

EIGHTH REPORT
STANDING COMMITTEE ON DEFENCE
(2005-06)

(FOURTEENTH LOK SABHA)

MINISTRY OF DEFENCE

*[Action Taken by the Government on the Recommendations contained in the
2nd Report of the Committee (Fourteenth Lok Sabha) on the Demands
for Grants of the Ministry of Defence for the year 2005-06]*

*Presented to Lok Sabha on 20.3.2006
Laid in Rajya Sabha on 20.3.2006*



LOK SABHA SECRETARIAT
NEW DELHI

March, 2006/Phalguna, 1927 (Saka)

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

Shri Balasaheb Vikhe Patil—*Chairman*

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3. Shri Iliyas Azmi
4. Shri A.V. Bellarmin
- ***5. Shri Suresh Chandel
6. Shri Thupstan Chhewang
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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.

Rajya Sabha

22. Shri R.K. Anand
23. Dr. Farooq Abdullah
- †24. Shri Jai Prakash Aggarwal
- *25. Gen. Shankar Roy Chowdhury (Retd.)
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27. Smt. N.P. Durga
- §28. Shri Janardan Dwivedi
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3. Shri R.C. Ahuja — *Joint Secretary*
4. Smt. Anita Jain — *Deputy Secretary*
5. Shri D.R. Shekhar — *Under Secretary*
6. Smt. Jyochnamayi Sinha — *Committee Officer*

* 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.

INTRODUCTION

I, the Chairman, Standing Committee on Defence (2005-06) having been authorized by the Committee to submit the Report on their behalf, present this Eight Report on Action Taken by the Government on the recommendations contained in the Second Report of the Committee (Fourteenth Lok Sabha) on the Demands for Grants of the Ministry of Defence for the year 2005-06.

2. The Second Report was presented to/laid in Lok Sabha/Rajya Sabha on 25 April, 2005. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 22 August 2005. The Committee took oral evidence of the representatives of Ministry of Defence on 27 February, 2006 to have clarifications on certain issues arising out of the action taken replies. The Draft Action Taken Report was considered and adopted by the Standing Committee on Defence (2005-06) at their sitting held on 7 March, 2006.

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

4. The Committee are dismayed that Reports of Kelkar Committee, Nair Committee and Vijay Raghavan Committee set up by the Government were not been made available to them by the Ministry of Defence nor any reasons in this regard were given by them despite the matter having been taken up with the Ministry on several occasions. Therefore, the Committee could not avail benefit of these documents while examining various issues mentioned in this Report.

5. The Committee in their report have reiterated their original recommendation that the Ministry of Finance should not impose any cut in defence budget at any stage as it has ramifications on the defence preparedness of the country. The Ministry of Defence should also prepare advance planning of procurement with the status of acquisitions. This status to the Ministry of Finance will be helpful in releasing adequate and timely funds.

6. To strengthen the surveillance capabilities of the three services, the Committee have desired that the Government should complete all the procedural formalities and acquire the low level radars in a time-

bound manner. They wish that the Government must ensure that these weapons/inventory are made technically compatible to all the three Services.

7. The Committee have also desired that a road-map should be prepared for self reliance in Defence items and a time-bound implementation programme should be chalked out for modernization of Armed Forces. The Committee further stressed that adequate funds allocation with firm commitment to execute the same must be made to the Defence Forces, with quality to meet any kind of threat perception—conventional and non-conventional.

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

NEW DELHI;
10 March, 2006

19 Phalgun, 1927 (Saka)

BALASAHEB VIKHE PATIL,
Chairman,
Standing Committee on Defence.

8

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

MINISTRY OF DEFENCE

*[Action Taken by the Government on the Recommendations contained in the
2nd Report of the Committee (Fourteenth Lok Sabha) on the Demands
for Grants of the Ministry of Defence for the year 2005-06]*

EIGHTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2006/Phalguna, 1927 (Saka)

CHAPTER I

REPORT

The Report of the Standing Committee on Defence deals with action taken by the Government on the recommendations/observations contained in their Second Report (14th Lok Sabha) on Demands for Grants (2005-06) of the Ministry of Defence which was presented and laid in both the Houses of Parliament on 25th April 2005.

2. In the Second Report (14th Lok Sabha), the Committee had made 31 recommendations on the following subjects:

Sl. No.	Para No.	Subject
1	2	3
1.	1.39	Cut on Defence expenditure
2.	1.40	Fixing of a minimum percentage of GDP for defence forces
3.	1.41	10% cut on Defence expenditure
4.	1.42	Setting up of National Institute for Defence and strategic studies
5.	2.11-2.12	Defence Planning
6.	2.13	Road Map for Self reliance
7.	2.14	Inadequate surveillance systems
8.	2.21-2.22	Chief of Defence Staff
9.	3.8-3.10	Modernisation of Armed Forces
10.	3.11	Indigenous production and induction of Arjun main Battle Tank
11.	3.15	Procurement of Gun for Indian Artillery
12.	3.19	Phasing out of Chetah/Chetak Helicopters
13.	3.23	Settling up of Armed Forces/Court cases
14.	3.32-3.35	Conferring status of DPSUs to OFs

1	2	3
15.	3.36	Modernisation programmes of OFs
16.	3.37	Quality control in OFs
17.	3.38	Recycling of outdated ammunition
18.	4.16, 4.18 and 4.21	Modernisation of Indian Navy
19.	4.17	Mine Counter Measure Vessels
20.	4.19	Construction of indigenous submarines
21.	4.20 & 4.40	Review of expenditure of Navy and Manpower cut in Navy
22.	4.28	Air Defence Ship
23.	4.38-4.39	Project Sea Bird
24.	5.11-5.12	Shortage of squadron in Air Force
25.	5.13	Inventory management and force Multipliers
26.	5.23-5.24	Indigenous Jet Trainer
27.	5.25	Development of Multi-role combat Air Craft
28.	6.12	DRDO
29.	6.28	Development of LCA
30.	6.29	Development of Kaveri Engine

3. Action Taken replies have been received from the Government in respect of all the recommendations/observations contained in the Report. The Committee took oral evidence of the representatives of the Ministry of Defence on 27th February 2006 to have clarification on some of the issues arising out of the Action Taken replies. Action taken replies have been categorized as follows:

- (i) Recommendations/Observations which have been accepted by the Government:

Para Nos. 1.41, 1.42, 2.13 (2.21-2.22), 3.19, 3.23, 3.38, (4.16, 4.18 & 4.21) 4.19, (4.20 & 4.40), (4.38 & 4.39), 5.13, 6.12 & 6.28.

- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Governments replies- Nil
- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee:

Para Nos. 1.39, 1.40, (2.11-2.12) (3.8-3.10), 3.11, 3.36, 3.37, 4.28 and (5.11 and 5.12)

- (iv) Recommendations/observations in respect of which final replies of Government are still awaited:

Para Nos. 2.14, 3.15, (3.32-3.35), 4.17, (5.23 & 5.24) 5.25 & 6.29

4. The Committee trust that utmost importance will be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for any reason to implement the recommendations in letter and spirit, the matter should be reported to the Committee with reasons for non-implementation. The Committee desire that Action taken Notes on the recommendations/observations contained in Chapter-I and final Action Taken Notes in respect of the recommendations contained in Chapter-V of this Report be furnished to them urgently and in no case later than six months of the presentation of the Report.

5. The Committee will now deal with the Action Taken by the Government on some of their recommendations as contained in Chapter I of this Report.

Cut on Defence Expenditure

Recommendation (Para No. 1.39)

6. The Committee are deeply concerned to note that the Ministry of Defence was compelled to surrender funds to the tune of Rs. 5,000 crore, Rs. 9,000 crore and Rs. 5,000 crore at the Revised Estimates stage of 2001-02, 2002-03 and 2003-04 respectively, to meet the deficits. The budgetary ceilings imposed by the Ministry of Finance in the year 2005-06 have led to the downsizing of the total projected capital requirements of the Defence Services from adequately Rs. 44123.86 crore to Rs. 34375.14 crore which fails to address the security concerns of the nation. The arbitrary caps on budget utilization over a period of time have taken a toll of almost all sectors of Defence like manpower in the Navy, the ongoing modernization, infrastructure

development, procurement of equipment/acquisitions, indigenisation and R&D initiatives. The across the board cut applied by the Ministry of Finance on Defence expenditure without undertaking any exercise to check the ramifications of their decision on defence preparedness calls for an immediate review. The Committee feel that there should not be any cut or reduction in the defence budget by the Ministry of Finance at any stage.

7. The Ministry, in their action taken reply has stated:

“In 2002-03 and 2003-04, Ministry of Finance had reduced the allocation made for Defence by Rs. 9000 crore and Rs. 5000 crore, respectively at Revised Estimates stage. However, in 2001-02, the reduction of Rs. 5000 crore at Revised Estimate stage was made since some of the proposals for which provision was made in BE 2002-03 were not likely to be finalised before March 2002.

For 2005-06, the allocation of Rs. 34375.14 crore for Capital caters fully for the committed liabilities and provides over Rs. 7000 crore for new Capital acquisition schemes.

It is agreed that while ideally Ministry of Finance should not impose any cut or deduction in the Defence Budget, the overall resource position of the Government cannot be overlooked.”

8. In response to a query of the Committee on impact of reduction in Defence budget, on revenue as well as capital acquisition, the Ministry of Defence during oral evidence have produced the following information:

Allocation over the years

(Rs. in Crore)

Year	BE	RE Projected by MoD	RE accepted by MoF	Reduction	Actual Expenditure
2001-02	62,000	57,772	57,000	5,000	54,266
2002-03	65,000	60,500	56,000	9,000	55,662
2003-04	65,300	69,800	60,300	5,000	60,066
2004-05	77,000	78,000	77,000	Nil	75,855
2005-06	83,000				

Effect of Reduction on Revenue Budget

(Rs. in crore)

Year	BE	RE	Reduction	Actual Expenditure
2001-02	42,041.48	40,043.37	1,998.11	38,058.82
2002-03	43,589.37	41,088.45	2,500.92	40,708.98
2003-04	44,347.24	43,393.68	953.56	43,203.19
2004-05	43,517.15	44,852.30	(+)1,335.15	43,862.13
2005-06	48,624.86			

Effect of Reduction on Capital Budget

(Rs. in crore)

Year	BE	RE	Reduction	Actual Expenditure
2001-02	19,958.52	16,956.63	3,001.89	16,206.91
2002-03	21,410.63	14,911.55	6,499.08	14,952.85
2003-04	20,952.76	16,906.32	4,046.44	16,862.61
2004-05	33,482.85	32,147.70	1,335.15	31,993.79
2005-06	34,375.14			

Effect of Reduction on Acquisition Budget

(Rs. in crore)

Year	BE	RE	Reduction	Actual Expenditure
2001-02	17,865.76	15,046.09	2819.67	14,429.59
2002-03	18,882.09	12,808.66	6,073.43	12,938.64
2003-04	18,066.71	14,568.65	3,490.06	14,583.76
2004-05	26,840.05	27,255.94	(+)415.89	27,208.57
2005-06	26,881.41			

9. The Representative of Ministry of Defence has further stated during Oral Evidence that:

“there is mismatch of Rupees 54,000 crore between the plan size and the outlays for each year. It does impact on our 10th Plan preparedness”.

10. When asked as to whether the Ministry of Defence have specifically brought the Committee's recommendation to the notice of the Ministry of Finance and if so, what is the response of the Finance Ministry, the representative of the Ministry of Defence has given the following reasons as stated by the Ministry of Finance:

- (a) "They had been providing adequate funds at BE stage for the years 2001-02 to 2003-04 for Defence Services Expenditure despite the fact that the Ministry of Defence had not been able to spend the funds provided in the RE of these years;
- (b) Scaling down of provisions in RE stages in a year is not due to any cut applied in expenditure but on the basis of the capacity of the Department to absorb expenditure during that fiscal year, so that scarce resources are properly distributed among different sectors of Government expenditure.
- (c) Whenever a mandatory cut of 10% on budgetary allocations is effected, Defence expenditure is invariably excluded from the cut".

11. Keeping in view, the response of the Ministry of Finance, the Committee asked whether it would be the best way to complete most of the acquisition by the month of December, to avoid any cut, the representative of the Ministry of Defence during deposition before the Committee has stated:

"That is correct. Acquisition should be done in two to three years so that there is always a rolling stock by December. We have enough such cases. We have not found a case where for committed expenditure, the Ministry of Finance has said in the negative. All our problems would be solved if the plan size is known so that this whole process of acquisition begins. Some of the acquisitions take a lot of time. This can fructify it. If we do not have the plan size, than it becomes difficult."

Comments of the Committee

12. Expressing concern at the cut in the revised estimates by the Ministry of Finance, which compelled the Ministry of Defence to surrender substantial amounts during 2001-2002, 2002-2003, 2003-2004, the Committee had recommended that Government should not impose any cut in defence budget at any stage as it has ramifications on the defence preparedness of the country.

The Committee are not convinced with the reasons furnished by the Ministry of Finance in regard to cut made in Defence Budget at RE stage. The Committee note that during the year 2004-05 the Ministry of Defence utilised full budgetary allocation. The Committee feel that it would be seen in the background that the Tenth Defence five year plan, through which annual plans flow, has not been finalized and no committed funds has been made by the Ministry of Finance for the Tenth Plan. In the absence of firm commitment of the plan size, the acquisition process for defence equipments, which takes a long lead time, has suffered and has been delayed. Any cut in defence budget at RE stage would only further delay the acquisition process. The Committee therefore reiterate their recommendation that Government should not impose any cut in defence budget at any stage. At the same time, the Committee, desire that the Ministry of Defence should strive to complete all procedural formalities involved in the acquisition process before the month of December. 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 so that it may facilitate the Ministry of Defence in procurement process. This will not only ensure timely completion of schemes/projects envisaged by the Ministry of Defence but also help in Defence preparedness and achieving self-reliance. The Committee also desire that Ministry of Finance at the fag end of the year should not make reduction on revenue expenditure of the Ministry which mainly deals with the consumable items including well being of the Jawans.

Fixing of a Minimum Percentage of GDP for Defence Forces

Recommendation (Para No. 1.40)

13. Closely related to the issue of Defence Preparedness and the ability to meet the threat perception is the quantum of funds available to our services. It is seen from the above that our Defence allocations as a percentage share of GDP since 1988-89 (year wise) have been between around 2 to 3 per cent. However, considering the present defence expenditure of some of our neighbours and the present security scenario, the Committee feel that there is a need to fix a minimum percentage of our GDP which should be made available to defence forces at all costs every year. The Committee are aware of the fact that the precarious finances entail the Government to consciously fix the level of Defence expenditure as a percentage of GDP after assessing the prevailing threat perceptions and the present and future operational and modernization requirements of the services.

14. The Ministry in their reply has stated that:

“As observed by the Standing Committee, the allocations for defence have been between 2 to 3% of the GDP. It is felt that instead of fixing defence expenditure as percentage of GDP, it is more important to ensure that the requirements of the Defence Services are met and allocations made accordingly. The fixing of minimum percentage of GDP will not serve much meaningful purpose unless the allocations conform to the requirements of the Defence Forces in respective years.”

15. When asked about the fixing of certain portion of GDP for Defence purposes, the representative of Ministry of Defence stated during oral evidence that:

“while it is possible to take a view that fixing a minimum GDP for Defence services will provide a definite amount for modernisation of the armed forces and R&D, it is equally important to ensure that the need based requirements of the Defence forces should be there.”

16. In a presentation before the Committee, the representative of Ministry of Defence submitted the following information regarding defence expenditure as a percentage of GDP in some other countries:

Country	2000	2001	2002	2003
1	2	3	4	5
Australia	1.8	1.9	1.9	1.9
Bangladesh	1.4	1.3	1.2	1.2
Brazil	1.7	1.9	1.9	1.6
Canada	1.2	1.2	1.2	1.2
China	2	2.2	2.4	2.3
France	2.6	2.5	2.5	2.6
Israel	8.4	8.6	9.7	9.1
Italy	2.1	2	2.1	1.9
Japan	1	1	1	1
Korea	2.5	2.5	2.4	2.5
Mexico	0.5	0.5	0.5	0.5

1	2	3	4	5
Myanmar	2.1	1.7	1.2	NA
Pakistan	4.5	4.7	4.7	4.4
Russia	2.5	2.5	2.4	2.5
South Africa	1.5	1.5	1.5	1.6
Spain	1.2	1.2	1.2	1.2
Sri Lanka	4.5	3.9	3.1	2.7
UK	2.5	2.5	2.5	2.8
USA	3.1	3.1	3.4	3.8

Source: SIPRI

17. In response to a query of the Committee about the authenticity of the information and whether the Ministry of Defence have their own data on the subject, the Representative stated:

“I want to clarify that these are expected sources internationally. We do make use of the military balances, the SIPRI Year Book, professional literature appearing in defence sector, as it happens in every other sector. We get a lot of inputs. There are also Indian defence scholars going into these areas. So, there is no authenticated source of data. It is still subject to some conjectures.”

Comments of the Committee

18. The Committee do not agree with the reply that fixing of minimum percentage of GDP for defence expenditure will not serve much meaningful purpose. The Committee hardly need emphasise that there is a large backlog in the modernisation of the Forces due to financial crunch. Fixing a minimum percentage will ensure that a definite amount is kept aside for the crucial work which is not subjected to budgetary cuts. The Committee, therefore, reiterate their recommendation and desire the Government to fix a minimum percentage of the GDP which should be made available to defence forces at all costs every year in order to fulfil the need based requirements of Defence forces.

The Committee are concerned to note that the Ministry of Defence are relying on unreliable, unverifiable and non-state source of information, regarding defence expenditure as a percentage of

GDP in some other countries. In view of the crucial importance of data/information, the Committee desire that the Ministry should have their own reliable source of data, so that defence planning of the Country can be done, based to the geo-political security environment in the sub-continent.

Setting up of National Institute for Defence and Strategic Studies

Recommendation (Para No. 1.42)

19. The Committee are surprised to observe that in spite of its earlier recommendation, which was agreed to by the Government, on setting up of Defence University *i.e.* National Institute for Defence and Strategic Studies/Central Defence University, No budget provision is made in this budget. The Committee strongly feel that this may be made on priority.

20. The Ministry in their action taken replies has stated that:

“The proposal for seeking ‘in principle’ approval of Cabinet Committee on Security (CCS) for the setting up of the Indian National Defence University (INDU), at an approximate capital expenditure of Rs. 226 crore, on the basis of the recommendations of the Committee, on the establishment of National Defence University (CONDU) has been approved by Raksha Mantri. The draft CCS note was referred to Ministry of Finance for obtaining the approval of the Finance Minister. The Department of Expenditure made certain observations. The revised CCS Note has been prepared and is under process. The budgetary provision will be made as soon as the formal concurrence on the proposal is received.”

Comments of the Committee

21. The Committee note that the proposal for seeking in principle approval of Cabinet Committee on Security (CCS) for setting up of the INDU has been approved by Raksha Mantri and the draft CCS note was referred to Ministry of Finance for obtaining approval. The Committee strongly desire that the Government should finalise the proposal for setting up of the INDU expeditiously in order to promote specialized defence studies and help the Ministry of Defence and the armed forces by providing inter-disciplinary professional expertise. For this purpose, the Committee desire a coordination Committee be formed by the Ministry for early completion of the work. The Committee further desire that adequate budgetary allocation be provided for this purpose.

Defence Planning

Recommendation (Para Nos. 2.11 and 2.12)

22. The Committee are unhappy to note that the Ministry of Finance has failed to finalise the 10th Defence plan even after three years of the plan have passed. Non-finalisation of the 10th Defence Plan at its beginning by the Ministry of Finance has created a great deal of uncertainty about the availability of adequate finance for the acquisition of the vital equipment, modernization, etc. The Ministry of Defence had projected a demand of Rs. 4,97,000 crore in 2001 for the Tenth Plan. However, the Ministry of Finance has given indicative figure of Rs. 4,18,000 crore in December 2004, without any firm commitment. The total allocations in the first four years of Tenth Defence Plan just come to about Rs. 2,76,300 crore which is nowhere near their requirements. This gap between the demand and allocations, has adversely affected the defence planning and our preparedness. The Committee take a serious note of this and want the Government to finalise the Tenth Plan immediately and take steps to utilise the committed amount in full. The Committee would like to be apprised of the finalisation of the plan as well as the follow-up steps being taken to utilise the total allocation of the Tenth Plan.

The Committee also observe that due to non-finalisation of the Tenth Plan in time, the long term perspective plan of the Forces has got affected and is presently at the finalisation stage with a revised plan schedule spanning from 2007-2022. The Committee, while expressing their displeasure over the present situation, recommend that the Ministry of Defence should reorient the plans and strive to adhere to the schedules envisaged. As regards the 11th Plan, the Committee desire that it should be finalised at least an year before the plan period starts.

23. The Ministry in their action taken replies has stated that:

“The Ministry of Defence energetically pursued the allocation of funds for defence in the Tenth Plan with the Ministry of Finance with a view to bridging the gap between the projections made by the Ministry of Defence and the availability of funds indicated by the Ministry of Finance to ensure that shortage of funds does not adversely affect the country’s defence preparedness. The projection made by the Ministry of Defence for the Tenth Defence Plan was reviewed thrice between March 2003 and July 2004 bearing in mind

the needs of defence modernization including defence equipment and technology and the likely constraints in achieving these objectives due to insufficient availability of funds for defence in the Tenth Plan. The Ministry of Finance eventually agreed in principle in December, 2004 to the latest projections made by the Ministry of Defence of Rs. 4,18,000 crore. However, a firm indication of annual outlays for the remaining two years of the 10th Plan has not yet been given by the Ministry of Finance.

Meanwhile, even in the absence of a formal approval of allocation of funds for defence in the Tenth Plan, defence planning has been harmonized with the allotments for defence in the annual budgets of the Government each year. Actual expenditure in 2002-2003 and 2003-2004 was Rs. 55,662 crore and Rs. 60,300 crores respectively. An allocation of Rs. 77,200 crores has been made in the Budget for 2004-05 against the projection of Rs. 90,928 crore. About Rs. 11,000 crore additional funds have been allocated beyond the budget estimates for the capital head. Against the projected expenditure of Rs. 1,00,960 crores in 2005-06, an amount of Rs. 83,000 crore has been allocated as BE for the year and the projected expenditure for 2006-07 is pegged at Rs. 1,10,251 crore.

While some compromises are inevitable in the absence of a formally approved plan, every effort has been made to ensure that the annual budgets are utilized in accordance with the plan projections of the Ministry of Defence and that any negative impact on ongoing modernization, infrastructure development and procurement of equipment is minimized. Ongoing projects and commitments have been reviewed and prioritized so that the main objective of the Tenth Defence Plan to carry forward the process of modernization of the Armed Forces is not adversely affected, keeping in mind, the competing demands on limited resources, and the requirement of funds for committed liabilities and new schemes; the budgetary framework has been fine-tuned in such a manner to ensure most effective utilization of Government resources. A modest outlay of over Rs. 950 crore has been made for new schemes for the Army. In terms of the directions of the Raksha Mantri, the Ministry of Defence continues to process modernization schemes, and if need be, seeks additional funds at the revised estimate stage each year. Efforts are being made to obtain additional allocations from the Ministry of Finance as annual outlay for the last year of the 10th Defence Plan so as to bridge the gap between the overall projections and actual allocations.

There are 445 new cases/proposals from the Army, 118 from the Navy and 231 from the Air Force that need to be processed during the final two years of the Tenth Defence Plan (2005—06 and 2006-07). The 'New Schemes' of the three Services will be processed expeditiously so as to fully utilize the budget allocations during the last two years of the Tenth Defence Plan as an effort towards modernization and defence preparedness.

The recommendation/observation of the Committee regarding finalization of the Plan process before the commencement of the Plan period so that the Ministry could immediately make use of the funds has been noted by the Ministry for guidance in future and for taking it up officially with the Ministry of Finance.

The preliminary exercise for the preparation of the Eleventh Plan has already been initiated and consultations between Headquarters of the Integrated Defence Staff and the Headquarters of the three Services are in progress. Efforts necessary to finalize the Eleventh Plan in a timely manner are being taken by the Ministry of Defence. In the Eleventh Plan, all the core and priority requirements of modernization and maintenance will be provided for within the indicated increase in allocations of eight to ten percent over the previous year's allocations taking Budget Estimate (BE) of Rs. 83,000 crores for 2005-06 as the base.

An interim Long Term Integrated Perspective Plan (LTIPP) covering the period from 2002-2017 is under consideration. The practice of evolving a Strategic Defence Review in the Indian context has been reviewed and an approach paper on 'Evolving Strategic Defence Review—Adopting Best Practices in an Indian Context' with a view to the development of relevant Capability Based Long Term Plan has been prepared. In the approach paper, it has been recommended that while formulating the LTIPP, National Security Strategy (NSS) by the Cabinet Committee on Security, that deals with the Government's overall national security objectives and interest should also be taken into account.

The steps as enumerated above have been taken to ensure that there is no compromises on defence preparedness and modernization of the Armed Forces."

24. When asked about the status of the new cases/proposals that were to be processed during the last two years of the 10th Defence

Plan for Army, Navy and Air Force the Ministry during oral evidence have stated:

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	6	1694.40
At pre-CNC stage	184	85439.10
Total	217*	100848.80

*Initial total—234
 Added—16
 Dropped—33
 Balance—217

25. With regard to the availability of budgetary provisions to clear the abovementioned proposals of the three forces, the representatives of the Ministry of Defence during oral evidence stated:

“It is not as if we need this balance money. This may be the total value of the contract. But that contract gets phased over many years. It could vary from three to five years”.

26. With regard to the latest position of the Long Term Integrated Defence Plan of the armed forces the Ministry in their presentation before the Committee stated:

“The Long-term Integrated Perspective Plan (LTIPP) has been compiled by HQIDS. This is based on the ‘Need-based’ requirements of the three services. LTIPP has been approved by the Hon’ble RM on 1st February 2006. Based on the approach underlying the LTIPP, advance planning for the 11th Defence Plan has been undertaken. The Plan is expected to be received in the Ministry of Defence from HQIDS by the end of March 2006”.

Comments of the Committee

27. The Committee are unhappy to note that despite their strong recommendations in their various reports for early finalisation of Tenth Defence Plan, the same has not been finalized even at the fag end of the Plan. The Committee take a serious view of the matter and feel that the non-finalisation of the Tenth Plan has not only adversely affected the Capital Schemes of the Ministry of Defence during the Plan period but has also impinged on the preliminary exercise for preparation of the Eleventh Plan.

In view of the foregoing, the Committee recommend that since the Eleventh Plan is going to start from April 2007, the Government should urgently finalise and approve the same so that it is implemented well in time and does not suffer the same fate as that of the Tenth Plan.

The Committee further note that there are 445 new cases/proposals from the Army, 118 from the Navy and 231 from the Air Force that need to be processed during the last two years of the Tenth Defence Plan (2005-06 and 2006-07). The Committee are concerned to note that out of the 445 proposals of the Army, as many as 389 are still at the pre-CNC stage and only 30 have been concluded. Similarly, in the case of Navy and Air Force, out of the 118 and 234 proposals, 80 and 184 cases, respectively are at the pre-

CNC stage. Since only one year is now left of the Tenth Plan, it is highly unlikely that the cases at the Pre-CNC stage would be approved during the plan period. The Committee feel that the Ministry should have taken proper and timely actions for expeditiously processing and taking approval of these proposals so that many more proposals could have been cleared and implemented. Since the addition of cases/proposal from the Armed Forces is a continuous process as per their requirements, they are of the view that these proposals should be expeditiously processed, cleared and implemented and sufficient budgetary allocation should be made available for the purpose. The Committee desire that the Ministry should make concerted efforts, in order to process the large number of pending proposals. The Committee also desire that on the basis of the Long Term Integrated Defence Plan (LTIDP), the Ministry should not only undertake advance planning for Eleventh Plan but also project their revenue and capital requirements with firm commitment so that maximum budgetary allocation could be utilized during the plan period.

Road Map for Self-Reliance

Recommendation (Para No. 2.13)

28. It is high time that the Government prepared a road map for self-reliance. The Committee strongly feel that India should not be taken as a weapons/arms market by the global suppliers and action in this direction should be visible by the end of Tenth Defence Plan and 11th Plan should entirely be devoted to self-reliance.

29. The Ministry in their action taken replies has stated that:

“The concept of self-reliance or indigenisation in Defence is fast changing and the focus is now shifting towards development of capabilities and increasing know-how for design and system integration as well as production of critical components rather than mere production of imports substitutes of small components, sub-assemblies etc. Needless to say, any approach to be followed towards self-reliance has to keep this in view. Nevertheless, it has always been the endeavor of the Government to promote self-reliance in Defence. At the same time, it needs to be appreciated that the import of equipment, platform etc. has to be resorted to in cases where requisite technologies and expertise are not available in the country. This is necessary to ensure that the operational capability of the Defence Forces is not affected in any manner.

Government has taken several steps towards self-reliance in Defence. In May 2001, the Defence industry Sector was opened up to 100% for Indian Private Sector participation with FDI permissible upto 26%, both subject to licensing. Consequently, the Department of Industrial Policy and Promotion has in consultation with the Ministry of Defence, so far issued 22 letters of intent/industrial licence to entrepreneurs to private sector for manufacture of various Defence related items.

Government had also set up a Committee last year, *inter alia* to examine the current procurement procedure and recommend changes required in order to modify the acquisition process on an approach based on the “products strategy” and to suggest modalities of integration of the user, Ministry of Defence and the industry both public and private sector. The Committee has submitted Part-I of his report to the Government on 5.4.2005. This part of the Report is under examination by the Government. The main thrust of the report is towards strengthening self-reliance in Defence preparedness. Part-II of its Report is awaited.”

30. In a subsequent note, the Ministry informed that Part II of the Kelkar Committee Report has also been received by the Government and is under examination.

Comments of the Committee

31. The Committee note that the Kelkar Committee set up by the Government to examine and suggest modalities of integration of the user, Ministry of Defence and the industry has submitted its Report which is presently under examination of the Government. The Committee desire that Government should expedite it and take decision thereon expeditiously.

Inadequate Surveillance System

Recommendation (Para No. 2.14)

32. The Committee has also observed that the surveillance capabilities of our forces are inadequate. This is primarily due to non-availability of low-level radar systems with the three services. The Committee feel that all round effort should be undertaken by the Government to ensure that the entire country is covered. The Committee feel that the Ministry should explore all possibilities of acquiring the required radar systems in adequate numbers without any delay.

33. The Ministry in their action taken reply has stated that:

“Armed forces are equipped with various types of radar systems including low level radar system. Modern radars are being incrementally inducted as replacement for the older radars or as the initial fit on new platforms. Present status of radars available in the three Services is as under:

Army

Corps of Army Air Defence is presently equipped with various types of low level surveillance radars. Based on the overall authorization of said radars and projection for the current 10th Plan, complete requirement of radars have been contracted from M/s BEL, Bangalore.

Navy

Modern radars are inducted as replacement for old radars on ships or as the initial fit on the new ships. All these modern radars have advanced low level detection capabilities including height finding capability. Following the recommendations of Group of Ministers, it is understood that the chain of coastal radars is planned to be setup under the aegis of Ministry of Shipping and Director General of Lighthouse and Lightships.

Air Force

Induction of new radars with a view to strengthen air defence cover is a continuous process. During the last three years, Government has signed contracts for acquisition of modern radars. Proposals for procurement of Medium Power Radar, Central Acquisition Radar, Low Level Light Weight Radar and Low Level Transportable Radar, are also under consideration of the Government.”

Comments of the Committee

34. The Committee observe that the surveillance capabilities of our forces are insufficient and not upto the desired level because of non-availability of low level radar systems with the three Services. The Committee learn that in the case of Army the Ministry of Defence is in the process of acquiring the required radars and in the case of Navy and Air Force, the proposals are under consideration of the Government. The Committee are sorry to note that in spite of

repeatedly projecting requirements of Armed Forces, proposals for acquiring low level Radar in case of Navy and Air Force are still under consideration and has not been the same urgency as to the case of Army. The Committee, desire that the Government should complete all the procedural formalities for each services in compatible manner and acquire the equipment in a time bound manner in order to strengthen our surveillance system. The Ministry may apprise the Committee of the progress made in this regard.

Establishment of Chief of Defence Staff

Recommendation (Para No. 2.21 and 2.22)

35. The Committee are constrained to note that despite their repeated recommendations in the past for establishment of the Chief of Defence Staff (CDS), Government has not yet come to any decision on the creation of the post even after more than three years has elapsed. The Committee further note that in the existing structure for higher defence management *viz.* the Chief of Staff Committee had not been able to optimally perform their role and functions in bringing together and promoting co-ordination amongst the Services.

The Committee feel that keeping in view the security scenario of the country and in order to provide single military advice to the Government and to give administer strategic forces and to enhance the efficiency and effectiveness of the planning process, there is an imperative need to create the post of CDS to provide a focal point for better co-ordination among the three services in the long term perspective plan in conventional and strategic capabilities, prioritise R&D activities and provide effective coordination leading to the path of self-reliance.

The Committee desire that Government should give serious consideration to the recommendations of the Committee.

36. The Ministry in their action taken reply has stated that:

“A Group of Ministers (GoM) was constituted by the Government on April 17,2000 to thoroughly review the National Security System in its entirety. The GoM’s report on “Reforming the National Security Systems” was presented to the Prime Minister on February 26, 2001. All the recommendations contained in the GoM report were accepted by the Government with the modification that before a view is taken on the recommendation relating to the institution of Chief of Defence Staff (CDS) various political parties may be consulted.

The institution of a CDS has not yet been taken in view of the complexities and sensitivities involved thereon. There is need for wider consultation with political parties. A number of steps have been taken to achieve the basic objectives behind the creation of such a post, notably, to improve 'jointness', synergy and coordination between the three Services, rationalize planning and optimize expenditure on defence, strengthen the higher defence management and expedite decision making. Pending a decision on the creation of the post of Chief of Defence Staff (CDS), an Integrated Defence Staff has been set up under the Chief of Integrated Defence Staff to the Chiefs of Staff Committee (CISC) to support the Chiefs of Staff Committee and its Chairman in the optimum performance of its role and functions, and bring together and coordinate several functions common to the Services. Planning functions, including the formulation of long term and Five Year Plans and Annual Budgets have been brought under the Integrated Defence Staff. Tri-Service bodies promoting 'jointness' and 'synergy' among the Armed Forces have been set up like the Defence Intelligence Agency (DIA), the Strategic Forces Command (SFC) and the Andaman and Nicobar theatre Command. Individual service headquarters have been re-designated and integrated to the Ministry of Defence as part of the 'Integrated Headquarters of the Ministry of Defence.' These steps have brought about a significant progress in promoting a culture of jointness and better coordination and synergy amongst the armed forces and between the armed forces and the Ministry of Defence that was demonstrated in the response and handling of rescue, relief and rehabilitation efforts to deal with the December 26,2004 Tsunami disaster.

The establishment of the post of CDS, has both pros and cons. On the one hand, it is argued that CDS system may ensure (i) a single point military advice to the Government; (ii) better management of strategic resources; (iii) better inter-service coordination and integrated decision making; (iv) centralization of coordination of Defence Intelligence Agency (DIA) functions in CDS; and (v) better appreciation of security concerns and imperatives. On the other hand, it is pointed out that the CDS system is likely to lead to (i) unreliability of military advice, as no specialization/operational functions are being entrusted to CDS; (ii) addition of one more layer of decision making in the form of CDS leading to further delay in decision making; (iii) dilution of the functions of the Ministry of Defence, Service Chiefs and the Defence Finance in the areas of long term plans and budgets; (iv) possibility of higher

budgetary demands through CDS; and (v) differences and apprehensions within the three Services. The exact model of CDS has also to be worked out.

Countries with posts of Chief of Defence Staff or similar or comparable systems include the institution of the Joint Chief of Staff of the USA, the Chief of Defence Staff of UK, Chief of Defence Forces of Australia, the Chief of General Staff of China amongst others. In these countries, the transition to the CDS model was not easy or straight forward. However, in all the cases mentioned above, the institutions are understood to have stabilized after initial problems.

In the light of the revolution in Military Affairs and the strategic and technological environment in which the Services are expected to operate in future, the individual services have developed their own technical skills and specialised functions over a period of time. The creation of the post of CDS is likely to have an adverse impact on such skills and specialised functions, which are Service specific. Unlike most of the above countries where the CDS system has been adopted, India has a (i) very large land Army and (ii) extensive land borders to defend. Moreover, (iii) Indian Armed Forces have a mainly defensive role, and (iv) are non expeditionary in character. Therefore, drawing an exact parallel between India and the countries under consideration, in so far as the institution of the CDS system is concerned, may not be appropriate and the CDS system has to take into account the peculiar Indian conditions.

In view of the above, a detailed examination of pros and cons of the CDS system and wider consultation with the political parties will be necessary before a decision is taken in the matter, particularly keeping in view the sensitivities and complexities involved in the appointment of CDS."

Comments of the Committee

37. The Committee concur with the observations of the Ministry of Defence that the matter of establishment of the post of Chief of Defence Staff is sensitive and complex and it requires detailed examination of pros and cons and wider consultations with political parties before taking any decision. However, the Committee are unhappy to note that in spite of the GoM's recommendations submitted in February 2001 for establishment of CDS and the Government 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. Since, this is a high time that the Committee desire the Government to initiate necessary steps for consultation with political parties without further loss of time.

Modernization of Armed Forces

Recommendation (Para Nos. 3.8-3.10)

38. The Committee note that modernisation of Armed Forces is a continuous process which requires long term planning and huge investments. The Ministry of Defence have undertaken a plan to modernise the Indian Army and to equip with the latest machine and equipment so that it can meet the security requirements of the country. The Committee note that during the three years of the Tenth Plan period, the stress primarily was on the modernisation of the infantry battalions and the special forces. The Committee further note that as far as special forces are concerned, 40 items of various kinds have been identified for modernisation. Efforts are being made to modernise and upgrade the weapons and weapon systems of the Army to prepare it to address the requirements of modern day warfare. These efforts cover the ability to exercise surveillance up to a distance of three kilometres of infantry battalion detection of infiltration by troops or vehicles in areas not physically held, destroying targets like vehicles, stores dumps and troop clusters, neutralise enemy commanders, various kinds of equipment, Battle Field Surveillance Radars, High Resolution Binoculars, Night Vision Devices, Thermal Imaging Sight for ATGM Launch, Mechanised Forces and their equipments, induction of T-90 and Arjun Tanks and T-72 Tanks.

From the presentation made by the Army before the Committee, it is observed that the number and type of weapons available with the Army are much less as compared to their requirements.

The Committee, therefore, keeping in view the threat perceptions, advances in technology with special emphasis on Information Technology and geo-political environment, strongly recommend that there is an imperative need to prepare a long term policy to modernise the Indian Army and upgrade their weapon systems in areas identified by the Army and desire that a time bound programme should be drawn to acquire those weapons etc. and also ensure proper financial allocations for the purpose. The Committee desire that the quality of the equipment etc. should be the best available in the market which can enhance the combat efficiency of the soldiers in an effective manner. The Committee feel that our priority should be to equip the infantry man with superior light weight weapons and equipment & clothing.

39. The Ministry in their action taken reply has stated that:

“No one can really differ from the observations/views of the Standing Committee in this regard. It is worthwhile to recall the point made in the National Common Minimum Programme of the UPA Government made under the Heading ‘Defence, Internal Security’ which is reproduced below:

“The UPA Government will ensure that all delays in the modernization of the Armed Forces are eliminated and that all funds earmarked for modernization are spent fully at the earliest.”

As regards the priority expressed by the committee to equip the infantry soldier with superior light weight weapons and equipment and clothing, it may be mentioned that reorganization of infantry battalions is in keeping view of such requirements. Some such weapons have already been procured and for some cases are being progressed.

However, there are several constraints in realizing these noble objectives. Firstly, there is the resource crunch. Whatever funds are allocated for modernization of the Army, tend to fall short of requirements as per plan/programme (Long Term Perspective Plans, Five Year Plans and Annual Acquisition Plans) drawn by the Army as it has been rightly observed by the Standing Committee that modernization of weapons and equipment are heavily capital intensive. Secondly, the detailed laid down procedure for capital acquisition for the Army takes a very long lead time. There cannot be any short cut to the laid down procedure. However, periodic reviews of the Defence Procurement Procedure are carried out to streamline it.”

Comments of the Committee

40. The Committee are not satisfied with the reply furnished by the Ministry. The Committee agree that the procedure of acquisition for the armed forces takes a long lead time and requires much advance planning. The Committee had, therefore, recommended that a long term policy to modernise Armed Forces be prepared and time bound programme for implementation should be drawn up. The Committee are unhappy to note that the reply furnished by the Ministry is vague and does not answer the specific recommendation of the Committee. The Committee, therefore, reiterate their earlier recommendation that a time-bound road map for modernisation of Armed Forces should be drawn and proper funds allocations with firm commitment to execute it be made for the purpose.

Indigenous Production and Induction of Arjun Main Battle Tank

Recommendation (Para No. 3.11)

41. The Committee are of the opinion that there needs to be a more focused thrust on development, production of indigenous equipment into the Army, with particular reference to the Arjun Main Battle Tank. It is understood that though a limited order for 124 number of these tanks have been placed, the first production models are being further subjected to additional performance trials by the Army. This is primarily due to the unstated concern over quality control at the Ordnance Factory, Avadi at time of issue, which must be ensured by the Ordnance Factory Board to the satisfaction of the user. The Committee are surprised to note that instead of giving firm order for sufficient number of Arjun Tanks by indigenous production, only a very small order has been placed and the Government has decided to acquire tanks from a foreign country to meet its requirement.

42. The Ministry in their action taken replies has stated that:

“The DRDO started the development of MBT Arjun in 1974. The first prototype rolled out in 1983. The Pre-Production Series (PPS) Tanks were put to user trials between June, 1993 and July, 1995. The DRDO was advised to remove the shortcomings. The trials resumed in 1997 and continue till June, 2001.

Indents for 124 Arjun Tanks was placed in March, 2000. Although, the delivery of these 124 Tanks was to commence 2001-02, the first five Tanks have been handed over to the Army only in February, 2005. These being the first of the Limited Series production tanks, they need to be checked for quality and performance during the current year. Based on these evaluation, decision on placement of orders for additional tanks will be taken.

In the intervening period, T-90 Tanks were acquired by the Army due to the following reasons:

- (i) Ageing of Vijayanta and T-55 Tanks;
- (ii) Our adversary had acquired the state of the art T-80UD Tank from Ukraine and hence there was an immediate requirement to have a Tank in Army's inventory with matching capability;
- (iii) There were considerable slippages in the production of T-72 Tanks, thereby creating a large void in the equipment holding;

- (iv) The modernization proposal for T-72 too had not fructified fully, thereby giving an edge to our adversary with regard to armour equipment profile.

In addition, the Arjun Tank production was getting delayed. The production schedule given by HVF Avadi was revised twice for completion of the project initially in 2006-07, then to 2008-09 and finally to 2009-10. However, recently during the Steering Committee meeting on production of Arjun Tank held on 13 April, 2005 fresh delivery schedule was spelt out by HVF for completion in 2007-08. Due to slippages since 2001, exact delivery schedule and requirement cannot be firmed up till the successful accelerated user-cum-reliability trials planned by the Army."

43. As regards, the present status of the Arjun tank, the representative of the Ministry of Defence during oral evidence has stated:

"Arjun has been checked by the DRDO alongwith 43 Armour Regiment. Those modifications have been incorporated. There is a fine tuning of the laser range. That is going on with regard on its sensitivity. The same will get incorporated in all the 15 tanks. We have no difficulty to go this summer with the five tanks which the Army would like to put through its own accelerated user trials. As far as production is concern, it is not stopped. The production is continuing because these fine tuning can be incorporated in those tanks."

Comments of the Committee

44. The Committee note that the Government had placed an order for 124 Arjun Tanks in March, 2000. The delivery was to commence in 2001-2002. The Committee are, however, constrained to note that due to slippages since 2001, the Arjun Tank production was delayed. The first five tanks have been handed over to the Army only in February, 2005 for trial and their quality and performance will be checked during the current year. Based on these evaluations, the Indian Army will take a decision for placement of further order.

The deficiency in the Arjun Tank have been rectified and required modifications have been incorporated. The Committee would like to apprise of the performance of Arjun Tanks on the basis of accelerated User Trial to be done in this regard. The Committee also hope that after the successful Trial, serial production of the Arjun Tanks which is already overdue they should draw up a time schedule for their delivery to Arjun.

Procurement of Gun For Indian Artillery

Recommendation (Para No. 3.15)

45. The Committee note that the Indian Army is facing critical shortage of wheeled Self Propelled (SP) Guns of the required standard. The Ministry have informed that though the request for proposals for its procurement was issued to 11 vendors in response to which 5 bids were received and one gun has been finally found to be matching the qualitative requirements. The Committee are, however, surprised to note that no fields trials were held to decide the suitability or otherwise of the bids received which is the normal procedure. The Committee also note that trials are still continuing for the procurement of tracked SP Guns and towed Guns. The delay in the procurement of such crucial weaponry has adversely affected the modernisation of schemes of the defence sources resulting in wastage of a lot of time. The Committee feel that global RFP should have been issued in the first instance to avoid the single vendor situation. The Committee now want immediate decision to be taken to procure the guns at the earliest. The Committee further recommend that R&D efforts for their indigenous production should go simultaneously with the acquisition programme of the Ministry so that Artillery is not made to face the shortage of critical components of the weapons system.

46. The Ministry in their action taken reply has stated that:

“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.

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."

Comments of the Committee

47. The Committee in their recommendation had expressed concern over the critical shortage of wheeled self-propelled guns of the required standard. Therefore, they desired the Government to take immediate decision to procure the guns at the earliest and with the acquisition programme the Government must undertake R&D efforts for their indigenous production side by the side so that artillery is not made to face the shortage of critical components of the weapons system.

The Committee note that the Army would be inducting the 155mm self-propelled gun and 155 mm towed gun. The general staff evaluation of the 155 gun is in progress with the Army Headquarters. At the same time, the Committee wish to reiterate their earlier recommendation to intensify the R&D efforts with accountability for their indigenous production. The Committee further desire, during the imports of these guns the Ministry should ensure transfer of design, data and technology to the DRDO/OFs/DPSUs engaged in defence production in order to have indigenous production of the guns and achieve self-reliance. The Committee also desire that Government should initiate steps for involving

private sector in R&D, on sharing basis, so that such critical area requirements are not held up due to unforeseen situation.

Modernisation Programme of Ordnance Factories

Recommendation (Para No. 3.36)

48. The Committee desire that an in-depth study of the modernisation requirements of each ordnance factory, based on its future requirements, should be carried out and a time-bound programme should be chalked out to modernise the ordnance factories.

49. The Ministry in their action taken replies has stated that:

“OFB has invested Rs. 1617 crore on modernisation of Factories from 1999-2000 to 2004-2005. important areas in which investments have been made are Radial Forging Plan for production of gun, barrel, RDX Plant for production of explosives, production of small arms, 155mm ammunition hardware, medium calibre ammunition and high calibre ordnances.”

Comments of the Committee

50. The Committee are not satisfied with the reply of the Government. It has not been mentioned in the reply whether any in-depth study on the requirements of Ordnance Factories as recommended by the Committee, has been carried out and whether any modernisation plan has been chalked out. The Committee would like to be apprised of the position in this regard. The Committee desire that Road map for the indigestion of Defence products be prepared so that country can achieve objectives of self-reliance.

Quality Control in Ordnance Factories

Recommendation (Para No. 3.37)

51. There is also an unstated perception in the Defence Forces regarding unsatisfactory quality control of equipment produced by the Ordnance Factories. They establish their credibility with their main customers, the Armed Forces. The Committee desire that a vigorous quality maintenance drive be carried out in the Ordnance Factories, so that the Armed Forces are not hesitant about the quality of equipment and stores supplied to them from Ordnance Factories. The Committee also desire that Quality Control Organisation may be reviewed and re-structured including transferability of HRD posts. Supplier-Quality

Control and user Committee should be established and Quality Control Authority be responsible to the user.

52. The Ministry in their action taken replies has stated that:

“Ordnance factories did not have control on the value chain responsible for building quality in a product. There are three main elements in the quality chain, which are the design of the product, manufacturing process and quality of input material and components.

Defects can arise due to deficiencies in the design. Ordnance factories have traditionally been recipient of product technology either from foreign manufacture or DRDO. Changes or modifications in product design or material specification etc. were not permitted. Department of Defence Production has constituted ‘Alternation Committee’ in each ordnance factories to address these problems. The Committee will have representative from Users, DRDO and DGQA.

Ministry of Defence has issued an order on 31st March 2005, where ordnance factories have been made responsible for selection of vendors and inspection of input material. This action will enforce greater accountability of ordnance factories in the manufacturing of products and will help to improve the quality of production.

Quality Control System is an integral part of manufacturing process and it would not be feasible to place various quality control units under the Users. This is an independent organisation (DGQA) with the Department of Defence Production to take care of the interests of the User.”

Comments of the Committee

53. The Committee are not satisfied with the reply furnished by the Ministry of Defence that it would not be feasible to place various quality control units under the users and that are DGQA within the Department of Defence Production is there to take care of the interest of the users. The Committee feel that Armed Forces are the main customers of the OFs and hence the OFs have to establish their credibility with the users. The Committee are of the firm opinion that Government should encourage self certification, as a process of quality control should be in between the producers and the users. It will increase the accountability and efficiency of work. The Committee also desire that Director General of Quality Assurance (DGQA) should be slowly merged with some other organizations.

Need for three Aircraft Carriers for Indian Navy

Recommendation (Para No. 4.28)

54. Keeping in view the vast maritime expanse of the country, the Committee note that the Indian Navy urgently requires three aircraft carriers—one for the eastern coast, second for the western coast and third one required to address the maintenance/repair needs of the other two carriers. The Committee note that during the Budget Estimates 2004-05, Rs. 200 crore was allocated to the project of Air Defence Ship but at the RE stage the amount was reduced to Rs. 0.47 crore in view of the difficulties associated with acquisition of materials for its construction. During the Budget Estimates 2005-06 Rs. 245 crore has been allocated to the project. The Committee take a serious note on non utilisation of allocated funds by the Navy, which has adversely affected construction of the Aircraft Carrier. The Committee also note that the aircraft carrier Admiral Gorshkov would be handed over to the Navy by the end of 2008. By that time Navy would be depending on the ageing INS Virat which is expected to be de-commissioned by 2009-10. Thus after 2010 Indian Navy will have to rely on the services of Admiral Gorshkov only. As the delivery of indigenous Air Defence Ship would not take place before 2012, the Committee feel that there is an urgent need to address the coastal surveillance of the country during this interregnum. The Committee, therefore, strongly recommend that necessary infrastructure should be immediately created so that the construction of one more aircraft carrier of the Gorshkov standard may be undertaken simultaneously on the line or ongoing project of the construction of Air Defence Ship, thereby making the Indian Navy self-reliant in terms of the number of aircraft carriers. The Committee hope that sufficient funds are allocated during the current financial year for the construction of the aircraft carrier would be fully and properly utilised and efforts would be initiated in the direction of undertaking one more similar project. The Committee also desire that Government should ensure that adequate funds are made available for the purpose.

55. The Ministry in their action taken replies has stated that:

A sum of Rs. 0.47 crore was spent during 2004-05 on the indigenous construction of Air Defence Ship of Cochin Shipyard Limited (CSL), Kochi, mainly on account of non-finalisation of special steel contract with M/s Rosoboronexport, Russia. Subsequently, a contract was signed by CSL with M/s Sail for procurement of same quality of steel indigenously. The production has since commenced by cutting of steel on 11th April 2005.

2. Ex-Gorshkov is scheduled to join the Indian Navy in 2008. But in order to augment the strength of the Navy, it would take all measures to keep INS Virat operational until the expected delivery of ADS in 2011-2012. this would ensure that the Navy would have two carriers after Ex-Gorshkov becomes operational with the Navy.

3. As regard construction of a new Aircraft Carrier, Cochin Shipyard Ltd. (CSL) is the only yard in the country that can undertake construction of this vessel."

Comments of the Committee

56. The Committee note that after the decommissioning of INS-Virat in 2011-2012, the Navy would be left with 2 aircraft carriers *viz.* Ad. Gorshkov expected to be delivered in 2008 and Air Defence Ship which is expected to be delivered in 2011-2012. Since the Navy in any case requires three aircraft carriers, the Committee had desired that efforts should be initiated to undertake the construction of third aircraft carrier on the lines of Air Defence Ship. The Ministry has not replied to this part of the recommendation. The Committee would like to be the Ministry to initiate the action for construction of the third aircraft carrier. They would also like the Ministry should ensure commissioning of Air Defence Ship, already under construction, as per schedule, without any loss time and cost overruns.

The Committee desire, since construction of Aircraft carrier takes considerable time, the Committee desire that the Ministry should take advance and firm initiative to completed the work in a time bound manner.

Modernisation of Air Force

Recommendation (Para No. 5.11 & 5.12)

57. The Committee note with serious concern that out of 39.5 projected squadrons, Air Force has now only 37 squadrons, which shows shortage of 2.5 or three squadrons. The Committee further note that by end of the Tenth Plan this shortage would increase. Further, by the end of 12th Plan the shortage will be almost 1/3rd of the projected strength.

The Committee, therefore, in the interest of the security of the nation, would like to recommend strongly that Ministry should make all efforts to keep the required number of squadrons by simplifying their acquisition procedure and minimising the delay in acquisition of new aircraft. The Committee also desire that our indigenous production

capacities should also be suitably enhanced. The Committee are of the view that there is also an urgent need to plan for acquisition of fifth generation fighter aircraft to take care of our defence needs in future.

58. The Ministry in their action taken replies has stated that:

“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.

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”.

Comments of the Committee

59. The Committee note with concern that even with the planned induction of aircraft during 2005-2017, there would be serious deficiencies in the combat squadron strength against the authorized strength at the end of X, XI & XII Plan periods. The Committee would like the government to take a serious view of this matter and make all efforts to maintain the authorized strength.

The Committee further note that the Ministry in their action taken reply dated 22 August, 2005 has mentioned that acquisition is being done under Defence Procurement Procedure 2002 and its review is under progress, through the new DPP 2005 is already in place since July 2005 and has been examined by the Committee and also presented Report thereon in the Parliament. This shows a lackadaisical approach of the Government in furnishing replies to the Committee’s recommendations. Taking a serious note of it, the Committee desire the Ministry to furnish replies to the Committee’s recommendations after proper exercise and due consideration.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl.No. 3, Para No. 1.41)

The Committee, therefore, strongly recommends that 10% cut applied by the Ministry of Finance across the board over the years should be immediately reviewed to check further depletions of our Military assets. The Committee also desire that the Ministry of Defence should re-priorities their plans to ensure the optimum utilisation of the available assets.

Reply of the Government

In recent years whenever a mandatory cut of 10% on budgetary allocation has been imposed by the Ministry of Finance across the board, Defence Services expenditure has been invariably excluded from the cut. Reprioritisation of plans to ensure optimum utilisation of the available assets and resources is a continuous exercise.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 4, Para No. 1.42)

The Committee are surprised to observe that in spite of its earlier recommendation, which was agreed to by the Government on setting up of Defence University *i.e.* National Institute for Defence and Strategic Studies/Central Defence University. No budget provision is made in this budget. The Committee strongly feel that this may be made on priority.

Reply of the Government

The proposal for seeking 'in principle' approval of Cabinet Committee on Security (CCS) for the setting up of the Indian National Defence University (INDU), at an approximate capital expenditure of Rs. 226 crores, on the basis of the recommendations of the Committee, on the establishment of National Defence University (CONDU) has been approved by Raksha Mantri. The draft CCS note was referred to Ministry of Finance for obtaining the approval of the Finance Minister.

The Department of Expenditure made certain observations. The revised CCS Note has been prepared and is under process. The budgetary provision will be made as soon as the formal concurrence on the proposal is received.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 21 of Chapter-I)

Recommendation (Sl. No. 6, Para No. 2.13)

It is high time that the Government prepared a road map for self-reliance. The Committee strongly feels that India should not be taken as a weapons/arms market by the global suppliers and action in this direction should be visible by the end of Tenth Defence Plan and 11th Plan should entirely be devoted to self-reliance.

Reply of the Government

The concept of self-reliance or indigenisation in Defence is fast changing and the focus is now shifting towards development of capabilities and increasing know-how for design and system integration as well as production of critical components rather than mere production of import substitutes of small components, sub-assemblies etc. Needless to say, any approach to be followed towards self-reliance has to keep this in view. Nevertheless, it has always been the endeavour of the Government to promote self-reliance in Defence. At the same time, it needs to be appreciated that the import of equipment, platform etc. has to be resorted to in cases where requisite technologies and expertise are not available in the country. This is necessary to ensure that the operational capability of the Defence Forces is not affected in any manner.

Government has taken several steps towards self-reliance in Defence. In May 2001, the Defence industry Sector was opened up to 100% for Indian Private Sector participation with FDI permissible up to 26%, both subject to licensing. Consequently, the Department of Industrial Policy and Promotion has in consultation with the Ministry of Defence, so far issued 22 letters of intent/industrial licence to entrepreneurs to private sector for manufacture of various Defence related items.

Government had also set up a Committee last year, *inter alia* to examine the current procurement procedures and recommend changes required in order to modify the acquisition process on an approach based on the “products strategy” and to suggest modalities of integration of the user, Ministry of Defence and the industry both public and private sector. The Committee has submitted Part-I of its report to the Government on 5.4.2005. This part of the Report is under examination by the Government. The main thrust of the report is towards strengthening self-reliance in Defence preparedness. Part-II of its Report is awaited.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please See Para 31 of Chapter-I)

Recommendation (Sl. No. 8, Para No. 2.21 & 2.22)

The Committee are constrained to note that despite their repeated recommendations in the past for establishment of the Chief of Defence Staff (CDS), Government has not yet come to any decision on the creation of the post even after more than three years has elapsed. The Committee further note that in the existing structure for higher defence management *viz.* the Chief of Staff Committee had not been able to optimally perform their role and functions in bringing together and promoting co-ordination amongst the Services.

The Committee feel that keeping in view the security scenario of the country and in order to provide single military advice to the Government and to give administer strategic forces and to enhance the efficiency and effectiveness of the planning process, there is an imperative need to create the post of CDS to provide a focal point for better co-ordination among the three services in the long term perspective plan in conventional and strategic capabilities, prioritise R&D activities and provide effective coordination leading to the path of self-reliance.

The Committee desire that Government should give serious consideration to the recommendations of the Committee.

Reply of the Government

A Group of Ministers (GoM) was constituted by the Government on April 17, 2000 to thoroughly review the National Security System in its entirety. The GoM's report on "Reforming the National Security System" was presented to the Prime Minister on February 26, 2001. All the recommendations contained in the GoM report were accepted by the Government with the modification that before a view is taken on the recommendation relating to the institution of Chief of Defence Staff (CDS) various political parties may be consulted.

The institution of a CDS has not yet been taken in view of the complexities and sensitivities involved and the need for wider consultation with political parties, a number of steps have been taken to achieve the basic objectives behind the creation of such a post, notably, to improve 'jointness', synergy and coordination between the three Services, rationalize planning and optimize expenditure on defence, strengthen the higher defence management and expedite decision making. Pending a decision on the creation of the post of Chief of Defence staff (CDS), an Integrated Defence Staff has been set up under the Chief of Integrated Defence Staff to the Chiefs of Staff Committee (CISC) to support the Chiefs of Staff Committee and its Chairman in the optimum performance of its role and functions, and bring together and coordinate several functions common to the Services. Planning functions, including the formulation of long term and Five Year Plans and Annual Budgets have been brought under the Integrated Defence Staff. Tri-Service bodies promoting 'jointness' and 'synergy' among the Armed Forces have been set up like the Defence Intelligence Agency (DIA), the Strategic Forces Command (SFC) and the Andaman and Nicobar 'theatre' Command. Individual service headquarters have been re-designated and integrated to the Ministry of Defence as part of the 'Integrated Headquarters of the Ministry of Defence'. These steps have brought about a significant progress in promoting a culture of jointness and better coordination and synergy amongst the armed forces and between the armed forces and the Ministry of Defence that was demonstrated in the response and handling of rescue, relief and rehabilitation efforts to deal with the December 26, 2004 Tsunami disaster.

The establishment of the post of CDS, has both pros and cons. On the one hand, it is argued that CDS system may ensure (i) a single point military advice to the Government; (ii) better management of strategic resources; (iii) better inter-service coordination and integrated decision making; (iv) centralization of coordination of Defence Intelligence Agency (DIA) functions in CDS; and (v) better appreciation of security concerns and imperatives. On the other hand, it is pointed

out that the CDS system is likely to lead to (i) unreliability of military advice, as no specialization/operational functions are being entrusted to CDS; (ii) addition of one more layer of decision making in the form of CDS leading to further delay in decision making; (iii) dilution of the functions of the Ministry of Defence, Service Chiefs and the Defence Finance in the areas of long term plans and budgets; (iv) possibility of higher budgetary demands through CDS; and (v) differences and apprehensions within the three Services. The exact model of CDS has also to be worked out.

Countries with posts of Chief of Defence Staff or similar or comparable systems include the institution of the Joint Chief of Staff of the USA, the Chief of Defence Staff of UK, Chief of Defence Forces of Australia, the Chief of General Staff of China amongst others. In these countries, the transition to the CDS model was not easy or straight forward. However, in all the cases mentioned above, the institutions are understood to have stabilized after initial problems.

In the light of the revolution in Military Affairs and the strategic and technological environment in which the Services are expected to operate in future, the individual services have developed their own technical skills and specialised functions over a period of time. The creation of the post of CDS is likely to have an adverse impact on such skills and specialised functions, which are Service specific. Unlike most of the above countries where the CDS system has been adopted, India has a (i) very large land Army and (ii) extensive land borders to defend. Moreover, (iii) Indian Armed Forces have a mainly defensive role and (iv) are non expeditionary in character. Therefore, drawing an exact parallel between India and the countries under consideration, in so far as the institution of the CDS system is concerned, may not be appropriate and the CDS system has to take into account the peculiar Indian conditions.

In view of the above, a detailed examination of pros and cons of the CDS system and wider consultation with the political parties will be necessary before a decision is taken in the matter, particularly keeping in view the sensitivities and complexities involved in the appointment of CDS.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please See Para 37 of Chapter-I)

Recommendation (Sl. No. 12, Para No. 3.19)

The Committee note that the Army is looking for alternative options for replacement of Cheetah Helicopters with state-of-the-art helicopters available in the global market. The Committee, keeping in view the requirement of superior reliability and endurance in high altitude areas, rapid response to emerging situations in combating terrorism, desire that the Ministry should also examine the feasibility to upgrade existing Cheetah/Chetak fleets before inducting the new helicopters. The Committee also desire that efforts should be made to modify the configuration of Dhruv Helicopters so as to make it operate at high altitude regions. The Committee also desire that a time bound road map for indigenous manufacturing of helicopters should also be drawn up at the earliest. The Committee hope and trust that sufficient financial allocations are made available to make the new purchases in a time-bound manner.

Reply of the Government

Hindustan Aeronautics Limited (HAL) has undertaken upgradation of Cheetah and Chetak helicopters by re-engining them with TM-33-2M2 engine and incorporation of improved systems. Re-engined Cheetah helicopter has completed development flight tests, while re-engined Chetak is undergoing flight trials.

For meeting the requirement of high altitude operations and pay load, a higher powered engine "Shakti" is being co-developed by HAL with M/s Turbomeca to be integrated on Dhruv helicopter. Dhruv with Shakti engine after integration, flight testing and certification is planned to be made available in the year 2007.

HAL has prepared a road map for indigenous manufacture of the replacement helicopters as per the RFP drawn up by Army.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 13, Para No. 3.23)

The Committee, keeping in view the Law Commission recommendations and increase in number of court cases arising out of personnel matters feel that Government should create separate mechanism to resolve them for the setting of Armed Forces court cases. The Committee, therefore, earnestly desires that the modalities for the

setting up of a new mechanism may be worked out expeditiously to deal with all personnel court cases. The Committee would like to be apprised of the progress made by the Ministry in this regard within 3 months after presentation of this report.

Reply of the Government

The broad modalities for setting up of an Armed Forces Tribunal for adjudicating service matters of the members of the three services and the appeals arising out of the verdicts of the courts martial, have been finalized in consultation with Ministry of Law & Justice, Ministry of Finance and Department of Personnel and Training. However, in view of amendment in the Administrative Tribunals Act, 1985 where a provision has been made to abolish Central-Administrative Tribunals (CAT) in case it is required, fresh consultations are required with the Law Ministry on this aspect.

The proposed Tribunal would present an effective mechanism for appellate adjudications on all disputes relating to service conditions and courts martial awards of the members of the three services.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 17, Para No. 3.38)

It has been brought out that outdated ammunition is either put on fire or sometime fire takes place of obsolete ammunition. In all parts of the world, there is a complete service, which is available for recycling of ammunition. The process consists of dismantling the shell and removal of explosives. The entire machinery is self contained and consists of a Mobile Modular Complex with sub-modules with the help of electric generators can be operated by virtue of which the obsolete ammunition is re-cycled by the state-of-art technology over other methods of destroying or otherwise disposing outdated ammunition. All types of ammunition can be de-militarised from small arms *i.e.* grenades of bigger Missiles.

The Committee are of the opinion that steps should be taken immediately to have the complete services for re-cycling of the obsolete ammunition so as to yield substantial quantities of usable explosives, ferrous/non-ferrous metals. Besides, it saves the lives of lot of people.

Reply of the Government

Ordnance factory, Khamaria has already planned to set up a de-militarisation plant for recycling of ammunitions wherever feasible and to destroy the unserviceable ammunition.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 18, Para No. 4.16)

The Committee note that for modernisation of the Indian Navy and review of the existing force level a total of 12 ships and 24 aircraft have so far been inducted in the 10th Plan period (2002-2007) till now, as against the directive of Defence Acquisition Council that the total number of ships does not fall below 140 in number. The Committee further note that in pursuance of this directive 10 year (up to 2012) ship building plan was envisaged for induction of 83 vessels of various categories *viz.* aircraft carriers, warships, submarines, support ships and training ships. 19 ships are presently under construction (excluding Admiral Gorshkov) and cases for acquisition of 24 new ships and 6 submarines and 11 aircraft are being processed.

Reply of the Government

The aforesaid information, being a statement of fact, was furnished earlier in reply by Ministry of Defence to Question Nos. 17 (ii) and 17 (iii) forwarded by the Standing Committee on Defence. It may be further added that the Government had subsequently approved acquisition of three Offshore Patrol Vessels and eleven Dornier aircraft in March 2005 to further augment the strength of Navy and to ensure that the force level does not fall below 140 in number. Further it may be stated that proposals for the acquisition of other platforms are under various stages of processing.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 18, Para No. 4.18)

The Committee note that there have been shortfalls in certain critical areas like surveillance, mainly in terms of long range aircraft and acquisition of submarines. The Committee desire that immediate steps should be taken to meet the above requirements of the Navy in a time-bound manner. The Committee also desire that sufficient funds should be provided to the Navy to meet the requirements.

Reply of the Government

The Government had approved in principle the project for series construction of 24 submarines for the Indian Navy for augmenting the strength of submarines and also for acquisition of national competence in submarine building. The plan envisaged construction of 24 submarines during the period 2000-2030 in two phases.

Long Range Maritime Reconnaissance Anti Submarine Warfare Aircraft (LRMRASW)

2. The Navy has TU 142 and IL 38 aircraft for LRMRASW tasks. The IL 38 aircraft are presently undergoing Mid Life Upgrade at Russia. The first upgraded IL 38 is expected to be available by the end of 2005.

3. A case for acquisition of Long Range Maritime Reconnaissance Anti Submarine Warfare (LRMRASW) aircraft as replacement of the TU 142M aircraft is also being progressed.

Short Range Maritime Reconnaissance (SRMR) Aircraft

4. The Navy use Dornier aircraft for short range surveillance. A contract for acquisition of eleven Dornier 228 aircraft as replacement for the islanders being phased out has been concluded with Hindustan Aeronautics Limited to augment the SRMR surveillance. The aircraft would be delivered commencing June 2006.

5. Adequate funds are provided for strengthening the surveillance.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 18, Para No. 4.21)

The Committee also earnestly desire that the Ministry should take effective steps in order to strictly adhere to the directives of the Defence Acquisition Council that total number of ships does not fall below 140 in number.

Reply of the Government

Effective steps are being taken by the Ministry to adhere to the directive of the Defence Acquisition Council that total number of ships of Indian Navy does not fall below 140 in number. Concerted efforts

are being made to acquire various types of platforms required by Navy for enhancing its capability in various fields.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 20, Para No. 4.19)

The Committee note that the technical expertise gained by the country in the construction of submarine (Mazagon Dock Limited) would be lost, if the orders are not placed for above mentioned dockyard, as the last submarine constructed by Mazagon Dock was in 1994. This has affected even the private sector which participated in construction of submarine in the past. The Committee note that no action has been taken by the Government on their earlier recommendation(s). The Committee desire that immediate decision should be taken on all the indigenous production of submarine and other ships and firm orders should be placed on the Mazagon Dock limited without any loss of time.

Reply of the Government

Proposal for indigenous construction of submarines is under active consideration of Government.

2. Private Sector Participation. Private sector participation is envisaged during the indigenous construction of submarines at MDL, which would enhance national competence in submarine building.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 21, Para No. 4.20)

In view of the foregoing, the Committee, in the interest of the security of the nation, strongly desire that the naval preparedness should not be affected at any cost. The progress of the Navy's expenditure and status of ongoing/new schemes should be constantly reviewed for taking corrective measures during the plan period. The Navy has also highlighted the shortage of manpower in critical areas. This is a matter of crucial importance. The Committee desire that the Government should immediately review its policy of recruitment in the context of the Navy and allow it to recruit the necessary manpower.

Reply of the Government

The progress of Indian, Navy's expenditure & status of ongoing schemes is being regularly reviewed by Ministry of Defence for taking corrective actions, wherever required. As regards shortage of manpower, the position is explained in Para 4.40 *ibid*.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 21, Para No. 4.40)

The Committee also note with concern that due to ten percent cut imposed by the Ministry of Finance on recruitment of civilian manpower of Navy, it would be difficult to fully operationalise the Seabird project. The Committee taking note of the fact that 52% of the manpower in Navy is from civil but technical, the Ministry of Finance should not impose any restriction of their recruitment. The Committee would like to be apprised of the progress made in this regard.

Reply of the Government

Government is aware of the shortage of manpower in the Indian Navy. For Project Seabird at Karwar, against a requirement of 2901 personnel, 1541 posts (including 858 civilian posts) have been already sanctioned and the recruitment is under progress. Proposal for sanctioning remaining posts is under examination in consultation with Ministry of Finance. Government will ensure that there will be no shortage of manpower to operationalise Project Seabird.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 23, Para Nos. 4.38 & 4.39)

The Committee note that the cost of the Project Seabird was revised from Rs. 1294.41 crore to Rs. 2459.20 crore in September 2003 and the created infrastructure is being progressively commissioned. The Committee further note that major facilities like Depot/Administrative Building, Naval Hospital, Naval Store, Water, Electricity etc. are likely to be completed by 2005 in a phased manner.

The Committee, keeping in view the cost and time overruns of Phase I project, recommend that Ministry should take all steps to ensure that Phase I of the project, must be completed as per revised schedule. The Committee also desire that revised funds allocated for the purpose should be utilized prudently and effectively as envisaged by the Ministry for completion of Phase I project. The Committee also desire that second phase of the Seabird should be taken up without loss of time on completion of phase I. Considering the fact that the cost of completion of phase I had been revised from Rs. 1294.41 crore to Rs. 2459.20 crore, the committee desire that all out efforts should be made by the Ministry to complete the second phase of the project in a time bound manner without any cost and time overrun.

Reply of the Government

Based Depot ship of Project Seabird (Phase I) has been commissioned on 31.5.2005. Some facilities like Administrative Building, Naval Hospital, Naval Store, water, electricity etc. are scheduled to be completed progressively by end 2005, as intimated to the Committee.

Regarding Phase II of Project Seabird, Indian Navy have started working out the necessary details. The directions of the Committee for execution of Phase II of the project in a time bound manner to avoid any cost & time over-run have been noted for compliance.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 25, Para No. 5.13)

The Committee note that the Air Force has 26 different types of aircraft which require different types of infrastructure to operate. The Committee feel that there is need to check the large inventory and acquire as far as possible similar type of aircraft as have been already in service with the Air Force. The Committee desire that the facilities created by HAL should be put for optimum use before any such further investment is made in such projects. For this, the Committee desire that firm order for the manufacture for required number of the Light Combat Aircraft (LCA) should be given to HAL by the Air Force. This will also ensure timely replacement of ageing MIG-21 fleet. The Committee note with concern that the required number of different types of Radars specially low level surveillance Radars to meet the operational requirements of the Air Force are not available with them. The Ministry should ensure that these are available in the shortest possible time to improve the low level of surveillance capability to

cover the whole geographical areas of the country. The Ministry should explore all ways and means to procure improved system in required number. The Committee would like to be kept informed about the concrete steps taken by the Ministry in this regard.

Reply of the Government

At the time of considering proposal for acquisition of aircraft or any other equipment, the infrastructure already available with the Air Force and Defence Public Sector Units is always kept in view. Air Force has planned for an initial procurement of 20 Light Combat Aircraft (LCA) in the Initial Operational Clearance (IOC) configuration. Subsequent procurement of LCA will be based on the Air Force's experience with IOC aircraft and the development of the LCA to Final Operational Clearance Configuration (FOCC).

Due to large airspace of our country, the number of radars required to provide air defence is also large. Induction of new radars with a view to strengthen air defence cover is a continuous process. During the last three years, Government have signed contracts for acquisition of Aerostat Radar Committee Elint System (ARCES), Low Level Light Weight Radar (LLLWR), Air Route Surveillance Radar (ARSR), Airborne Warning And Control System (AWACS) and Indra-II PC Radars. Proposals for the procurement of Central Acquisition Radar (CAR), Medium Power Radar (MPR), Low Level Light Weight Radar (LLLWR) and Low Level Transportable Radar (LLTR) are under consideration.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 28, Para No. 6.12)

The committees are of the opinion that DRDO has made significant achievement in developing number of major weapon systems for the Indian Armed Forces. The Committee also feel that there has been developmental delays and in some cases may be even cost increases. But these programmes have led to achieving significant. It must be appreciated that when services procure systems from abroad, no equipment per se, has been designed specifically to meet with the requirements of the Indian Armed Forces. Services on the other hand are willing to make compromise of putting into best use, available equipments from abroad, which are already in production to meet with their operation requirement. The Committee feel that if this flexibility can be shown to meet with the operational requirements using imported system, it is not clearly understood as to why the

same benefit of flexibility cannot be extended to indigenously developed systems.

To achieve this objective of self-reliance, the Committee feel that apart from strengthening the Defence PSUs and Ordnance Factories, private participation should also be encouraged in the areas, which the Government seems feasible. The Committee desire that the funding pattern of the projects undertaken by the DRDO, for the three services should be in the form of 70% by DRDO, 20% by the user service and 10% by public/private sector manufacturing units. The Committee note that this model is being followed in some projects in Navy. The percentage of cost sharing can however, vary from, project to project. This will also lead to increased economic activity in our industry, which could capitalise on defence technologies for civil sector applications, where there is immense potential. Further the Committee also feel that the Armed Forces should make it a point to prefer acquiring products built indigenously as per their specifications by giving firm commitments to the manufacturing units.

The Committee also feel that, the country is heavily dependent on imported weapons systems for its armed forces and some times disproportionately procured from a single country. With changing geo-political scenario, the Committee feel that it will be prudent to take steps towards ensuring greater production of weapon systems indigenously developed by DRDO and Indian private sector. The Committee are of the opinion that the Ministry of Defence should work out a scheme for providing viable economic incentives for manufacturing of indigenously developed products by the Defence PSUs, Ordnance Factories and Private Sector.

The Committee also observed that envisaging the future battle scenarios, networking of weapons, equipments, platforms, communication has become a need of hour and, therefore, it may be necessary to develop weapon systems not on a one to one basis but as an integrated system. The Government may therefore, take a holistic view of the Defence Industry, particularly with reference to indigenisation and strive for ensuring objective of self-reliance.

Reply of the Government

DRDO has been interacting with all the three Services in various forms to treat indigenously developed systems with some degree of flexibility, as long as the systems meet their operational requirements. DRDO is always willing to incorporate all 'desirables' in the Mk-II. This would work towards industry having more confidence in taking

up the productionisation of Defence Systems. This approach has been agreed to in PINAKA.

In order to achieve the objective of self reliance, DRDO has been interacting at all levels with Defence PSU's and Ordnance Factories. Participation of private enterprises is being encouraged. Pinaka, Sarvatra, BrahMos & Prithvi are the examples of fructification of the interaction with 50 PSUs, 250 private enterprises and 750 small industries.

The joint funding concept has worked well in many of the EW programmes viz. Samyukta (for Army) & Sangraha (for Navy) and is being encouraged at all levels. This brings synergy among all the three stake holders i.e. DRDO as Development Agency, DPSU/OF/Industries as Production Agency and Users Services. CIDS has recently prepared a concept paper for networking of several weapon systems & for integrating the strengths of DRDO, various wings of the Armed Forces & MoD.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 29, Para No. 6.28)

The Committee express their serious concern over the inordinate delay to develop indigenous Kaveri Engine. Light Combat Aircraft (LCA) Project which was started in 1985, has still been showing time and cost overruns. The Committee desire that responsibility should be fixed for delays in both these projects. The Committee note that LCA is expected to be given to the Indian Air Force by around 2007. The Committee are further constrained to note that the project on Design and Development of Kaveri Engine was originally sanctioned in April 1989 to Gas Turbine Research Establishment (GTRE), Bangalore at a cost of Rs. 382.81 crore with the PDC of 93 months, will now get on to LCA by 2012 at a revised cost of Rs. 2839 crore. they feel that the regular mid term review and reappraisal should be carried out to check further time and cost overruns. There should be system of Performance Audit for all DRDO project.

Reply of the Government

Development of Kaveri Engine was sanctioned to GTRE, Bangalore at a cost of Rs. 382.81 crore in 1989 with a PDC of Dec. 1996. The Kaveri Engine has shown time and cost overruns, typical of an ab-initio engine development programme worldwide. Well equipped

leading engine houses of the world require a period of 16-17 years for development of a new concept of an engine. Time and cost overruns of the Kaveri programme are attributable to inadequate infrastructure/ production capability in the country. Further delay in the programme was on account of inadequate appraisal of the requirements of engine testing/flight test bed which was brought to fore by renowned consultants/engine-design agencies & airworthiness authorities. The Kaveri programme is being constantly reviewed by a three-tier arrangement. Aero Engine Development Board (AEDB), the Apex body reviews the programme on yearly basis. Lower level reviews are conducted by Programme Management Board (PMB) & Project Management Board (PJMB) on Quarterly basis. Even though project definition studies started in 1985, LCA full Scale Engineering Development (FSED) Phase-I was sanctioned in 1993. The objectives of FSED Phase-I have been met without any cost over-run. However a time overrun for FSED-II has occurred mainly due to sanctions imposed by USA in 1998, mid course design changes to overcome obsolescence of avionics systems, substantive indigenisation efforts, high technology/ safety standards and integration of interim engine. Concurrent development approach to compress development schedule, technology transfer & concurrent establishment for limited series production (LSP) facilities are underway to avoid further time overrun. In view of various challenges, constraints and multiplicity of partners in development in both the programmes, which has been addressed by various levels of review mechanisms & decision making echelons, the time/cost overruns cannot be attributed to any individuals. DRDO has accepted the performance audit by Services for jointly funded project.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE
COMMITTEE DO NOTE DESIRE TO PURSUE
IN VIEW OF GOVERNMENT REPLIES

-NIL-

CHAPTER IV

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

Recommendation (Sl. No. 1, Para No. 1.39)

The Committee are deeply concerned to note that the Ministry of Defence was compelled to surrender funds to the tune of Rs. 5,000 crore, Rs. 9,000 crore and Rs. 5,000 crore at the Revised Estimates stage of 2001-02, 2002-03 and 2003-04 respectively, to meet the deficits. The budgetary ceilings imposed by the Ministry of Finance in the year 2005-06 have led to the downsizing of the total projected capital requirements of the Defence Services from adequately Rs. 44123.86 crore to Rs. 34375.14 crore which fails to address the security concerns of the nation. The arbitrary caps on budget utilization over a period of time have taken a toll of almost all sectors of Defence like manpower in the Navy, the ongoing modernization, infrastructure development, procurement of equipment/acquisitions, indigenisation and R&D initiatives. The across the board cut applied by the Ministry of Finance on Defence expenditure without undertaking any exercise to check the ramifications of their decision on defence preparedness calls for an immediate review. The Committee feel that there should not be any cut or reduction in the defence budget by the Ministry of Finance at any stage.

Reply of the Government

In 2002-03 and 2003-04, Ministry of Finance had reduced the allocation made for Defence by Rs. 9000 crore and Rs. 5000 crore, respectively at Revised Estimates stage. However, in 2001-02, the reduction of Rs. 5000 crore at Revised Estimate stage was made since some of the proposals for which provision was made in BE 2002-03 were not likely to be finalised before March 2002.

For 2005-06, the allocation of Rs. 34375.14 crore for Capital caters fully for the committed liabilities and provide over Rs. 7000 crore for new Capital acquisition schemes.

It is agreed that while ideally Ministry of Finance should not impose any cut or deduction in the Defence Budget, the overall resource position of the Government cannot be overlooked.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 12 of Chapter-I)

Recommendation (Sl. No. 2, Para No. 1.40)

Closely related to the issue of Defence Preparedness and the ability to meet the threat perception is the quantum of funds available to our services. It is seen from the above that our Defence allocations as a percentage share of GDP since 1988-89 (year-wise) have been between around 2 to 3 per cent. However, considering the present defence expenditure of some of our neighbours and the present security scenario, the Committee feel that there is a need to fix a minimum percentage of our GDP which should be made available to defence forces at all costs every year. The Committee are aware of the fact that the precarious finances entail the Government to consciously fix the level of Defence expenditure as a percentage of GDP after assessing the prevailing the threat perceptions and the present and future operational and modernization requirements of the services.

Reply of the Government

As observed by the Standing Committee, the allocations for Defence have been between 2 to 3% of the GDP. It is felt that instead of fixing defence expenditure as percentage of GDP, it is more important to ensure that the requirements of the Defence Services are met and allocations made accordingly. The fixing of minimum percentage of GDP will not serve much meaningful purpose unless the allocations confirm to the requirements of the Defence Forces in respective years.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 18 of Chapter-I)

Recommendation (Sl. No. 5, Para Nos. 2.11 & 2.12)

The Committee are unhappy to note that the Ministry of Finance has failed to finalise the 10th Defence plan even after three years of the plan have passed. Non-finalisation of the 10th Defence Plan at its beginning by the Ministry of Finance has created a great deal of uncertainty about the availability of adequate finance for the acquisition of the vital equipment, modernization, etc. The Ministry of Defence

had projected a demand of Rs. 4,97,000 crore in 2001 for the Tenth Plan. However, the Ministry of Finance has given indicative figures of Rs. 4,18,000 crore in December 2004, without any firm commitment. The total allocations in the first four years of Tenth Defence Plan just come to about Rs. 2,76,300 crore which is nowhere near their requirements. This gap between the demand and allocations, has adversely affected the defence planning and our preparedness. The Committee take a serious note of this and want the Government to finalise the Tenth Plan immediately and take steps to utilise the committed amount in full. The Committee would like to be apprised of the finalisation of the plan as well as the follow-up steps being taken to utilise the total allocation of the Tenth Plan.

The Committee also observe that due to non-finalisation of the Tenth Plan in time, the long term perspective plan of the Forces has got affected and is presently at the finalisation stage with a revised plan schedule spanning from 2007-2022. The Committee, while expressing their displeasure over the present situation, recommend that the Ministry of Defence should reorient the plans and strive to adhere to the schedules envisaged. As regards the 11th Plan, the Committee desire that it should be finalised at least an year before the plan period starts.

Reply of the Government

The Ministry of Defence energetically pursued the allocation of funds for defence in the Tenth Plan with the Ministry of Finance with a view to bridging the gap between the projections made by the Ministry of Defence and the availability of funds indicated by the Ministry of Finance to ensure that shortage of funds does not adversely affected the country's defence preparedness. The projections made by the Ministry of Defence for the Tenth Defence Plan were reviewed thrice between March 2003 and July 2004 bearing in mind the needs of defence modernization including defence equipment and technology and the likely constraints in achieving these objectives due to insufficient availability of funds for defence in the Tenth Plan. The Ministry of Finance eventually agreed in principle in December, 2004 to the latest projections made by the Ministry of Defence of Rs. 4,18,000 crore. However, a firm indication of annual outlays for the remaining two years of the 10th Plan has not yet been given by the Ministry of Finance.

Meanwhile, even in the absence of a formal approval of allocation of funds for defence in the Tenth Plan, defence planning has been

harmonized with the allotments for defence in the annual budgets of the Government each year. Actual expenditure in 2002-2003 and 2003-2004 was Rs. 55,662 crore and Rs. 60,300 crore respectively. An allocation of Rs. 77,200 crores has been made in the Budget for 2004-05 against the projection of Rs. 90,928 crore. About Rs. 11,000 crore additional funds have been allocated beyond the budget estimates for the capital head. Against the projected expenditure of Rs. 1,00,960 crore in 2005-06, an amount of Rs. 83,000 crore has been allocated as BE for the year and the projected expenditure for 2006-07 is pegged at Rs. 1,10,251 crore.

While some compromises are inevitable in the absence of a formally approved plan, every effort has been made to ensure that the annual budgets are utilized in accordance with the plan projections of the Ministry of Defence and that any negative impact on ongoing modernization, infrastructure development and procurement of equipment is minimized. Ongoing projects and commitments have been reviewed and prioritized so that the main objective of the Tenth Defence Plan to carry forward the process of modernization of the Armed Forces is not adversely affected, keeping in mind, the competing demands on limited resources, and the requirement of funds for committed liabilities and new schemes; the budgetary framework has been fine-tuned in such a manner to ensure most effective utilization of Government resources. A modest outlay of over Rs. 950 crore has been made for new schemes for the Army. In terms of the directions of the Raksha Mantri, the Ministry of Defence continues to process modernization schemes, and if need be, seeks additional funds at the revised estimate stage each year. Efforts are being made to obtain additional allocations from the Ministry of Finance as annual outlay for the last year of the 10th Defence Plan so as to bridge the gap between the overall projections and actual allocations.

There are 445 new cases/proposals from the Army, 118 from the Navy and 231 from the Air Force that need to be processed during the final two years of the Tenth Defence Plan (2005-06 and 2006-07). The 'New Schemes' of the three Services will be processed expeditiously so as to fully utilize the budget allocations during the last two years of the Tenth Defence Plan as an effort towards modernization and defence preparedness.

The recommendation/observation of the Committee regarding finalization of the Plan process before the commencement of the Plan period so that the Ministry could immediately make use of the funds has been noted by the Ministry for guidance in future and for taking it up officially with the Ministry of Finance.

The preliminary exercise for the preparation of the Eleventh Plan has already been initiated and consultations between Headquarters of the Integrated Defence Staff and the Headquarters of the three Services are in progress. Efforts necessary to finalize the Eleventh Plan in a timely manner are being taken by the Ministry of Defence. In the Eleventh Plan, all the core and priority requirements of modernization and maintenance will be provided for within the indicated increase in allocations of eight to ten percent over the previous year's allocations taking Budget Estimate (BE) of Rs. 83,000 crore for 2005-06 as the base.

An interim Long Term Integrated Perspective Plan (LTIPP) covering the period from 2002-2017 is under consideration. The practice of evolving a Strategic Defence Review in the Indian context has been reviewed and an approach paper on 'Evolving Strategic Defence Review—Adopting Best Practices in an Indian Context' with a view to the development of relevant Capability Based Long Term Plan has been prepared. In the approach paper, it has been recommended that while formulating the LTIPP, National Security Strategy (NSS) by the Cabinet Committee on Security, that deals with the Government's overall national security objectives and interest should also be taken into account.

The steps as enumerated above have been taken to ensure that there is no compromise on defence preparedness and modernization of the Armed Forces.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 27 of Chapter-I)

Recommendation (Sl. No. 9, Para Nos. 3.8 to 3.10)

The Committee note that 'Modernisation of Armed Forces' is a continuous process which requiring long term planning and huge investments. The Ministry of Defence have undertaken a plan to modernise the Indian Army and to equip with the latest machine and equipment so that it can meet the security requirements of the country. The Committee note that during the three years of the Tenth Plan period, the stress primarily was on the modernisation of the infantry battalions and the special forces. The Committee further note that as far as special forces are concerned, 40 items of various kinds have

been identified for modernisation. Efforts are being made to modernise and upgrade the weapons and weapon systems of the Army to prepare it to address the requirements of modern day warfare. These efforts cover the ability to exercise surveillance up to a distance of three kilometres of Infantry battalion detection of infiltration by troops or vehicles in areas not physically held, destroying targets like vehicles, stores dumps and troop clusters, neutralise enemy commanders, various kinds of equipment, Battle Field Surveillance Radars, High Resolution Binoculars, Night Vision Devices, Thermal Imaging Sight for ATGM Launch, Mechanised Forces and their equipments, induction of T-90 and Arjun Tanks and T-72 Tanks.

From the presentation made by the Army before the Committee, it is observed that the number and type of weapons available with the Army are much less as compared to their requirements.

The Committee, therefore, keeping in view the threat perceptions, advances in technology with special emphasis on Information Technology and geo-political environment, strongly recommend that there is an imperative need to prepare a long term policy to modernise the Indian Army and upgrade their weapon systems in areas identified by the Army and desire that a time bound programme should be drawn to acquire those weapons etc. and also ensure proper financial allocations for the purpose. The Committee desire that the quality of the equipment etc. should be the best available in the market which can enhance the combat efficiency of the soldiers in an effective manner. The Committee feel that our priority should be to equip the Infantry man with superior light weight weapons, equipment & clothing.

Reply of the Government

No one can really differ from the observations/views of the Standing Committee in this regard. It is worthwhile to recall the point made in the National Common Minimum Programme of the UPA Government made under the Heading 'Defence, Internal Security' which is reproduced below:

"The UPA Government will ensure that all delays in the modernization of the Armed Forces are eliminated and that all funds earmarked for modernization are spent fully at the earliest."

As regards the priority expressed by the committee to equip the infantry soldier with superior light weight weapons and equipment and clothing, it may be mentioned that reorganization of infantry battalions is in keeping view of such requirements. Some such

weapons have already been procured and for some cases are being progressed.

However, there are several constraints in realizing these noble objectives. Firstly, there is the resource crunch. Whatever funds are allocated for modernization of the Army, tend to fall short of requirements as per plan/programmes (Long Term Perspective Plans, Five Year Plans and Annual Acquisition Plans) drawn by the Army as it has been rightly observed by the Standing Committee that modernization of weapons and equipment are heavily capital intensive. Secondly, the detailed laid down procedure for capital acquisition for the Army takes a very long lead time. There cannot be any short cut to the laid down procedure. However, periodic reviews of the Defence Procurement Procedure are carried out to streamline it.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 40 of Chapter-I)

Recommendation (Sl. No. 10, Para No. 3.11)

The Committee are of the opinion that there needs to be a more focused thrust on development, production of indigenous equipment into the Army, with particular reference to the Arjun Main Battle Tank. It is understood that though a limited order for 124 tanks have been placed, the first production models are being further subjected to additional performance trials by the Army. This is primarily due to the unstated concern over quality control at the Ordnance Factory, Avadi at time of issue, which must be ensured by the Ordnance Factory Board to the satisfaction of the user.

The Committee expressed surprised that instead of giving firm order for sufficient number of Arjun Tanks by indigenous production, only a very small order has been placed and the Government has decided to acquire tanks from a foreign country to meet its requirement.

Having incurred an expenditure of about Rs. 3300 crore on the development and productionisation of the MBT Arjun, the Committee are of the firm opinion that the Arjun must be inducted into the Army in large numbers, for which an initial production order for 50 Tanks must be placed on Heavy Vehicles Factory, Avadi. This does not absolve DRDO (AHSP for Arjun Tank) and the Ordnance Factory

Board of their prime responsibility to ensure that the production model of the Tank meets the user requirement in every respect. The procurement plan of the Army must be structured (or re-structured if necessary) to provide for induction of increased numbers of Arjun Tanks by the 11th, 12th Army Plans, as a replacement for T-72 Tanks.

Reply of the Government

The DRDO started the development of MBT Arjun in 1974. The first prototype rolled out in 1983. The Pre-Production Series (PPS) Tanks were put to user trials between June, 1993 and July, 1995. The DRDO was advised to remove the shortcomings. The trials resumed in 1997 and continue till June, 2001.

Indents for 124 Arjun Tanks were placed in March, 2000. Although, the delivery of these 124 Tanks was to commence in 2001-02, the first five Tanks have been handed over to the Army only in February, 2005. These being the first of the Limited Series Production Tanks, they need to be checked for quality and performance during the current year. Based on these evaluation, decision on placement of orders for additional tanks will be taken.

In the intervening period, T-90 Tanks were acquired by the Army due to the following reasons:

- (i) Ageing of Vijayanta and T-55 Tanks;
- (ii) Our adversary had acquired the state of the art T-80UD Tank from Ukraine and hence there was an immediate requirement to have a Tank in Army's inventory with matching capability;
- (iii) There were considerable slippages in the production of T-72 Tanks, thereby creating a large void in the equipment holding;
- (iv) The modernization proposal for T-72 too had not fructified fully, thereby giving an edge to our adversary with regard to armour equipment profile.

In addition, the Arjun Tank production was getting delayed. The production schedule given by HVF Avadi was revised twice for completion of the project initially in 2006-07, then to 2008-09 and finally to 2009-10. However, recently during the Steering Committee meeting on production of Arjun Tank held on 13 April, 2005 fresh delivery schedule was spelt out by HVF for completion in 2007-08. Due to

slippages since 2001, exact delivery schedule and requirement cannot be firmed up till the successful accelerated user-cum-reliability trials planned by the Army.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 44 of Chapter-I)

Recommendation (Sl. No 15, Para No. 3.36)

The Committee desire that an in-depth study of the modernisation requirements of each ordnance factory, based on its future requirements, should be carried out and a time-bound programme should be chalked out to modernise the ordnance factories.

Reply of the Government

OFB has invested Rs. 1617 crore on modernisation of Factories from 1999-2000 to 2004-2005. Important areas in which investments have been made are Radial Forging Plan for production of gun, barrels, RDX Plant for production of explosives, production of small arms, 155 mm ammunition hardware, medium calibre ammunition and high calibre ordnances.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 50 of Chapter-I)

Recommendation (Sl. No 16, Para No. 3.37)

There is also an unstated perception in the Defence Forces regarding unsatisfactory quality control of equipment produced by the ordnance factories. They establish their credibility with their main customers, the Armed Forces. The Committee desire that a vigorous quality maintenance drive be carried out in the Ordnance Factories, so that the Armed Forces are not hesitant about the quality of equipment and stores supplied to them from ordnance factories. The Committee also desire that Quality Control Organisation may be reviewed and re-structured including transferability of HRD posts. Supplier-Quality Control and User Committee should be established and Quality Control Authority be responsible to the user.

Reply of the Government

Ordnance factories did not have control on the value chain responsible for building quality in a product. There are three main elements in the quality chain, which are the design of the product, manufacturing process and quality of input material and components.

Defects can arise due to deficiencies in the design. Ordnance factories have traditionally been recipient of product technology either from foreign manufacture or DRDO. Changes or modifications in product design or material specification etc. were not permitted. Department of Defence Production has constituted 'Alternation Committee' in each ordnance factories to address these problems. The Committee will have representative from Users, DRDO and DGQA.

MoD has issued an order on 31st March 2005, where ordnance factories have been made responsible for selection of vendors and inspection of input material. This action will enforce greater accountability of ordnance factories in the manufacturing of products and will help to improve the quality of production.

Quality Control System is an integral part of manufacturing process and it would not be feasible to place various quality control units under the Users. This is an independent organisation (DGQA) with the Department of Defence Production to take care of the interests of the User.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please See Para 53 of Chapter-I)

Recommendation (Sl. No. 22, Para No. 4.28)

Keeping in view the vast maritime expanse of the country, the Committee note that the Indian Navy urgently requires three aircraft carrier—one for the eastern coast, second for the western coast and third one required to address the maintenance/repair needs of the other two carriers. The Committee note that during the Budget Estimates 2004-05, Rs. 200 crore was allocated to the project of Air Defence Ship but at the RE stage the amount was reduced to Rs. 0.47 crore in view of the difficulties associated with acquisition of materials for its construction. During the Budget Estimates 2005-06

Rs. 245 crore has been allocated to the project. The Committee take a serious note on non-utilisation of allocated funds by the Navy, which has adversely affected construction of the Aircraft Carrier. The Committee also note that the aircraft carrier Admiral Gorshkov would be handed over to the Navy by the end of 2008. By that time Navy would be depending on the ageing INS Virat which is expected to be decommissioned by 2009-10. Thus after 2010 Indian Navy will have to rely on the services of Admiral Gorshkov only. As the delivery of indigenous Air Defence Ship would not take place before 2012, the Committee feel that there is an urgent need to address the coastal surveillance of the country during this interregnum. The Committee, therefore, strongly recommend that necessary infrastructure should be immediately created so that the construction of one more aircraft carrier of the Gorshkov standard may be undertaken simultaneously on the line or ongoing project of the construction of Air Defence Ship, thereby making the Indian Navy self-reliant in terms of the number of aircraft carriers. The Committee hope that sufficient funds are allocated during the current financial year for the construction of the aircraft carrier would be fully and properly utilised and efforts would be initiated in the direction of undertaking one more similar project. The Committee also desire that Government should ensure that adequate funds are made available for the purpose.

Reply of the Government

A sum of Rs. 0.47 crore was spent during 2004-05 on the indigenous construction of Air Defence Ship of Cochin Shipyard Limited (CSL), Kochi, mainly on account of non-finalisation of special steel contract with M/s Rosoboronexport, Russia. Subsequently, a contract was signed by CSL with M/s Sail for procurement of same quality of steel indigenously. The production has since commenced by cutting of steel on 11th April 2005.

Ex-Gorshkov is scheduled to join the Indian Navy in 2008. But in order to augment the strength of the Navy, it would take all measures to keep INS Virat operational until the expected delivery of ADS in 2011-2012. This would ensure that the Navy would have two carriers after Ex-Gorshkov becomes operational with the Navy.

As regard construction of a new Aircraft Carrier, Cochin Shipyard Ltd. (CSL) is the only yard in the country that can undertake construction of this vessel.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 56 of Chapter-I)

Recommendation (Sl. No. 24, Para No. 5.11)

The Committee note with serious concern that out of 39.5 projected squadrons, Air Force has now only 37 squadrons, which shows shortage of 2.5 or three squadrons. The Committee further note that by end of the Tenth Plan this shortage would increase. Further, by the end of 12th Plan the shortage will be almost 1/3rd of the projected strength.

Reply of the Government

The present combat squadron strength of Air Force is 37 against the authorized strength of 39.5 squadrons. With the planned 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.

[Ministry of Defence, OM No. H-11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 59 of Chapter-I)

Recommendation (Sl. No. 24, Para No. 5.12)

The Committee, therefore, in the interest of the security of the nation, would like to recommend strongly that Ministry should make all efforts to keep the required number of squadrons by simplifying their acquisition procedure and minimising the delay in acquisition of new aircraft. The Committee also desire that our indigenous production capacities should also be suitably enhanced. The Committee are of the view that there is also an urgent need to plan for acquisition of fifth generation fighter aircraft to take care of our defence needs in future.

Reply of the Government

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

[Ministry of Defence, OM No. H-11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please *See* Para 59 of Chapter-I)

CHAPTER V

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

Recommendation (Sl. No. 7, Para No. 2.14)

The Committee has also observed that the surveillance capabilities of our forces are inadequate. This is primarily due to non-availability of low-level radar systems with the three services. The Committee feel that all round effort should be undertaken by the Government to ensure that the entire country is covered. The Committee feel that the Ministry should explore all possibilities of acquiring the required radar systems in adequate numbers without any delay.

Reply of the Government

Armed Forces are equipped with various types of radar systems including low level radar system. Modern radars are being incrementally inducted as replacement for the older radars or as the initial fit on new platforms.

Present status of radars available in the three Services is as under:

Army

Corps of Army Air Defence is presently equipped with various types of low level surveillance radars. Based on the overall authorization of said radars and projections for the current 10th Plan, complete requirement of radars have been contracted from M/s BEL, Bangalore.

Navy

Modern radars are inducted as replacement for old radars on ships or as the initial fit on the new ships. All these modern radars have advanced low level detection capabilities including height finding capability. Following the recommendations of Group of Ministers, it is understood that the chain of coastal radars is planned to be setup under the aegis of Ministry of Shipping and Director General of Lighthouse and Lightships.

Air Force

Induction of new radars with a view to strengthen air defence cover is a continuous process. During the last three years, Government has signed contracts for acquisition of modern radars. Proposals for procurement of Medium Power Radar, Central Acquisition Radar, Low Level Light Weight Radar and Low Level Transportable Radar, are also under consideration of the Government.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please See Para 34 of Chapter-I)

Recommendation (Sl. No. 11, Para No. 3.15)

The Committee notes that the Indian Army is facing critical shortage of wheeled Self Propelled (SP) guns of the required standard. The Ministry have informed that though the request for proposals for its procurement was issued to 11 vendors in response to which 5 bids were received and one gun has been finally found to be matching the qualitative requirements. The Committee are, however, surprised to note that no fields trials were held to decide the suitability or otherwise of the bids received which is the normal procedure. The Committee also note that trials are still continuing for the procurement of tracked SP Guns and Towed Guns. The delay in the procurement of such crucial weaponry has adversely affected the modernization of schemes of the defence sources resulting in wastage of a lot of time. The Committee feels that global RFP should have been issued in the first instance to avoid the single vendor situation. The Committee now wants immediate decision to be taken to procure the guns at the earliest. The Committee further recommended that R&D efforts for their indigenous production should go simultaneously with the acquisition programme of the Ministry so that Artillery is not made to face the shortage of critical components of the weapons system.

Reply of the Government

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.

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

Wheeled SP Gun: Request 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.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Comments of the Committee

(Please See Para 47 of Chapter-I)

Recommendation (Sl. No. 14, Para Nos. 3.32 to 3.35)

The Committee note that a modernization plan which envisages upgrading technology, augmenting capacities and replacement of old/

obsolete plant and machinery with those having state-of-the-art Technology has been prepared. Further Modernisation and automation of the infrastructure in the Ordnance Factories is also being done to meet the quantitative and qualitative demand of the end products.

The Committee further note that in addition to significant amounts sanctioned under the Head "New Capital" an amount of Rs.250 Crores has been projected by the Ministry in the Budget Estimates 2005-06 for modernization involving replacement of old and serviceable plant and machinery.

The Committee are given to understand that the basic problems of the Ordnance Factories are how to augment the revenue resources and their capacity to increase the annual rate of production.

From the foregoing, the Committee are of the view that for augmenting revenue resources and production capacities of the Ordnance Factories, there is a need to significantly change the character and nature of working of these Factories by conferring on them status of Public Sector undertakings and running them on commercial lines like the PSUs. This change of the ordnance factories would enable them to raise funds from market, private banks and through Public Issue. Thus Ordnance factories would gradually become not only financially viable but also strong enough to increase their production capacity, as envisaged. The Committee, also desire that these Ordnance Factories should take upon themselves the task of peripheral development and social work responsibilities in area of their operation like other PSUs. The Ordnance Factories can involve private sector in product upgradation and value addition wherever feasible.

Reply of the Government

Ordnance factories have got dedicated capacity to manufacture arms, ammunition and military hardware required by the armed forces. Many products like arms and ammunition do not have civilian use and the facilities are earmarked for production against indents by the armed forces. Efforts are being made to diversify the customer base and supply products like exporting arms and ammunition, textile and other goods to civil sector. Supplies to Central Paramilitary Forces and State Police forces had been significantly increased over the years. Arms and ammunition, weapon spares, chemicals and explosives, leather and clothing items have been exported by ordnance factories to thirty countries.

Ordnance factories prefer co-development/co-production of new products in synergy with advanced technology provider and in association with capable Indian industries. This approach helps in enlarging the product profile resulting in better capacity utilization.

MoD had constituted a Committee in May 2000, under the chairmanship of Shri T.K.A. Nair, the then Chairman of Public Enterprises Selection Board to examine medium and long term prospects of sustainable growth of ordnance factories.

The Committee has recommended corporatisation by conversion of OFB into Ordnance Factory Corporation Limited along the same lines followed for converting Department of Telecommunication into BSNL. Corporatised OFB to be given 'Navratna' status. No decision has been taken about the implementation of the Nair Committee Report.

Meanwhile MoD has appointed another Committee under the chairmanship of Dr. Vijay Kelkar in April 2004. One of the terms of the references is to suggest restructuring of ordnance factories and Defence Public Sector Undertakings so that they assume the role system integrator and designer. The Committee has yet to submit its report on this subject.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 19, Para No. 4.17)

As regards the Mine Counter Measure Vessels (MCMVs), the Committee are constrained to note that out of the 12 ocean going MCMVs available with the Navy, with the planned de-induction of 8 vessels from 2006-08 the MCMVs force level would drop to 4 vessels. The Committee are given to understand that the requirement of 8 MCMVs has been included in this plan and the Ministry of Defence is processing the case for acquisitions of 8 MCMVs for Navy. The Committee, therefore, hold the view that after de-induction of 8 vessels from 2006-08, it has become imperative that the Government should expeditiously complete the processing of this case for acquisition of 8 MCMVs for the Navy as per schedule.

Reply of the Government

The Government is actively considering the proposal of Navy for inducting eight Mine Counter Measure Vessels (MCMVs).

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 26, Para Nos. 5.23 & 5.24)

The Committee note that the Government approved the indigenous design and development of Intermediate Jet Trainer (HJT-36) by HAL way back in 1999 as a replacement of ageing Kiran aircraft. Even after the passage of six years the final operational clearance of the trainer has not yet taken place. Though the prototypes of the trainer have so far completed 150 flights towards its development plan, the results have not been found to be satisfactory. The Committee note with concern that the flight testing of the prototypes is being undertaken with French Larzac engine and Russian AL-55 I engine the indigenous version of which has still not been developed. The Committee also note that once successfully developed, the trainer may be configured to meet the requirements of second stage training of Indian Air Force pilots.

The Committee, therefore, recommend the Ministry to intensify their R&D efforts to develop the indigenous engines for HJT-36. Keeping in view the prospects of developing the HJT-36 into a futuristic Advanced Jet Trainer, the Committee also recommend that efforts need to be expedited to develop its configuration on the line of AJT Hawk to be procured from U.K. so as to address the need of third stage training of IAF.

Reply of the Government

HAL has selected AL-55 I engine with higher thrust for the production version of Intermediate Jet Trainer (HJT-36). This engine would be developed in Russia. Subsequent to certification of the engine, indigenous manufacture in India would be taken up by HAL.

In the development phase of aircraft, it is inherent that the design is assessed and modified wherever required, to achieve the desired performance and reliability. In the IJT project, HAL carries out necessary design modification to effect improvements as required.

A new Advanced Jet Trainer aircraft project to extend the concept of present Intermediate Jet aircraft trainer to cover the 3rd stage training of IAF pilots has been proposed by HAL. This is under evaluation.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 27, Para No. 5.25)

In this connection, the Committee also note that the existing front line fighter fleet of the Indian Air Force would have reached the end of their service life by 2020-25, and be due for replacement by that time. The Committee were also given to understand that some discussions were underway with a foreign country for design of new fifth generation fighter aircraft. The Committee strongly feel that coordination efforts between the DRDO, the Air Force, Hindustan Aeronautics Limited and other consultants must be initiated at the earliest, and development of an indigenous Multi-Role Combat Aircraft be formally commenced; so that it could replace the current fleet in the time frame 2020-2025 so that there should be no gap in Air Force resources.

Reply of the Government

A presentation of the 5th generation fighter aircraft was made by the Russian side at Air HQ (VB) on 29th Dec., 2004 and the IAF had proposed that a response to the Russian proposal would be intimated after due consideration. As part of this process an in-house 'strategic appraisal' of the project *vis-a-vis* IAFs requirements in the period 2020 and beyond is being undertaken at Air HQr. Based on the IAF requirements, discussions are proposed to be held with other agencies like HAL, ADA and other concerned DRDO agencies so as to get a holistic requirement of the technologies to be incorporated in the aircraft and the extent of Indian involvement in the design, development and productionisation of the aircraft. Subsequent to this, further discussions could be held with the Russian side catering to the requirements of IAF and the indigenous aviation industry. As an interim measure, a draft letter has been forwarded to the Russian side.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

Recommendation (Sl. No. 30, Para No. 6.29)

In view of the foregoing, the Committee feel that no serious efforts are being made by the Ministry either in projecting realistic demand or in making a judicious selection of design and development of Kaveri Engine by DRDO and HAL jointly. The Committee, therefore, desire that Ministry should not only explore all ways and means to complete the project as per schedule but also make it a financially viable option *vis-a-vis* fighter aircraft with similar technology available in the world market. The Committee would like to be apprised of the progress made by the Ministry in this regard.

Reply of the Government

The Kaveri Engine programme has made significant progress and it is expected that five years from now, the country would be self-reliant in most aspects of engine design, development & production. In order to expedite development and to ensure success of the programme, possibilities are being explored to obtain assistance of one of the reputed design houses. An expression of interest has been sent to leading engine design/manufacturing agencies worldwide for collaboration and developing Kaveri Engine for production release by Dec. 2009. It is therefore felt that the project would thus be successful to meet LCA needs as well as the world market. HAL is the designated production agency. HAL & GTRE are working in close cooperation in the programme.

[Ministry of Defence, OM No. 11013/8/2005/D (Parl.),
dated 22.8.2005]

NEW DELHI;
7 March, 2006

16 Phalgun, 1927 (Saka)

BALASAHEB VIKHE PATIL,
Chairman,
Standing Committee on Defence.

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

The Committee sat on Wednesday, the 8th February, 2006 from 1100 hrs. to 1130 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Shri Iliyas Azmi
3. Shri Thupstan Cheewang
4. Dr. K.S. Manoj
5. Shri Raghuraj Singh Shakya
6. Shri Balashowry Vallabhaneni

Rajya Sabha

7. Dr. Farooq Abdullah
8. Shri Janardan Dwivedi

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*

2. Under Rule 259 of the Rules of Procedure and Conduct of Business in Lok Sabha quorum of the Committee shall be as near as one third of the total members i.e. ten members, however as only 8 members came to attend the sitting, therefore, the sitting of the Committee was adjourned.

3. Regarding draft Action Taken Report on 2nd report of the Standing Committee on Defence (2005-06) on Demands for Grants of

the Ministry of Defence for the year 2005-06, Hon'ble Chairman desired that oral evidence of the Ministry of Defence officials may be taken to have clarifications on certain issues arising out of the action taken replies and the draft report may then be finalised and adopted at a later date.

4. Hon'ble Chairman then directed that draft report on 'Defence Public Sector Undertakings' may be considered on 10th February, 2006 before the evidence of non-official experts on 'Review of Medical Education and Services in Defence Sector'.

The Committee then adjourned.

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

The Committee sat on Monday, the 27 February, 2006 from 1500 hrs. to 1630 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil—*Chairman*

MEMBERS

Lok Sabha

2. Smt. Priya Dutt
3. Shri Suresh Kalmadi
4. Dr. C. Krishnan
5. Shri Manvendra Singh

Rajya Sabha

6. Shri Lalit Suri

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

1. Shri Shekhar Dutt — Defence Secretary
2. Dr. M. Natarajan — SA to RM
3. Shri K.P. Singh — Secretary (DP)
4. Shri V.K. Misra — FA (DS)
5. Shri S. Banerjee — DG (Acquisition)
6. Smt. Sheela Bhide — FA (Acquisition)
7. Shri Ranjit Issar — AS (I)
8. Shri Anup Mukerji — AS (DP)
9. Shri P.K. Rastogi — AS (Trg) & CAO

10. Shri Amit Cowshish	Addl. FA (A)
11. Shri Alok Perti	JS (S)
12. Shri Pramod Kumar Anand	JS & AM (LS)
13. Shri Ranjan Chatterjee	JS (HAL)
14. Shri Thomas Mathew	JS & AM (MS)
15. Shri Gautam Chatterjee	JS (O/N)
16. Shri Shashi Kant Sharma	JA & AM (Air)
17. Shri P.K. Misra	Chairman, OFB
18. Shri M.K. Sinha	Dir. (Budget)
19. Lt. Gen. G.D. Singh	PVSM, AVSM-DCOAS
20. Lt. Gen. Nirbhay Sharma	PVSM, UYSM, AVSM, VSM-MGO
21. Air Mshl. A.K. Nagalia	AVSM, VM, VSM—DCAS
22. R. Adml. R.K. Dhowan	YSM-ACNS (P & P)
23. Maj. Gen. S.B.S. Bains	VSM-ADG FP
24. Shri Devnath Shaw	JS (PIC)
25. Maj. General A.K. Mehra	ADG (WE)
26. Shri Prahlada	CCR & D (SI) & DS (Equivalent to Special Secretary)
27. Shri R.B. Singh	Director (P & C)

2. At the outset, Hon'ble Chairman welcomed the representatives of Ministry of Defence and apprised them that the Committee are examining the action taken replies on the observations/recommendations of the Committee in their 2nd Report on Demands for Grants (2005-06) as furnished by the Ministry and asked them to give clarifications on the following crucial issues like:

- (i) Cut on Defence Expenditure;
- (ii) Fixing up of a minimum percentage of GDP for Defence forces and its impact on modernization and Defence preparedness;
- (iii) Defence planning;
- (iv) Status of the new cases/proposals that were to be processed in the last two years of the 10th Defence plan;
- (v) Modernization of Army;

(vi) Reasons for not furnishing copies of the Reports of Kelkar Committee, Nair Committee and Vijaya Raghavan Committee to the Committee on Defence and delay in consideration of these Reports by the Government.

3. The representatives through a Power Point Presentation, clarified all the queries of the members.

4. The Committee thereafter took a serious note of the Ministry's communication dated 2 February, 2006 on the subject 'A Critical Review of Rehabilitation of Displaced Persons', wherein the Ministry has submitted that it would not be appropriate on their part to unilaterally amend the provision contained in the NPRR-2003, in deviation of the provision contained in the policy. The Committee were of the view that it is within their jurisdiction to examine any policy matter of the Government.

The witnesses then withdrew.

5. A verbatim record of the proceedings was kept.

The Committee then adjourned.

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

The Committee sat on Tuesday, the 07 March, 2006 from 1500 hrs. to 1630 hrs. in Committee Room No. 139, Parliament House Annexe, New Delhi.

PRESENT

Shri, Balasaheb Vikhe Patil — *Chairman*

MEMBERS

Lok Sabha

2. Shri A.V. Bellarmin
3. Dr. C. Krishnan
4. Dr. K.S. Manoj
5. Shri Mahadeorao Shiwankar
6. Shri Manvendra Singh
7. Ms. Ingrid Mcleod

Rajya Sabha

8. Smt. N.P. Durga
9. Shri Lalit Suri

SECRETARIAT

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

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

3. The Committee then took up the draft Action Taken Report on recommendations contained in Second Report of the Committee on Demands for Grants (2005-06) of the Ministry of Defence. The Committee after deliberation adopted the draft Action Taken Report with some modifications/amendments as suggested by the Members.

4. The Committee authorized the Chairman to finalise the draft report on the light of the amendments/suggestions given by the Members and present the same to both the Houses of Parliament.

5. The Committee then considered the status of the Armed Forces Tribunal Bill, 2005 and felt that it might not be possible to present the report on the Bill by the stipulated date *i.e.* 22 March 2006. The Committee then decided that Hon'ble Speaker might be requested to give extension of time for presentation of Report up to 31 May, 2006 since the Committee desired to seek the expert opinion from Non-Official Experts.

The Committee then adjourned.

APPENDIX

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE 2ND REPORT OF THE STANDING COMMITTEE ON DEFENCE (FOURTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2005-06) OF THE MINISTRY OF DEFENCE

			Percentage of Total
(i) Total number of recommendations	30		—
(ii) Recommendations/Observations which have been accepted by the Government: Para Nos. 1.41, 1.42, 2.13 (2.21-2.22), 3.19, 3.23, 3.38, (4.16, 4.18 & 4.21), 4.19, (4.20 & 4.40), (4.38 & 4.39), 5.13, 6.12 & 6.28	14		46.6%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government replies	Nil		—
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee: Para Nos. 1.39, 1.40, (2.11-2.12) (3.8-3.10), 3.11, 3.36, 3.37, 4.28 and (5.11 and 5.12)	9		30.00%
(v) Recommendations/Observations in respect of which final replies of Government are still awaited: Para Nos. 2.14, 3.15, (3.32-3.35), 4.17, (5.23 & 5.24) 5.25 & 6.29	7		23.4%