, the Armed Forces are always prepared to assist the State Governments in any kind of natural or man made disasters.”

10.6 When enquired about the thinking of Ministry of Defence in setting up of core group on Military on Disaster Management, the Ministry of Defence in their written reply stated:

“As envisaged in the Disaster Management Act 2005, a National Disaster Management Authority (NDMA) has already been constituted. Further, the Act also provides for constitution of similar authorities at the State and District levels, all over the country. The Home Affairs shall continue to be the nodal Ministry in managing disasters.

The role of the Defence Services in managing disasters has been outlined in the Crisis Management Plan. The role of the Defence Services in managing various kinds of disasters is dovetailed into the Standard Operating Procedures (SOPs) being formulated. For such functions, a Defence Crisis Management Group (DCMG) has been constituted in the Ministry of Defence which coordinates with all concerned agencies in the management of disasters.”

10.7 The Committee note that the Armed Forces, besides securing borders of our country also assist the civil authorities in maintenance of law and order situation and rescue and relief operations during natural and man made disasters. The Committee would like to applaud the commendable job performed by the Armed Forces during all kind of disasters. The rescue and relief operations of Defence forces in the wake of Tsunami, earthquake in J&K and other calamities besides giving valuable relief to the people have also affirmed their faith in defence forces. The Committee note that Defence services incur substantial expenditure in various operations in disaster management. The expenditure of such operations/ assistance are incurred by the Armed Forces themselves at the first instances and subsequently are reimbursed by the concerned State Governments. The Committee desire that a provision be made to keep separate contingency fund for disaster management within the Defence services so that timely and adequate relief could be extended to the affected people.

The Committee further observe that the role of the Defence Services in managing various kinds of disaster has been outlined in

Crisis Management plan and is dovetailed into the Standard Operating procedures (SOPs) which is being formulated. The Defence Crisis Management Group (DCMG) in the Ministry of Defence coordinates with all concerned agencies in the management of disasters. However, the Committee feel that the Ministry should constitute a core group of Military on Disaster Management for better coordination among the three services and meet the national disasters more effectively.

NEW DELHI;
18 May, 2006
28 Vaisakha, 1928 (Saka)

BALASAHEB VIKHE PATIL,
Chairman,
Standing Committee on Defence.

MINUTES OF THE TWENTY NINTH SITTING OF THE
STANDING COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Wednesday, the 8 March, 2006 from 1500 hrs. to 1645 hrs. in Committee Room No. 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri A.V. Bellarmin
3. Smt. Sangeeta Kumari Singh Deo
4. Shri Milind Deora
5. Shri Suresh Kalmadi
6. Dr. C. Krishnan
7. Shri Ganesh Prasad Singh
8. Shri Manvendra Singh

Rajya Sabha

9. Dr. Farooq Abdullah

SECRETARIAT

1. Shri R.C. Ahuja — *Joint Secretary*
2. Smt. Anita Jain — *Deputy Secretary*
3. Shri D.R. Shekhar — *Under Secretary*

REPRESENTATIVES OF MINISTRY OF DEFENCE

Department of Defence

1. Shri Shekhar Dutt, Defence Secretary
2. Shri S. Banerjee, DG (Acq)
3. Shri P. K. Rastogi, Addl. Secy
4. Shri Bimal Julka, JS(G/Air)

5. Shri Gautam Chatterjee, JS(O/N)
6. Shri A. K. Upadhyay, JS(E)
7. Shri Debnath Shaw, JS(PIC)
8. Shri S. K. Sharma, JS&AM(Air)
9. Shri P. K. Anand, JS&AM(LS)
10. Dr. Thomas Mathew, JS&AM(MS)

Defence (Finance) Division

1. Shri V. K. Misra, FA(DS)
2. Ms. Sheela Bhide, FA(Acquisition)
3. Shri Amit Cowshish, Addl. FA(A)
4. Shri S. N. Mishra, Addl. FA(M)
5. Shri P. K. Jena, Addl. FA(J)
6. Smt. Anuradha Mitra, Addl. FA(AM)
7. Shri S. L. Bunker, FM (Air)
8. Smt. Shobhana Joshi, FM (LS)
9. Shri G. S. Sood, FM (MS)

Department of Defence Production

1. Shri K. P. Singh, Secretary, (DP)
2. Shri Anup Mukerji, Addl. Secy.
3. Shri Ranjan Chatterjee, JS(HAL)
4. Ms. Rita Menon, JS (SY)
5. Shri T. Ramachandru, JS(OF)
6. Shri Alok Perti, JS(S)
7. Shri V. Somasundaran, JS(X)
8. Shri P. K. Misra, Chairman OFB

Department of Defence Research & Development

1. Dr. M. Natrajan, SA to RM
2. Shri Prahlada, CCR&D(SI) & DS
3. Shri S. C. Narang, CCR&D(R)

Department of Ex-Servicemen Welfare

1. Dr. (Smt) Rekha Bhargava, Addl. Secy (B)

Services Headquarters**Army**

1. Lt. Gen. G. D. Singh, PVSM, AVSM-DCOAS
2. Maj. Gen. S.B.S. Bains, VSM-ADG FP
3. Maj. Gen. A. K. Mehra, ADG (WE)

Air Force

1. Air Mshl. A. K. Nagalia, AVSM, VM, VSM-DCAS
2. AVM K. K. Nohwar, ACAS (Plans)

Navy

1. R. Adml. R. K. Dhowan, YSM-ACNS(P&P)
2. Cmde Girish Luthra, PDNP

2. At the outset, Hon'ble Chairman welcomed the Defence Secretary and his colleagues to the sitting of the Committee. The representatives of the Ministry then made a power point presentation before the Committee on Demands for Grants, 2006-07 of Ministry of Defence. The Committee sought clarifications from the representatives of Ministry on various points relating to Demands for Grants viz. planning & proposal for full utilisation of Defence Budget of Rs. 89,000 crore in 2006-07, reduced allocation in revised estimates for 2005-06 and its effect on defence planning, shortfall of Tenth Defence Plan and status of Eleventh Defence Plan. The representatives of the Ministry replied to all the queries of the Members.

The witnesses then withdrew.

3. A verbatim record of the proceeding was kept.

The Committee then adjourned.

MINUTES OF THE THIRTIETH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Tuesday, the 09 March, 2006 from 1500 hrs. to 1730 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri Iliyas Azmi
3. Dr. C. Krishnan
4. Shri Manvendra Singh

Rajya Sabha

5. Dr. Farooq Abdullah
6. Smt. N. P. Durga

SECRETARIAT

1. Smt. Anita Jain — *Deputy Secretary*
2. Shri D.R. Shekhar — *Under Secretary*

LIST OF REPRESENTATIVES FROM MINISTRY OF DEFENCE

1. Shri Shekhar Dutt, Defence Secretary
2. Shri V. K. Mishra, FA(DS)

Department of Ex-Servicemen Welfare

1. Dr. (Smt) Rekha Bhargava, Addl. Secy (B)
2. Shri A. K. Upadhyaya, JS(ESW)
3. Lt. Gen. M. G. Girish, PVSM, AVSM, VSM-DG DC&W
4. Maj. Gen. Swarup Kishan, DG (R)
5. Col. B. Ghosh, Director, ECHS
6. Lt. Col. Sharad Bhargav, Adm. Officer, DGR

Defence Estate Organisation

1. Shri Anand Misra, JS(C&W)
2. Lt. Gen. A. S. Bahia, PVSM, AVSM – QMG
3. Shri C. R. Mohapatra, DGDE
4. Shri Ashok Harnal, Addl. DGDE

Department of Defence Production

1. Shri K. P. Singh, Secretary (DP)
2. Shri Anup Mukerji, Addl. Secy. (DP)
3. Shri T. Ramachandru, JS(OF)
4. Shri Alok Pertil JS(S)
5. Shri P. K. Misra, Chairman OFB
6. Shri Asad Ahmad, Offg DGQA
7. Shri Saurabh Kumar, Dir (P&C)
8. Shri P. K. Hans, CPO(H)

Armed Forces Medical Services

1. Surg V. Adml. V. K. Singh, DGAFMS
2. Maj. Gen. M. Srivastava, Addl. DGAGMS
3. Maj. Gen. V. P. Pathania, Addl. DGAFMS (E&S)
4. Lt. Col. Anurag Khanna, Jt. Dir AFMS (Stdn)

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee.

3. The representatives of Ministry of Defence briefed the Members of the Committee on Ex-Servicemen Welfare schemes through slide presentation. They informed the Committee about the scheme of ECHS, membership status, budget analysis, its aim, outsourcing through empanelled hospitals / Nursing homes, existing infrastructure of the welfare scheme, augmentation of ECHS polyclinics and role of Directorate General Resettlement in welfare and rehabilitation of Ex-Servicemen.

4. On the issue of resettlement of Ex-Servicemen, the representatives of the Ministry informed the Committee that they were strengthening the Rajya and Zila Sainik Boards. They also apprised the Committee that Bihar Government has informed the Ministry that

they were considering recruitment of five thousand Ex-Servicemen as Police personnel.

5. The representatives of the Ministry thereafter made a presentation on Directorate General of Quality Assurance (DGQA). The Committee were informed that the post of Director General Quality Assurance was lying vacant since 31 August, 2004 as the matter was under the consideration of the Court. They informed the Committee regarding working, structure, Budget, Technical Directors, transfer of responsibility of DGQA etc. They further stated that the performance audit of DGQA conducted by C&AG had recommended changes in structure and working procedures, which were being studied by the Government.

6. Thereafter, Chairman OFB made a presentation on Demands for Grants of Ordnance Factories and informed that Ordnance Factory Board's budget was a part of Army budget till 1986-87. However from 1987-88 onwards it was being presented as a separate demand. The representative further apprised the Committee that their infrastructure was being upgraded as per the modernisation plan including technology upgradation to produce cutting edge technology products, improve quality standards and reduce cost. This modernisation plan was funded through internal resources.

7. In another slide presentation, the Director General of Armed Forces Medical Service, informed the Committee that they were earlier concentrating on upgradation of R&R and command hospitals only but now they have taken a decision that all zonal and other hospitals should be equipped with modern machines.

8. The representatives of the Ministry then made a slide presentation on Defence Estate Organisation. They informed the Committee that they had mooted a proposal for restructuring of the organisation in order to make it more officer oriented. They also apprised the Committee that they have initiated few projects relating to IT, E-Governance, computerisation of defence land records, etc.

The witnesses then withdrew

9. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY-FIRST SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Thursday, the 23 March, 2006 from 1500 hrs. to 1630 hrs. in Committee Room No. '074', Parliament Library Building, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri Churchill Alemao
3. Shri Iliyas Azmi
4. Shri Thupstan Chhewang
5. Shri Ramesh Jigajinagi
6. Shri Raghuraj Singh Shakya
7. Shri Mahadeorao Shiwankar
8. Shri Ganesh Prasad Singh
9. Shri Manvendra Singh
10. Ms. Ingrid Mcleod

Rajya Sabha

11. Smt. N.P. Durga
12. Shri Jai Parkash Aggarwal

SECRETARIAT

1. Shri S. K. Sharma — *Additional Secretary*
2. Smt. Anita Jain — *Deputy Secretary*
3. Shri D.R. Shekhar — *Under Secretary*

LIST OF NON-OFFICIAL WITNESSES

1. Shri Ajay Vikram Singh — Former Defence Secretary
2. Major General (Retired) — Ex-MP
Bikram Singh Kanwar
3. Col. Sudhir Sawant — Ex-MP
4. Vice-Admiral Retired K.K. Nair

2. At the outset, Hon'ble Chairman welcomed Shri Ajai Vikram Singh, Defence Secretary (Retd.) and requested him to put forth his view points on (i) Armed Forces Tribunal Bill, 2005, (ii) Threat perception (iii) Demands for Grants (iv) Role of DRDO in Self-Reliance and (v) Welfare of Ex-Servicemen.

On Armed Forces Tribunal Bill, he suggested the following points:

1. It is not practical to fix a time frame within which Tribunal should dispose off cases. Some indicative time frame can be given to the Tribunal to try to complete its proceedings.
2. In Clause 16(3) of the Bill, drafting/composition is not clear.
3. Transfers & postings should not be included in the purview of the Bill. Otherwise, Tribunal would have so many cases of personnel who do not want to go to relatively harder stations.

On Defence Budget planning and threat perception, Shri Singh shared his views on the following points, with the Committee:

1. The threat to national security need not come in the form of military attack. It can be by denying some vital element in its requirement. Therefore, a country has to shape up its policies.
2. National Security Council or its secretariat has not been able to live up to the expectation and therefore every Ministry or organization and even within Ministry different organizations are acting in isolation or without coordination with each other. There should not be adhocism in decision taking during emergent situation.
3. The techniques used in counter insurgency operation as in J&K and North East are quite different from conventional battles. There is need for reshaping of the structure of training part *viz.* light soldiers, good intelligence network and highly sophisticated equipment.
4. About non-conventional threats, a well developed intelligence network is the only safeguard.

In regard to relief to ex-servicemen, the former Defence Secretary was of the view that the Central Government and State Governments have to be more responsive to the requirements of Ex-Servicemen.

As regards DRDO, he stated that keeping in view the large size of procurement from outside, our main concern should be to make the R&D efforts of the country more effective by involving and working together closely with private sector, ordnance factories and Defence PSUs.

The witness then withdrew

Then Hon'ble Chairman welcomed Maj. Gen.(Retd.) Vikram Singh Kanwar, Ex-MP to express his opinion on the Armed Forces Tribunal Bill, 2005, (ii) Threat perception (iii) Demands for Grants (iv) Role of DRDO in Self-Reliance and (v) Welfare of Ex-servicemen.

On Armed Forces Tribunal Bill 2005 the witness stated that in the applicability of the Act, Clause 2(2) only includes retired Personnel and not released, discharged and dismissed personnel. They should be included in this category.

On Ex-servicemen's Welfare he suggested the following points :

- (i) In Family pension, Armed forces are discriminated. They get family pension at the rate of 30%. That discrimination should be avoided.
- (ii) With regard to disability pension, there is a difference between personnel who joined before 1996 and who joined after 1996. Those who have joined before, they get less pension and those who have joined after, get more pension. That discrimination should not be there.
- (iii) When a Havildar becomes Naib Subedar, he gets honorarium of Rs. 100. But when a subedar become major, he does not get any honorarium. Therefore, he must get same honorarium.
- (iv) As per the new rule of the Government the widow and widowed daughter of a jawan are treated as dependant on him. However, the unmarried daughters of the Jawans above 25 years is not considered dependant on him. She should also be treated as dependant.
- (v) Parity in Pension, which we have been claiming for the last three decades, *i.e.* one rank one pension should be given.
- (vi) All ex-servicemen should get 50% pay as pension as in the case of their civilian counterparts. Particularly the Jawan who retires after service of 17 years should also get a

pension of 50% of their salary. Discrimination between Officers & Jawans in getting Pension should not be there.

- (vii) Armed Forces Personnel get their pension as per their designation. However, cases are there, where, a retired Major General is getting less pension than a Brigadier for the last 10 years. Court has given favourable decision. This anomaly be rectified.
- (viii) There should be a separate pay Commission for the Armed Forces.
- (ix) ECHS Facilities for Ex-servicemen are available in few cities. These should be extended to remote villages, because ex-soldiers live in remote areas.

The Witness then withdrew

Then Hon'ble Chairman welcomed Col. Sudhir Sawant, Ex-MP and request him to putforth his suggestions on the Armed Forces Tribunal Bill, 2005, (ii) Threat perception (iii) Demands for Grants (iv) Role of DRDO in Self-Reliance and (v) Welfare of Ex-servicemen.

Col. Sudhir Sawant briefed the Committee on the following aspects/dimensions of security concerns/threat perception:

1. China is a key issue to our recent concern.
2. Criminal anarchy is the main threat to India.
3. Armed Forces should not be involved anywhere to counter terrorism and to meet internal insurgency.
4. We must develop a concept of small standing Army and a large reserve to be grouped into the territorial army companies. The territorial army can perform all support role.
5. Territorial army should be a nodal organization for disaster management.

Hon'ble Chairman then welcomed Vice Admiral (Retired) K.K. Nayyar and requested him to putforth his view point on the subject. He was of the view that problems in the armed forces could be resolved if there was a board consisting of three service Chiefs and the Minister.

The witnesses then withdrew

A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY SECOND SITTING OF THE
STANDING COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Friday, the 24th March, 2006 from 1100 hrs. to 1430 hrs. in Committee Room 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Iliyas Azmi
3. Shri Thupstan Chhewang
4. Shri Ramesh Jigajinagi
5. Shri Mahadeorao Shiwankar
6. Shri Ganesh Prasad Singh
7. Shri Balashowry Vallabhaneni

Rajya Sabha

8. Shri Jai Parkash Aggarwal

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri R.C. Ahuja — *Joint Secretary*
3. Smt. Anita Jain — *Deputy Secretary*
4. Shri D.R. Shekhar — *Under Secretary*

NON-OFFICIAL WITNESS

1. Gen. (Retired) V.P. Malik

LIST OF REPRESENTATIVES FROM MINISTRY OF DEFENCE

Department of Defence

1. Shri Shekhar Dutt, Defence Secretary
2. Shri K.P. Singh, Secretary (DP)
3. Dr. M. Natrajan, SA to RM

4. Shri S. Banerjee, DG (Acq)
5. Shri V. K. Misra, FA(DS)
6. Shri C.R. Mohapatra, DGDE
7. Dr. (Smt.) Rekha Bhargava, Addl. Secy. (B)
8. Shri K.P. Lakshmana Rao, FA(Acq) & AS
9. Shri Asad Ahmed, Offg. DGQA
10. Shri S. C. Narang, CCR&D(R)
11. Shri Alok Perti, JS(S)
12. Shri S. K. Sharma, JS&AM(Air)
13. Dr. Thomas Mathew, JS&AM(MS)
14. Shri T. Ramachandru, JS(OF)
15. Shri Amit Cowshish, Addl. FA(A)
16. Shri P.K. Jena, Addl. FA(J)
17. Smt. Anuradha Mitra, Addl. FA(AM)
18. Shri Mohd. Haleem Khan, Addl. FA(H)
19. Shri S. L. Bunker, FM (Air)
20. Shri G. S. Sood, FM (MS)
21. Shri Ashok Harnal, Addl. DGDE

Army Headquarters

1. Lt. Gen. G. D. Singh, PVSM, AVSM-DCOAS
2. Lt. Gen. Y.K. Jain, DG, MAP
3. Maj. Gen. S.B.S. Bains, VSM-ADG FP
4. Maj. Gen. A. K. Mehra, ADG (WE)

Naval Headquarters

1. Vice Admn. J.S. Bedi, DCNS
2. R. Adml. R. K. Dhowan, YSM-ACNS(P&P)
3. Cmde. Girish Luthra, PDNP
4. Cmde. Arvind Sharma, OIC Project 75 Cell

Air Headquarters

1. Air Mshl. A. K. Nagalia, AVSM, VM, VSM-DCAS
2. AVM K. K. Nohwar, ACAS (Plans)
3. AVMN, Vijay Kumar, ACAS (FP)

2. At the outset, the Hon'ble Chairman welcomed Gen. (Retired) V.P. Malik to share his viewpoints on (i) Armed Forces Tribunal Bill, 2005; (ii) Threat Perception; (iii) Demands for Grants; (iv) Role of DRDO in self-reliance and (v) Welfare of Ex-servicemen.

3. On Armed Forces Tribunal Bill, 2005 he suggested the following points:

- (i) In the proposed Bill, provision be added for consideration by Tribunal, various administrative orders that are issued for dismissals, restricting pensions etc.
- (ii) Large number of benches will be required to deal with the case of growing number of Servicemen & Ex-servicemen.
- (iii) The decision of Medical Board on recommending enhanced pension due to disability on account of service condition should be final.
- (iv) As regards of the Administrative member of the Bench, he suggested that the Administrative member may be recommended by Chiefs of Staff Committee.
- (v) the decision of the Tribunal should be final.

4. On Threat perception he suggested the following points:

- Today, the internal and external threats are meshed together. They have to be dealt with together. Our threats are no longer conventional in nature.
- We have to strengthen our surveillance system on our borders. There must be coordination among three service for the use of surveillance equipment.
- Internal as well as external threats require an immediate reaction. Therefore the political authority and the Armed Forces should start looking for the possible contingencies, where we may have to react very fast. There could be a mechanism to study and suggest contingency plans. He suggested that Cabinet Committee on Security is enough to do the needful. Regarding appointment of CDS, he opined that this will facilitate the decision making process.

5. On DRDO he suggested the following points:

- Every year the budget allocation is increasing, without accountability. Our country is spending 2.5% of GDP on

defence and out of that 18 billion dollars worth equipment are being imported.

- There is a need to upgrade our DRDO. There is a need for capital investment and import of technology and involvement of private sector engaged in defence production.
 - The DRDO should do some in-house introspection as to what happened in those 10 years, where they have gone wrong, why they have not been able to stick to that plan. They themselves ought to do this introspection.
 - They should work now as a consortium with the private sector within the country.
 - Users should be closely associated with DRDO and manufacturers.
 - All the Ordnance Factories and all defence PSUs must be given total freedom to upgrade their R&D.
 - GSQR should always be done by the Armed Forces and DRDO together and it should be under the General staff.
 - DGQA has been wrongly placed and has failed in the services on very important equipment. Instead of expanding the capability, the Ministry is expanding the manpower. That is a wrong step. People who are manufacturing are cleaning their equipment.
 - There should be a Non-lapsable Fund.
6. On Ex-Servicemen's Welfare he suggested the following points:
- All the Ex-Servicemen should get full pension.
 - Some Major General gets lesser pension than the Brigadier. This anomaly must be sorted out.
 - For Welfare of Ex-Servicemen State Govts. have to be given more authority and responsibility of getting people together and giving them employment.
 - Complete restructuring of Zila Sainik Boards and Rajya Sainik Boards should be carried out.
 - The State Governments must allot land to the Jawans, form of incentive to join Armed Forces.

The Witnesses then withdrew

7. Then Hon'ble Chairman welcomed the representatives of Ministry of Defence to render oral Evidence on Demands for Grants(2006-07) relating to Navy. The Hon'ble Chairman and Members sought clarifications on certain important points on Demand No. 23 relating to Navy *i.e.* substantial cut in Capital Budget for Navy in the RE 2005-06 against BE 2005-06, reasons for decreased allocations, major cuts made in various acquisition programmes and its impact on various acquisition programmes and overall defence preparedness, decline in allocation for purchase of Naval vessels and submarine for Mazagon Dock Limited in RE 2005-06, modernisation of Naval Dockyard, Mumbai, Fifteen year long term plan for Navy, thrust areas in the 11th Plan and shortfall in the 10th Plan, status of indigenous production of submarines and acquisition of low level radars and long term fund support etc. The representatives responded to the queries of the Members one by one.

The Witnesses then withdrew.

8. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY FOURTH SITTING OF THE
STANDING COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Monday, the 03 April, 2006 from 1100 hrs to 1245 hrs in Committee Room No. 62, Parliament House, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Illiyas Azmi
3. Shri Thupstan Chhewang
4. Smt. Sangeeta Kumari Singh Deo
5. Shri Ramesh Jigajinagi
6. Shri Suresh Kalmadi
7. Dr. K. S. Manoj
8. Shri Raghuraj Singh Shakya
9. Shri Ganesh Prasad Singh
10. Shri Manvendra Singh
11. Shri Balashowry Vallabhaneni

Rajya Sabha

12. Smt. N. P. Durga
13. Shri Jai Prakash Aggarwal
14. Shri Lalit Suri

SECRETARIAT

1. Shri S. K. Sharma — *Additional Secretary*
2. Smt. Anita Jain — *Deputy Secretary*
3. Shri D.R. Shekhar — *Under Secretary*

LIST OF REPRESENTATIVES FROM MINISTRY OF DEFENCE

1. Shri S. Banerjee, DG (Acq)
2. Shri V. K. Mishra, FA(DS)
3. Dr. (Smt.) Rekha Bhargava, Addl. Secy. (B)

4. Shri P. K. Rastogi, Addl. Secy. (DP)
5. Shri S. K. Sharma, JS&AM(Air)
6. Shri Bimal Julka, JS (G/Air)
7. Shri Ranjan Chatterjee, JS (HAL)

Air HQtrs

1. Air Mshl. A. K. Nagalia, DCAS
2. Air Mshl. P. S. Ahluwalia, DG(FI&S)
3. AVM S. C. Mukul, ACAS (Ops)
4. AVM Vijaya Kumar, ACAS (Fin. P)
5. AVM K. K. Nohwar, ACAS (Plans)
6. AVM J. N. Burma, ACAS (Wks)

DRDO

1. Shri M. Natarajan, SA to RM
2. Dr. V. K. Saraswat, CCR&D(M&SS) & DS
3. Dr. D. Banerjee, CCR&D (AMS) & DS
4. Shri Prahlada, CCR&D (SI) & DS
5. Shri K. U. Limaye, CCR&D (ECS) & DS
6. Dr. W. Selvamurthy, CCR&D (LS & HR)
7. Shri S. C. Narang, CCR&D (R)
8. Shri P. K. Jena, Addl. FA (J) & JS

Finance Division

1. Shri S. N. Mishra, Addl. FA (M)
2. Smt. Anuradha Mitra, Addl. FA (AM)
3. Shri Amit Cowshish, Addl. FA (A)
4. Shri S. L. Bunker, FM (Air)

2. At the outset, Hon'ble Chairman welcomed the Members and representatives of the Ministry of Defence to the sitting of the Committee and invited their attention to the Direction 58 of the Directions by the Hon'ble Speaker regarding maintaining confidentiality of the deliberations of the sitting of the Committee. The Committee expressed their unhappiness over the absence of Defence Secretary and other Senior Officers. The Committee felt that priority should have been given by Defence Secretary and other officers to attending

the sitting. The Committee, however, painfully agreed to take the presentation from the Ministry but decided to postpone the discussion to a later date.

3. The representatives of Ministry of Defence briefed the Members of the Committee on Demands for Grants (2006-07) of the Ministry of Defence relating to the Air Force and DRDO through slide presentation. The representatives of the Ministry apprised the Committee about the force structure and modernisation plan of Indian Air Force. They informed the Committee that they have already completed the upgradation of the MiG 21 BIS Aircraft and at present they are upgrading the Jaguar and MiG 29.

4. They further informed the Committee that an additional allocation of Rs. 456 crore to Air Force has been provided at fag end of financial year. The Committee desired that the Ministry should provide road map for long term perspective plan of Indian Air Force. The representative of Air Force informed the Committee that the long term perspective of Air Force has already been submitted to Headquarters and the draft Eleventh Plan is under consideration of the Ministry.

5. The representatives of the Ministry thereafter gave the presentation on DRDO which included an on overview of systems and technologies, Defence R&D budget, R&D *vs* Defence expenditure, proposed utilisation of BE (2006-07), expenditure on development of armaments, missiles, aeronautics, naval systems, electronics, materials, combat vehicle and engineering, life sciences etc.

6. On the question of objection of the Finance Ministry to re-appropriate the allocation, the representative of the Ministry apprised the Committee that the Ministry of Finance never come in the way of allocations. On the question of transparency and time taken in defence deals, the representative of the Ministry apprised the Committee that the acquisition of defence equipment was a complex process which took time the world over.

The witnesses then withdrew.

7. The sitting remained inconclusive.

8. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY FIFTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Monday, the 10 April, 2006 from 1100 hrs. to 1300 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Illiyas Azmi
3. Shri A. V. Bellarmin
4. Shri Thupstan Chhewang
5. Smt. Sangeeta Kumari Singh Deo
6. Shri Milind Deora
7. Shri Suresh Kalmadi
8. Shri Raghuraj Singh Shakya
9. Shri Balashowry Vallabhaneni

Rajya Sabha

10. Smt. N. P. Durga
11. Shri Pramod Mahajan
12. Shri Jai Prakash Aggarwal

SECRETARIAT

1. Shri R. C. Ahuja — *Joint Secretary*
2. Smt. Anita Jain — *Deputy Secretary*
3. Shri D.R. Shekhar — *Under Secretary*

LIST OF REPRESENTATIVES FROM MINISTRY OF DEFENCE

1. Shri Shekhar Dutt, Defence Secretary
2. Shri K. P. Singh, Secretary (DP)

3. Shri M. Natarajan, SA to RM
4. Shri S. Banerjee, DG (Acq.)
5. Shri V. K. Misra, FA (DS)
6. Dr. (Smt.) Rekha Bhargava, Addl. Secy. (B)
7. Shri P. K. Rastogi, Addl. Secy. (DP)
8. Air Marshal P. S. Ahluwalia, DG (I&S)
9. Air Mshl. A. K. Nagalia, DCAS
10. Shri Ashok K. Baweja, Chairman (HAL)
11. Shri Y. Gopala Rao, CMD, BEL
12. Dr. V. K. Saraswat, CCR&D (M&SS) & DS
13. Dr. D. Banerjee, CCR&D (AMS) & DS
14. Shri K. U. Limaye, CCR&D (ECS) & DS
15. Shri S. C. Narang, CCR&D (R)
16. Shri Bimal Julka, JS (G/Air)
17. Shri Ranjan Chatterjee, JS (HAL)
18. Shri S. N. Mishra, Addl. FA (M)
19. Smt. Anuradha Mitra, Addl. FA (AM)
20. Shri Amit Cowshish, Addl. FA (A)
21. AVM W. Raymond, ACAS (IT)
22. AVM SC Mukul, ACAS (Ops.)
23. AVM Vijaya Kumar, ACAS (Fin P)
24. AVM K. K. Nohwar, ACAS (Plans)

2. At the outset, Hon'ble Chairman welcomed the Members and representatives of the Ministry of Defence to the sitting of the Committee and invited their attention to the Direction 58 of the Directions by the Speaker regarding maintaining confidentiality of the deliberations of the sitting of the Committee.

3. The representatives of Ministry of Defence briefed the Members of the Committee on Demands for Grants (2006-07) of the Ministry of Defence relating to the Air Force and DRDO. The representatives of the Ministry apprised the Committee about the shortage of Air Force Squadrons and low level technical radars. They informed that requirements of the same have been worked out.

4. The Ministry informed the Committee that fifth generation aircraft proposed to be developed with collaboration of Russians. On

the question of development of weapon locating radars the representative informed that adjoined programme with BEL has been taken up to locate long range mortars, guns and artillery. Besides Air Force, DRDO has developed separate surveillance radars for Indian Navy also for which production agency is Bharat Electronics Limited.

5. On the question of Airborne Early Warning and Control System (AWACS), the representative of the Ministry apprised the Committee that they were developing AWACS with active antenna.

6. On the question of Transfer of Technology to become self-sufficient or self-reliant in the field of Helicopters, the representative of the Ministry replied that after the supply of few Helicopters, 135 Helicopters would be under full Transfer of Technology scheme.

7. The representative of the Ministry responded to queries of the Members of the Committee.

The witnesses then withdrew.

8. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY SIXTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Thursday, the 13th April, 2006 from 1100 hrs. to 1300 hrs. in Committee Room 'G-74', Parliament Library Building, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Thupstan Chhewang
3. Dr. K. S. Manoj
4. Shri Mahadeorao Shiwankar
5. Shri Ganesh Prasad Singh

Rajya Sabha

6. Dr. Farooq Abdullah
7. Shri Jai Parkash Aggarwal

SECRETARIAT

1. Shri R.C. Ahuja — *Joint Secretary*
2. Smt. Anita Jain — *Deputy Secretary*
3. Shri D.R. Shekhar — *Under Secretary*

LIST OF REPRESENTATIVES FROM MINISTRY OF FINANCE

1. Dr. Adarsh Kishore, Finance Secretary and Secretary (Expenditure)
2. Shri Atanu Chakraborty, Joint Secretary, Department of Expenditure
3. Shri R. K. Arora, Director (E.II), Department of Expenditure
4. Shri P. R. Das, Additional Budget Officer, Department of Economic Affairs

NON OFFICIAL EXPERT

1. Wing Commander U. C. Jha (Retd.)

2. At the outset, Hon'ble Chairman welcomed the Representatives of Ministry of Finance to the Sitting of the Committee. Then Hon'ble Chairman and Members requested them to clarify some crucial issues pertaining to Defence Budget and Defence Planning. The representatives replied to all the queries of the Members one by one.

Witnesses then withdrew.

3. The Committee then invited Wing Commander U.C. Jha (Retd.) to make presentation on the Armed Forces Tribunal Bill, 2005. He then gave detailed presentation on the various provisions of the Bill. Members raised certain queries on the provision of the Bill. The same were responded to by the witness.

The witness then withdrew.

4. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY SEVENTH SITTING OF THE
STANDING COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Tuesday, the 18 April, 2006 from 1100 hrs. to 1245 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Illiyas Azmi
3. Shri Thupstan Chhewang
4. Smt. Sangeeta Kumari Singh Deo
5. Smt. Priya Dutt
6. Shri Suresh Kalmadi
7. Shri Raghuraj Singh Shakya
8. Shri Mahadeorao Shiwankar
9. Shri Ganesh Prasad Singh

Rajya Sabha

10. Shri Pramod Mahajan

SECRETARIAT

1. Shri S. K. Sharma — *Additional Secretary*
2. Shri R. C. Ahuja — *Joint Secretary*
3. Smt. Anita Jain — *Deputy Secretary*
4. Shri D.R. Shekhar — *Under Secretary*

LIST OF REPRESENTATIVES FROM MINISTRY OF DEFENCE

1. Shri Shekhar Dutt, Defence Secretary
2. Shri M. Natarajan, SA to RM
3. Shri K. P. Singh, Secretary (DP)
4. Shri S. Banerjee, DG (Acq.)
5. Shri V. K. Misra, FA (DS)
6. Dr. (Smt.) Rekha Bhargava, Addl. Secy. (B)
7. Dr. A. S. Pillai, CCR&D (ACE & NS) & DS

8. Shri Prahlada, CCR&D (SI) & DS
9. Shri P. K. Misra, Chairman, OFB
10. Shri K. P. Lakshmana Rao, FA (Acq.) &AS
11. Shri P. K. Anand, JS&AM (LS)
12. Smt. Shobhana Joshi, FM (LS)
13. Smt. Anuradha Mitra, Addl. FA (AM)
14. Shri Amit Cowshish, Addl. FA (A)
15. Shri T. Ramachandru, JS (OF)

Army HQrs.

1. Lt. Gen. G. D. Singh, DCOAS (P&S)
2. Maj. Gen. A. K. Mehra, ADG WE
3. Maj. Gen. S. B. S. Bains, ADG FP
4. Brig. J. S. Kundu, DDG FP
5. Brig. Jaideep Mitra, DDG

2. At the outset, Hon'ble Chairman welcomed the Members and representatives of the Ministry of Defence to the sitting of the Committee and apprised them about confidential nature of the discussion as per Direction 58 of Directions by the Speaker.

3. The representatives of Ministry of Defence briefed the Members of the Committee on Demands for Grants (2006-07) of the Ministry of Defence relating to the Army. The representatives of the Ministry apprised the Committee about the emphasis on development of indigenous technology as the key factor in future weapon strength.

4. They further informed that at present they were improving T-72 tanks with 1000 horse power engine and by the middle of the eleventh plan all the tanks would be equipped with night fighting capabilities.

5. On the question of updating of communication systems, the representatives of the Ministry apprised the Committee that Centre for Artificial Intelligence Robotics, a lab of DRDO did the entire network communication for command and control.

6. The representative of the Ministry responded to queries of the Members of the Committee on the reports regarding withdrawal of troops from Siachen, present status of Cantonment Bill 2003, DGQA, alleged corruption in recruitment of soldiers etc. On the question of shortage of manpower in the Army, the representatives of the Ministry assured to send a note in writing to the Committee.

The witnesses then withdrew.

7. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE THIRTY-EIGHTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Wednesday, the 19th April, 2006 from 1100 hrs. to 1345 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Iliyas Azmi
3. Shri Thupstan Chhewang
4. Shri Suresh Kalmadi
5. Dr. C. Krishnan
6. Shri Mahadeorao Shiwankar
7. Shri Ganesh Prasad Singh
8. Shri Balashowry Vallabhaneni

Rajya Sabha

9. Shri Lalit Suri

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri R.C. Ahuja — *Joint Secretary*
3. Smt. Anita Jain — *Deputy Secretary*
4. Shri D.R. Shekhar — *Under Secretary*

LIST OF REPRESENTATIVES FROM MINISTRY OF DEFENCE

Department of Defence

1. Shri Shekhar Dutt, Defence Secretary
2. Shri K.P. Singh, Secretary (DP)
3. Dr. M. Natrajan, SA to RM
4. Shri S. Banerjee, DG (Acq)
5. Shri V. K. Misra, FA(DS)
6. Shri C.R. Mohapatra, DGDE
7. Dr. (Smt) Rekha Bhargava, Addl. Secy (B)
8. Shri K.P. Lakshmana Rao, FA(Acq) & AS
9. Shri Asad Ahmed, Offg. DGQA
10. Shri S. C. Narang, CCR&D(R)

11. Shri Alok Perti, JS(S)
12. Shri S. K. Sharma, JS&AM(Air)
13. Dr. Thomas Mathew, JS&AM(MS)
14. Shri T. Ramachandru, JS(OF)
15. Shri Amit Cowshish, Addl. FA(A)
16. Shri P.K. Jena, Addl. FA(J)
17. Smt. Anuradha Mitra, Addl. FA(AM)
18. Shri Mohd. Haleem Khan, Addl.FA(H)
19. Shri S. L. Bunker, FM (Air)
20. Shri G. S. Sood, FM (MS)
21. Shri Ashok Harnal, Addl. DGDE

Army Headquarters

1. Lt. Gen. G. D. Singh, PVSM, AVSM-DCOAS
2. Lt. Gen. Y.K. Jain, DG, MAP
3. Maj. Gen. S.B.S. Bains, VSM-ADG FP
4. Maj. Gen. A. K. Mehra, ADG (WE)

Naval Headquarters

1. Vice Admn. J.S. Bedi, DCNS
2. R. Adml. R. K. Dhowan, YSM-ACNS(P&P)
3. Cmde Girish Luthra, PDNP
4. Cmde. Arvind Sharma, OIC Project 75 Cell

Air Headquarters

1. Air Mshl. A. K. Nagalia, AVSM, VM, VSM-DCAS
2. AVM K. K. Nohwar, ACAS (Plans)
3. AVMN, Vijay Kumar, ACAS (FP)

2. At the outset, the Hon'ble Chairman welcomed the representatives of Ministry of Defence to the sitting of the Committee to render oral evidence on Demands for Grants(2006-07) and requested them to further clarify some important issues relating to budgetary allocation of Ministry of Defence, non-utilisation and surrender of funds by the Ministry of Defence, 10th & 11th Defence Plans, Defence Modernisation Fund (DMF) percentage of indigenous component & import of weapons, roadmap for self reliance and modernisation on DPSUs, present status of procurement of Light Bullet Proof Jackets for Jawans, one rank one pension and other welfare measures for ex-servicemen, incentives/benefits given to sportsmen in Defence services, expenditure incurred in providing relief in Tsunami affected areas & J&K earthquake by Ministry of Defence, etc. The representatives replied to the queries of the Members one by one.

The witnesses then withdrew.

3. A verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF THE FORTY-SECOND SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2005-06)

The Committee sat on Thursday, the 18th May, 2006 from 1500 hrs. to 1545 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Iliyas Azmi
3. Shri A. V. Bellarmin
4. Shri Thupstan Chhewang
5. Shri Milind Deora
6. Shri Suresh Kalmadi
7. Dr. C. Krishnan
8. Shri Raghuraj Singh Shakya
9. Shri Ganesh Prasad Singh
10. Shri Balashowry Vallabhaneni

Rajya Sabha

11. Dr. Farooq Abdullah
12. Smt. N. P. Durga
13. Shri Jai Parkash Aggarwal
14. Shri Lalit Suri

SECRETARIAT

1. Shri R. C. Ahuja — *Joint Secretary*
2. Smt. Anita Jain — *Deputy Secretary*
3. Shri D.R. Shekhar — *Under Secretary*

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Chairman then informed the Members

that the Committee would take up Draft Report on the Demands for Grants of the Ministry of Defence for the year 2006-07 for consideration and adoption.

3. The Committee then took up the Draft Report on the Demands for Grants of the Ministry of Defence for the year 2006-07 for consideration. The Committee, after discussion adopted the Draft Report with minor modifications.

4. The Committee then authorised the Chairman to make necessary amendments, if necessary, in the Report and present the same to the Parliament.

The Committee then adjourned.