

FIFTEENTH REPORT
STANDING COMMITTEE ON DEFENCE
(2002)

(THIRTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Recommendations contained in the
11th Report of the Committee (Thirteenth Lok Sabha) on the Demands for
Grants of the Ministry of Defence for the Year 2001-2002]

Presented to Lok Sabha on.....
Laid in Rajya Sabha on

20 MAR 2002
21 MAR 2002



LOK SABHA SECRETARIAT
NEW DELHI

February, 2002/Phalguna, 1923 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE
(2002)

Shri Madan Lal Khurana — *Chairman*

MEMBERS

Lok Sabha

2. Shri S. Ajaya Kumar
3. Shri S. Bangarappa
4. Shri S.K. Bwiswmuthiary
5. Col. (Retd.) Sona Ram Choudhary
6. Smt. Sangeeta Kumari Singh Deo
7. Shri K.P. Singh Deo
8. Shri K. Francis George
9. Shri Raghuvir Singh Kaushal
10. Shri Chandrakant Khaire
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Rajya Sabha

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33. Shri T.N. Chaturvedi
34. Shri Shanker Roy Chowdhury
35. Shri Suresh Kalmadi
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37. Dr. Mahesh Chandra Sharma
38. Shri Adhik Shirodkar
39. Shri Birabhadra Singh
- *40. Shri Hiphei
- **41. Dr. Raja Ramanna

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri Ram Autar Ram — *Joint Secretary*
3. Shri Krishan Lal — *Director*
4. Shri K.D. Muley — *Under Secretary*

*Nominated *w.e.f.* 17.1.2002

**Nominated *w.e.f.* 18.2.2002

INTRODUCTION

1. The Chairman, Standing Committee on Defence (2002) having been authorised by the Committee to submit the Report on their behalf, present Fifteenth Report on Action Taken by the Government on the recommendations contained in the Eleventh Report of the Committee (Thirteenth Lok Sabha) on the Demands for Grants of the Ministry of Defence for the year 2001-2002.

2. The Eleventh Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 19 April, 2001. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 30 October, 2001 (English versions) and on 2 November, 2001 (Hindi version). The Draft Report was considered and adopted by the Standing Committee on Defence (2002) at their sitting held on 22 February, 2002.

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

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

NEW DELHI;
February 22, 2002
Phalgun 3, 1923 (Saka)

MADAN LAL KHURANA,
Chairman,
Standing Committee on Defence.

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 Eleventh Report (Thirteenth Lok Sabha) on the Demands for Grants of Ministry of Defence for the year 2001-2002 which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 19 April, 2001.

2. In their Eleventh Report (Thirteenth Lok Sabha), the Committee had made 27 recommendations/observations on the following subjects:

Sl.No.	Para No.	Subject
1	2	3
1.	26	Defence Expenditure
2.	27	Unspent Defence Budget
3.	28	Marginal Increase in Defence Expenditure
4.	35	Defence Procurement Board
5.	36	Role of CVC
6.	40	Weapon Locating Radar
7.	43	NCC
8.	45 & 46	Medium of examination for recruitment in Armed Forces
9.	49	Projects of DRDO
10.	50	Performance Audit of the DRDO Projects
11.	53	Special incentive for DRDO Scientists
12.	57	Accommodation for Defence Personnel
13.	62	Aircraft Carrier Admiral Gorkhsov

1	2	3
14.	63	Induction of Aircraft Carrier
15.	66	Mazagon Dock Limited
16.	67	Garden Reach Ship Builders & Engineers Ltd.
17.	71	Funding for the Air Force
18.	72	Modernisation of Air Force
19.	81	Advanced Jet Trainer
20.	86	Upgradation of MIG series
21.	92	Kaveri Engine of LCA
22.	96	AWACS
23.	101	LLTRs
24.	108	Ordnance Factories
25.	109	Cost of Non-Lethal Production in Ordnance Factories
26.	112	Storage facilities in Ordnance Depots
27.	117	Global Tenders for acquisition

3. Action taken notes have been received from the Government in respect of all the 10 recommendations/observations contained in the Report. These have been categorised as follows:—

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

Sl. Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 22, 24, 25 & 26.

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:

Nil.

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:

Sl. Nos. 19, 23, & 27.

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

Nil.

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

Unspent Defence Budget

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

5. The Committee were of the view that effective security could not be had by merely presenting a bigger defence budget. It required effective defence finance procedures which in turn needed integrated defence planning organisation. An amount of Rs. 4100 crores approximately of the allocated defence budget remained unspent during the year 2000-2001. The Committee felt that tedious and time-consuming procedures had led to delay in defence spending. These built-in inefficiencies due to slow movement of procurement files needed to be speedily done away with. The Committee desire that sincere efforts should be made to streamline the procedure laid down in the Ministry of Defence to create a more cohesive joint service structure with more effective representation of the services in the decision making processes so that delays in defence spending would greatly improve efficiency and bring about economy in the functioning of the Ministry of Defence.

6. The Ministry of Defence have replied in their action taken note dated 29.10.2001 that a well established finance procedure exists and is followed in the Ministry of Defence. The annual budgets/five year defence plans are formulated by close interaction between the Services/Departments and Ministry of Defence & Ministry of Defence (Fin.). The various proposals of expenditure are also handled with close interaction at not only Ministry/Service HQrs levels but also at lower formations. Progressive delegation of financial powers have also been carried out to the Service HQrs. and their lower formations.

7. The Ministry of Defence have further stated that savings of an amount of Rs. 4,100 crores approximately of the allocated Defence Budget during the year 2000-2001 was shown at Revised Estimates 2000-2001 stage based on the assessment of cash outgo during the balance period of the Financial Year.

8. The Defence Systems and procedures are continuously monitored and reviewed. However last year the Government had constituted a Group of Ministers (GoM) on 17 April, 2000 to thoroughly review the national security system in the entirety and in particular, to consider the recommendations of the Kargil Review Committee, and to formulate specific proposals for implementation.

9. The Government have also accepted most of the recommendations made in the Report of the GoM. The implementation of the recommendations of the GoM has already commenced. The creation of a separate and dedicated institutional structure *i.e.* Defence Procurement Board to undertake the entire gamut of procurement functions is expected to facilitate a higher degree of professionalism and cost-effectiveness in the process and would help in obtaining the best value for the money spent by the Government. The procurement Board would also ensure (a) closer participation by the Armed Forces in the entire process of decision-making; (b) higher operational efficiency; and (c) cost effectiveness with better co-ordination and flow of information.

10. The Committee are happy to note that the Government have constituted a Defence Procurement Board and the defence system & procedures are continuously monitored and reviewed to avoid delay in defence spending by the Ministry of Defence.

11. The Committee now feel that the procurement procedure need to be speedily streamlined and delay in defence spending should be curbed so that procurement of Defence material do not suffer on account of complicated and tedious procedures. The Committee find that large amount of defence allocation remains unspent almost every year. This unspent amount is surrendered at the end of the financial year. The Committee, therefore, recommend that there should be a 'non-lapseable fund' for upgradation and acquisition programmes of the Ministry of Defence.

Defence Procurement Procedure

Recommendation (Sl. No. 5, Para No. 36)

12. The Committee had desired that besides streamlining the defence procurement procedures, the Government should ensure that the laid down procedures for evaluation and selection are strictly adhered to and records regarding defence purchase should be

maintained and concurrent audit of all defence purchases should be done in order to ensure accountability. Responsibility should be fixed for serious financial aberration in defence purchases. The Committee further desired that wherever it was considered necessary, the role of serving/retired defence officers, bureaucrats and middlemen/agents in defence deals should be referred to and examined by the Central Vigilance Commission (CVC) and the defence procurement system should be revamped to break the nexus between middlemen/agents and the officers related with the defence purchases. Vigilance clearance of the assets of the Members of the proposed Defence Procurement Board should also be made mandatory, before, during and after their tenure. The Committee also desired that the Central Vigilance Commission should give their report in a time bound manner and there should be a special cell in the Ministry of Defence to deal with the CVC matters. Secrecy should not be used to cover up financial aberrations in defence purchases as secrecy in perpetuity was extremely dangerous and would eventually proved to be counter-productive and even harmful to the national interest.

13. The Ministry of Defence have replied in their action taken note dated 29.10.2001 that with due reference to the recommendations of the Group of Ministers, orders have already been issued for establishment of Defence Procurement Board and procedure to be followed and instructions have also been issued evolving a Standard Procedure for mandatory and time bound scrutiny of all major defence related purchase decisions by the Comptroller and Auditor General and the Central Vigilance Commission (CVC). There is a Chief Vigilance Officer in position in the Ministry of Defence assisted by a whole time Deputy Secretary/Under Secretary who processes all recommendations pertaining to the Central Vigilance Commission. The members of the Defence Procurement Board are all civil servants and military officers who annually file their property returns. It will be ensured that cases of financial aberrations, if any, pointed out by the Audit/CVC would be dealt with adequately and expeditiously depending on their severity and gravity.

14. The Committee are happy to note that the Government have issued orders for the establishment of Defence Procurement Board and procedure to be followed and instructions have also been issued evolving a Standard Procedure for mandatory and time bound scrutiny by the Comptroller and Auditor General and the Central Vigilance Commission (CVC) of all major Defence related purchase decisions. The Committee also suggest that CVC may be made a part of the Defence Procurement Board.

15. The Committee further wish to reiterate its recommendations stressing the role of serving/retired defence officers, bureaucrats and middlemen/agents in defence deals should be referred to and examined by the Central Vigilance Commission (CVC). Apart from filing of annual property returns, vigilance clearance of the assets of the Members of the proposed Defence Procurement Board should also be made mandatory, before, during and after their tenure.

Weapon Locating Radar (WLR)

Recommendation (Sl. No. 6, Para No. 40)

16. The Committee had desired that the equipments of critical importance like WLR and others that the Services need, should be appropriately prioritized and steps must be taken to ensure that the purchase of these critical items should not be entangled in legal hassles and various inquiries causing delays.

17. In their action taken reply the Ministry of Defence have stated that in case of procurement of Weapon Locating Radar (WLR), price negotiations for procurement of Weapon Locating Radar (WLR) IL-220U from Ukraine, was commenced on 26 August, 1999 but got stalled in September, 1999 due to the complaint alleging the involvement of agents. This complaint was sent to Army Headquarters for specific inquiry and action. PNC did not make any headway because of issues related to indigenous technology *vs* import, involvement of agents and evaluation of Cobra WLR. To resolve these issues RM had taken a meeting on 13.3.2000 in which it was decided that the PNC will recommence its negotiations with Ukrainian firm. However, when the file was put up to RM for formal approval to hold PNC, on 7.4.2000 RM has minuted that the PNC should commence only after the relevant file related to involvement of agents be shown to him by COAS and taken on record and examined. Subsequently, this was done and on the directions of Raksha Mantri (RM), the Price Negotiation Committee recommenced on 10.7.2000. When the Price Negotiation Committee underway, a complaint was received about the alleged involvement of middlemen in the procurement of WLR. The complaint was referred to Central Vigilance Commission and the CVC in turn had directed Central Bureau of Investigation (CBI) to investigate the case. The CBI concluded their inquiry and sent their report to CVC on 16.1.2001. As per the CBI findings, while nothing specific has come on record showing the involvement of retired Army Officers in any deal as

middlemen, there are reasons to believe that there are certain retired Army officers using their status of ex-servicemen, who have been meeting the serving Army Officers and also hobnobbing with the representatives of prospective foreign suppliers. Thereupon, with the approval of RM, the advice of CVC was sought about the further course of action to be adopted in this case in the light of the CBI report and in view of the emergent operational requirements of having WLRs inducted into the Army.

18., The Ministry have further stated that the validity of the offer has since been extended upto 30.6.2001 by M/s UKRSPETSEXPORT. Further action for procurement of WLR will be initiated as soon as the advice of the CVC is received.

19. The Ministry of Defence in their reply have stated that the validity of the offer by the M/s UKRSPETSEXPORT has been extended upto 30.6.2001 and these action taken replies were submitted to the Committee on 29.10.2001. The Ministry of Defence have not mentioned whether the validity of offer has been extended further and the outcome of the advice of Central Vigilance Commission (CVC). The Committee are surprised over the lack of seriousness of Ministry of Defence and desire to know the latest position in this regard.

20. The Committee also record its serious concern that the purchases of all equipment of critical importance for the Army are unnecessarily delayed in various and different kinds of legal hassles and it should be ensured that Defence forces must not suffer for want of such equipments of critical importance like WLR.

Medium of entrance examination in Defence Forces

Recommendation (Sl. No. 8, Para Nos. 45 & 46)

21. The Committee had noted that the youth from urban areas who have their medium of education in English language has largely shifted focus towards multinational companies, thereby creating a shortage of good aspirants to joint Armed Forces. The rural youth are mostly well versed in Hindi or in their regional language and not always in English language whereas the medium for entrance examination is at present only English which is very tough for them.

22. The Committee had desired that to attract intelligent and deserving rural youth from all over the country who aspire to join Armed Forces, the medium of examination in entrance examination for the Defence Forces should be made optional, which may be in Hindi and also in other languages scheduled as per Constitution of India alongwith English so that an otherwise intelligent, courageous youth may not be deprived of joining the Armed Forces as an officer only because of lack of adequate knowledge of English language.

23. In their action taken reply the Ministry of Defence have stated that the examinations for entry into Defence Services are conducted by the Union Public Service Commission, which is an autonomous body.

24. The matter regarding conducting of NDA and other examinations for entry into Defence Services in Hindi and other regional languages included in the 8th Scheduled of the constitution was taken up with the Department of Personnel & Training, who have stated that the NDA and other examinations are at present held only in English medium. Dr. Satish Chandra Committee made certain recommendations, *inter-alia*, regarding the medium of examinations conducted by the UPSC. These recommendations, were taken up for consultations with the State Governments and others including UPSC, taking into account the official Language Resolution passed by both the Houses of the Parliament in January, 1968. UPSC have, however, expressed strong reservations against introduction of all the languages included in the 8th Scheduled of the Constitution as medium for various examinations conducted by them. The Ministry of Defence have further stated that therefore the question of conducting NDA and other examinations in all Indian languages remains unresolved in the absence of consensus. However, the issue of introducing Hindi as a medium of examination will be considered separately as it has been allowed as a medium of examination in other examinations conducted by the UPSC.

25. A final policy decision on this issue is to be taken by the Department of Personnel and Training, within the constraints explained above.

26. The Committee recommend that the matter relating to the medium of entrance examination in Defence Forces may be examined thoroughly due to the sensitivity of the subject and to arrive at a consensus keeping in view the need to attract talented youths from the rural areas to the Armed Forces.

Funding and modernisation of IAF

Recommendation (Sl. No. 17 & 18, Para Nos. 71 & 72)

27. The Committee had noted that the Ministry are satisfied with the level of funds allocated to the Air Force but at the same time are surprised that shortfalls are also anticipated by the Ministry of Defence.

28. The Committee however hoped that all the funds allocated would be appropriately utilised this year and hope that all proposed projects will undergo contractual commitment for early acquisition. The Committee had also strongly felt that licensed production route would be an active option for all future acquisitions.

29. The Ministry of Defence have stated that the funds allocated to the Air Force are satisfactory. However, if contracts on major schemes like AJT, AWACS, Aerostat Radars etc. are finalised soon in addition to other schemes, additional funds may be required, the same would be projected at RE 2001-2002 stage.

30. All efforts are being made to ensure that funds allocated to Air Force are utilised this year.

31. The Committee note with dismay that all major schemes of the Modernisation of the IAF *i.e.* acquisition of AJT, AWACS, Aerostat Radars etc. have not materialised so far. The Committee hope that without further delay all major acquisitions which are vital for the Indian Air Force should be made in a real sense to ensure that funds are not left un-utilised and appropriately utilised.

Advanced Jet Trainer

Recommendation (Sl. No. 19, Para No. 81)

32. The Committee expressed its deep concern about the delay in the acquisition of the Advanced Jet Trainer (AJT). The Committee also felt that the tremendous delay in the acquisition might also be a major factor in the escalation of the cost of the aircraft. The Committee were also very much concerned at the very high accident rate of the MiG-21 aircraft which have been taking place due to lack of the Advanced Jet Trainer for fighter pilot training and which resulted in the loss of many precious lives of our pilots and costly aircraft. As admitted by the Ministry, technology has helped to reduce the overall accident rate

on modern aircraft such as the Mirage. The Committee had also noted that one of the major recommendation of the Committee on Fighter Aircraft Accidents, headed by Dr. Abdul Kalam has been the use of simulators for training. The Committee had therefore, recommended that the most suitable AJT at appropriate cost may be made available to the trainee fighter pilots expeditiously and in a time bound manner. The Committee had also desired that advanced simulators may be made available for all types of aircraft presently in operation in the IAF.

33. The Ministry of Defence in their action taken reply have stated that all efforts are being made to progress the case for early acquisition and induction of the AJT. Current negotiations with M/s BAES for the Hawk aircraft are going on with a view to early finalisation thereof and that the case for replacement of obsolescent aircraft with aircraft of modern technology and better combat capability is under consideration. Simulators are in the process of being upgraded.

34. The Committee note with regret that the Ministry of Defence does not seem to be serious in acquisition of AJT and therefore not succeeded in negotiations for acquisition of an AJT for years together. If an attempt is made to compare the loss caused to IAF due to air accidents, from 1985 when the Government had decided to purchase AJT for IAF, in terms of loss of pilots and Aircraft with the amount they wanted to save out of bargain in purchasing AJT, would reveal whether in real terms the authorities responsible for making available the AJT to IAF have saved the precious foreign exchange or they multiplied the loss to exchequer by losing trained pilots and costly aircraft. The Committee reiterate its earlier recommendation made in their Fourteenth report on the action taken on the recommendations contained in the 7th report of the Committee (Thirteenth Lok Sabha) on the subject 'Modernisation of the Indian Air Force' that the acquisition of AJT should be accorded top priority to avoid further loss of precious lives of our pilots and fighter planes which are taking place due to lack of a proper Advanced Jet Trainer for training fighter pilots.

Low Level Transportable Radars

Recommendation (Sl. No. 23, Para No. 101)

35. The Committee had recommended that all negotiations for low level transportable radars (LLTRs) will be finalised including for those LLTRs to be deployed in the mountains and desired that acquisition of all radars be done in the Ninth Plan Period.

36. The Ministry of Defence have replied in their action taken reply that site evaluations of those radars have been completed. Price negotiations will commence after the radar is finalised based on technical evaluation. The Ministry of Defence further stated that in order to minimise the gaps in the low level radar coverage along our borders, LLTRs are required to be inducted in a phased manner during 9th and 10th Plan periods.

37. The Committee are unhappy over the fact that till date no progress has been made in the acquisition of Low Level Transportable Radars which are vital for radar coverage of our borders. The Committee, therefore, strongly recommend that the Ministry of Defence should expedite the matter for the acquisition of this vital equipment on top priority basis.

Global Tenders for acquisitions

Recommendation (Sl. No. 27, Para No. 117)

38. The Committee had noted that with the disintegration of Soviet Union, we could not in the present scenario, depend on them totally for supply of equipment and spares on reasonable rates. The Committee had therefore, recommended that as the 'Friendship Price' was not available from Russia for acquisition of equipment instead of depending on a single source, global tenders should be floated for all acquisitions of equipment and no advance payment be made for any future acquisition.

39. The Ministry of Defence have replied that after disintegration of the Soviet Union, defence procurements from Russia have been carried out on a competitive basis on commercial terms that includes payment for the equipment supplies in hard currency and payment of advance as is the case of purchase of defence equipment of Western origin.

40. The Ministry of Defence have further stated that dependence on Russia is, however, going to continue as a result of the considerable reliance in the past on Russian equipment and given that upgrades, spares and ammunition for such equipment are likely to be sourced from Russia. The Russians continue to offer state-of-the-art equipment which is often denied by Western countries. Moreover, in time of crisis, such as during the Kargil conflict, the Russian Government was overwhelmingly forthcoming in meeting the India's defence requirement and that even after the collapse of the Soviet Union, the military capacity of Russia has been largely preserved. In the existing scenario of Sanction Regimes against India, and the denial or delay in grant of export licenses by Western countries, Russia would continue to remain an important source of military equipment for the Indian Armed Forces.

41. The Committee are partly satisfied with the reply of the Ministry of Defence regarding the purchase of equipment from a single source *i.e.* Russia. The Committee agree that Russia may remain a main reliable source of the Defence equipment but in the current scenario floating of global tenders may also be encouraged to enable emergence of competitive prices which may prove to be an advantage in the purchase of sophisticated state-of-the-art equipment.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE

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

The Committee note that the Defence allocation for the year 2001-2002 have been put at Rs. 62000 crores which shows an increase of Rs. 7539.09 crores over the Revised Estimates of Rs. 54460.91 crores for the year 2000-2001. The percentage hike in the defence budget for the year 2001-2002 has come down to 13.8 per cent as compared to the huge 28.2 per cent increase in the year 2000-2001. When adjusted against an inflation rate of eight per cent hike in defence allocation for the year 2001-2002 is marginal, hovering at 2.53 per cent of the Gross Domestic Production (GDP).

Reply of the Government

There is a well defined system for estimation of funds 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 existing level of allocation for the financial year 2001-2002 is suffice to meet essential/urgent maintenance and modernisation requirement of the Services and the Govt. has made concerted efforts to ensure that the defence preparedness of the country do not suffer due to lack of adequate funds. However, if any additionality is required over and above the BE allocation, the same would be projected at RE 2001-2002 stage.

However, the observations/recommendations of the Standing Committee on Defence have been communicated to Ministry of Finance vide MOD (Fin) ID No. 9(12)/B-I/2001 dated 14-6-2001 (copy enclosed) for keeping these in view while allocating funds for Defence Services in the RE 2001-2002 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. H. 11013/10/2001/D (Parl) 29.10.2001]

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

The Committee are of the view that effective security cannot be had by merely presenting a bigger defence budget. It requires effective defence finance procedures which in turn needs integrated defence planning organisation. An analysis of the figures given in the preceding pages shows that an amount of Rs. 4100 crores approximately of the allocated defence budget remains unspent during the year 2000-2001. The Committee feel that tedious and time-consuming procedures have led to delay in defence spending. These built-in inefficiencies due to slow movement of procurement files need to be speedily done away with. The Committee desire that sincere efforts should be made to streamline the procedure laid down in Ministry of Defence to create a more cohesive joint service structure with more effective representation of the Services in the decision making processes. This would end delays in defence spending and would greatly improve efficiency and bring about economy in the functioning of the Ministry of Defence.

Reply of the Government

A well established finance procedure exists and is followed in the Ministry of Defence. The annual budgets/five year defence plans are formulated by close Interaction between the Services/Departments and Min. of Def. & Min. of Def. (Fin). The various proposals of expenditure are also handled with close interaction at not only Ministry/Service Hqrs. levels but also at lower formations. Progressive delegation of financial powers have also been carried out to the Service Hqrs. and their lower formations.

Savings of an amount of Rs. 4,100 crores approximately of the allocated Defence Budget during the year 2000-2001 was shown at Revised Estimates 2000-2001 stage based on the assessment of cash outgo during the balance period of the Financial year.

The Defence Systems and procedures are continuously monitored and reviewed. However, last year the Govt. had constituted a Group of Ministers (GoM) on 17th April, 2000 to thoroughly review the national security system in its entirety and in particular, to consider the recommendations of the Kargil Review Committee, and to formulate specific proposals for implementation.

The Govt. has accepted most of the recommendations made in the Report of the GoM. The implementation of the recommendations of the GoM has already commenced. The creation of a separate and dedicated Institutional structure i.e. Defence Procurement Board to undertake the entire gamut of procurement functions is expected to facilitate a higher degree of professionalism and cost-effectiveness in the process and would help in obtaining the best value for the money spent by the Government. The Procurement Board would also ensure (a) closer participation by the Armed Forces in the entire process of decision-making; (b) higher operational efficiency; and (c) cost effectiveness with better co-ordination and flow of Information.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl), dated 29.10.2001]

Comments of the Committee

(Please See Para 10 & 11 of Chapter I of the Report)

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

The Committee also desire that the defence budget has to be incremental, time-bound and planned and this requires a long term commitment and has to cater to several peculiarities such as inflation, prolonged negotiations with foreign suppliers, fluctuations in foreign exchange rate etc.

Reply of the Government

The annual allocation to the Services/Depts. are made considering the requirements for their meeting committed revenue requirements, past contractual liabilities and essential modernisation needs keeping in view the approved 5 year Defence Plan and the strategies dictated by the present and future security threat perceptions both in short and long term. The factors brought out by the Committee i.e. inflation, prolonged negotiations, fluctuations in FE rate etc. are factored in while working out Budgetary projections/allocations.

The annual allocations/actuals for the Services/Deptts. during the last 5 years along with percentage increase over the previous year is given below:—

Year	Actual/Allocations	% age increase over the previous year
1997-98	35278	19.57%
1998-99	39898	13.10%
1999-2000	47071	17.98%
2000-2001(RE)	54461	15.70%
2001-2002(BE)	62000	13.84%

However the observations/recommendations of the Standing Committee on Defence have been communicated to Ministry of Finance vide MOD (Fin) ID No. 9(12)/B.I/2001 dt. 14-6-2001 (copy enclosed Appendix I) for keeping these in view while allocating funds for the Defence Services in the subsequent years so that the planned modernisation of the Armed Forces can be achieved in an appropriate and time bound manner.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl), dated 29.10.2001]

Recommendation (Sl. No. 4, Para No. 35)

The Committee note that the Group of Ministers has proposed to set up a Defence Procurement Board which would integrate Armed Forces and the Ministry of Defence in the area of Defence purchases. The Committee feel that the constitution of Committee after Committee will not help in the matter. The Committee, however, hope that the Government would take decision at the earliest to constitute the proposed Defence Procurement Board in order to promote transparency and to avoid delays in defence procurement procedures and this would indeed constitute a positive step by the Government in the area of defence purchases in a time bound manner. The Government should also ensure that there should be separate agencies of Price Negotiation Committee (PNC) and the Defence Procurement Board and there should be no duplication of work in the functioning of these agencies in defence procurements.

Reply of the Government

The recommendation of the Group of Minister (GoM) for creation of a separate dedicated institutional structure namely the Defence Procurement Board has since been approved by the Government on 11th May 2001. Implementation of the recommendations approved by the Group of Ministers has already commenced and the implementation is being monitored at the highest level of the Government. Relevant extracts from the GoM Report are enclosed as Annexure I for information of the Committee. Further, wherever required, the Government would constitute suitable Price Negotiation Committees (PNCs). As the Board would not be doing any negotiations, there would be no duplication of work in the functioning of the Procurement Board and the Price Negotiation Committees.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl), dated 29.10.2001]

Procurement Organisation and Procedures

Defence Procurement Board

The existing structure for procurement has led to sub-optimal utilisation of funds, long delays in acquisition and has not been conducive to the modernisation of the Services. The creation of a separate and dedicated institutional structure to undertake the entire gamut of procurement functions is expected to facilitate a higher degree of professionalism and cost-effectiveness in the process. Such a structure would also enable an institutional memory to be built up and taken advantage of to obtain the best value for the money spent by the Government. While on the one hand, the Procurement Board would ensure much closer participation by the Armed Forces in the entire process of decision making, on the other hand, it would also result in higher operational efficiency and cost effectiveness with better co-ordination and flow of information.

The Procurement Board may be headed by the Defence Secretary. Its other members should be the Secretary Defence Production & Supplies (DP&S), the Secretary Defence Research & Development (DR&D), FA(DS), the VCDS, the Vice Chief of Army Staff (VCOAS)/ the Vice Chief of Air Staff (VCAS)/ the Vice Chief of Naval Staff (VCNS). The Directorate General Quality Assurance (DGQA)/ Directorate General Aeronautical Quality Assurance (DGAQA) could be associated on an "as required" basis. The higher delegated financial powers may be exercised by the Special Secretary (Procurement), who may be assisted by an officer of the Finance Division in the pay scale of an Additional Secretary. He should report to the Special Secretary (Procurement) and also to the FA(DS). In addition, the representatives of the Armed Forces may be associated as technical managers in the procurement undertaken in accordance with the powers delegated to the Special Secretary (Procurement).

The issue of making the Additional Secretary level officer from Defence Finance the Member Secretary of the Procurement Board was considered by the GoM and it felt that since the matter is internal to MoD and essentially its own concern, the Defence Minister may take a decision on this issue at his own level, after considering all the pros and cons of this proposal.

The Procurement Board may be tasked to deal only with those major acquisition/procurement cases that require approval at the level of the CCS. Other procurement, after approval by the concerned Financial Adviser (FA), may be undertaken by the Special Secretary (Procurement), as detailed above. Fresh approval of FA may be obtained in all cases, where, as compared with the cost indicated in the note seeking the FA's approval, the finally negotiated price is higher by more than 10%. However, fresh approval of FA should not be necessary in cases where the negotiated price is either less than or within 10% of the cost indicated in the note submitted for obtaining the FA's approval.

With a view to ensure that the requisite information is available to the decision makers in the shortest possible time-frame, a separate directorate may be set up for the management of information concerning acquisition and purchases under the supervision of the officer of the Finance Division associated with the Procurement Board. The Directorate may maintain the requisite information in electronic format and make the same available to the concerned user on requisition.

In order to ensure that the transition is smooth, the detailed organisational structure of the Defence Procurement Board, its authority, functions and procedures may be finalised by a committee headed by the Defence Secretary, which may also examine the delegation of administrative powers to the service HQs (refer paragraphs 6.16, 6.44 and 6.70), in a time frame of six months.

Recommendation (Sl. No. 5, Para No. 36)

The Committee desire that besides streamlining the defence procurement procedures, the Government should ensure that the laid down procedures for evaluation and selection are strictly adhered to and records regarding defence purchase should be maintained and concurrent audit of all defence purchases should be done in order to ensure accountability. Responsibility should be fixed for serious financial aberration in defence purchases. The Committee further desire that wherever it is considered necessary, the role of serving/retired defence officers, bureaucrats and middlemen/agents in defence deals should be referred to and examined by the Central Vigilance Commission (CVC) and the defence procurement system should be revamped to break the nexus between middlemen/agents and the officers related with the defence purchases. Vigilance clearance of the assets of the Members of the proposed Defence Procurement Board should also be made mandatory, before, during and after their tenure. The Committee also desire that the Central Vigilance Commission should give their report in a time bound manner and there should be a special cell in the Ministry of Defence to deal with the CVC matters. Secrecy should not be used to cover up financial aberrations in defence purchases as secrecy in perpetuity is extremely dangerous and would eventually prove to be counter-productive and even harmful to the national interest.

Reply of the Government

With due deference to the recommendations of the Group of Ministers, orders have already been issued for establishment of Defence Procurement Board and procedure to be followed and instructions have also been issued evolving a Standard Procedure for mandatory and time bound scrutiny of all major Defence related purchase decisions by the Comptroller and Auditor General and the Central Vigilance Commission (CVC). There is a Chief Vigilance Officer in position in the Ministry of Defence assisted by a whole time Deputy Secretary/ Under Secretary who processes all recommendations pertaining to the Central Vigilance Commission. The members of the Defence Procurement Board are all civil servants and military officers who annually file their property returns. It will be ensured that cases of financial aberrations, if any, pointed out by the Audit/CVC would be dealt with adequately and expeditiously depending on their severity and gravity.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.) dated 29.10.2001]

Comments of Committee

(Please See Para 14 & 15 of Chapter I of the Report).

Recommendation (Sl. No. 6, Para No. 40)

The Committee desire that the equipments of critical importance like WLR and others that the Services need, should be appropriately prioritized and steps must be taken to ensure that the purchase of these critical items should not be entangled in legal hassles and various inquiries causing delays.

Reply of the Government

The advise of the Committee has been taken note of for compliance. In the case of procurement of Weapon Locating Radar (WLR), price negotiations for procurement of Weapon Locating Radar (WLR) IL-220U from Ukraine, was commenced on 26th August, 99 but got stalled in September, 99 due to the complaint alleging the involvement of agents. This complaint was sent to Army Headquarters for specific inquiry and action. PNC did not make any headway because of issues related to indigenous technology *vs* import, involvement of agents and evaluation of Cobra WLR. To resolve these issues RM had taken a meeting on 13.3.2000 in which it was decided that the PNC will recommence its negotiations with Ukrainian firm. However when the file was put up to RM for formal approval to hold PNC, on 7.4.2000 RM has minuted that the PNC should commence only after the relevant file related to involvement of agents be shown to him by COAS and taken on record and examined. Subsequently, this was done and on the directions of Raksha Mantri (RM), the Price Negotiation Committee recommended on 10.7.2000. When the Price Negotiation Committee was underway, a complaint was received about the alleged involvement of middlemen in the procurement of WLR. The complaint was referred to Central Vigilance Commission and the CVC in turn had directed Central Bureau of Investigation (CBI) to investigate the case. The CBI concluded their inquiry and sent their report to CVC on 16.1.2001. As per the CBI findings, while nothing specific has come on record showing the involvement of retired Army officers in any deal as middlemen, there are reasons to believe that there are certain retired Army officers using their status of ex-servicemen, who have been meeting the serving Army officers and also hobnobbing with the representatives of prospective foreign suppliers. Thereupon, with the approval of RM, the advice of CVC was sought about the further course of action to be adopted in this case in the light of the CBI report and in view of the emergent operational requirements of having WLRs inducted into the Army.

The validity of the offer has since been extended upto 30.6.2001 by M/s. UKRSPETSEXPORT. Further action for procurement of WLR will be initiated as soon as the advice of the CVC is received.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Comments of the Committee

(Please See Para No. 18 & 20 of Chapter I of the Report)

Recommendation (Sl. No. 7, Para No. 43)

The Committee recommend that in view of shortage of officers in Defence Forces and also in view of the enthusiasm shown by the students for joining NCC, the existing facilities required should be increased accordingly to enroll much more students in its fold. The Committee also recommend that the training schedule in NCC should be suitably modified so that NCC 'C' Certificate holders may be allowed to face the Service Selection Board directly and not necessarily through the channel of Union Public Service Commission (UPSC) for selection to become officers in Armed Forces.

Reply of the Government

The existing authorised cadet strength of NCC is 12 lakhs. Due to persistent demands from all quarters to augment NCC, it has been decided to progressively increase the cadet strength, starting from an increase of one lakh in the current year. NCC will take steps to increase existing facilities to accommodate more students.

Under the NCC Special Entry Scheme, 'C' Certificate holders are exempted from appearing in the UPSC written examination and appear directly before the Service Selection Board for entry into Officer Training Academy, Chennai. A similar exemption already exists in the Navy and the Air Force for direct entry into their NCC Special Entry Schemes in their respective academies.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl), dated: 29.10.2001]

Recommendation (Sl. No. 8, Para No. 45 & 46)

The Committee note that the youth from urban areas who have their medium of education in English language has largely shifted focus towards multinational companies, thereby creating a shortage of good aspirants to join Armed Forces. The rural youth are mostly well versed in Hindi or in their regional language and not always in English language whereas the medium for entrance examination is at present only English which is very tough for them.

The committee desire that to attract intelligent and deserving rural youth from all over the country who aspire to join Armed Forces, the medium of examination in entrance examination for the Defence Forces should be made optional, which may be in Hindi and also in other languages scheduled as per Constitution of India alongwith English so that an otherwise intelligent, courageous youth may not be deprived of joining the Armed Forces as an officer only because of lack of adequate knowledge of English language.

Reply of the Government

The examinations for entry into Defence Services are conducted by the Union Public Service Commission, which is an autonomous body.

The matter regarding conducting of NDA and other examinations for entry into Defence Services in Hindi and other regional languages included in the 8th Schedule of the constitution was taken up with the Department of Personnel & Training, who have stated that the NDA and other examinations are at present held only in English medium. Dr. Satish Chandra committee made certain recommendations, *inter alia*, regarding the medium of examinations conducted by the UPSC. These recommendations were taken up for consultations with the State Governments and others including UPSC, taking into account the official Language Resolution passed by both the Houses of the Parliament in January 1968. UPSC have, however, expressed strong reservations against introduction of all the languages included in the 8th Schedule of the constitution as medium for various examinations conducted by them. Therefore, the question of conducting NDA and other examinations in all Indian languages remains unresolved in the absence of consensus. However, the issue of introducing Hindi as a medium of examination will be considered separately as it has been allowed as a medium of examination in other examinations conducted by the UPSC.

A final policy decision on this issue is to be taken by the Deptt. of Personnel and Training, within the constraints explained above.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Comments of Committee

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

Recommendation (Sl. No. 9, Para No. 49)

The Committee note that out of 180 projects DRDO have taken up, only 99 projects have been completed successfully during the last 10 years. It seems that sometimes priorities are missing. The poor conceptualization and over ambition in trying to make world class products had sometimes resulted in delays and slip ups in completion of the projects which are vital for modernisation of the forces, indigenously.

Reply of the Government

System and procedures for feasibility studies of all high value project proposals, costing above Rs. 1 crore and review by peer/expert group, at the conceptualisation/project definition stage have been strengthened and implemented. Project prioritization has been given due consideration in DRDO's IX Plan, based on which projects have been sanctioned during the plan period. A management tool called Decision Aid for Technology Evaluation (DATE) has been developed, which will help in better estimation of time. It is felt that with these steps, there will be fewer instances of time over runs in future projects.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 10, Para No. 50)

The committee, therefore, strongly recommend that DRDO must assess their capabilities to develop a product in a time bound manner without needlessly hampering the process of purchase of items urgently needed for defence forces and it is also suggested that performance audit should also be done on regular basis. The committee recommend that DRDO should give priority to the items which are urgently needed by the Forces.

Reply of the Government

Management tools like 'Decision Aid for Technology Evaluation (DATE)' are being used for all new projects, before the projects are sanctioned, to facilitate assessment of technological complexities and more accurate estimate of time. Depending upon the project cost and technological complexities, all programmes and projects, are periodically subjected to structured multi-layer reviews during which performance audit of the project is carried out. The review committees comprise technical experts drawn from the users, production agencies, quality assurance departments, academia and scientific departments. DRDO's Xth Five Year Plan (2002-2007) will have higher degree of priority for the items urgently required by the Armed Forces. Inputs from all the three Services have been obtained for this purpose.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 11, Para No. 53)

The Committee note with serious concern the problem of retaining young scientists in DRDO as the professional job market is more lucrative. The Committee desire that Government should consider some special incentives for the scientists for their original and proven work which may include special pay or rewards etc. The Government should also introduce a system of recognition of work done by Scientists in DRDO to boost their moral and to encourage discharge of duty more efficiently.

Reply of the Government

A new incentive scheme is being worked to make DRDO jobs more attractive for retaining engineers and scientists.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 12, Para No. 57)

"The Committee note that the satisfaction level in all ranks in Defence Forces is not satisfactory in comparison with the duties they have to perform. The Committee hope that the Ministry will make a schedule to provide accommodation making satisfaction level cent per cent by adequate allocation of funds, which also definitely ease the life of Defence Personnel living in rented houses besides making the career in these forces more attractive".

Reply of the Government

"To improve the availability of living accommodation for Defence personnel, the overall ceiling for capital works for the year 2001-02, including the requirement for living accommodation, has been increased to Rs. 1252 crores over the last year's allocation of Rs. 807 crores, as per budgetary support available for the current financial year. Apart from this, Govt. is considering to set up a separate organisation to meet the married accommodation requirement of Defence personnel expeditiously. This organisation proposes to take up an ambitious programme of constructing living accommodation units, with the objective of wiping out all deficiencies".

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 13, Para No. 62)

The Committee note that the delegations which visited Russia to inspect the Aircraft Carrier Admiral Gorshkov have given certain specifications which are to be met before the purchase of the carrier. The Committee also note the report given by the latest delegation, which visited Russia, that the material condition of Gorshkov has been further deteriorated and this process is likely to accelerate with the passage of time.

Reply of the Government

Three Indian Naval delegations have visited Russia since 1995 to study the feasibility of induction of 'Admiral Gorshkov' in the Navy. Each delegation has made a thorough study of the overall state of the carrier and has recommended that the carrier will be able to remain in operational service for at least 20 years after induction in the Indian Navy and after completion of modernization/refit of the ship in case it is decided by the Government to acquire the ship.

Discussions were held with the Russian side for the acquisition of the Aircraft Carrier and an Inter-Governmental Agreement (IGA) was signed on 4th October, 2000. The IGA relates to a package deal, which, *inter alia*, includes acquisition of Admiral Gorshkov being offered as a gift by Russia and its refit and modernization at our cost. The IGA also provides for preparation of Detailed Project Document (DPD) covering various aspects of refit and modernization of aircraft carrier, the choice of deck based aircraft and the required aviation support infrastructure etc. An investment decision on acquisition of Gorshkov is to be taken after examination of the said DPD prepared by the Russian side. The DPD has since been examined in the Ministry and it has been decided to constitute a Committee under the chairmanship of Additional Secretary, MOD, associating representatives from DRDO, MOD(F), Technical Directorates of NHQ and others for looking into various aspects of acquisition, keeping in view the recommendations made by the delegation headed by Vice Admiral Arun Prakash on the present status of the ship. Investment decision with regard to acquisition of Admiral Gorshkov will be taken based on the recommendations to be made by the Committee and its subsequent examination by the Government.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

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

The Committee desire that every specification given by these delegations should be kept in mind while deciding the price to be paid for refit of the Aircraft Carrier which it seems has been increased subsequently. The Ministry should also ensure the induction of a suitable carrier in Indian Navy in a time-bound manner.

The Committee desire a presentation on Aircraft Carrier Admiral Gorshkov.

Reply of the Government

Aircraft Carrier Gorshkov needs a refit cum modernization as recommended by the delegations that have visited the ship so far. This refit cum modernization will enable the ship to launch aircraft with the help of a sloped ramp called ski jump and recover aircraft with the help of arrested wires. The Detailed Project Document (DPD) received from Russian side has been examined in the Ministry and it has been decided to constitute a Committee under the chairmanship of Additional Secretary, MOD, associating representatives from DRDO, MOD(F), Technical Directorates of NHQ and others for looking into various aspects of acquisition, keeping in view the recommendations made by the delegation headed by Vice Admiral Arun Prakash on the present status of the ship. Investment decision with regard to acquisition of Admiral Gorshkov will be taken based on the recommendations to be made by the Committee and its subsequent examination by the Government.

A presentation on Admiral Gorshkov covering all aspects, i.e., the background, delegation visits, recommendations, choice of aircraft, particulars of the ship after the refit and modernization and costs quoted was given to the Parliamentary Standing Committee on 2nd May, 2001. The presentation was followed by a Question and Answer Session.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 15, Para No. 66)

The Committee hope that with the sanction of a large submarine programme now by the Government, the capacity utilization of MDL will be maximized. The Committee desire that perceiving the importance of submarines in Marine warfare and strengthening India's position in blue waters the Ministry should chalk out a long term plan to keep this specialized dockyard working in full capacity. The Committee desire that the Ministry of Defence should conduct an inquiry on the under utilization of the work and apprise the Committee of the outcome of the inquiry.

Reply of the Government

Government had approved a 30 year Perspective Plan of the Indian Navy and the Department of Defence Production & Supplies in June, 1999, to construct in the first phase, 12 submarines of an appropriate class during 2000-2012 and another 12 submarines of indigenous design during the period 2013-2030. The Government has further approved in April, 2001 a decision to negotiate with the French firm on their Scorpene offer for construction of six submarines at MDL, Mumbai under Project 75 as envisaged in the 30 Year Perspective Plan for the construction of submarines. MDL, Mumbai has been selected for the proposed construction of six submarines under Project 75 in the first instance, and it is expected that various specialized infrastructural facilities created in this shipyard for the indigenous construction of submarines will be fully utilized for the proposed construction of six submarines of Scorpene class.

As regards, conducting an inquiry on the under utilization of the work at the Defence Shipyards, it may be stated that Ministry of Defence (Department of Defence Production & Supplies) has since conducted an inquiry in the matter. It has been observed that the capacity utilization of the three Defence Shipyards *viz.* Garden Reach Shipbuilders and Engineers Ltd. (GRSE), Goa Shipyard Ltd. (GSL) and Mazagaon Dockyard Ltd. (MDL) has been comparatively low during the last three years. The reasons for low capacity utilization of three Defence Shipyards are discussed in para 3.

Government is aware of the problems of the Shipyards and various steps have been taken from time to time to overcome these problems. Comments on the issues mentioned in para 2 *adseriatum* are as under:

- (i) Naval Shipbuilding plan for 2002-2012 has been formulated for maximizing capacity utilization of Defence PSUs and is in consonance with the perspective plan of the Shipyards. The perspective plan of Navy envisages indigenous construction of 03 frigates of Project 17 followed by another three frigates. In addition, 03 destroyers of Project 15A followed by three more such destroyers would be built at MDL, Mumbai apart from six submarines of Scorpene class as mentioned earlier. It is hoped that the capacity of MDL, Mumbai would be adequately utilized by undertaking the projects mentioned above.

- (ii) Changes made during the ship construction mainly relate to weapons depending upon their availability and the need of the Navy. However, the need for upgrading and improving the weaponry has to be kept in mind by the yards so that ships are fitted with equipment and systems of contemporary state of art. The delays occurring in other areas will be looked into by the yards and remedial measures taken so that ships are delivered in fully functional condition by the due date.
- (iii) It has been noted that failure of critical fittings and equipment during the setting to work stage forces cannibalization from the next ship of the series. Since replenishment items are not available in time, being long lead, work is held up. The issue has been taken up with the suppliers of equipment.
- (iv) Procurement of material is attended after receipt of LOI with the minimum supply lead-time of six months. This causes unavoidable hold on start of work even after LOI is issued, specially, for the hull construction side.
- (v) Naval Shipbuilding Plan 2002-2012 has been prepared keeping in mind the perspective plan of PSU Shipyards. Construction of new type of ships is bound to have some teething problems and this is taken into account while fixing the delivery date.
- (vi) The delays in the supply of equipment are normally in respect of items of developmental nature. Indigenous development of equipment has taken more time than anticipated in respect of projects in the past. The development time needs to be curtailed by proper monitoring.
- (vii) Problems of labour unrest/strike are not of regular nature and they crop up only at some occasions. The management of Shipyards are expected to deal with such problems in a professional manner.

In order to reduce under-utilization and idle capacity, Shipyards need to change their present method of sequential shipbuilding to pre-outfitting so that hull fabrication and outfitting proceed concurrently. In addition, Shipyards need to be provided equipment as per the schedule so that there is no break in the progress of ship construction.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

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

The Committee also feel that the Ministry should ensure that in ship building units like Garden Reach Shipbuilders and Engineers Ltd., enough orders should be placed to utilize their full capacity to avoid any future sickness of these units.

Reply of the Government

Naval Shipbuilding Plan for 2002-2012 has been formulated for maximizing capacity utilization of Defence Public Sector Undertakings and is in consonance with the perspective plan of the yards. The perspective plan of Navy envisages construction of 4 ante-submarine warfare corvettes followed by second batch of another four. In addition there is plan to build indigenously at GRSE three landing ship tanks (LST) large and four fast attack crafts.

With the above activities planned in the GRSE, Kolkata, it is hoped that the existing capacity of the yard would be adequately utilized and that the yard could further improve its capacity utilization performance by suitable planning for undertaking refits/repair of Naval and Coast Guard ships.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 17, Para No. 71)

The Committee note that the Ministry are satisfied with the level of funds allocated to the Air Force but at the same time are surprised that shortfalls are also anticipated by the Ministry of Defence as informed in their written replies that if additional funds are required over and above the BE allocation, the same would be projected at RE 2001-2002 stage.

Reply of the Government

The funds allocated to the Air Force are satisfactory. However, if contracts on major schemes like AJT, AWACS, Aerostat Radars etc. are finalized soon in addition to other schemes, additional funds may be required, the same would be projected at RE 2001-2002 stage.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Comments of the Committee

(Please see Para No. 31 of Chapter I of the Report)

Recommendation (Sl. No. 18, Para No. 72)

The Committee however hope that all the funds allocated would be appropriately utilised this year and hope that all proposed projects will undergo contractual commitment for early acquisition. The Committee strongly feels that licensed production route would be an active option for all future acquisitions.

Reply of the Government

All efforts are being made to ensure that funds allocated to Air Force are utilized this year.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Comments of the Committee

(Please see Para 31 of Chapter I of the Report)

Recommendation (Sl. No. 20, Para No. 86)

The Committee feel that due to the tremendous delay in the upgradation of MIG 21-Bis aircraft, its heavy cost and alarming rate of accidents, the upgradation programme needs to be reconsidered by the Government. The Committee also hope that the experience gained in the case of the upgradation of MIG-21 Bis aircraft, would be actively utilised for other upgradation programmes of the MIG-27 and the MIG-29 aircraft. The Committee also desire that the expertise, so developed in HAL in relation to these programmes would be made use of in future also for developing new technologies in the field of avionics.

Reply of the Government

The MIG-27 upgrade programme is under finalisation with M/s HAL. As HAL has been nominated as the prime contractor for the MIG-27, this would encourage development of appropriate technologies for future use. The MIG-29 upgrade is under consideration. The lessons gained on the MIG-21 Bis Upgrade are being used in both the upgrades.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 21, Para No. 92)

The Committee hope that DRDO will make all out efforts to develop the Kaveri engine expeditiously and the same would be available for fitting into the LCA at Full Scale Engineering Development (FSED) stage, as sanctions on American GE 404 engine may become a hurdle not only at testing stage but also at Limited Series Production (LSP) stage of the LCA.

Reply of the Government

Kaveri engine and its core engine Kabini are undergoing testing on multiple test beds and have already logged more than 1000 hours of testing. The core engine has also undergone high altitude test. The Kaveri engine is now planned to be tested for high altitude conditions and on flying test bed. After these extensive tests, the Kaveri is scheduled to be integrated with LCA during June 2003 for Preliminary Flight Rating Trials (PFRT), after which the engine will be cleared for certification and production release.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 22, Para No. 96)

The Committee note that the Air Force has been demanding the acquisition of Air Borne Warning and Control System (AWACS) for quite some time. It is true that state-of-the-art equipments are needed badly in the present circumstances but the delay in its acquisition have enormous impact on the deterrence level of force. The existing set of weapons are inevitably being replaced by high technology arms by our neighbours. The Committee insists that the negotiations for AWACS should be taken up on priority basis so that this essential equipment is made available to the IAF at the earliest.

The Committee desire to have a look at the Aerostat Radar, which is a balloon technology and desire that Ministry of Defence give a presentation on it to this Committee.

Reply of the Government

Acquisition of Airborne Warning and Control System (AWACS)

Government had approved the direct import of AWACS aircraft for the IAF. The proposal was a joint Russian-Israel development programme. Price Negotiations with the vendors which commenced in Dec. 99, remained inconclusive due to the Russians suddenly backing out of the deal. The Russians offered their own AWACS to the IAF. The Russians AWACS was not accepted by the IAF as it did not meet its operational requirements.

Air Hqrs. is carrying out technical evaluation of the latest offer.

Aerostat Radar

A presentation was made on 02 May 2001 to apprise the honorable members of the Standing Committee on Defence on the employment philosophy of Aerostats and the current status of the IAF's proposal to acquire this vital and strategic air defence surveillance asset.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 24, Para No. 108)

The Committee appreciate the commendable efforts made by the Ordnance Factories in meeting the Demands of the Services as also Revenue generation by remarkable increase in production. The Committee also hope that the programme of modernization of Ordnance Factories will be pursued vigorously.

Reply of the Government

OFB have drawn up a modernization plan covering the product profile and their requirement upto 10th plan period. The modernization plan is being reviewed and revised periodically to take care of the changes in product profile and upgraded technology available. The execution of modernization plan is also closely monitored.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 25, Para No. 109)

The Committees desire that at least a study can be carried out about the cost of non-lethal items such as clothing etc. of a particular specification available in the open market *vis-a-vis* their cost of production in Ordnance Factories.

Reply of the Government

A study was made to compare the ex-trade price of some of the clothing and general stores items, procured by AHQ both from the trade and Ordnance Factories, with that of Ordnance Factories. The price of products ex-Ordnance Factories is found to be 33% to 167% higher than the trade price. In some of the products trade price of the finished product is lower than the cost of input material used by Ordnance Factories.

In the past a number of High Level Committee were constituted with the members from various disciplines including the user, finance, Director General Quality Assurance etc. have examined the costing of the products ex-OFB. These committees have established that the 2 major components *viz*; direct basic wage in terms of hours and direct material are quite competitive with these of the trade sources. The higher cost of the products ex-Ordnance Factories compared to the cost of the similar products from unorganized sectors has been attributed to:-

- (i) Obligation of OFB to pay their employees in accordance with the scale fixed by the Government as a model employer.
- (ii) OFB have to maintain a dedicated production capacity to meet the qualitative and quantitative requirement including surge requirements of the services in time. Under utilization of the installed capacity adds to the cost of the product.

OFB have a time tested scientific system of ascertaining the cost of their products and the cost control is being exercised through material and labour estimates. Any cost reduction due to technology upgradation is passed on to the Services. Nevertheless, OFB are alive to their obligation to supply the products at a reasonable price and accordingly constant endeavours are made to reduce the cost of the products. As a result the weighted average annual price increase of OF products has been reduced over the years as mentioned below:-

1997-98	-	8%
1998-99	-	6.81%
1999-2000	-	4.82%
2000-01	-	1.10%
2001-02	-	(-) 3.00%

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

Recommendation (Sl. No. 26, Para No. 112)

The Committee desire that in future Ministry of Defence will take the matter of proper storage of ammunition in ordnance depots more seriously and rectify all shortcomings which exist in the storage facilities available in these depots to avoid accidents in future which not only result in huge loss of valuable items but are also a hazard to all those working in and living around these depots. The Committee also feels that responsibility should be fixed for all fire accidents which occurred in the past and the Committee should be apprised of the full report thereon. Necessary funds should be allocated to acquire the fire fighting equipment.

Reply of the Government

As per details attached at Annexure II

ANNEXURE II

Fire Incidents in Ordnance Establishments

The details of fire incidents in the Ordnance establishments during the last ten years is as given in the table under:-

Sl. No.	Name of Unit	Date of Occurrence	Approx Losses suffered (Rs.)
a	24 Field Ammunition Depot (FAD)	08 May 1991	47,500/-
b	24 Field Ammunition Depot (FAD)	31 Jan. 1994	7,300/-
c	2 Field Ordnance Depot (FOD)	29 March, 1994	6,86,250/-
d	Central Ammunition Depot (CAD), Pulgaon	25 May, 1995	9.17 Crores
e	Ammunition Depot, Dappar (AD)	09 Oct, 1997	20 Lakhs
f	Ammunition Depot, Bharatpur	28 Apr., 2000	393 Crores
g	Ammunition Depot, Dehu Road	03 May, 2000	Nil
h	Central Ordnance Depot, Kanpur	28 May, 2000	04 Crores
i	2 Ammunition Sub Depot (18 FAD)	22 April, 2001	29 Crores (approx.) Actual loss to be ascertained by Inquiry which is inprogress.

Court of inquiries were conducted into the fire incidents in all cases. The outcome of the Courts of Inquiries are as follows:-

- (a) **24 FAD (08 May, 91)** None was found responsible for the fire. There was no loss of life.
- (b) **24 FAD (31 Jan. 94)** Four persons died and 11 were injured in this fire. The fire was due to an accident in the laboratory while testing ammunition.
- (c) **2 FOD (29 Mar. 94)** The explosion had occurred due to an accidental detonation of explosive items captured from Anti-National elements.

- (d) **CAD Pulgaon (25 May 94)** The Court opined that timely actions were taken by the Depot to contain the fire and the security arrangements were quite adequate. There was no loss of life.
- (e) **AD Dappar (09 Oct. 97)** The most probable cause of fire was the likelihood of a determined intruder to have carried out the initiation of fire.
- (f) **AD Bharatpur (28 Apr. 2000)** The likely cause was due to short circuit/sparking on pole No. 4 near Guard Post No. 11. However, this has not emerged with certainty due to lack of specific evidence. General Officer Commanding in Chief, Southern Command had directed that:-
- (i) Administrative action be taken against the Commandant of Ammunition Depot, Bharatpur and three other Officers.
 - (ii) Disciplinary action be taken against one JCO & 05 other ranks.
 - (iii) Departmental action be initiated against the Garrison engineer (Project), Bharatpur and 05 other Officers.
- (g) **AD Dehu Road (03 May, 2000)** Grass fire due to high temperature and strong winds. There was no loss of any kind. No one was held responsible for the fire.
- (h) **COD, Kanpur (28 May, 2000)** The cause of the fire can not be conclusively established as the expert opinion/reports do not specify the exact cause. The possibility of sabotage/arson, though not established, cannot be ruled out. The Court opined that:-
- (a) Administrative action be initiated against the Commandant of COD, Kanpur and 02 other Officers.
 - (b) Disciplinary action be initiated against 02 Army Officers, 02 Civilians Officers and 04 other personnel.
- (i) **2 Ammunition Sub Depot (18 FAD)** Court of Inquiry is under progress.

Probable Causes of Fire in the Ordnance Establishment

The probable causes of fire, on analysis of past cases, are as under:-

- (a) Fires due to spontaneous combustion
- (b) Electrical Short-circuit.
- (c) Accidental explosions during testing/repair/breakdown of ammunition.

Remedial Measures/Follow up Action

The steps taken for security and safety of ammunition depots to prevent recurrence of such incidents in future are stated in succeeding paragraphs.

Safety & Security Measures

- (a) Revised inspection performa of inspecting officers to ensure effectiveness of Security and Fire Fighting has been implemented.
- (b) Technical reports of Central Depots has been amended to include endorsement of Master General of Ordnance.

Equipment for Safety & Security: A sum of Rs. 49,80,562/- during the year 2000-2001 was released for purchase of Security & Fire Fighting related items. Hand held communication sets have also been released to enhance communications.

Notification Under Work of Defence Act Three Ammunition Depots are notified under the Act. The process for notification of the remaining ammunition stocking echelons has been initiated and are at various states of finalization.

Fire Fighting Equipment/Staff

- (a) **Fire Fighting Equipment:** There was an overall deficiency of 238 Truck Fire Fighting in the year 1998-99. An order for 50 was placed during year 1999 & Order for 88 Trucks Fire Fighting has been contracted in 2000-01. For the year 2001-02, deficiency of 137 has been included for procurement.
- (b) **Fire Fighting Staff:** Govt. of India ban on recruitment has since been relaxed and vacancies are being released in a phased manner by the Adjutant General Branch. Deficiencies of units located in J&K have been made up. As on date, there is a deficiency of 372 persons, out of which 50 vacancies have been released.

Clearance of Grass in an around Ammunition Depots: The following measures have been taken.

- (a) Govt. sanction for hiring of Dozers/Tractors was accorded upto 31 March, 2001, which has since been extended upto 31 March, 2002. Adequate funds are available for this purpose.
- (b) Case for authorization of Dozers, Tractors and material Handling Equipments have been taken up for authorization in Establishments of depots.
- (c) Adequate number of modern grass cutting machines have been sanctioned through the Ordnance grants.
- (d) Govt. has granted approval for cutting of grass through contracts and for hiring of Casual labour for removal of grass.

Vintage/Unserviceable Ammunition:

- (a) A total of 23000 MT of vintage ammunition is held with the Ammunition Depots.
- (b) Disposal of unserviceable ammunition is an ongoing feature. On an average approximately 8000 to 10,000 MT is rendered unserviceable annually. As on date, the unserviceable ammunition held is 5000 MT.

Ammunition Storage Accommodation:

As against the above authorization/holdings the storage accommodation presently available is only adequate to store 3,37,030 MT of ammunition (*i.e.* Temporary accommodation 1,83,797 MT and Permanent accommodation - 1,53,233 MT), thus resulting in a shortage of 1,12,793 MT on the present holdings.

To meet the shortfall in the existing accommodation both temporary and permanent, 54 works for Rs. 363 crores were projected in the year 2000-01, out of which the works of value Rs. 228 crores were approved.

In the Western Command, there is a deficiency of proper accommodation of 5100 MTs. This would be made up in the coming years.

From the above, it will be noticed that in order to replace temporary accommodation to permanent, the estimated requirement of funds is to the tune of Rs. 600 crores which has been projected in the Army 10th Plan. This would accommodate the entire ammunition in accommodation of standard specifications. This is also as per the directions of the Raksha Mantri that ammunition storage accommodation of non standard specification be eliminated.

In order to tide over the problems of paucity of land the following measures have been taken:

- (a) Speedy disposal of Vintage and Unserviceable Ammunition to reduce holding of unwanted ammunition was undertaken. A sizeable quantity of vintage/unserviceable ammunition has been disposed off in the last year.
- (b) Additional storage capacity available in certain depots like Pulgaon and Kanesar has been identified and ammunition from congested depots is being transferred to these locations.

[Ministry of Defence OM No. H. 11013/10/2001/D (Parl.), dated: 29.10.2001]

CHAPTER III

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

—NIL—

CHAPTER IV

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

Recommendation (Sl. No. 19, Para No. 81)

The Committee have all along been very concerned about the delay in the acquisition of the Advanced Jet Trainer (AJT). The tremendous delay in the acquisition might also be major factor in the escalation of the cost of the aircraft. The Committee are also very much concerned at the very high accident rate of the MIG-21 aircraft, which have been taking place due to lack of the Advanced Jet Trainer for fighter pilot training. This has resulted in the loss of many precious lives of our pilots and costly aircraft. As admitted by the Ministry, technology has helped to reduce the overall accident rate on modern aircraft such as the Mirage. The Committee note that one of the major recommendation of the Committee on Fighter Aircraft Accidents, headed by Dr. Abdul Kalam has been the use of simulators for training. The Committee, therefore, recommend that the most suitable AJT at appropriate cost may be made available to the trainee fighter pilots expeditiously and in a time bound manner. The Committee also desire that advanced simulators may be made available for all types of aircraft presently in operation in the IAF.

Reply of the Government

All efforts are being made to progress the case for early acquisition and Induction of the AJT. Current negotiations with M/s BAES for the Hawk aircraft are going on with a view to early finalization thereof.

The case for replacement of obsolescent aircraft with aircraft of modern technology and better combat capability is under consideration. Simulators are in the process of being upgraded.

[Ministry of Defence O.M. No. H. 11013/10/2001/D (Parl.)
Dated 29.10.2001]

Comments of the Committee

(Please see Para 34 of Chapter I of the Report)

Recommendation (Sl. No. 23, Para No. 101)

The Committee hope that all negotiations for Low Level Transportable Radars (LLTRs) will be finalised soon, including for those LLTRs to be acquired for deploying in the mountains and desire that acquisitions are made of the required number of LLTRs in the 9th Plan period itself expeditiously.

Reply of the Government

Low Level Light Weight Radars (LLLWRs)

The requirement of deploying low level light weight radars in mountainous terrain was felt even before the Kargil crisis. Site evaluations of these radars have been completed. Price negotiations will commence after the vendor is finalised based on technical evaluation.

Low Level Transportable Radars (LLTRs)

In order to minimize the gaps in the low level radar coverage along our borders. LLTRs are required to be inducted in a phased manner during 9th and 10th Plan periods.

[Ministry of Defence O.M. No. H. 11013/10/2001/D (Parl.)
Dated 29.10.2001]

Comments of the Committee

(Please see Para 37 of Chapter I of the Report)

Recommendation (Sl. No. 27, Para No. 117)

"117. The Committee note that with the disintegration of Soviet Union, we cannot in the present scenario depend on them totally for supply of equipment and spares on reasonable rates. The Committee therefore recommend that as the 'Friendship Price' was not available from Russia for acquisition of equipment, instead of depending on a single source, global tenders should be floated for all acquisitions of equipment and no advance payment be made for any future acquisition."

Reply of the Government

After disintegration of the Soviet Union, defence procurements from Russia have been carried out on a competitive basis on commercial terms that includes payment for the equipment supplies in hard currency and payment of advance as is the case of purchase of defence equipment of Western origin.

There has been considerable diversification in the procurement of defence procurement with equipment being purchased from Western and other countries also. Dependence on Russia is, however, going to continue as a result of the considerable reliance in the past on Russian equipment and given that upgrades, spares and ammunition for such equipment are likely to be sourced from Russia. The Russians continue to offer us state of the art equipment which is often denied by Western countries. Moreover, in time of crisis, such as during the Kargil conflict, the Russian Government was overwhelmingly forthcoming in meeting the India's defence requirement.

It may also be borne in mind that even after the collapse of the Soviet Union, the military capacity of Russia has been largely preserved. In the existing scenario of Sanctions Regimes against India, and the denial or delay in grant of export licenses by Western countries. Russia would continue to remain an important source of military equipment for the Indian Armed Forces. Efforts are also being made in the direction of joint development and production of defence equipment with Russia for the Indian Armed Forces as opposed to a mere buyer-seller relationship. The progress in this area has also been satisfactory.

[Ministry of Defence O.M. No. H. 11013/10/2001/D (Parl.) Dated
29.10.2001]

Comments of the Committee

(Please see Para 41 of Chapter I of the Report)

CHAPTER V

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

—NIL—

NEW DELHI;
February 22, 2002
Phalguna 3, 1923 (Saka)

MADAN LAL KHURANA,
Chairman,
Standing Committee on Defence.

MINUTES OF THE FOURTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2002) ON BRIEFING BY THE
REPRESENTATIVES OF THE MINISTRY OF DEFENCE ON
THE PREPAREDNESS OF THE DEFENCE FORCES

The Committee sat on Friday, the 22 February, 2002 from 1100 hrs.
to 1300 hrs. and 1400 hrs. to 1600 hrs. in Committee Room No. 'D',
Parliament House Annexe, New Delhi.

PRESENT

Shri Madan Lal Khurana — *Chairman*

MEMBERS

Lok Sabha

2. Smt. Sangeeta Kumari Singh Deo
3. Shri K.P. Singh Deo
4. Shri Chandrakant Khaire
5. Shri Hassan Khan
6. Shri Mansoor Ali Khan
7. Shri P.R. Kyndiah
8. Shri Shivraj V. Patil
9. Prof. Rasa Singh Rawat
10. Shri A.P. Jithender Reddy
11. Col. (Retd.) Dhani Ram Shandil
12. Dr. Raghuvansh Prasad Singh
13. Dr. Jaswant Singh Yadav
14. Smt. Sudha Yadav

Rajya Sabha

15. Shri T.N. Chaturvedi
16. Shri Shanker Roy Chowdhury
17. Shri Suresh Kalmadi
18. Shri Narendra Mohan
19. Dr. Mahesh Chandra Sharma
20. Shri Birabhadra Singh

SECRETARIAT

1. Shri P.D.T. Achary — *Additional Secretary*
2. Shri Ram Autar Ram — *Joint Secretary*
3. Shri K.D. Muley — *Under Secretary*

LIST OF WITNESSES OF THE MINISTRY OF DEFENCE

MINISTRY OF DEFENCE

*** *** *** ***

AIR HEADQUARTERS

*** *** *** ***

AFTERNOON SESSION

MINISTRY OF DEFENCE

*** *** *** ***

NAVY HEADQUARTERS

*** *** *** ***

2. *** *** *** ***

3. The Committee again met at 1400 hrs. to take up for consideration/adoption of the draft fifteenth report of Standing Committee on Defence (2002) on the Action taken by the Government on the recommendations contained in the Eleventh Report of the Committee (Thirteenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2001-2002. The report was adopted with some modifications suggested by the Committee.

4. The Committee authorised the Chairman to finalise the Report in the light of verbal and consequential changes and for presentation of the Report to Parliament.

5. *** *** *** ***

6. *** *** *** ***

The Committee then adjourned.

APPENDIX I

(COMMUNICATION FROM MINISTRY OF
DEFENCE TO MINISTRY OF FINANCE)

MINISTRY OF DEFENCE
(FINANCE DIVISION)

Subject : Action taken statement on the recommendations/observations contained in the Eleventh Report of the Standing Committee on Defence (13th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2001-2002.

The Standing Committee on Defence in 11th Report (13th Lok Sabha) have made certain observations/recommendations in paras 26 and 28 as given below:

Paragraph No. 26

The Committee note that the Defence allocation for the year 2001-2002 have been put at Rs. 62000 crores which shows an increase of Rs. 7539.09 crores over the Revised Estimates of Rs. 54460.91 crores for the year 2000-2001. The percentage hike in the defence budget for the year 2001-2002 has come down to 13.8 per cent as compared to the huge 28.2 per cent increase in the year 2000-2001. When adjusted against an inflation rate of eight per cent hike in defence allocation for the year 2001-2002 is marginal, hovering at 2.53 per cent of the Gross Domestic Production (GDP).

Paragraph No. 28

The Committee also desire that the defence budget has to be incremental, time-bound and planned and this requires a long term commitment and has to cater to several peculiarities such as inflation, prolonged negotiations with foreign suppliers, fluctuations in foreign exchange rate etc.

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 RE 2001-02 and the future financial 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 and planned modernisation of the Armed Forces can be achieved in an appropriate and time bound manner.

(P.R. Sivasubramanian)
Secretary (Defence/Finance)

Shri C.M. Vasudev,
Secretary (Expenditure)
Ministry of Finance

[MOD (Fin) ID No. 9 (12)/B-I/2001 dt. 14.6.2001]

APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE ELEVENTH REPORT OF THE STANDING COMMITTEE ON DEFENCE (THIRTEENTH LOK SABHA) ON DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE 2001-2002.

	Percentage of Total	
(i) Total number of recommendations	27	
(ii) Recommendations/Observations which have been accepted by Government (<i>vide</i> recommendations at Sl. Nos 1-18, 20, 21, 22, 24-26)	24	88.8%
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies	Nil	Nil
(iv) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee (<i>vide</i> recommendations at Sl. Nos 19, 23, 27)	3	11.2%
(v) Recommendations/Observations in respect of which final replies of Government are still awaited	Nil	Nil