

FIRST REPORT
STANDING COMMITTEE ON DEFENCE
(1999-2000)
(THIRTEENTH LOK SABHA)
MINISTRY OF DEFENCE

*[Action Taken on the Recommendations contained in the 8th report of the Committee
(Twelfth Lok Sabha) on Demands for Grants of Ministry of Defence for 1999-2000]*

*Presented to Lok Sabha on.19 April, 2000
Laid in Rajya Sabha on. 19 April, 2000*

LOK SABHA SECRETARIAT
NEW DELHI
March, 2000/Phalguna, 1921 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (1999-2000)

Dr. Laxminarayan Pandey — *Chairman*

MEMBERS

Lok Sabha

2. Shri S. Ajaya Kumar
3. Shri Raj Babbar
4. Shri S. Bangarappa
5. Col. (Retd.) Sona Ram Choudbary
6. Smt. Sangeeta Kumari Singh Deo
7. Shri Jarbom Gamlin
8. Shri Indrajit Gupta
9. Shri Raghuvir Singh Kaushal
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29. Dr. (Smt.) Sudha Yadav

Rajya Sabha

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31. Shri Suresh Kalmadi
32. Shri KapU Sibal
33. Shri Suresh Pachouri
- *34. Shri K.R. Malkani
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40. Shri Shanker Roy Chowdhury

41. Dr. Y. Lakshmi Prasad
- **42. Sardar Gurcharan Singh Tohra
- **43. Shri T.N. Chaturvedi
- **44. Smt. Ambika Soni

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri P.D.T. Achary — *Joint Secretary*
3. Shri Ram Autar Ram — *Director*
4. Shri K.D. Muley — *Assistant Director*

* Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha *w.e.f.* 27.01.2000.

** Nominated *w.e.f.* 18.02.2000.

INTRODUCTION

I, the Chairman, Standing Committee on Defence (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this First Report on Action Taken by Government on the recommendations contained in the Eighth Report of the Committee (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1999-2000.

2. The Eighth Report was presented to Lok Sabha on 21 April, 1999 and laid on the Table of Rajya Sabha on 23 April, 1999. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 13 October, 1999, 13 January, 2000 and 10 February, 2000. The Draft Report was considered and adopted by the Standing Committee on Defence (1999-2000) at their sitting held on 8 March, 2000.

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

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

NEW DELHI;
March 8, 2000
Phalguna 18, 1921 (Saka)

DR. LAXMINARAYAN PANDEY
Chairman
Standing Committee on Defence

CHAPTER I

REPORT

The Report of the Standing Committee on Defence deals with the action taken by Government on the recommendations/observations contained in their Eighth Report (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1999-2000 which was presented to Lok Sabha on 21 April, 1999 and laid on the Table of Rajya Sabha on 23 April, 1999.

2. In their Eighth Report (Twelfth Lok Sabha), the Committee had made 17 recommendations/observations on the following subjects:

S. No.	Para No.	Subject
1-4	26-29	Defence Allocation
5,6	30,31	Defence Capabilities
7	37	Acquisition of Self-Propelled Gun
8	42	Spares for Bofors Gun
9	48	Indigenous Construction of Submarines
10	51	Pending Major Works of Navy
11	56	Modernisation of IAF
12	59	Acquisition of SU-30
13	61	Advanced Light Helicopter
14	63	Modernisation of Ordnance Factories
15	65	Training of Apprentices by Ordnance Factories
16	67	Modernisation of Ordnance Depots
17	69	Naval Projects - Karwar and Ezhimalai

3. Action Taken Notes have been received from the Government in respect of all the Recommendations/Observations indicated at pre-page. These have been categorised as follows:

- (i) Recommendations/Observations which have been accepted by Government (Please *see* Chapter-11):
Sl. Nos. 1, 3, 4, 5, 8—17.
- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies (Please *see* Chapter III):
Nil
- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee (Please *see* Chapter IV):
Sl. Nos. 2, 6 & 7.
- (iv) Recommendations/Observations in respect of which final replies of Government are still awaited (Please *see* Chapter V):
Nil

4. The Committee will now deal with the action taken by the Government on some of the recommendations contained in Chapter I of their Report.

Defence Allocation

Recommendation (Sl. No. 2, Para No. 27)

5. The Committee had desired that the Defence funding should be raised to the level of at least 3 per cent of GDP. Though the Committee had reiterated their recommendations to this effect in their earlier reports, the annual allocations for Defence Services continue to be far below that level. The Committee felt that the Government ought to adduce cogent reasons for the continued abysmally low allocations for Defence.

6. The Ministry of Defence have in their action taken reply intimated that "The percentage share of GDP is not considered as the only yardstick for Defence allocation. Fund requirements of the Armed Forces are largely correlated to strategies dictated by the present and future security and threat perceptions both in short and long term as also the available resource base of the Government. While making allocation in a financial year, the obligatory expenses, essential maintenance and modernisation needs of the Services are kept in view. The observations of the "Standing Committee on Defence made earlier in their reports that the Defence spending should at least be at the rate of 3 per cent of the GDP were communicated to the Ministry of Finance for their consideration".

7. The Committee are of the opinion that reducing the Defence budget year after year inevitably leads to a decline in the capability of our Armed Forces. This is a costly mistake. Kargil has proved it beyond doubt. The Ministry has not made it clear whether present level of allocation for Defence is enough to meet the growing threats to the security of India. The Committee reiterate that a fixed minimum of three per cent of GDP should be allocated for Defence.

Defence Capabilities

Recommendation (SI. No. 6, Para No. 31)

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

9. The Ministry of Defence in their Action Taken Reply have stated that "Modernisation of Armed Forces to maintain adequate level of Defence preparedness, is an on-going dynamic process. Based on the constant review of changes in the global security environment and its implications for the national security, threat perceptions are assessed for the existing and potential future security environments. To ensure an adequate level of Defence preparedness to safeguard the territorial integrity and sovereignty of the country, the requirements of the Armed Forces are then worked out and prioritised, based on the threat perceived from such Strategic & Technological Environment Assessments. These requirements of the Services are then fulfilled in the order of priority from within the budgetary allocations made on the Defence sector from year to year".

10. The Committee feel that after Kargil conflict, the country's defence needs must be assessed in the light of the new dimensions of future wars. The Committee strongly advocate that it should evolve a defence outlook based on Military capabilities of adversaries and not merely on the current exclusive focus on threats. The Committee further feel that after Kargil, the defence needs of our country require a drastic re-orientation towards high tech nature of conflicts which India is likely to face in future. It would demand a different approach to defence budgeting, operational capability creation, technology infusion and human resource development in order to obtain an optimal level of security.

Acquisition of Self-propelled Gun

Recommendation (SI. No. 7, Para No. 37)

11. The Committee had been informed of the various options for development/acquisition of 155-mm calibre self-propelled guns. The Committee had recommended that there should be a proper planning while acquiring/manufacturing of 155 mm self-propelled guns as the gun system had to be mated on the chassis. The Committee had desired that the Government should expedite the matter and after seeking best technical advice including alternative for on-the-spot rectification procedure, so that test for the gun are completed before the next summer.

12. The Ministry have replied that after adopting a twin track approach, trials of T-6 and AS-90 turret, mated with the MBT Arjun chassis and alternatively with the reinforced T-72 chassis, were recommended for trials. However, due to their internal reasons, M/s VSEL did not field the AS-90 for trials. During the trials, the T-6 system offered by M/s Denel of South Africa showed certain shortcomings. Therefore, a revised trials schedule was formulated. The last trials of T-6 turret, mounted on Arjun chassis and G-6 Self-propelled Gun (wheeled version) of South Africa were held in 1999. At present the T-6 turret and the G-6 wheeled chassis are undergoing Maintainability Evaluation Trials.

They have also stated that a time-bound plan has already been chalked out for the procurement of 155 mm self-propelled guns during IX Plan and funds for the purpose have been catered. However, the Ministry projected its long term requirement of 22 regiments upto the end of the XII Plan.

13. The Committee feel that despite their recommendation the Ministry have yet to speed up the process of acquisition/manufacturing of 155 mm self-propelled guns. In their reply the Ministry have talked about procurement of the guns but no where they have mentioned about development of the guns. To make India self-reliant in the field of defence preparedness, there should be a plan for indigenous development of these guns to save precious foreign exchange and to fulfil the sudden enhanced needs as felt during the Kargil conflict.

The Committee is extremely unhappy over the tardy pace of the trial of the gun and desire that the Ministry of Defence should quickly complete the trial of gun system as per the options available and ensure procurement of 120 nos. of these guns during IX Plan period itself.

Spares for Bofors Gun

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

14. The Committee had noted that due to a ban on dealing with M/s Bofors, the Army has been facing shortage of spares for 410 nos. of FH 77B guns. When all the efforts to procure spares were negated, cannibalisation of a limited number of guns was resorted to make most of the guns functional. Keeping in view the huge expenditure that was incurred on the gun system, the Committee were of the view that the Government should take steps so that the entire stock of these guns may be utilised.

15. The Ministry of Defence have stated that for initial requirement of spares the Government had made licence agreement with M/s Bofors for indigenous production. However, due to a ban on dealing with M/s Bofors, the Original Equipment Manufacturer (OEM), this agreement was not activated.

The Ministry have further stated that in March, 1999, the revised list of items to be indigenised stands at 5595, which included both, of Bofors origin as well as non-Bofors origin. The progress of indigenisation was being regularly monitored. The Government had reviewed the ban placed on M/s Bofors, as this company has been taken over by the Government of Sweden and had accorded approval that Department of Defence Production may avail of the arrangements, technology, services and assistance contracted for in the supply contract dated 24.3.86.

16. The Committee are of the view that the Ministry should speed up the process of indigenous production of spares for the upkeep and overhaul of the gun system and further hope that necessary steps will be expeditiously taken for recovery of amount illegitimately paid in the transaction.

Indigenous construction of Submarines

Recommendation (SI. No. 9, Para No. 48)

17. The Committee were unhappy as the facilities for construction of submarines at the Mazagon Dock Ltd. (MDL) have been lying idle since May, 1994 and recommended to expedite the formalities for obtaining Government's approval for the firm cost of the project for indigenous construction of 2 SSK submarines. The Committee also recommended that the Ministry should implement duly approved plans in a fixed time schedule.

18. The Ministry have stated that facilities at MDL, Mumbai are presently being exploited to a limited extent for refit of existing submarines and a Letter of Intent for indigenous construction of two SSK class of submarines has been issued to MDL in February, 1997. The Ministry have further stated that as regards Navy's plan for indigenisation of submarines the proposal has since been approved by RM and VM and is being further processed for appropriate clearance.

19. There seems to be no futuristic planning about the Naval requirements and reasonable utilisation of the existing facilities available with MDL. It is amazing that since 1994 the submarine construction facilities at MDL is in limited use. The Committee take a serious view of it and feel that Ministry should not treat this as a routine matter. They should expedite the production activities, so that investments made on the project should not go waste and the Indian Navy shall be well equipped with indigenous submarines at the earliest.

Modernisation of IAF

Recommendation (SI. No. II, Para No. 56)

20. The Committee had noted that satisfactory level of funding was made to the Airforce in the Ninth Defence Plan and 40% of the Budget had been earmarked for modernisation. The Service had however specified that last year there was a shortage of Rs. 1176 crores which would increase to Rs. 3700 crores this year and the Committee also pointed out that Study conducted by the Services on the force level, additional Squadrons would be required to hold China and have decisive victory against Pakistan and additional equipments such as AWACS, Flight Refuelling Aircraft (FRA), Aerostat and state-of-the-art multi-role aircraft, modern weapon carrying platform would give additional force multiplier effect to the Airforce.

That Committee had recommended that adequate allocation be made in future to IAF and a special team of experts may be constituted for determining the optimal force level of the IAF based on threat perceptions.

21. The Government in their reply stated that the initial projections for the year 1999-2000 were to be Rs. 13946.86 crores after a series of discussions held with the service headquarters and within the Ministry, the Ministry of Defence recommended an allocation of Rs. 10278.66 crores. The Ministry of Defence have also specified that for equipments such as AWACS, Flight Refuelling Aircraft induction of force multipliers additional funds are also being provided.

The Ministry of Defence have stated that the Government is fully seized of the urgency to formulate a suitable force structure for the 21st century of the three services and that it has been decided to undertake a Strategic Defence Review (SDR) which would provide the Armed Forces with guidelines to proceed with force structure and force level planning.

22. Based on the reply of the Government, the Committee strongly recommend that a Strategic Defence Review (SDR) may be carried out at the earliest in a time bound manner to be able to come to the right conclusion regarding the force level of the three services.

Acquisition of SU-30 Multi-role aircraft

Recommendation (SI. No. 12, Para No. 59)

23. The Standing Committee on Defence had noted that with the declining fleet strength, obsolescence of existing aircraft, delay in the projects of upgradation of MiG aircraft and indigenised development, production of LCA, IAF urgently needs to induct state-of-the-art aircraft. The Committee had recommended the Ministry to expedite the acquisition of the aircraft and also make a headway in completing all formalities for licence production of SU-30 aircraft in India.

24. The Ministry of Defence in their reply have stated that as some of the avionics equipment to be integrated on SU-30 MKI could not be contracted for in time, the SU-30 MKI delivery schedule has now been revised vide Additional Agreement to the main contract dated November, 1996.

25. The Ministry of Defence have indicated the revised schedule for the delivery of the aircraft as follows:

- (i) 16 SU-30 MK 1-1 in 2000-2001
- (ii) 10 SU-30 MK 1-2 in 2001-2002
- (iii) 6 SU-30 MK 1-3 in 2002 later half

The Ministry have also informed that 10 additional SU-30 K aircrafts have been procured and this will bring up the strength of SU-30S in the IAF to 50 aircrafts.

As regards the licence production the Raksha Mantri has approved the licence production of 140 aircraft at HAL. Department of Defence Production has carried out negotiations in December, 1999 with the Russians in this regard.

26. The Committee hope that the Ministry of Defence will earnestly adhere to the revised time schedule for acquisition of the SU-30 aircraft as contracted under an agreement in 1998 and hope that the licenced production in India will also commence soon after necessary negotiations with the Russians.

Modernisation of Ordnance Depots

Recommendation (SI. No. 16, Para No. 67)

27. The Committee were not convinced by the reasons given by the Ministry of Defence for not initiating the modernisation of Ordnance Depot Kanpur so far as already a large period of time had elapsed since two public sector undertakings M/s. NIDC and M/s. MECON were given the task of preparing detailed project reports in 1994. The

Committee had wondered how much time it would take to modernise all the 7 depots and recommended that the Government expeditiously modernise all the ordnance depots.

28. The Ministry of Defence ' have in their reply stated that 7 ordnance depots are to be modernised in phases, keeping in view the financial and other constraints *i.e.* COD Delhi Cantt., COD Jabalpur, COD Kanpur, COD Agra, COD Chheoki, COD Dehu Road & COD Mumbai.

Final detailed Projects reports of M/s. MECON & M/s. NIDC were submitted in July 1996. The project report submitted by M/s. MECON has been considered more acceptable. M/s. MECON were advised to revise and up date their detailed project report by reworking their details and drawing in a meeting held on 15.11.99 and the revised project report (submitted on 20.12.99) has since been accepted.

29. Further the Ministry have also informed that a cabinet paper is being prepared for obtaining approval of the Cabinet Committee on Security for incurring expenditure of about Rs. 187 crores on the project. The approval is expected by March/April 2000 and the project is to be completed by 31.12.2002. After gaining experience in the project, the modernisation of COD Agra and other 5 CODs will be carried out in phases depending upon the priority fixed and availability of funds. According to Ministry of Defence each ordnance depot is of its own type handling with different kinds of stores. Solutions tailored to the specifics of each depot need to be worked within the broad parameters of the approved modernisation plans.

30. The Committee note that a large time gap has elapsed between the submission of the detailed project report in July, 1996 and the Ministry of Defence asking the PSU to revise the report on learning from the experience gained in the first ever project i.e. GOD Kanpur, the Committee hope that in respect of modernisation of COD Agra and the other 5 CODs Detailed Project Reports (DPRs) are prepared in a time bound manner so that modernisation programmes of all the CODs may be completed in the shortest possible time. A considerable amount of time has been wasted since the initiation of modernisation of COD Kanpur in 1994 till finalisation of DPR in December, 1999. The Ministry may also fix the responsibility for such delays in the mere finalisation and approval of DPRs so that such lapses do not re-occur in future.

Naval Projects—Karwar & Ezhimalai

Recommendation (SI. No. 17, Para No. 69)

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

Project—Sea Bird Karwar

32. The Committee note that the Sea Bird Project was cleared by the Cabinet Committee on political affairs, in August, 1985 and in 1995 the Cabinet approved the construction of reduced phase-I project at a completion cost of Rs. 1294.41 crores which is planned to be completed by year 2005.

The Ministry of Defence have stated that the delay in the project has mainly been due to the acquisition of land and evacuation of Project Affected Families and since this has been completed the contract for the Marine works has been concluded at a cost of Rs. 575.85 crores.

Project—Naval Academy, Ezhimalai

33. Similarly, the necessity for setting up a permanent Naval Academy was accepted by the Government in 1979 and a plan provision for Rs. 40 crores was made in the Sixth Plan. Cabinet approval for setting up the Academy was accorded on 23.3.95 at a cost of Rs. 166.94 crores (1994 price level).

The Naval Academy was planned to be executed over a period of 8 years (1995-2002). However, implementation was delayed by about 3 years due to prolonged price negotiation and consequent delay in finalisation of Stage-11 consultancy agreement between the Military Engineering Service (MES) and the consultants as there were certain contentious issues that had to be resolved.

The Ministry have also explained the implementation work at the site is expected to gain momentum in 2000-2001.

34. The Committee note that both the projects. Project Sea Bird, Karwar and Project Naval Academy, Ezhimalai are way behind the schedule, resulting in many fold increase in the cost and time overruns. As most of the spade work is now over, the Committee hope that the Ministry will monitor the progress at appropriately effective level and ensure the completion of naval projects Karwar and project Ezhimalai as per the revised schedule.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Sl. No. 1, Para No. 26)

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

Reply of the Government

There is a well defined system for estimation of defence requirements in the Ministry of Defence. The projections are made by the Ministry of Defence to the Ministry of Finance after careful assessment of all obligatory/contractual payments, maintenance and modernisation needs and taking into account the prevailing security environment and threat perceptions. This assessment is carried out in consultation with the Service Hqrs. The Ministry of Finance decides allocation for Defence keeping in view overall availability of resources, national security concerns and the demands of other sectors of economy.

The allocation to the Defence Services/Departments has been made in BE 1999-2000 keeping in view their obligatory charges, essential maintenance needs and committed liabilities for the modernisation/upgradation programmes. In addition, Rs. 2514 crores have been catered for the three Defence Services to initiate their high priority new schemes. The Finance Minister, during the Budget Speech, has also indicated that further need based budgetary support will be provided during the course of the year.

However, the observations/recommendations of the Standing Committee on Defence have been communicated to Ministry of Finance *vide* MOD (FIN) ID. No. 10 (8)/B-1/99 dated 17.5.99 (*see* Appendix 1) for keeping these in view while allocating funds for Defence Services in the RE 1999-2000 and subsequent years so that various modernisation and upgradation schemes, which are on anvil and are vital for the Defence preparedness of the country, are not hampered.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Recommendation (SI. No. 3, Para No. 28)

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

Reply of the Government

Government are fully committed to the rationalisation of the defence expenditure. A concerted exercise is undertaken every year to prioritise the modernisation and maintenance requirement of the three Services.

Fora at different levels already exists to achieve co-ordination between the three Services on matters having inter-Service ramifications. The details are as under:

- (a) Chiefs of Staff Committee (COSC).
- (b) Vice Chiefs of Staff Committee (VCC).
- (c) Principal Personnel Officers Committee (PPOC).
- (d) Principal Supply Officers Committee (PSOC).

Apart from the above. Defence Minister's Committee (DMC) also considers important matters relating to Defence including those having inter-Service ramifications.

Director General Defence Planning Staff (DG DPS), under the Ministry of Defence, manned by officers from all three Services also coordinates and integrates the requirements of the three Services and puts up a Co-ordinated Defence Plan.

A co-ordinated and integrated approach for rationalising the modernisation and maintenance requirements *vis-a-vis* the allocated financial resources, is thus effected through a comprehensive assessment and consultations with the three Services.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Recommendation (SI. No. 4, Para No. 29)

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

Reply of the Government

The Government is committed for modernisation and upkeep of the Armed Forces in the high level of operational preparedness. Modernisation of the Armed Forces is an ongoing process which takes into account the changing threat scenario, the advancement of technology, the global and regional security environment and the availability of the resources. Every year a concerted exercise is undertaken to determine the priorities of modernisation and the resources to be allocated in this context. The programmes of

modernisation and upgradation are carried out in a manner which seeks to economise resources.

Inter-Departmental Groups have been constituted in the Ministry of Defence to make regular review of the progress of expenditure and pending liabilities particularly during the last quarter of the financial year. Inter-Departmental Groups have representatives of MOD, Service Hqrs. and CGDA/CSDA. These Groups interact through periodical meetings with various spending authorities and take necessary measures from time to time for making best use of available resources.

However, the observations/recommendations of the Standing Committee on Defence have been communicated to Ministry of Finance *vide* MOD (FIN.) ID. No. 10(8)/B-1/99 dated 17.5.99 (*see* Appendix 1) for keeping these in view while allocating funds for Defence Services in the RE 1999-2000 and subsequent years so that various modernisation and upgradation schemes, which are on anvil and are vital for the Defence preparedness of the country, are not hampered.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Recommendation (SI. No. 5, Para No. 30)

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

Reply of the Government

Noted.

[Ministry of Defence O.M. No. 11019/12/99/D (Pari.), dated 13.10.99]

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

The Committee note that due to the ban on dealing with M/s. Bofors, the Army is facing shortage of spares for 410 nos. of FH 77B guns. In order to meet the requirement of spares, the process of indigenisation was initiated. Some spares, however, could not be indigenised. Efforts were made to procure those spares from non-Bofors sources from abroad. But even those non-Bofors source have dried up. There have also been cases when some non-Bofors sources supplied those spares to us after allegedly procuring the same from Bofors. Cannibalisation of a limited number of guns is being resorted to get most of them going and at various points of time 20 to 40 guns remained off-road during the last two years. The Committee are of the view that since the country has made a very substantial investment for procurement of FH 77B guns and spares from Bofors, as well as for licensed production of spares as per contract, the Government should take necessary measures to ensure the availability of all spares for these guns so that the entire stock of the guns can be utilised by the Army. Such measures may include lifting the ban on M/s. Bofors in respect of licensed production of spares.

Reply of the Government

A contract was concluded with M/s. Bofors for procurement of 410 nos. of FH 77B Gun Systems alongwith their spare package. The initial requirement of spares required for the maintenance of the Gun system, was to be met by indigenous productions, for which a Licence Agreement was also concluded, with M/s. Bofors. However, due to ban on dealing with M/s. Bofors, the Original Equipment Manufacturer (OEM), the Licence Agreement was not activated. In order to meet the requirement of spares, the process of indigenisation was initiated. To began with about 3000 nos. of items were identified by a study team constituted for this purpose. This list of approximately 3000 included 1325 items of Bofors origin and 1675 items of non-Bofors items, *i.e.*, proprietary/bought items. A Task group was also constituted in July, 1993 for the speedy indigenisation of these items.

2. The list of spares for indigenisation, however, is being continuously revised and updated, based on wastages, revealed as a result of exploitation of guns. Indigenisation effort has initially been confined to items of Bofors Origin. Items of Non-Bofors Origin was to be taken up later as drawing and manufacturing particulars of these items were not available. Progress on indigenisation with respect to an identified list of Bofors items is as follows:

(a) No. of items to be indigenised	—	1494
(b) Items indigenised (238 by EME+1025) by Supply Division	—	1263
(c) SOs cancelled due to developmental failure/nil requirement by CoD.	—	62
(d) Balance to be indigenised	—	169
(e) SOs placed, items are under various stages of development.	—	169

3. In March, 1999 the list of items was further revised and stands at 5595 (which includes both items of Bofors origin as well as non-Bofors origin). Out of these 312 items are priority-I items. The progress of indigenisation is being regularly monitored by Joint Secretary (Supply) and Central Technical Committee (CTC).

4. The Government has recently reviewed the ban placed on M/s. Bofors in the light of its impact on the changed situation and has accorded approval to the following proposal:

- (i) The embargo placed on transactions with the then M/s. AB Bofors, Sweden, by the Government on 30.1.90 need not visit the successor company, the present 'Celsius' of Sweden, which is State controlled and unconnected with the institutions that owned M/s. AB Bofors which company and whose residuary responsibilities have been subsumed by 'Celsius'.
- (ii) The Department of Defence Production may avail of the arrangements, technology, services and assistance contracted for in the supply contract concluded on 24.3.86 for the upkeep and overhaul of the 410 guns purchased and for organising indigenous production of the guns in India provided the improved and modified versions conform to our current GSQR Renegotiate, where the situation and efflux of time so warrants, the prices, terms, arrangements etc.

The above, however, shall be without prejudice to the ongoing investigations, actions due, measures that may be entailed and reserving to Government the right to be reimbursed amounts illegitimately paid.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.) dated 13.10.99]

Comments of the Committee

(Please *see* Para No. 16 of Chapter I of the Report)

Recommendation (Sl. No. 9, Para No. 48)

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

Reply of the Government

The submarine construction facilities were established at MDL, Mumbai. Two indigenously built submarines at MDL were delivered to IN one during 1992 and the other during 1994. The facilities at MDL, Mumbai *axe* presently being exploited to a limited extent for refit of existing submarines. A Letter of Intent for indigenous construction of two SSK class of submarines has been issued to MDL in January, 1997. The Price Negotiations with MDL and its collaborator are in an advanced stage. After finalising the firm cost of the project for indigenous construction of two SSK submarines. Government approval will be sought in due course of time.

As regards Navy's plan for indigenisation of submarines, the proposal has since been approved by Raksha Mantri and Vitta Mantri and is being further processed for appropriate clearance.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Comments of the Committee

(Please *see* Para No. 19 of Chapter I of the Report)

Recommendation (SI. No. 10, Para No. 51)

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

Reply of the Government

A penalty clause is invariably included in the contract/work order in the form of Liquidated Damages as a percentage of the total contract amount per day/week with an upper ceiling limit of 5% to 10%. However, if the delay is attributed either to increase in the scope of refit work or non availability of Navy supply items etc., the LD clause can not be invoked. Further, the contractor can seek exemption from the Liquidated damages based on various Force Majeure clauses in the contract.

It may, therefore, be seen that necessary provisions are always included in the contract of repairs for monitoring of the work progress as well as minimizing the delays.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Recommendation (Sl. No. 11, Para No. 56)

The Committee note that a satisfactory level of funding has been made for the Air Force in the Ninth Defence Plan and 40% of the budget has been earmarked for modernisation. However, the Service has specified that last year there was a shortage of Rs. 1176 crores which would increase to Rs. 3700 crores this year. According to the study conducted by the Services on the force level, additional Squadrons would be required to hold China and have decisive victory against Pakistan. Additional equipments such as AWACS, Flight Refuelling Aircraft (FRA), Aerostate and state-of-the-art multi-role aircraft, modern weapon carrying platform will give additional Force multiplier effect to the Air Force.

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

Reply of the Government

The allocation to a service is decided considering its requirements for meeting committed Revenue requirements, past contractual liabilities and essential modernisation needs. The initial projections for the year 1999-2000 received from the Air Force were to the tune of Rs. 13946.86 crores. After a series of discussions held with the Service Hqrs. and within the Ministry, at the highest level, and thus based on a realistic assessment of the funds requirements, the Ministry of Defence had recommended an allocation of Rs. 10579.66 crores for the Air Force against which an allocation of Rs. 10278.66 crores was made. While making allocations in BE 1999-2000, care has been taken to provide funds commensurate with the obligations on expenses, essential maintenance needs and ongoing modernisation/upgradation programmes/schemes. Provision of allocations for new schemes also very much depend on factors which have an effect on outgo of funds. These are spelling out detailed qualitative requirements, identification of vendors, technical evaluations and assessment, response of vendors, price negotiations and the ultimate step of contracting in respect of each of the items. Accordingly, while a new equipment proposed by Air Force, would be accepted for induction by the Government provision in the first year would be always less than cost of the same. In fact, the provisions for BE 1999-2000, provide for initial outgo on most of the schemes referred to in sub para I of para 56 - such as AWACS, Flight Refuelling Aircraft. Additional funds are also being provided for induction of force multipliers and modernisation of equipment. Thus funds will not be a constraint for modernisation of the Air Force.

With reference to the observations of the Committee relating to additional Squadrons of Indian Air Force and constitution of a special *team of* experts for determining the optimal force level of the Indian Air Force based on threat perceptions it is submitted that the Government is fully seized of the urgency to formulate a suitable force structure for the 21st Century of the three Services. It has also been decided to undertake a Strategic Defence Review (SDR) which would provide the Armed Forces with guidelines to proceed with force structure and force level planning. The optimum force levels of the Indian Air Force would be determined keeping in view the guidelines that emerge out of the SDR.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Comments of the Committee
(Please *see* Para No. 22 of Chapter I of the Report)

Recommendation (Sl. No. 12, Para No. 59)

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

10 SU-30 MK-I latter half of 1998
12 SU-30 MK-II latter half of 1999
10 SU-30 MK-III latter half of 2000

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

Reply of the Government

As some of the avionics equipment to be integrated on SU-30 MKI could not be contracted for in time, the SU-30 MKI delivery schedule has been revised vide Additional Agreement to the main contract dated 3.8.98. The revised schedule caters for supply of these aircraft as follows:

(i)	16 SU-30 MKI-I in	2000-2001
(ii)	10 SU-30 MKI-2 in	2001-2002
(iii)	6 SU-30 MKI-3 in	2002 latter half.

Ten aircraft are expected to be inducted in 1999, but these are not part of SU-30 MKI programme. These are the additional 10 SU-30K ac which have been procured under Russian Credit. This new contract will bring up the strength of *SU-30s* in the IAF to 50 aircraft. Licence Production—Raksha Mantri has approved the license production of 140 aircraft by HAL in India. Deptt. of Defence Production is to carry out negotiations with Russians in this regard and the negotiations are likely to commence soon.

(Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99)

Comments of the Committee

(Please see Para No. 26 of Chapter I of the Report)

Recommendation (SI. No. 13, Para No. 61)

The Committee note that there have been considerable time and cost overruns in the development of ALH project. Further delay has occurred due to non-availability of the engine from a U.S. Company due to sanctions. The U.S. embargo has resulted in almost stoppage of activity in regard to ALH for a full year. With a view to obviating a similar situation being encountered in future, the Committee recommend that a panel of more than one supplier of equal or equivalent standards should be formed in respect of all defence purchases so that if the first supplier fails the subsequent ones can keep up the supply. The Committee are also of the view that the Government should as a befitting response to denial of critical war equipment by firms in 'sanctions-imposing' countries, in future, avoid contracting these firms, if alternate sources are available.

Reply of the Government

Recommendations of the Committee have been noted. Alternate source of engine for Advanced Light Helicopter (ALH) has already been identified and Government approval for placing orders for supply of engines has been conveyed to HAL. Discussions are also being held by HAL with other engine manufacturers of similar capability to identify additional sources for Engines.

Likewise, all the Defence PSUs and Ordnance Factories under the Department of Defence Production and Supplies have been advised to constitute a panel of more than one supplier of equal or equivalent standards in respect of defence purchases.

The point regarding avoidance of contracting firms in 'sanctions-imposing' countries, if alternate sources are available, has been noted. All Defence PSUs and Ordnance Factories have also been advised to keep in view this approach.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99]

Recommendation (SI. No. 14, Para No. 63)

The Committee note that the critical need for modernisation of Ordnance Factories is basically to maintain their efficiency and utilise their capacities. The amount desired for the maintenance of the Ordnance Factories (Revenue) has been slashed by the Ministry of Finance. This may affect the modernisation of Ordnance Factories. The Committee, therefore, recommend that the funds required for modernisation of the Ordnance Factories should be provided for. Reply of the Government Funds required for modernisation by way of investment in plant & machines is provided for in Ordnance Factories under two different heads—one under 'Revenue' head under Renewal & Replacement and other under 'Capital' head for Machines and Equipment.

A reference to Annexure IV of the 8th Report indicates the following position in respect of BE for 1999-2000 and RE figures for year 1998-99.

- (i) In the BE grant for the year 1999-2000 under 'Renewal & Replacement' an amount of Rs. 120 crores has been provided which is 33% more than RE figures of Rs. 90 crores for 1998-99.
- (ii) For 'Machines & Equipment~ in 'Capital' head also the value has been maintained at Rs. 80 crores, same as the revised estimate figures for 1998-99.

Thus total fund availability for 1999-2000 for modernisation is therefore, Rs. 200 crores as against RE figures of Rs. 170 crores for the previous year and this shows an improvement.

(Ministry of Defence O.M. No. 11019/12/99/D (Parl.), dated 13.10.99)

Recommendation (SI. No. 15, Para No. 65)

The Committee feel that the jobless apprentices trained in the Ordnance Factories have the expertise of making arms and if they remain unabsorbed in Ordnance Factories they may use their knowledge in making arms unauthorisedly. As the number of

apprentices to be trained in Ordnance Factories is fixed by the statute which bears no rational relationship to the actual vacancies, the Committee feel that the Ordnance Factories should be exempted from the purview of the relevant statute. Ordnance Factories should however, have the freedom to train only a certain number of apprentices who can be recruited after the apprenticeship training.

Reply of the Government

At present apprentices are trained in Ordnance Factories under the Apprentice Act, 1961 based on the prescribed norms contained therein and there is no obligation for their employment on successful completion of training. The purpose is to impart training in various technology trades whereby after training they will form a pool of trained technical manpower.

Wherever possible and subject to availability of vacancies. Ordnance Factories recruit and absorb the trade apprentices who are found to be useful keeping in view the needs of ongoing production activities and needs of induction of new technologies being done by way of modernisation of production facilities.

Regarding the point that jobless apprentices have the experience and skill of making arms unauthorisedly it is to be stated that the training is restricted to various aspects of general engineering processes. Also the training is restricted to their assigned trade and for the major part of training they are to be trained in training workshops only. For a short duration they are attached to machine shops and for this part of training also they are not deployed in assembly shops. Therefore, the training and shop floor exposure does not give them the scope of acquiring complete know-how or expertise for manufacture of arms and ammunitions.

Every care is being taken to ensure that the trainees are given appropriate training only both theoretical and on machines to enable them to pass the prescribed tests on completion of the training.

(Ministry of Defence O.M. No. 11019/12/99/D (Parl.), Dated 13.10.99)

Recommendation (SI. No. 16, Para No. 67)

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

Reply of the Government

The introduction of costly and sophisticated equipment in the Armed Forces, and the concept of high intensity short and swift wars, outline the need for proper storage, care and handling of the inventory to ensure quick movement and timely material support to Combat Army. As most of the Ordnance Depots of the Army are of Second World War vintage, it is essential to modernise them. The modernisation of the following Ordnance Depots has been planned in phases, keeping in view the Financial and other constraints:

Sl. No.	Name	Year of Establishment
1.	COD, Delhi Cantt.	1940
2.	COD, Jabalpur	1940
3.	COD, Kanpur	1941
4.	COD, Agra	1941
5.	COD, Chheoki	1942
6.	COD, Dehu Roa	1976

Initially, COD Kanpur is to be modernised. Thereafter, the remaining 6 Ordnance Depots are to be modernised.

The modernisation programme is to include the redesigning and restructuring of the Depots in the same locations in such a manner as would yield savings in land and manpower, by introducing compact and more efficient structures, large scale automation, installation of modern material handling and inventory management systems, cost effective fire precautions/safety measures etc.

3. As there is no inhouse expertise available in the Defence Establishments to handle such a complex job, services of the leading Consultancy Organisations were invited by tenders for preparation of Detailed Project Reports for the modernisation of COD, Kanpur. After scrutinising and evaluating the quotations received and based on the technical capabilities of the firms, two PSUs viz., M/s. National Industrial Development Corporation Ltd., (NIDC) and M/s. Metallurgical and Engineering Consultants (India) Limited (MECON) were entrusted with the task in June, 1994 to prepare the DPRs.

Both PSUs submitted their Concept Reports in May/June, 1995. Based on the discussions with the Ministry and the User Organisation, the draft detailed Project Reports were submitted by the two organisations in Jan. 1996, followed by submission of final detailed project report in July, 1996. After evaluation of both the Project Reports by the Army Hqrs., the same were discussed threadbare in a series of meetings, held in the Ministry from time to time in association with the representatives of the User Directorate, E-in-C's Branch, DRDO and Integrated Finance. Ultimately, the following decisions were taken:

- (a) The Project Report submitted by M/s. MECON was considered more acceptable in comparison to that of M/s. NIDC. M/s. MECON have offered technically superior storage arrangements, latest material handling equipments, better stock turn-over by palletisation and it suits the overall requirements for the modernisation of COD, Kanpur, at a lower cost.
- (b) 75% of the projected storage capacity of 50,000 MT *i.e.* 37500 MT of storage capacity was considered sufficient to meet the present requirement of COD, Kanpur. However, scope for increasing the capacity to 50000 MT would be maintained.

M/s. MECON was therefore, advised to revise and update their Detailed Project Report by reworking their details and drawings, in a meeting held in the Ministry on 15.11.1999. The revised Project Report submitted by M/s. MECON on 20.12.1999 has since been accepted, with certain modifications and M/s. MECON have been approved, in principle, to be appointed as Consultants for offering them detailed consultancy and engineering services for the implementation of the project. Besides DRDO has been being requested to facilitate the execution of the project based on the Revised Project Report. The project will be executed through the contractors for which both M/s. MECON as consultant and DRDO will provide necessary assistance.

A Cabinet paper is being prepared for obtaining approval of Cabinet Committee on Security, for incurring expenditure of about Rs. 187 crores on the project. The approval is expected by March/April 2000. The project is expected to be completed by 31.12.2002.

After gaining experience in the project, the modernisation of COD, Agra, and other 5 CODs will be carried out in phases, depending upon the priority fixed and the availability of funds. The work of modernisation of COD, Agra will be initiated immediately after actual initiation of the work of modernisation of COD, Kanpur and modernisation of others would follow thereafter. Incidentally, it may be added that each Ordnance Depot is of its own type handling with different kind of stores. Solutions tailored to the specifics of each depot need to be worked within the broad parameters of the approved modernisation plans.

[Ministry of Defence O.M. No. 11019/12/99/D (ParL), Dated 10.2.2000]

Comments of the Committee

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

Recommendation (SI. No. 17, Para No. 69)

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

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

Reply of the Government

Project Seabird, Karwar

In August 1985, the Cabinet Committee on Political Affairs approved the construction of the Naval Base at Karwar at an initial estimated expenditure of Rs. 350 crores. Consultants, M/s. Redecon of Australia in association with M/s. Nedeco of Netherlands were selected to draw the master plan and Detailed Project Report (DPR) for Marine works. Another consultant was appointed to draw up the DPR for the shore infrastructure. The reports were submitted in 1990. The project could not progress further due to severe resource crunch which extended till 1995. In October, 1995, the Cabinet approved the construction of reduced Phase I of the project at a completion cost of Rs. 1294.41 crores, which is planned to be completed by year 2005.

Out of a total 8175 acres of land planned to be acquired, about 446 acres are private land. There were problems in shifting the Project Affected Families (PAFs) from the core areas required for commencement of marine works. To facilitate this, a Memorandum of Understanding was signed between the State Government of Karnataka and the Ministry of Defence in August 1998. The Central Government accepted the additional liability of Rs. 60.98 crores towards payment of compensation to the Project Affected Families. Evacuation of Project Affected Families from the core areas has been one of the foremost reasons for delay in execution of the project. The signing of the Marine Works Contract was kept in abeyance till the vacation of the core areas.

The Project Affected Families (PAFs) have since been shifted from the Project Core Area and the Contract for the Marine Works at a cost of Rs. 575.85 crores has been concluded with the Consortium comprising M/s. Hochtief of Germany, M/s Ballast Nedam of Netherland and M/s. Larsen & Toubro of India on 18 August, 1999. Subsequent to the signing of the contract the contractor has established their office at Chennai and initiated mobilisation of resources and commenced the preliminary works which include accurate survey of quarry site, planning of construction harbour, construction of roads, contractor's offices and laboratories, obtaining various work licences including that of labour, explosives, storages etc. The contractor has already been 'entered into force' after RBI approval on 6 October 1999. A total expenditure of about Rs. 80 crores is anticipated during the current financial year 1999-2000.

Project Naval Academy, Ezhimala

The necessity for setting up a permanent Naval Academy was accepted by the Government in 1979 and a plan provision for Rs. 40 crore was made in the 6th plan in 1982. Government approved acquisition of Ezhimala site and in June, 1984 the Kerala State Government transferred 960 hectare of land and agreed to provide infrastructure facilities such as water & power supply, approach roads, bridges, building of sea wall and augmentation of the Railway station at no cost to the Navy. The Centre gave a soft medium terms loan of Rs. 20 crores to the State Government for acquisition of land and rehabilitation of evacuees. The then Prime Minister laid the foundation stone at Ezhimala in January 1987 and the scheme was made as part of the 7th Defence Plan. The Project Management Board (PMB) to monitor the progress of the work was constituted in November, 1988. After a two stage architectural designs competition, the architect was identified.

Cabinet approval for setting up the Academy was accorded on 23.3.95 at a Cost of Rs. 166.94 crores (1994 price level). Sanction of a recurring amount of Rs. 10 lakhs per annum on POL, Telephone/landlines for the duration of the project was also obtained.

The Naval Academy was planned to be executed over a period of 8 years (1995-2002). However, implementation was delayed by about 3 years due to delay in finalisation of stage II Consultancy Agreement between the Military Engineering Service (MES) and the contractors as there were certain contentious issues that had to be resolved. This materialised only on 9.1.98.

An important factor in the selection of the site at Ezhimala was the Kerala Government's assurance to provide land, all supporting infrastructure (like roads/bridges, electricity, water), measures for prevention of coastal/soil erosion and the dredging of the backwaters to enable watermanship training. The Kerala Government is now reluctant to fulfil some commitments which are being processed.

The following initial activities for enabling commencement of execution on ground has been achieved:

- (a) A detailed topographical survey of the relevant areas has been completed. Thereafter, soil investigations were carried out, including digging of 60 bore holes and plate-load tests at the relevant sites where soil data was needed for planning the construction. The site is vast (approx. 2500 acres), has dense forests/undergrowth and the terrain varies from sand dunes, marshy mangrove swamps, slushy paddy fields, to steep hills with extensive rock formation and hard laterite. Thus, the survey and *soil investigations* took more time than expected. Work was also disrupted for about 5 months due to effect of South-West and North-East monsoons.
- (b) After the above, the site was also surveyed for assessing local availability of various types of materials which could be used during the construction phase. This was necessary to minimise the quantity of construction materials to be brought from elsewhere, with associated higher costs.
- (c) The above work was completed in April, 1999 and the planning of layout of External Services was immediately progressed.
- (d) Concept designs for External Services, were presented before the Project Steering Committee on 21 June, 1999 for approval. The consultant incorporated changes and has submitted the Preliminary Designs, which are now under scrutiny by the Chief Engineer (Navy), Kochi Zone. These cover the following:
 - (i) Road Network.
 - (ii) Electric power supply/distribution.
 - (iii) Water Supply.
 - (iv) Sewage network and sewage treatment plant.
 - (v) Storm/rain water and area drainage.
- (e) Concept designs have also been formulated and approved for the Cadets' accommodation blocks and the Cadets Mess (as an integrated complex). The Preliminary designs for these are now under preparation.
- (f) Discussions have been held with the Consultants on the planning of the layout of training facilities (indoor and outdoor), accommodation for officers/staff and the hospital. The Concept Designs for these will be submitted progressively by the Consultant.

The total expenditure on all aspects of this project, upto 31 March, 1999 amounts to Rs. 586.88 lakhs (approx.). The implementation work at site is expected to gain momentum in 2000-2001 with the commencement of execution work on External Services, Cadets' Accommodation and the Cadets' Mess Complex. An expenditure of about Rs. 146.71 lakhs is likely to be incurred during the financial year 1999-2000.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), Dated 13.1.2000]

Comments of the Committee

(Please *see* Para No. 34 of Chapter I of the Report)

CHAPTER III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE
DO NOT 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 (SI. No. 2, Para No. 27)

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

Reply of the Government

The percentage share of GDP is not considered as the only yardstick for Defence allocation. Fund requirements of the Armed Forces are largely correlated to strategies dictated by the present and future security and threat perceptions both in short and long term as also the available resource base of the Government. While making allocation in a financial year, the obligatory expenses, essential maintenance and modernisation needs of the Services are kept in view. The observations of the Standing Committee on Defence made earlier in their reports that the defence spending should at least be at the rate of 3 per cent of the GDP were communicated to the Ministry of Finance for their consideration. "The Government has made concerted efforts to ensure that essential maintenance and modernisation requirements of the Armed Forces do not suffer. This has been kept in view while making allocations for Defence in BE 1999-2000. The existing level of allocation is suffice to 31 meet essential/urgent maintenance and modernisation requirements of the Services. The Finance Minister, during the Budget speech has also indicated that further need based budgetary support will be provided during the course of the year.

However, the observations/recommendations of the Standing Committee on Defence have been communicated to the Ministry of Finance *vide* MOD (FIN) ID. No. 10/8-1/99 dated 17.5.99 (*see* Appendix I) for keeping these in view while allocating funds for the Defence Services in the RE 1999-2000 and subsequent years so that various modernisation and upgradation schemes, which are on anvil and are vital for the Defence preparedness of the country, are not hampered.

[Ministry of Defence OM No.11019/122/99/D (Parl.), Dated 13.10 99]

Comments of the Committee

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

Recommendation (Sl. No. 6, Para No. 31)

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

Reply of the Government

Modernisation of Armed Forces to maintain adequate level of defence preparedness, is an on-going dynamic process. Based on the constant review of changes in the global security environment and its implications for the national security, threat perceptions are assessed for the existing and potential future security environments. To ensure an adequate level of defence preparedness to safeguard the territorial integrity and sovereignty of the country, the requirements of the Armed Forces are then worked out and prioritised, based on the threats perceived from such Strategic & Technological Environment Assessments. These requirements of the Services are then fulfilled in the order of priority from within the budgetary allocations made to the Defence sector from year to year.

[Ministry of Defence O.M. No. 11019/12/99/D (Parl.), Dated 13.10.99]

Comments of the Committee

(Please *see* Para No. 10 of Chapter I of the Report.)

Recommendation (SI. No. 7, Para No. 37)

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

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

Reply of the Government

There is a requirement of 155mm Self Propelled (SP) guns and various options are being explored to address this requirement. The Army has been projecting the need for an SP Gun system since the 1980s. Various trials have been carried out for the integrated versions, as well as, for the hybridised version. In the trials, carried out in 1995, 4 systems were shortlisted by the Army for trials of the hybridised version:—

- (i) The AS 90 from VSEL of UK
- (ii) The GCT from GIAT of France
- (iii) ZUZANA from Kerametal of Slovakia
- (iv) The T-6 from LIW of South Africa

General Staff evaluation revealed that when mated with the T-72 MI chassis all the four systems had shortcomings. Thereafter, option of the hybridisation with the T-72 chassis was given up at that stage. Since no satisfactory solution emerged after the 1995 trials, the Russian option of 152 mm MSTA 2S19, was evaluated by a delegation in November, 1996. It was, however, felt that only if the system is upgraded to 155 mm, it could meet our requirement. Since this was uncertain, the course of action was not pursued further.

The proposal was reviewed in the first quarter of 1998 and Army Headquarters recommended a twin track approach envisaging in simultaneous evaluation of the integrated systems viz. AS-90, Zuzana and T-6 and hybrid systems in order to have flexibility in the selection of SP guns. In the hybrid system, trials of T-6 and AS-90 turret, mated with the MBT Arjun chassis and alternatively, with the reinforced T-72 chassis were recommended for trials.

It was decided at a high level meeting to conduct trials of the two hybrid versions *i.e.* T-6 and AS-90 mated on the Arjun chassis in July-August, 1998 and to take up the proposal for the 'integrated system' after the completion of trials and knowing their outcome. However, due to their internal reasons, M/s. VSEL did not field the AS-90 for trials. During the trials, the T-6 system offered by M/s. Denel of South Africa showed certain shortcomings. Therefore, a revised trial schedule was formulated. M/s. Denel of South Africa and M/s. GEC Marconi (VSEL is now a part of GEC) of UK were requested to field their turret to be mounted on Arjun chassis for trials in the Summer, of 1999. M/s. EC Marconi, UK did not field their AS-90 turret in time for trials. The trials of T-6 turret, EC Marconi, UK did not field their AS-90 turret in time for trials. The trials of T-6 turret, mounted on Arjun chassis and G-6 SP Gun (wheeled version) of South Africa were held in 1999. At present the T-6 turret and the G-6 wheeled chassis are undergoing Maintainability Evaluation Trials.

A time-bound plan has already been chalked out for procurement of 155mm SP guns during IX Plan and funds have been catered for procurement of 120 nos. of these guns during the Plan Period. The long term requirement, however, is for 22 regiments, upto the end of the XII Plan.

[Ministry of Defence O.M. No. 11019/12/99/D (ParL), Dated 13.10.99]

Comments of the Committee

(Please *see* Para No. 13 of Chanter I of the Reoort)

CHAPTER V

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

NIL

NEW DELHI;
March 8, 2000
Phalguna 18, 1921 (*Saka*)

DR. LAXMINARAYAN PANDEY
Chairman.
Standing Committee on Defence.

MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (1999-2000)

The Committee sat on Wednesday, the 8th March, 2000 from 1500 hrs. to 1545 hrs. to consider and adopt draft reports on (i) Action taken by Government on recommendations contained in Eighth Report of the Committee (12th Lok Sabha) on Demands for Grants (1999-2000) of Ministry of Defence, and (ii) Action taken by Government on recommendations contained in Fourth Report (12th Lok Sabha) on Advanced Jet Trainer.

PRESENT

Dr. Laxminarayan Pandey—*Chairman*

MEMBERS

Lok Sabha

2. Shri S. Bangarappa
3. Col. (Retd.) Sona Ram Choudhary
4. Smt. Sangeeta Kumari Singh Deo
5. Shri Jarborn Gamlin
6. Shri Vinod Khanna
7. Shri Hannan MoUah
8. Shri Gajendra Singh Rajukhedi
9. Prof. Rasa Singh Rawat
10. Dr. Col. (Retd.) Dhani Ram Shandil

Rajya Sabha

11. Shri Kapil Sibal
12. Shri Adhik Shirodkar
13. Dr. Raja Ramanna
14. Shri Shankar Roy Choudhury
15. Smt. Ambika Soni

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SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri P.D.T. Achaiy — *Joint Secretary*
3. Shri Ram Autar Ram — *Director*
4. Shri K.D. Muley — *Assistant Director*

2. The Committee took up for consideration the draft report on action taken by Government on recommendations contained in the Eighth report of the Committee (Twelfth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1999-2000 and draft report on action taken by Government on recommendations contained in Fourth Report on Advanced Jet Trainer and deliberated on some of the recommendations made therein.
3. The Committee adopted the Reports.
4. The Committee then authorised the Chairman to finalise both the Reports for presentation to Parliament.

The Committee then adjourned.

APPENDIX I

COMMUNICATION FROM MINISTRY OF DEFENCE TO MINISTRY OF FINANCE

MINISTRY OF DEFENCE (FINANCE)

SUBJECT: *Action Taken Statement on the Recommendations/Observations contained in the Eighth Report of the Standing Committee on Defence (12th Lok Sabha) on Demands for Grants of the Ministry of Defence for the Year 1999-2000.*

The Standing Committee on Defence in 8th Report (12th Lok Sabha) have made certain observations/recommendations in Para Nos. 26, 27, 29 and 63 as given below:

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

(Para-26)
- (ii) The Committee further note that the defence expenditure as a percentage of GDP which peaked at 3.59 per cent in 1987-88 has subsequently declined substantially and hovered around 2.5 per cent thereafter. The Committee feel that this level of defence spending might not suffice to meet the requirements of modernisation and acquisition programmes of Armed Forces and would necessarily affect the operational preparedness of the Armed Forces in the long run. The Committee have therefore, time and again, emphasized the need for raising the defence funding to the level of at least

3 per cent of GDP. Though the Government had agreed with the Committee's view of a minimum of defence spending at the rate of 3 per cent of GDP in their projections in the Ninth Defence Plan and though the Committee had reiterated their recommendations to this effect in their earlier reports, the annual allocations for Defence Services continue to be far below that level. The Committee feel that the Government ought to adduce cogent reasons for the continued abysmally low allocations for defence.

(Para-27)

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

(Para-29)

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

(Para-63)

2. In view of the above, it is requested that the observations/recommendations of the Standing Committee on Defence may be kept in view while allocating funds for Defence Services in the RE 1999-2000 and subsequent years so that various modernisation and upgradation schemes, which are on anvil and are vital for the Defence preparedness of the country, are not hampered.

Sd/-
(P.R. Sivasubramanian)
Financial Adviser (DS)

Additional Secretary (Budget),
Ministry of Finance

MOD (FIN) ID. No. 10 (8)/B-1/99 Dated. 17.5.95
Copy to : Secretary (Expenditure)

APPENDIX II

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE EIGHTH REPORT OF THE STANDING COMMITTEE ON DEFENCE (TWELFTH LOK SABHA) ON THE DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE

		Percentage of Total
(i) Total Number of recommendations	17	
(ii) Recommendations/Observations which have been accepted by Government <i>(vide</i> recommendations at (SI. Nos. 1, 3, 4, 5 & 8-17)	14	82.35
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies Nil	Nil	
(iv) Recommendations/Observations in respect of which Government's replies have not been accepted <i>by</i> the Committee <i>(vide</i> recommendations at SI. Nos. 2, 6 & 7)	3	17.65
(v) Recommendations/Observations, in respect of which final replies of Government are still awaited	Nil	