

STANDING COMMITTEE ON DEFENCE
(2003)

(THIRTEENTH LOK SABHA)
NINETEENTH REPORT
MINISTRY OF DEFENCE

DEMANDS FOR GRANTS

(2003-2004)

LOK SABHA SECRETARIAT

NEW DELHI

April, 2003/Chaitra, 1925 (Saka)

CONTENTS

COMPOSITION OF THE COMMITTEE (2003).....

INTRODUCTION

REPORT.....

ANNEXURES.....

MINUTES OF THE SITTINGS

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2003)

Shri Madan Lal Khurana - Chairman

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3. Shri S.K. Bwiswmuthiary
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5. Shri K.P. Singh Deo
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44. Shri Ekanath K. Thakur

SECRETARIAT

1. Shri P.D.T. Achary - Additional Secretary
2. Shri N.K. Sapra - Joint Secretary
3. Shri A.K. Singh - Deputy Secretary
4. Shri K.D. Muley - Under Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Defence (2003) having been authorised by the Committee to submit the Report on their behalf present this Nineteenth Report on the Demands for Grants of the Ministry of Defence for the year 2003-2004.

2. The detailed Demands for Grants of the Ministry for the year 2003-2004 were laid on the Table of the House on 13 March 2003.

3. The Committee scrutinised the relevant documents on Demands for Grants as furnished by the Ministry of Defence.

4. The Committee took evidence of the representatives of the Ministry of Defence on 28 and 31 March 2003. The Committee considered and adopted the Report at their sitting held on 10 April 2003.

5. The Committee wish to express their thanks to the representatives of the Ministry of Defence for appearing before the Committee for evidence and for furnishing the material and information in a very short span of time which the Committee desired in connection with the examination of Demands for Grants of the Ministry for 2003-2004.

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

NEW DELHI;
10 April, 2003
20 Chaitra, 1925 (Saka)

MADAN LAL KHURANA,
Chairman,
Standing Committee on Defence.

REPORT

GENERAL

Introductory

In view of the emerging geo-political and geo-strategic scenario, India needs a comprehensive security approach to maintain the desired level of military strength and preparedness to deter any external aggression and to enable it to contribute towards promotion of peace and stability in the region. Against the backdrop of national security risks, India has consistently tried to evolve its security objectives, the core of which is establishment of a credible military capability.

2. However, the achievement of these objectives have been adversely affected by the archaic and cumbersome procurement and financial procedures adopted so far which require drastic overhaul. Though there have been several changes, both in the structures and procedures, in the recent past, consequent to implementation of the recommendations of the Group of Ministers, these have not yet solved the problem fully.

3. Minister of Finance had stated during his Budget speech on 28 February 2003 that the Government is fully committed to modernising the armed forces and equipping them with the best available equipment. This is non-negotiable. Therefore, during the next year, any additional requirement that may emerge on account of modernisation needs of the three defence services will be fully met. There will be no shortage of funds for defence. The Committee welcome the statement made by the Finance Minister, in his Budget speech, but caution that going by the past experience, funds allotted at short notice, especially at the end of the financial year, generally remain unspent.

4. The Union Budget for the Defence Services estimates for the year 2003-2004 has proposed an increase of Rs. 9,300 crore in the total Defence outlay over the revised estimates for the year 2002-2003. The Budget proposals of Ministry of Defence are contained in eight demands for grants, i.e. Demand Nos. 19 to 26. Demand Nos. 19 and 20 cater to the requirements for the civil expenditure of the Ministry of Defence and Demand Nos. 21 to 26 to the budgetary requirements of the Defence Services.

5. The budgetary requirements for the Defence Services are included in the following six Demands for Grants presented to Parliament :—

Demand No. 21, Defence Services — Army

Demand No. 22, Defence Services — Navy

Demand No. 23, Defence Services — Air Force

Demand No. 24, Defence Ordnance Factories

Demand No. 25, Defence Services – Research & Development

Demand No. 26, Capital Outlay on Defence Services.

6. The 'running' or 'operating' expenditure of the three Services and other Departments, viz. Defence Research and Development Organisation (DRDO), Director-General of Ordnance Factories (DGOF), Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC), Directorate General Aeronautical Quality Assurance (DGAQA) and Directorate of Standardisation are provided under the first five Demands, which cater to the Revenue expenditure, while the sixth, viz. Capital Outlay on Defence Services, caters to the expenditure incurred on building or acquiring durable assets. The Demand No.21 (Defence Services - Army) caters to the Revenue expenditure of Army, NCC and DGQA.

7. The Revenue expenditure includes expenditure on Pay & Allowances, Transportation, Revenue Stores (like Ordnance stores, supplies by Ordnance Factories, rations, petrol, oil and lubricants, spares, etc.). Revenue Works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc.) and other miscellaneous expenditure. The Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, tanks. Naval Vessels, Aircraft and Aeroengines, Dockyards, etc. Expenditure on procurement of Heavy and Medium Vehicles as well as Other Equipment, which have a unit value of Rs. 2 lakh and above and a life span of 7 years or more, is shown as Capital expenditure.

8. Approval of Parliament is taken for the 'Gross' expenditure provision under different Demands for Grants. Receipts and Recoveries, which include items like sale proceeds of surplus/obsolete stores, receipts on account of services rendered to State Governments/other Ministries, etc. and other miscellaneous items are deducted from the gross expenditure to arrive at the net expenditure on Defence Services. What is accepted in common parlance as the Defence Budget is the net expenditure thus arrived at for the six Demands, viz. Demand Nos. 21 to 26.

Budget Estimates 2003-2004 of Defence Services

9. The Budget Estimates of the Defence Services for the year 2003-2004, as compared with the Budget and Revised Estimates for 2002-2003 and the actual expenditure during the year 2001-2002 are summarised below :

	Actuals 2001-2002	Budget Estimates 2002-2003	Revised Estimates 2002-2003	Budget Estimates 2003-2004
(Rs. in crore)				
REVENUE EXPENDITURE				
Gross Expenditure: Voted	40109.08	45793.04	43316.48	46651.19
Charged	10.21	16.29	16.29	15.34
Total	40119.29	45809.33	43332.77	46666.53
Receipt & Recoveries	2060.47	2219.96	2244.32	2319.29
Net Revenue Expenditure	38058.82	43589.37	41088.45	44347.24
CAPITAL EXPENDITURE				
Gross Expenditure: Voted	16196.54	21395.95	14896.87	20942.46
Charged	10.37	14.68	14.68	10.30
Total	16206.91	21410.63	14911.55	20952.76

Recoveries on Capital Account	-	-	-	-
Net Capital Expenditure	<u>16206.91</u>	<u>21410.63</u>	<u>14911.55</u>	<u>20952.76</u>
Net Revenue & Capital Expenditure	<u>54265.73</u>	<u>65000.00</u>	<u>56000.00</u>	<u>65300.00</u>
<hr/>				

Civil Estimates of the Ministry of Defence

10. The requirement for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation etc., including share capital contributions made/loans advanced to Defence Public Sector Undertakings and Defence Pensions, are provided for in two separate Civil Demands for Grants of the Ministry of Defence. In addition, the expenditure in respect of Coast Guard Organisation has been transferred from Deptt. of Revenue (Customs), Ministry of Finance to Civil Demands for Grants of the Ministry of Defence w.e.f. Budget Estimates 2002-2003. These are not included in the overall Defence Allocation of Rs. 65,300.00 crore in Budget Estimates 2003-2004. The requirements of the Border Roads Organisation are provided for by the Ministry of Surface Transport.

11. The provisions in RE 2002-2003 and BE 2003-2004 under Demand No. 19 are given below. Major components of gross Revenue expenditure in Revised Estimates 2002-2003 are Canteen Stores Department (CSD) (Rs.3,889.69 crore), Defence Accounts Department (DAD) (Rs.400.84 crore), Coast Guard Organisation (CGO) (Rs.269.51 crore) and Defence Estates Organisation (DEO) (Rs.44.68 crore). In the Capital outlay of Rs.278.38 crore in the Revised Estimates 2002-2003, the major allocations are for the Capital outlay on Acquisition of Ships & Fleets, Land and Aircraft for CGO (Rs.241.74 crore), on Housing/Office Buildings of DAD, DEO & CSD (Rs.34.38 crore) and Miscellaneous Loans for URC by CSD (Rs.2.25 crore), etc.

(Rupees in Crore)

	BE 2002-2003	RE 2002-2003	BE 2003-2004
Gross Revenue	4673.66	4651.26	4674.28
Capital	336.77	278.38	385.82
Gross Expenditure	5010.43	4929.64	5060.10
Receipts (CSD) (-)	4099.49	4139.55	4427.51
Amount met from N.R.F	—	—	—
Net Expenditure	910.94	790.09	632.59

(Break up given in Annexure-VII)

12. Demand No. 20 caters to the Defence Pensions. This provides for pensionary charges in respect of retired Defence Personnel (including Civilian employees) of the three Defence Services, viz.. Army, Navy & Air Force and also employees of Ordnance Factories etc. It covers payment of Service pensions, gratuities, family pension, disability pension, commuted value of pension, leave encashment and casualty awards such as War-Injury Pension and also Gallantry awards like Param Vir Chakra, Mahavir Chakra etc.

The position of Budgetary allocation under this head is as under:—

(Rs. in Crore)

BE 2002-2003	RE 2002-2003	BE 2003-2004
10,700.22	10,092.07	11,000.00

(Break up given in Annexure-VIII)

The reduction of Rs.608.15 crore in the RE over BE 2002-2003 allocation in the Demand is because of less number of retirees due to suspension of normal discharge of other Ranks w.e.f. 01.01.2002 to 31.03.2003 on account of Operation Parakram.

The requirement of additional Rs.907.93 crore in BE-2003-2004 is mainly on account of normal annual growth in number of Pensioners during 2003-2004, and retirement of those personnel who were due to retire between 01.01.2002 and 31.03.2003.

Allocations for 2002-2003

13. As indicated in the General Budget, the provision for Defence Services under Demand Nos. 21 to 26 for 2002-2003 in the Budget Estimates (BE) was Rs. 67,219.96 crore (Gross) and Rs.65,000.00 crore (Net). The Revised Estimates (RE) have been pegged at Rs.58,244.32 crore (Gross) and Rs.56,000.00 crore (Net). As compared to the net actuals of 2001-2002 (Rs.54,265.73 crore), the RE for 2002-2003 shows an increase of Rs.1,734.27 crore in absolute terms and an increase of 3.20 in percentage terms.

14. The Demand-wise position was as under :

(Rs. in Crore)

Demand	BE 2002-2003	RE 2002-2003
1	2	3
1. Army (Revenue expdr. of Army, NCC, R&D and DGQA)	31436.35	30365.38
2. Navy (Revenue expdr. of Navy and Joint Staff)	4649.91	4455.82
3. Air Force (Revenue expdr. of Air Force)	8427.17	7605.71
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	1295.90	905.86
5. Capital Outlay on Defence Services (Capital expdr. of all Services/ Deptt.)	21410.63	14911.55
Total (Gross)	67219.96	58244.32
Receipts/Recoveries (-)	2219.96	(-) 2244.32
Total (Net)	65000.00	56000.00

15. Out of the Revised Estimates of Rs. 56,000.00 crore for 2002-2003, the provision for Revenue expenditure is Rs. 41,088.45 crore, while that for Capital expenditure is Rs. 14,911.55 crore. The major components of the net Capital expenditure of Rs.14,911.55 crore are Land - Rs. 37.83 crore, Works - Rs. 1,893.64 crore, Aircraft - Rs. 5,316.50 crore, Heavy and Medium Vehicles - Rs. 100.07 crore, Other Equipments - Rs. 5,197.94 crore, Naval Fleet - Rs. 1,717.67 crore, Machinery and Equipment for Ordnance Factories - Rs. 73.74 crore and other items-Rs. 574.16 crore.

Budget Estimates 2003-2004

16. The Budget Estimates for 2003-2004 work out to Rs. 67,619.29 crore (Gross) and Rs. 65,300.00 crore (Net).

The demand-wise position is as under:-

(In crore of Rupees)

Demand	RE	BE
	2002-2003	2003-2004
1. Army (Revenue expdr. of Army, NCC R & D and DGQA)	30365.38	29650.62
2. Navy (Revenue expdr. of Navy and Joint Staff)	4455.82	5056.35
3. Air Force (Revenue expdr. of Air Force)	7605.71	8520.80
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	905.86	694.65
5. R&D	-	2744.11
6. Capital Outlay on Defence Services (Capital expdr. of all Services/Deptts.)	14911.55	20952.76

Total (Gross)		58244.32	67619.29
Receipts/Recoveries	(-)	2244.32	(-) 2319.29
Total (Net)		56000.00	65300.00

Category-wise break up

17. A comparison of the Service/Department-wise allocations in R.E. 2002-2003 and B.E. 2003-2004 is given below:—

(Rs. in crore)

*Service Deptt.	R.E. 2002-2003	%age of Total Budget	B.E. 2003-2004	%age of Total Budget	DETAILS IN
Army	31723.96	56.65%	34202.53	52.38%	ANNEXURE-I
Navy	8435.49	15.06%	11980.66	18.35%	ANNEXURE-II
Air Force	12421.53	22.18%	15419.32	23.61%	ANNEXURE-III
DGOF	(-)166.73	(-) 0.30%	(-)366.41	(-) 0.56%	ANNEXURE-IV
R&D	3183.25	5.69%	3647.60	5.58%	ANNEXURE-V(a) & V(b)
DGQA	402.50	0.72%	416.30	0.64%	ANNEXURE-VI
Total	56000.00	100%	65300.00	100%	

* Net Revenue plus Capital provision has been shown here.

18. The Gross Revenue Expenditure in the Budget Estimates for 2003-2004 is 69.01% as compared to 74.40% in the Revised Estimates 2002-2003. The Gross Capital Expenditure in the Budget Estimates 2003-2004 is 30.99% as against 25.60% in the Revised Estimates 2002-2003.

19. The Net Revenue expenditure in the Budget Estimates for 2003-2004 is 67.91% as compared to 73.37% in the Revised Estimates, 2002-2003. The Net Capital expenditure in the Budget Estimates 2003-2004 is 32.09% as against 26.63% in the Revised Estimates 2002-2003.

Growth of Defence Expenditure vis-a-vis other Economic Parameters

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

Year	Def. Exp. as % age of Central Govt. Expdr.	Def. Exp. as %age of GDP
1987-88	18.39	3.38
1988-89	17.81	3.16
1989-90	15.52	2.97
1990-91	14.65	2.71
1991-92	14.67	2.50
1992-93	14.34	2.35
1993-94	15.40	2.54
1994-95	14.46	2.30
1995-96	15.06	2.26
1996-97	14.68	2.16
1997-98	15.20	2.32
1998-99	14.28	2.29
1999-2000	15.79	2.44
2000-2001	15.24	2.38 P
2001-2002	14.97	2.36 Q
2002-2003 (RE)	13.86	2.28 A
2003-2004 (BE)	14.88	N.A.

Q	-	Quick Estimates
P	-	Provisional (as ascertained from Ministry of Finance)
A	-	Advance Estimates.

Projection/Allocation of funds for Services

21. The three Services and other Defence Departments projected a total requirement of Rs. 89,374.16 crore for 2003-2004. Of this, Rs. 48,181.77 crore were under Revenue and Rs. 41,192.39 crore under Capital.

22. Ministry of Finance have allocated Rs.65,300.00 crore. Of this, Rs. 44,347.24 crore have been provided under Revenue and Rs. 20,952.76 crore under Capital Outlay.

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

(Rs. in crore)

Service/ Deptt.	Projections made by Services/ Deptt.	Budget Allocation as per ceiling made by MOF	Shortfall of (3) over (2)	%age shortfall
(1)	(2)	(3)	(4)	(5)
Army	44122.06	34202.53	9919.53	22.48
Navy	14236.66	11980.66	2256.00	15.85
Air Force	26548.70	15419.32	11129.38	41.92
DGOF	133.59	(-366.41)	500.00	374.28
R&D	3897.81	3647.60	250.21	6.42
DGQA	435.34	416.30	19.04	4.37
Total	89374.16	65300.00	24074.16	26.94

The Budget allocation for 2003-2004 (Rs.65,300 crore), however, show an increase of Rs.9,300.00 crore (16.61%) over the RE 2002-2003 (Rs.56,000 crore)

24. The Defence Services/Departments projected a total requirement of Rs. 41,192.39 crore under Capital Outlay. This included Rs. 35,346.14 crore for ongoing/committed schemes and new schemes under modernisation and Rs. 3,938.56 crore for various land, works programme etc. of the three Defence Services and balance Rs. 1,907.69 crore for other Departments, viz. DGOF, R&D and DGQA. Against this, a total of Rs. 20,952.76 crore have been allocated under Capital, based on the budgetary ceiling conveyed by the Ministry of Finance.

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

(Rs. in crore)

Service/Deptts.	Projections made by Services/ Deptts.	As allocated
Army		
Equipment Heads	11001.44	4428.34
Land, Works etc.	3068.54	1253.37
Sub-Total	14069.98	5681.71
Navy		
Equipment Heads	8796.88	6835.32
Land, Works etc.	190.54	194.80
Sub-Total	8987.42	7030.12
Air Force		
Equipment Heads	15547.82	6796.51
Land, Works etc.	679.48	298.73

Sub-Total	16227.30	7095.24
Total (Army, Navy & AF)	39284.70	19807.07
DGOF	216.20	216.20
R&D	1663.49	913.49
DGQA	28.00	16.00
Grand Total	41192.39	20952.76

Non-formulation of Tenth Defence Five Year Plan

26. As regards the Xth Defence Plan (2002-2007), the same is under formulation. However, year-wise position of allocations of funds for the first two years of the Plan is as under:

	<u>(Rs. in Crore)</u>
<u>Year</u>	<u>Allocations</u>
2002-2003 (R.E.)	56,000.00
2003-2004 (B.E.)	65,300.00

27. The Service/Department-wise position of allocations during the first two years of the Xth Defence Plan is as under:

	<u>(Rs. in Crore)</u>
<u>Services/Deptt.</u>	<u>Allocations</u>
Army	65,926.49
Navy	20,416.15
Air Force	27,840.85
DGOF	(-) 533.14
R&D	6,830.85
DGQA	818.80
Total	1,21,300.00

28. The Service/Department wise position of amount earmarked during previous two years for the Defence Services and the amount spent by each Service/Department is as under :

Service/ Deptt.	(Rs. in crore)			
	Amount Earmarked (Final Grant)		Amount Spent	
	2000-2001	2001-2002	2000-2001	2001-2002
Army	29311.06	32024.11	27878.47	31096.88
Navy	7786.58	8434.90	7384.66	8368.45
Air Force	10667.20	11968.30	10611.10	11783.76
DGOF (-)	160.29 (-)	363.64	46.38 (-)	471.61
R & D	3359.32	3172.75	3342.34	3119.80
DGQA	386.64	374.89	359.09	368.45
Total	51350.51	55611.31	49622.04	54265.73

29. The Ministry of Defence have in their written reply, stated that a year-wise statement giving variation between the budgetary provisions and the actual expenditure during last five years, is appended herewith. Modernisation of the Defence Services is a continuous process and the acquisition proposals which do not fructify in a financial year are processed/finalised in subsequent years.

30. Ministry of Finance have stated that the proposal for Non-Lapsable fund will not only be in violation of the extant financial rules but will also avoidably add to fiscal

deficit. In this background, taking up this matter with the Ministry of Finance for re-consideration is not likely to serve any useful purpose.

Statement showing variation between budgetary allocations and actual expenditure

(Rs. in crore)

Year	B.E.	R.E.	Actual Expen- diture	Variation between B.E&R.E (3-2)	Variation between R.E& Actuals (4-3)
1.	2.	3.	4.	5.	6.
1997-1998	35620.00	36099.00	35277.99	479.00	- 821.01
1998-1999	41200.00	41200.00	39897.58	0.00	- 1302.42
1999-2000	45694.00	48504.00	47070.63	2810.00	- 1433.37
2000-2001	58587.00	54460.91	49622.04	- 4126.09	- 4838.87
2001-2002	62000.00	57000.00	54265.73	- 5000.00	- 2734.27
2002-2003	65000.00	56000.00		- 9000.00	

31. On being enquired by the Committee about the adverse impact on the modernisation/upgradation of the Armed Forces due to non-adjustment of the inflation and fluctuations in foreign exchange rates at the time of defence allocations, the Ministry of Defence in their written reply stated :

“It is not possible to arrive at a reasonable estimate of what would have been allocations after adjusting them to inflation and fluctuations in foreign exchange rates for the following reasons :

- (a) There is no established index to arrive at rate of inflation for Defence expenditure in India. Various indices like Wholesale Price Index, Consumer Price Index etc. are arrived at taking into account specific mix of goods/services. Defence expenditure does not consist of the same mix of goods and services and hence these indices cannot be used for any reasonable estimation.
- (b) Foreign payments are made in various currencies. Further these payments are made at various points of time in a financial year and are not necessarily spread uniformly every year. Therefore, unless each foreign exchange transaction is adjusted for the change in exchange rates, it is not possible to arrive at a reasonable adjustments.

It is expected that the allocation in BE 2003-2004 would be adequate to meet the requirements of our Armed Forces pertaining to their committed liabilities, obligatory charges and maintenance requirements and for a limited number of new schemes.”

32. The Committee note that the Budget Estimates for Defence Services at Rs. 65,300 crore for the year 2003-2004 shows a negligible increase of 0.5% over the Budget Estimates of Rs. 65,000 crore for the year 2002-2003. However, it shows an increase of 16.61% over the Revised Estimates of Rs. 56,000/- crore for the year 2002-2003. The Committee also note that there is a perceptible decline in Defence expenditure as the proportion of Central Government Expenditure from 15.84% in 2002-2003 to 14.88% in 2003-2004. The share of Defence Expenditure as percentage in Gross Domestic Product(GDP) has also declined substantially from 3.38% in 1987-88 to 2.28% in 2002-2003.

33. The Committee further note that for the year 2003-2004, the Ministry had projected a demand of Rs. 89,374.16 crore against which the final Budget allocation has been Rs. 65,300 crore only. The Committee further note that the Ministry

considers the allocation in B.E 2003-2004 adequate to meet the requirements of Armed Forces irrespective of inflation and fluctuation in foreign exchange rates.

34. The Committee are distressed to observe substantial under utilization of Defence allocation particularly in respect of capital expenditure continuously for the last several years. The Committee note with concern that a huge amount of Rs. 6,499 crore which constituted 30 per cent of the total capital expenditure earmarked for the year 2002-2003 remained un-utilized. The Committee also note that non-utilisation of funds in the Capital Account were due to slippages, slow progress of work, non-finalisation of deals and contractual commitments. However, the quantum of under-utilized funds becomes more glaring in case comparison is made between the Budget Estimates and the Actuals in the preceding years. In the years 2000-2001 and 2001-2002, the Budget Estimates were Rs. 58,587 crore and Rs. 62,000 crore as compared to the Actual Expenditures of Rs. 49,622.04 crore and Rs. 54,265.73 crore respectively resulting in surrender of substantial funds amounting to Rs. 8,964.96 crore in 2000-2001 and Rs. 7,734.27 crore in 2001-2002.

35. The Committee are constrained to observe that on the one hand there is continued under utilization of funds while on the other high projections are made by Defence Services with no proper fiscal planning. The Committee feel that the weak monitoring system for spending allocated funds well within pre-fixed target dates and lack of effective and fast system of identifying the cause of delay in decision making and implementation are some of the main reasons for surrender of funds year after year. The Committee strongly feel the need of fixing responsibilities on persons responsible for delay so that this step works as a deterrent. The Committee are of the view that defence planning suffers from a very serious flaw as reflected in the figures of Budget Estimates, Revised Estimates and Actuals during the preceding several years and the fact that inflation rate and fluctuation in foreign exchange have not been taken into consideration at all. The Committee are particularly concerned that under utilization of funds earmarked for capital expenditure has weakened the process of modernization of Defence Services with possibilities of ominous consequences in the prevailing international and national security environment.

36. The Committee, having been informed about the non feasibility of creation of Non Lapsable Fund, feel that the Ministry of Defence needs to be more realistic and pragmatic while projecting their requirement of funds, as even after the lapse of first two years of the Tenth Defence Five Year Plan period, the Ministry has not yet formulated the plan.

37. The Committee note with the gravest and utmost concern that the Tenth Defence Plan (2002-2007) has still not been finalised along with indications of rough financial commitments, even though the first two years of the projected Plan are already over. This is a repetition of earlier similar mistakes in the defence planning process and is indicative of the *ad hoc*-ism and the non-serious approach which still seems to prevail, notwithstanding the trauma of Kargil 1999 and other assaults on national security. The Committee urge the Government, not to repeat earlier mistakes on this issue and focus on ensuring that the Tenth Defence Plan is finalised and put into effect without further loss of precious time.

38. The Committee would, therefore, like that Five Year Plan of Defence should be taken up the right earnest with assured and committed allocation by further streamlining the exercise of Budget making, planning and monitoring related thereto. The Committee would also like the Ministry to formulate long-term perspective plan for self reliance and modernization of Army, Navy and Air Force with clear indication of requirement of funds so that scarce resources could be properly managed. The Committee once again emphasize the need to maintain our Defence forces in finest condition, fully equipped with modern and sophisticated equipment. For this, the Committee would like the Government to allocate sufficient funds for them and ensure their full utilisation as well.

Defence Procurement Board

39. As per the information furnished by the Ministry of Defence, Defence Procurement Board (DPB) was constituted vide Government Order dated 24th August 2001. The composition of the Board is as indicated below:-

Chairman : Defence Secretary

Members:

Secretary (DP&S)

Secretary (R&D)

Secretary (Def./Finance)

Special Secretary (Acquisition)

VCDS/CISC

VCOAS

VCNS

VCAS

Financial Adviser (Acquisition)

The salient features of the DPB are detailed below:-

- (i) To oversee all activities related to acquisition on the capital account in the Deptt. of Defence flowing out of the “Buy and Make” decision of the Defence Acquisition Council;
- (ii) To take decisions on such procedural aspects of revenue purchases, which are brought to its attention;
- (iii) Consider cases for approval for procurement on Fast Track basis for recommendation to Government;
- (iv) To make recommendation in cases of procurement on single vendor basis;
and
- (v) To examine proposals regarding procurement procedures.

During the financial years 2001-2002 and 2002-2003, DPB has met 8 times and 12 times respectively. Thus, it has so far held 20 meetings. During these meetings, the DPB has considered proposals of Service Headquarters and other matters brought to its attention as mentioned in para above. The DPB has, so far, taken decisions/overseen, 310 cases involving an estimated procurement cost of Rs.59,000 crore, inclusive of 58 Fast Track cases. A total of 44 procurement proposals of the Army Headquarters, 6 procurement proposals of Air Headquarters and 08 procurement proposals of Naval Headquarters totalling at an estimated cost of Rs.5,863.57 crore have been recommended by the Defence Procurement Board under the Fast Track Procedure since its inception. Besides, it has also given its professional advice on matters such as (a) choice of Deck Based aircraft for Indian Navy (b) assessment of response from vendors on offers of technologies and (c) whether particular items should be limited to single vendor.

The DPB has also examined the Defence Procurement Procedure 2002 (Buy) in detail in 4 meetings and finalised the same. The DPB 2002 (Buy) has been promulgated to be effective from 31.12.2002. The DPB is also considering the following other procurement procedures:-

- (i) Indigenous Warship Building for Indian Navy; and
- (ii) Procedure for transfer of technology from foreign sources

40. During the oral evidence, the Defence Secretary stated:

“I wish to make one point here that it is a fact that the entire defence procurement structure, the defence procurement procedures had come in for criticism, which is why the Group of Ministers, when they went into the question of management of defence, they adversely criticised both the structures and the procedures and suggested that some changes be brought about. These changes took place in the year 2000-2001 as a result of the Group of Ministers’ recommendations. I am not spelling out those changes at this stage; I will cover that later, but it is our belief that with the creation of the Defence Procurement Board and various other Boards, fast track procedure, the increased financial powers both to the Minister and in consultation with the Finance Minister, with these various changes which took place towards the end of 2001, this started showing effect in the

current financial year, which is why, upto the end of December 2002 we could spend Rs.4,000 crore more than what we did till December 2001”.

41. The Defence Secretary further informed :

“Firstly, the fast-track procedure is meant to cater to procurements of operational urgencies. For such cases, the financial power of **Raksha Mantri** has been enhanced from its earlier level of Rs.20 crore to Rs.300 crore.”

“What is the procedure in this regard? The procedure is that when a Service needs an item to be purchased under the fast-track procedure, it sends a comprehensive note to the Secretariat of the Defence Procurement Board. This Secretariat sends a copy of this note to those concerned agencies, which are represented on the Defence Procurement Board, and they are given 14 days’ time to study and give their comments back to the Secretariat of the Defence Procurement Board. In this study which is given to them for up to 14 days, each agency can get the proposal studied at whichever level it so desires, which is in the top to bottom of the hierarchy. Each agency is given 14 days, if they so wish. Within 14 days the agencies are to give their comments back to the Secretariat. The Secretariat of the Defence Procurement Board thereafter puts together the comments of the concerned agencies and prepares a paper, more or less in the form of a board paper.”

“The functioning of the Board is somewhat like that of a corporate Board. With all the concerned agencies represented on the Board, each member is supposed to and is entitled to give his views. All the issues raised are discussed at the Board meeting itself. If the Board agrees, then the decision is taken to go ahead to purchase the item. In some cases, if some issues raised at this Board meeting required further study, these are again brought up before a meeting of the Board in the form of Board Paper. It is the Board which takes a decision that an item should be purchased. Thereafter, there is no questioning of this decision. In fact there can be no

further questioning because all the Secretaries of the Defence Ministry, the Vice-Chiefs and the Chief of Integrated Staff have been party to the decisions. So, there is really no one left to question the decision.

In the last one and a half years of its existence the Defence Procurement Board held its first meeting in October, 2001 – the DPB has taken decisions in respect of 58 fast-track cases amounting to about Rs. 6, 000 crore. We are in the process of compiling the statistics in respect of the follow up action on these 58 decisions taken so far and we shall be examining them to see what has been the time factor involved from the decision-making to signing of the final contract. We shall certainly discuss these findings threadbare in the Defence Procurement Board to see what further refinements can be made to improve the position. I am certainly not stating that our assessment is that the fast-track process is perfect. Certainly, like in all organisations, the changes brought about require constant review and improvements. But I would like to state that we have brought about, in my view, a fundamental shift in the decision-making process from an examination on file to a decision-making by a corporate entity literally across the table”.

42. The Committee note that the Defence Procurement Board (DPB) was constituted in August 2001 with the objective of making the defence acquisition system swifter and faster as well as less cumbersome. Since it came into existence, the Board has taken decisions on 310 proposals of defence equipments including 58 Fast Track cases totalling worth Rs.59,000 crore. The Committee are not aware whether the proposals recommended/cleared by the DPB have materialised. In this regard, the Committee note that the total outlay for acquisition of defence equipments under capital expenditure during 2001-2002 and 2002-2003 was Rs. 19,958.52 crore (BE) and Rs. 21,410.63 crore (BE) respectively totalling Rs. 41,369.15 crore, whereas the RE for the above two financial years have been Rs. 16,956.53 crore and Rs. 14,911.55 crore respectively totalling Rs. 31,868.08 crore.

43. The Committee would like the Ministry of Defence to ensure that the proposals recommended/cleared by the Board are fructified into actual

procurement within a reasonable time so as to reverse the trend of under-utilisation of funds in recent years. The Committee feel that the Defence procurement structures and procedures including DPB, require further improvement and revamping to make the acquisition process speedier as well as transparent. In order to accelerate the process, the Committee feel that a system of pre-audit by a statutory body should be established before transactions by the DPB are finalised. Pending acquisition, proposals must be pre-audited, expedited and disposed of by the DPB in a time-bound manner.

Collection of Revenue from surcharge on Income Tax for National Security

44. On being enquired by the Committee about the fund generated as a result of 5 per cent surcharge levied by the Government on tax payers in the name of National Security during the year 2002-2003, the Ministry of Defence have furnished a rough estimate of the collection of Rs.4,253 crore in this account. Similarly, a sum of Rs.2,800 crore is likely to be collected during the financial year 2003-2004 as a result of 10 per cent surcharge levied by the Government on the tax payers earning more than Rs.8.5 lakh per annum. The Ministry of Defence further informed that “the amount generated through surcharges levied by the Government is a part of general revenues of the Central Government and expenditure provisions are made through the Demands for Grants of the Ministries/Departments approved by the Parliament.

45. The Committee note that the Government levied 5 per cent surcharge on tax payers for national security during the year 2002-2003. The Government have also levied a surcharge of 10 per cent for the same purpose on tax payers earning more than Rs.8.5 lakh per annum during 2003-2004. The Committee have been informed that the fund generated by above surcharge was Rs.4,253 crore in 2002-2003 and in 2003-2004, a sum of Rs.2,800 crore is likely to be collected and that the amount generated through surcharges levied by the Government is a part of general revenues of the Central Government.

46. The Committee are surprised to observe that the funds collected for the specific purpose of national security have become the part of general revenues of the Government. The Committee feel that the funds generated should logically be utilised for the purpose for which it was collected, i.e. for National Security. The Committee recommend that funds collected from the National security surcharge must be placed in a separate ‘Non-Lapsable Fund’ to be utilised by the Ministry of Defence for capital expenditure.

ARMY

Bullet Proof Jackets

47. The Ministry of Defence in reply to a question have stated that in view of the enhanced threat to our troops operating in Counter Insurgency Operations and along the Line of Control, Military Operations Directorate have worked out a total requirement of 3,53,765 Bullet Proof Jackets (BPJs) for the Army whereas the availability is only 1,24,640 as on date. This requirement was under examination and approval of the Cabinet Committee on Security will be obtained in view of the financial implications involved.

48. The Ministry proposed to provide an improved version of bullet proof jackets with enhanced protection and also Ballistic helmets for head gear to replace the existing Fibre Re-inforced Plastic (FRP) helmets. From 1988-89 onwards, 1,24,640 Bullet Proof Jackets have been purchased for the Army. During the last procurement of Bullet Proof Jackets ex-import and indigenously, the ballistic qualitative requirement was standardized in the GSQR. On the question of qualitative comparison with imported Jackets, the Ministry have replied that the Bullet Proof Jackets supplied by the foreign and the Indian firms varied in physical parameters, giving the same ballistic protection as indicated below :

Sl.No.	Make	Cost	Weight	General
1.	Ex-import	Rs.15,640	4.5 Kgs	Hard and Soft Armour Panel of Dyneema.
2.	Ex-India	Rs.8,950	5.5 Kgs	Hard and Soft Armour Panel of Ceramic plus Kevlar.

49. The Committee are deeply concerned at the major shortfall of nearly 2.5 lakh Bullet Proof Jackets with the Army for its operational role on the line of control and in its counter insurgency operations. They are disturbed to note that such a huge shortage still remains notwithstanding the fact that procurement action was initiated as far back as 1988-89 which reflects very adversely on the procurement process.

50. The Committee further note that the cost of Indian Bullet Proof Jacket is Rs.8,950 while that of a imported one is Rs.15,640. Both are reported to be of similar quality though the Indian version is 1 Kg. more in weight. The Committee feel that the required number of Bullet Proof Jackets of a quality in conformity with

the international standards must be procured either from Indian or International sources in a time bound manner. It is understood that the Defence Public Sector Undertaking, Mishra Dhatu Nigam (MIDHANI) has the necessary expertise for the purpose. Wherever possible, indigenous production in procurement of this item must be given priority subject to quality and supply within a reasonable time.

Modernisation of Ordnance/Ammunition Depots

51. On the question of incidents of fire in the Ordnance/Ammunition Depots, the Ministry of Defence have informed the Committee about the incidents of fire in the Ordnance/Ammunition Depots and estimated loss during the last ten years which are as under :

Sl. No.	Ordnance Depots/Ammunition Depots	Date of Incident	Estimated Loss (in Rupees)
(a)	Ganganagar	31 January, 1994	Rs.7,300/-
(b)	Srinagar	29 March, 1994	Rs.6,86,250/-
(c)	Pulgaon	25 May, 1995	Rs.9.17 Crores
(d)	Dappar	9 October, 1997	Rs.6.15 Lakhs
(e)	Bharatpur	28 April, 2000	Rs.393 Crores
(f)	Dehu Road	3 May, 2000	Nil
(g)	Kanpur	28 May, 2000	Rs. 4 Crores
(h)	Mammon, Pathankot	29 April, 2001	Rs.27.69 crores
(i)	Bridhwal, Ganganagar	24 May, 2001	Rs.375.04 Crores
(j)	Shakurbasti, Delhi	3 June, 2001	Rs.2.87 Crores
(k)	Jabalpur	6 August, 2001	Nil
(l)	Dappar	27 July, 2002	Nil
(m)	Jodhpur	2 August, 2002	Rs.31.54 Lakhs

52. In reply to a question to avoid loss due to fire incidents and also the modernisation of Ordnance/Ammunition Depots, the Ministry have stated that the following steps/remedial measures have been taken to ensure safety and security of Ammunition/Ordnance Depots :

- (i) All depots have been directed to update safety and security instructions.
- (ii) All depots have been inspected by a Board of Officers to check adequacy of safety and security arrangements.
- (iii) Shortages in fire fighting equipment are being made up and defective equipment repaired.
- (iv) Unserviceable ammunition is being disposed of on priority.
- (v) Allotment of additional funds for creation of more Explosive Store Houses for shifting ammunition presently stored on plinths under canvas.

The steps taken by the Government have been able to contain losses due to fire in the recent past.

53. Government have decided to modernise all 7 Central ordnance Depots located at Agra, Mumbai, Chheoki, Delhi Cantt., Dehu Road, Jabalpur and Kanpur in a phased manner. To begin with, modernisation of Central Ordnance Depot, Kanpur at an expenditure of Rs.187 crore was approved on 30 January 2001. The project is progressing as per schedule and is expected to be completed by December 2003. A sum of Rs. 41 crore has already been released for the project up to the financial year 2002-2003. During the 10th Five Year Plan it is proposed to take up the modernisation of 3 more Central Ordnance Depots at Agra, Jabalpur and Delhi Cantt. at an estimated cost of Rs.300 crore each.

54. As regards Ammunition Depots, from the year 1950 to year 1999 projects worth only Rs.129 crore were sanctioned for construction of Ammunition storage accommodation. However, consequent to the fire incident at Ammunition Depot, Bharatpur on 28 April 2000, a concerted drive has been made to provide adequate permanent storage accommodation of the desired specification at all Ammunition Depots. During the year 1999-2000 as against the authorisation of approximately 5 lakh MT of permanent storage accommodation for storage of ammunition. The storage accommodation held at different depots was as under :

(a)	Permanent	1.97 lakh MT
(b)	Temporary	1.41 lakh MT

55. Defence Secretary has stated as under :

“With regard to the ordnance depots, these are the Army’s ordnance depots. The problem was that for quite a few of the ammunitions, we did not have permanent storage space. As a result a substantial amount of ammunition was kept in the open under tarpaulin, sometimes possibly not properly protected by tarpaulin. The need was appreciated that what we need today is to build permanent storage facilities for the ammunition in all the Army’s ammunition depots and between 1999 to this year we have sanctioned more than Rs.900 crore for the purpose of building these storage facilities. Once these storage facilities are built there shall

be no further ammunition lying in the open, which is perhaps the primary cause of the fires in ammunition depots.”

56. In order to meet the deficiency of ammunition storage, projects worth Rs.823 crore have been approved till 2002-2003. Further projects worth Rs.127 crore are projected to be approved during 2003-2004.

57. The Committee note that during the last ten years the country has lost approximately Rs.812 crore due to 13 major incidents of fire in Ordnance/Ammunition Depots. The Committee are perturbed to learn that the ammunition worth hundreds of crore of rupees is being kept in highly improper and unsafe manner sometimes lying in the open even without a tarpaulin cover posing a grave risk to human life and avoidable huge financial loss to exchequer.

58. The Committee understand that most of the Ordnance/Ammunition Depots were constructed long back and were in immediate need of modernisation and expansion but Ministry failed to react to the situation till the major incident of fire in Ammunition Depot at Bharatpur in the year 2000.

59. The Committee feel that Rs.129 crore sanctioned during the period between 1950 to 1999 for construction of Ammunition storage accommodation was too meagre to prevent such incidents. The Committee, therefore, strongly recommend that adequate measures must be taken so that modernisation and expansion programmes of depots are completed on schedule thereby ensuring that incidents of fire resulting in a huge loss of arms and ammunition do not recur.

Facilities for Ex-Servicemen

60. The Ministry have stated that various organisations of ex-Servicemen have been demanding that the pensioners of the Armed Forces be granted pension on the principle of 'One Rank One Pension'. This demand of 'One Rank One Pension' implies that the past pensioners be granted the same pension which is granted to the new pensioners with

the same rank and length of service. This demand was considered by the Fourth and Fifth Pay Commissions. They did not recommend acceptance of the demand.

61. In a recent decision taken by the Government, Department of Pension and Pensioners' Welfare, Ministry of Personnel, Public Grievances and Pension has constituted an inter-ministerial Committee to examine the demand of 'One Rank One Pension'.

The Terms of Reference of the Committee are :

“To review the recommendations made by successive Pay Commission and various High-Level Empowered Committees in respect of Armed Forces pensioners vis-à-vis civilian pensioners and ascertain whether any further relief in the light of existing relativities/parities duly keeping in view the financial implications involved, can be extended.”

62. In reply to a question on the course of resettlement, the Ministry have stated that during 2001-2002 and 2002-2003, 25 per cent of the personnel below officers rank could not get their choice of courses at their choice stations. The reasons for the individuals (25%) not getting their choice of resettlement courses are that certain stations in Haryana, Punjab, Kerala, Himachal Pradesh and Tamil Nadu are over-subscribed as choice of place for resettlement courses. More troops hail from these regions and are keen on doing the resettlement courses from their home town/place nearest to their home town as it helps them in settling down after retirement.

63. The Committee reiterate their earlier recommendations for providing one rank one pension in a time bound manner to the ex-servicemen keeping in view the extremely challenging service conditions of defence personnel who constitute a special category as compared to the other Government employees. It is understood that a separate Inter-Ministerial Committee has been constituted by the Government to examine this demand. However, the Committee recommend that as an immediate interim measure, the recommendation of the Fifth Pay Commission stipulating the minimum requirement of 33 years of qualifying service to get pension at 50 per cent of the last pay drawn must be modified to suit the prevalent special conditions in the Armed Forces where the Defence personnel retire on a time bound scale of service.

64. The Committee also recommend that the Government must develop additional facilities for imparting pre-retirement re-settlement training at all the stations which are stated to be over subscribed so that retiring personnel get their choice of re-settlement courses at these stations.

Army Recruitment Rallies

65. There were a number of incidents where prospective candidates were killed or injured either in police firing or in stampede during the recruitment rallies organised by Army authorities. The Members of the Committee expressed their concern over the mismanagement in the recruitment rallies organised by Army.

66. During the oral evidence the Defence Secretary has stated:

“Hon’ble Members also referred to the need to bring about improvements in the methodology of handling the recruitment to the Army. The incidents of disturbances and violence at Recruitment Rallies have been widely reported in the media. I am sure the Army would have initiated certain corrective steps. However, this is an important issue and we take note of this concern. We shall ask Army Headquarters to have a fresh and detailed look at the matter and see what improvements can be made in the procedures.”

67. The Committee are distressed to note the loss of precious lives of the young people at several recruitment rallies throughout the country mainly due to the failure on the part of concerned authorities in managing the recruitment process, particularly where the candidates are in large numbers.

68. The Committee feel that the young people desirous of joining Defence forces should be treated with dignity and the process of recruitment should be suitably improved so as to avoid disorderly scenes during the large scale recruitment rallies.

69. The Committee would, therefore, like the Ministry of Defence to devise a viable system of screening or preliminary tests to control the number of candidates who become eligible after such screening for appearing at the main recruitment rallies for final selection.

Shortage of Officers in Armed Forces

70. It has been informed that there is a shortage of about 16,000 officers in the Armed Forces and the youngmen preferred other Services than the Armed Forces. The Members of the Committee also expressed their concern over this shortage of army officers.

71. During the oral evidence, the Defence Secretary has stated :

“On shortage of officers, the general issue is there have been shortages. We have tried to get around this by bringing about a lot of media coverage on this. A lot of publicity on this because if it is assumed that people are going to go into the Army, Navy or the Air Force because of high salary structure, there is no way we can ever match the salary structure given by multinationals and various organisations. We certainly, therefore, are trying to build up the ethos of the Armed Forces what purpose is gained by joining the Army rather than by joining some other organisation and for this what is the background, the thrust, we have been trying.”

72. On the issue of problems of officers and Jawans with civil administration, the Defence Secretary has stated :

“In so far as the Jawans’ works with the State Administration is concerned, I had been a District Magistrate myself several years ago and I know a little about it. Presumably things have got worse since then. I will accept that it is a fact that the civil administration in many States and districts is not a high priority item. We have taken it up with the Chief Ministers through our Minister. I agree that this is something which can only be brought about by repeated instructions. Even though we had recently written to the Chief Ministers on the subject, we shall do so again soon.”

73. In their action taken reply on 12 February 2002, the Ministry of Defence had stated that the construction of National War Memorial and National War Museum was conceived long back. However, no headway in this regard has been made for want of an appropriate site acceptable to Army authorities and also conforming to norms prescribed by various civil authorities. The matter was then under consideration at the highest level in Ministry of Defence & Ministry of Urban Development. A concept paper and design of the National War Memorial/National War Museum had been sent to Ministry of Urban Development for consideration and allotment of suitable land. As soon as the land was

allotted by Urban Development Ministry, the construction would be undertaken on war-footing.

74. The Committee are constrained to observe that shortage of officers in armed forces has reached an alarming figure of more than 16,000 in recent times. The Committee, therefore, desire that the Ministry should chalk out a strategy on top priority basis to make the armed forces more attractive. The Committee would also like the Ministry to consider reservation of one per cent posts in State services as well as in the central departments for deputation of officers of the Armed Forces and further improvement in pension norms. The Committee also desire the Ministry to pursue the issue of lateral transfer of defence personnel to Central Para Military Forces and other Government departments.

75. The Committee feel that proper care must be taken by the officers of State/Central Government while dealing with the defence personnel. As they have very short time available at their disposal when they go on leave and if their work in the State Government offices get done on a priority, it would not only boost the morale of the armed forces but create a very good impression in the minds of the general public. The Committee also recommend that the Ministry should take up with the State Governments for appointing designated officers for expeditious redressal of the grievances of Servicemen as well as ex-Servicemen.

76. The Committee are unhappy to note that the construction of National War Memorial and National War Museum, conceived long back but is yet to be constructed for want of an appropriate site acceptable to the Army authorities and also conforming to the norms prescribed by various civil authorities. The Committee, therefore, reiterate their earlier recommendation and strongly recommend that the Ministry should take immediate steps to construct these symbols of national pride and honour for the soldiers who gave their lives valiantly fighting for the motherland.

Main Battle Tank 'Arjun'

77. In written reply to a question, the Ministry have stated that the project for development of Main Battle Tank, " Arjun" was sanctioned by the Government in May 1974. The project was been successfully completed in March 1995. The cost of the tank initially conceived and estimates for Pre-Production Series (PPS) tanks was Rs.8 crore at 1992 price level and for limited series tanks as Rs.10.8 crore at 1996 price level. The

present cost of MBT-Arjun to be rolled out from Heavy Vehicle Factory, Avadi, Chennai (HVF) is estimated to be Rs.14.56 crore. The total amount spent on the project for Design & Development of MBT Arjun is Rs.305.60 crore.

78. DRDO had manufactured and delivered 12 prototypes of MBT Arjun by January 1989 and 15 pre-production series (PPS) tanks by December 1996 to the Army for users' evaluation and trials. The PPS tanks given to the users' unit of the Army for trials, are now being used as 'operational tanks' as the unit is fully satisfied with their capability.

79. Based on the performance of PPS tanks, the Department of Defence had processed a case in 1995-96 seeking approval of Government for bulk production of 124 tanks. Pending approval of Government paper for induction of 124 Arjun tanks, Department of Defence Production and Supplies placed an order on HVF in August 1996 for Limited Series Production (LSP) of 15 Arjun tanks in order to maintain continuity at the production centres. The parallel action for LSP was taken to overcome the long lead time required for planning for bulk production, technology transfer by way of production drawings and documents, floating of enquiries for procurement especially imported systems, training of manpower, etc.

80. Government approval had been accorded in February 1999 for the series induction of Arjun tanks into service. Army has placed an indent on 30 March 2000 on Ordnance Factory Board for manufacture of 124 numbers of Arjun tanks.

81. The planning for bulk production of MBT-Arjun at Heavy Vehicle Factory, Avadi, is being monitored by the Department of Defence Production and Supplies was created basically for the production of T-72 Ajeya. This is now being augmented by capital investment of Rs.1000.00 crore at Ordnance Factory Project, Medak (OFPM) and HVF, Avadi for production of MBT - Arjun. After creation of the additional infrastructure at OFPM and HVF respectively, the capacities so created will be fully utilised to manufacture 30 Arjun tanks per year in addition to production of Combat Improved Ajeya (CIA) & T-90 Tanks. DRDO is providing all the necessary inputs. As per the delivery schedules received for different long lead items and the production schedule worked out by the Heavy Vehicle Factory, Avadi, the first MBT Arjun is expected to roll out in March/April 2003. Delivery of all tanks is likely to be completed by 2006-2007.

82. During the oral evidence, SA to RM has stated :

“About the Arjun agreement, if it is only for 124, they were not ready to give technology transfer. The technology transfer, the break even point is for 300

numbers. So, 124 engines are going to be imported outright. Two Arjun will be ready by June. Then, the production rate is at present 6 to 7. If they want to develop it, yes, we can do that. These tanks are going to come in June.”

83. In reply to a question, the Ministry have stated that with the induction of T-90 Tanks (124 fully formed and 186 to be manufactured from Semi Knocked Down Kits and Completely Knocked Down Kits at HVF Avadi) and import of Transfer of Technology (TOT) for manufacture of 1,000 T-90 Tanks at HVF, Avadi; T-90 is going to remain as the main battle tank of the Indian Army till the end of XII Plan Period. The cost of TOT for T-90 is US \$ 70,900,000. The comparison of the characteristics of the MBT-Arjun and T-90 Tanks is as follows :

	Arjun	T-90
1. Mobility		
(a) Weight	58.5 tons	46.5 tons
(b) Engine Power	1400 HP	1000 HP
(c) Navigation system	GPS	TNA-4-6
2. Fire Power		
(a) Main gun	120 mm	125 mm
(b) Missile (Anti Tank)	Nil	Yes
(C) Integrated Fire Control System (IFCS)	Yes	Yes
(d) Thermal Imager Night Vision	Yes	Yes
3. Protection		
(a) Armour	Kanchan	Composite Laminate
(b) Laser Warning System	Yes	Yes
(c) Anti-Tank Missile protection system	Nil	SHTORA-1 (ARENA)

84. The Committee are seriously concerned at the inordinate delay in the development and induction of indigenous MBT-Arjun. They feel that the delay in obtaining Government approval for bulk production of 124 tanks is another serious setback to the process of indigenisation. They are also constrained to point out that in view of the disturbed international and regional environment the projected delivery schedule of the complete series by the year 2006-2007, being on the much higher side, is totally unacceptable. The Government must make all efforts to induct the complete number of Arjun tanks into field units of the Army in much shorter time frame.

85. The Committee further recommend that the capabilities of MBT-Arjun must be enhanced by developing and incorporating the Anti-Tank Missile protection system and the capability to fire Anti-Tank Missiles from its main armament.

86. The Committee also recommend that keeping in view the future requirements, the Ministry should explore the possibility to develop an engine for this tank indigenously so that we don't have to depend on foreign supplier every time. This will not only make the country self reliant in terms of engine but also serve as launching pad for future generation of indigenous tanks.

NAVY

Modernisation of Shipyards

87. The Ministry of Defence have stated that in order to ensure optimum capacity utilisation, particularly in respect of ship building and submarine constructions and also to meet the requirements of the Indian Navy in terms of shorter intervals at which successive ships of each project are to be delivered, the existing facilities in Mazagon Dock Ltd. (MDL), Mumbai, Garden Reach Shipbuilders and Engineers Ltd. (GRSE), Kolkata and Goa Shipyard Ltd. (GSL), Goa are in urgent need of upgradation and augmentation. Navy's 15 years' ship building plan, which is waiting approval, envisages construction of 26 ships, 21 ships and 24 ships, including major war ships/submarines, at MDL, GRSE and GSL respectively. Action has already been initiated by the shipyards for modernisation/augmentation of facilities through project – aided funds to be given by the Indian Navy.

88. The infrastructure to be developed, the time required for completion of each component and the cost involved in augmentation for each shipyard are as under :

- | | | | | |
|-----|--------------|-------|--------------------------------------|--------------|
| (a) | MDL - | (i) | Modular workshop and stores for P-75 | March 2005 |
| | | (ii) | Extension of slipway | June 2004 |
| | | (iii) | Addl. Wet Basin | June 2006 |
| | | (iv) | Cradle assembly shop | January 2005 |

Upgradation of design software and modern Material Management System are also to be implemented progressively. The envisaged cost of modernisation will be Rs.307 crore out of which Rs.281 crore have already been catered for in the Naval projects to be given to MDL, which are under consideration.

(b) **GRSE** – Completion of design and production of Prototype of Rapid Reaction Bridging System are envisaged as integral components of the modernisation programme. Rs.180 crore are to be provided by the Navy through their projects earmarked for GRSE.

(c) **GSL** – The details of augmentation with expected dates of completion of the various components of GSL's modernisation plan are as under :

- | | | |
|-------|--|------------|
| (i) | CNC pipe bending machine & 75 T Transporter,
upgradation of shot blasting plant and Hydraulic jacking
system for slipway | March 2004 |
| (ii) | Laser CNC cutting machine & MoF center and testing
Facilities | March 2005 |
| (iii) | Robot Welding Station, Hull shop, Offices/buildings and
renovation/repair of slipways | March 2006 |
| (iv) | Modernisation of stores and warehouses and renovation/
repair of fitting out jetty | March 2007 |
| (v) | Cranes for slipway, jetty and wharf | March 2010 |

The estimated cost of modernisation will be Rs.241 crore which will be funded by the Navy through their projects earmarked for GSL. Enterprise Resource Planning (ERP) system is already in place.

89. **Order Position**

(a) **MDL** – 3 frigates (P-17), 3 destroyers (P-15A) for Indian Navy and 9 Border Outpost (BOPs) for BSF.

- (b) **GRSE** – One corvette, 2 frigates (P-16A), 3 LST(L) for Indian Navy.
- (c) **GSL** – One AOPV, 2 FPV, 2 extra fast attack aircraft and one BSF boat (HULL).

90. **Utilisation percentage** – Capacity utilisation for the shipyards during the year 2001-2002 was 30% for MDL, 26% for GRSE and 23% for GSL.

Modernisation plan with financial implication – The estimated cost for the modernisation of the 3 shipyards are as under :

MDL - Rs.281 crore, GRSE – 180 crore, GSL – Rs.241 crore.

91. During the oral evidence, Secretary(DP&S) has stated :

“.....Under the Defence Production, there are three defence shipyards. They are Mazagon Dock, Garden Reach and Ship Builders Engineers and Goa Shipyard. Indeed, it is true that there capacity utilisation is extremely poor. As of today, it is around 30 per cent in Mazagon Dock, 26 per cent in GRSE and 41per cent in Goa Shipyard. This is essentially on account of the fact that their order books are very poorly booked and frankly, there are no sufficient orders with them to optimally utilise their capacity. There is a 15-year plan of the Navy which has very recently been considered by the Defence Acquisition Council. That plan is somewhat ambitious. But nevertheless, it will be considered by the appropriate fora and subject to budgetary support being made available....”

92. **The Committee note that the average capacity utilisation of defence shipyards ranges between 23% and 41% on account of poor order book position which is also affecting their upgradation and modernisation plans. The Committee also note that on the one hand the Navy is facing shortage of Naval vessels and on the other hand country’s shipyards are lying idle despite having the adequate expertise and capacity. The Committee are unhappy to note that one of the main reasons for poor capacity utilisation in shipyards is non-approval of Navy’s 15 years’ ship building plan and the budgetary commitment for the same.**

93. **The Committee would like the Ministry to immediately take corrective measures including early approval of Navy’s 15 years’ ship building plan, for efficient utilisation of trained manpower and facilities available in the shipyards.**

Acquisition of Aircraft Carrier

94. The acquisition of the Russian aircraft carrier Admiral Gorshkov has been under consideration since 1994. The Ministry of Defence have informed the Committee that four Indian delegations (two Naval and two integrated) have since assessed the state of the ship and eleven Russian delegations have visited India for technical and price negotiations till February 2003. On 4 October 2000, an Inter-Government Agreement (IGA) was signed between India and Russia. The IGA stipulated that the Russian side submit a Detailed Project Document (DPD) giving sufficient details to facilitate the Indian Government to take an 'Investment Decision'. The DPD was submitted by the Russian side in December 2000 and was examined by a Committee headed by Addl. Secretary, Ministry of Defence and report submitted in November 2001. Technical negotiations were thereafter held in March 2002 and Price Negotiations are still in progress. The ship will be repaired and re-equipped at a Russian dockyard. The repair/re-equipping, training and extensive trials are scheduled to take about 52 months from the commencement of the repairs. The ship is being redesigned to operate MiG-29 K. The major work planned to be undertaken includes modifications to the hull, flight deck, aircraft lifts, incorporation of the ski jump and arrest gear, conversion of boilers to burn diesel, fitment of additional diesel alternators and air-conditioning plants, indigenous communication complex, etc.

95. In reply to a question, the Ministry have stated that Indian Navy is presently having one operational Aircraft Carrier, viz. INS Viraat. This Aircraft carrier is expected to be in the services of Indian Navy till 2007. The negotiation for acquisition of "Admiral Gorshkov" is still in progress. As it is not possible to lay down a time limit for such a major acquisition, there may be a possibility of non-availability of an Aircraft Carrier during the period of decommissioning of INS Viraat and induction of "Admiral Gorshkov" after repairs and re-equipping if the contract gets delayed for some reasons. Prolonging the service life of "Viraat" could be attempted but would be for a very short period. Neither Aircraft carriers are available on hire nor it is available for procurement from any other nation at this juncture.

96. During the oral evidence Defence Secretary has stated :

"Viraat is supposed to retire around 2006-2007 and whether we can keep it going by refits and life extensions till the time an indigenous Aircraft Carrier comes is an unknown question. There is a likelihood we can, there is a possibility we cannot, and it was to bridge this gap that we have been looking at the fastest other means of acquiring an Aircraft Carrier which would have necessitated getting the

help of an Aircraft Carrier in existence from some other country and purchasing that.”

97. The Committee note that at present the ageing INS Viraat is the only Aircraft Carrier in the Indian Navy which is expected to be in the service till 2007. The prolonging the service life of INS Viraat could be attempted but that would be for a very short period. The Committee also note that even if the deal to acquire the Aircraft Carrier Admiral Gorshkov is finalised immediately, it will take another 52 months to make the Carrier operational. The Air Defence Ship, which is not a substitute for Aircraft Carrier, is also not forthcoming before 2010-2011.

98. The Committee express their unhappiness at this state of affair and feel that there was a lack of foresight and advance planning on the part of the Ministry. The Committee feel that the Ministry could have explored the possibility of acquisition of a custom made Aircraft Carrier well in time. The Committee, therefore, recommend that the process of acquisition of the Aircraft Carrier be finalised immediately and its induction be ensured before the de-commissioning of Aircraft Carrier Viraat to meet the operational requirements of the Navy.

AIR FORCE

99. The total allocation made to the Air Force (Revenue Expenditure) in the Budget Estimates 2002-2003 was Rs.8,427.17 crore. The Revised Estimates showed a marked reduction at Rs.7,605.71 crore.

100. The Ministry of Defence have stated that there is a variation of Rs.821.46 crore between Budget Estimates 2002-2003 and Revised Estimates 2002-2003 in revenue expenditure of Air Force mainly on account of slippages/non-materialisation of deliveries in respect of the finalised contracts and non-finalisation of certain contracts.

101. Similarly, on the Capital Account for the Air Force Rs.7,502.01 was the B.E for 2002-2003, the R.E are shown as Rs.5,002.04 crore. An amount to the tune of Rs.2,499.97 crore could not be utilised. The reasons cited by the Ministry of Defence for less utilisation was the reduction in the overall Defence budget by the Ministry of Finance in view of the abnormal fiscal pressure created by drought like situation and other unforeseen expenditure.

102. The Committee are unhappy to note the non-utilisation of some of the funds for the Indian Air Force under both capital and revenue heads. The reasons for this, advanced by Ministry of Defence reflect the on-going crisis in the decision making and procurement processes of Defence planning. These have to be rectified at the earliest.

103. The Committee desire that together with the allocations for the other Defence services, funds allocated for the Air Force must be fully utilised particularly in the thrust areas of modernisation, viz. direct acquisitions/Transfer of Technology (TOT) or indigenous development of the state-of-the-art Weapon systems, aircraft, sensors, radars, so that obsolescence in this respect is obviated.

Advanced Jet Trainer (AJT)

104. The Government had decided in the early 80's to induct Advanced Jet Trainers (AJT) for smooth transition of trainee pilots on to the frontline fighter squadrons equipped with high technology aircraft. The Ministry of Defence have stated that keeping in view the requirement, the Air Headquarters had made a desk survey in December 1985 of a number of AJTs in the world market. Request for proposals (RFPS) for AJT was issued on three occasions, i.e. in 1986, 1992 and finally in 1999 to the two short listed vendors M/s British Aerospace for the Hawk aircraft and M/s Dassault Aviation for the Alpha Jet Aircraft, only M/s BAe Hawk responded to RFPs issued in 1999. Air Headquarters had also issued Requests for Information (RFIs) in 2001 to the following vendors to engender competition:

- (a) AMX-T of M/s Embraer, Brazil;
- (b) MB-339 of M/s Aeramacchi, Italy;
- (c) Yak 130 & MiG At of Russia;
- (d) L-159 of M/s Aero Vodochody, Czech. Republic.

105. Out of the above vendors, after evaluation by Air Headquarters only L-159 B aircraft of M/s Aero Vodochody, Czech Republic was found to be viable. The Price Negotiating Committee (PNC) has submitted its report in respect of M/s BAe's Hawk. The Ministry of Defence have stated that Government is keen on finalisation of the issue.

106. It is understood that the Ministry of Defence have accorded a go ahead for Design and Development of Intermediate Jet Trainer aircraft in July 1999. Accordingly, HAL initiated the project for developing a new Intermediate Jet Trainer (MJT-36) having less weight and have better performance and manoeurability, with lower operating cost, higher armament carrying capability and modern systems and the latest avionics. The inaugural flight of the aircraft was scheduled in the month of March 2003. The Ministry of Defence is intending to place order on HAL for delivery of IJTs. The first aircraft is planned to be inducted into the IAF during 2005-2006. Thereafter, IAF may take decision on replacement of old trainers. The Ministry of Defence have stated in a written reply that

“HAL has capability to develop Advanced Jet Trainer (AJT) as a follow up to Intermediate Jet Trainer. However, this will have to be discussed and finalised between IAF and HAL”.

107. The Committee note that even after a lapse of nearly 20 years since the Air Force set about to acquire an AJT, i.e. in 1985, the Government have still not been able to acquire an Advanced Jet Trainer for Stage-III training of the fighter pilots. As both the trainer aircraft, i.e. British Hawk and Czech L-159 B are found to be viable and acceptable to the Air Force, the Committee recommend that both options should be considered to ensure that the suitable trainer aircraft are available at the lowest cost to the IAF without any further delay.

The Committee are deeply distressed to observe the increasing number of accidents of fighter aircraft resulting in avoidable loss of talented young pilots and innocent civilians apart from causing huge financial drain on the scarce resources. They, therefore, strongly reiterate their earlier recommendation for an immediate decision on the acquisition of suitable trainer aircraft.

108. The Committee further note that HAL has been able to design and develop an Intermediate Jet Trainer (IJT), the inaugural flight of which would take place in near future and that HAL has the capability to develop an Advanced Jet trainer indigenously.

109. The Committee desire that the IAF should have detailed consultations with the HAL about the feasibility of development of a futuristic AJT for the training of pilots and this should be kept as a parallel route along with the acquisition from foreign sources.

Light Combat Aircraft (LCA)

110. The Ministry of Defence have stated that LCA Development Programme for building six Prototypes was sanctioned in August 1983 at a preliminary cost of Rs.560 crore. The cost was to be finalised after completion of Project Definition. Aeronautical Development Agency (ADA) was registered as a Society in 1984 to undertake coordinated development of LCA. It started functioning from mid 1985.

111. Indian Air Force (IAF) issued Air Staff Requirements (ASR) for LCA in October 1985 indicating a requirement of 200 LCA Fighters and 20 LCA Trainers. Project Definition Phase (PDP) of LCA Programme was completed in the year 1988 within the

scheduled time frame and recommended building of seven LCA Prototype Vehicles (PVs).

112. In 1990, a decision was taken to undertake LCA development in two Phases. First Phase to build two Technology Demonstrators (TDs) along with development of other technologies including Multi-Mode Radar (MMR) and in the second Phase to build rest of the PVs, integrate Weapons, sensors and flight test the aircraft leading to initial operational clearance (IOC) and final operational clearance (FOC).

113. In April 1993, Government approved full scale engineering development (FSED) Phase-I at a cost of Rs.2,188.00 crore. Through effective and efficient management of sanctioned funds, two more PVs are being built within the funds allotted for FSED Phase-I absorbing Rupee escalation and foreign exchange (FE) conversion rate variations. US Government sanctions prohibiting imports of components caused a major set back to LCA Development Programme as 40 items of equipment for the LCA were being sourced from USA. This set back was countered through import substitution and third country source development initiative which was also funded out of the resources provided for FSED Phase-I.

114. In February 2000, based on the progress achieved, Interim Phase-2 of FSED was sanctioned at a cost of Rs.666.34 crore to undertake activities related to three more PVs including design and fabrication of LCA (Trainer). This sanction was to merge with the final FSED Phase-2 sanction.

115. After successful first flight of Technology Demonstrator – LCA (TD 1) and completion of first block of flight tests, Government has given sanction for FSED Phase-2 in November 2001, at a cost of Rs.3,301.78 crore. Phase 2 includes not only development of LCA leading to IOC and FOC, but also establishment of productionisation facility for 8 aircraft per annum and manufacture of eight pre-production aircraft. A Memorandum of Understanding (MOU) has been signed by ADA and Hindustan Aeronautics Ltd. (HAL) for Limited Series Production of eight LCAs.

116. The maiden flight of LCA (TD- 1) took place on 4th January 2001. The first block of flight test have been completed successfully which includes one flight showcasing LCA at Aero India 2001. LCA (TD-1) is updated with various performance improvement modifications and second block of flight test have been initiated. Maiden flight of Second

Technology Demonstrator – LCA (TD-2), which was built to the post flight (Block-1) build standard of LCA (TD-1), occurred on 6 January 2002 and 44 flight tests during Block 1 Flight Test Phase have been completed.

117. Fuselage of the third aircraft – LCA (PV-1) has been redesigned to reduce weight of airframe and extended power on checks of LCA (PV-1) have been completed. Fabrication activity on the fourth aircraft – LCA (PV-2) which is the production standard LCA is in progress. Design activity on LCA Trainer variant – LCA (PV-5) has also been initiated. Kaveri engine has been sent to Russia (CIAM) for high altitude Test Bed Trials. Trials are likely to be completed by July, 2003. Probable Date of Completion (PDC) of FSED Phase-II is end 2008. Initial Operational Clearance (IOC) for LCA is slated for 2006/2007 and Final Operational Clearance (FOC) is 2008/2009. Its induction in Air Force is expected by the end of the decade.

118. The Ministry of Defence have further stated that the anticipated delay in the completion of LCA FSED Phase-II Initial Operational Clearance (IOC), Final Operational Clearance (FOC) and Induction of LCA into IAF is approximately one year for the following reasons:

- (a) The complexity of the technical problems of any development programme of a modern combat aircraft of LCA type.
- (b) Non-availability of the flight critical Line Replaceable Units (LRUs) from the US vendors in time because of imposition of sanctions.
- (c) Delay in development of indigenous substitutes of the above referred imported LRUs because of technological criticality.

119. Prototype Engine K5 of KAVERI was planned to be dispatched to Russia for high altitude testing in the third quarter of 2002. However, the engine while undergoing pre-dispatch testing exhibited distress signals which was thoroughly investigated. The detailed defect investigation and rectification took considerable time. The other reason is delay in availability of Low Pressure Turbine (LPT) and High Pressure Turbine (HPT) vanes, stiffened fan inlet casing (all from UK vendors) and other critical components. The engine has since reached Russia and the tests are being scheduled.

120. Flight test bed trials shall be carried out on the completion of high altitude trials on an another prototype engine of KAVERI, which is scheduled to be available by December 2003.

121. The representative of the Ministry of Defence stated during evidence that 40 per cent of the aircraft is made of composite materials which are generated in India. The question of it becoming obsolete does not arise and because of the delay in KAVERI engine, the first 40 aircraft would be having GE-404 engines.

The representative further informed the Committee during evidence:

“There are two critical issues. One the primary actuator which we are importing from US and which because of the embargo was struck down and now we have signed the contract. Congress has cleared and first one has just arrived. Congressional Clearance has been obtained for GE-404 engines”.

122. The Committee note that a huge investment of nearly Rs.5,500 crore has been made so far on the LCA Project initiated in 1983. The project has had considerable cost and time overruns. One of the main reasons cited by the Ministry of Defence for the delay are the embargoes of critical components including the GE-404 engines which could not be imported in a timely manner. The Committee caution the Ministry that such embargoes may again come into force depending on the international security equation that keeps on changing and, therefore, recommend that the indigenous Kaveri engine should be developed at the earliest and maximum indigenisation of components of LCA should be done so that the project reach the completion stage as per the time schedule. Other alternative sources for vital components of foreign origin should be explored to ensure the development and induction of LCA in a time bound manner as it is a vital component of the critical requirement of IAF in its 15-year plan. The LCA will be a replacement for MiG-21 aircraft which are likely to phase out of service in the near future.

123. The Committee desire that the Ministry should strive to keep the cost of production of LCA competitive so as to make it a financially viable option vis-a-vis fighter aircraft with similar technology available in the world market.

Phalcon Air Borne Early Warning and Control System (AWACS) and Unmanned Aerial Vehicles (UAVs)

124. The Ministry of Defence have stated in regard to AWACS that the technical configuration was finalised in May/June, 2002 with Israel, it was decided that IAF's AWACS would be based on new IL-76 TD aircraft of Tashkent Aircraft Production Company (TAPC). These aircraft would undergo structural modifications and would be re-engined with more powerful PS-90 A engines in Russia.

125. Accordingly, a commercial proposal was sought from M/s ELTA on 7.8.2002 and the same was opened on 11.9.2002. The overall cost proposed by M/s Elta, Israel is US \$ 1,290m. Russians, during various CMTC meetings have indicated their interest in having a tripartite agreement (between India, Israel and Russia) for project management of IAF's AWACS programme. In view of the Russian stand on tripartite agreement, a stalemate situation had arisen. A Trilateral Memorandum of Understanding has been considered necessary. This will be finalised by mutual discussions. In the meanwhile, Contract Negotiation Committee (CNC) has already Price Negotiation with the vendor and the same is in progress. The allocations earlier projected above during the current financial year (2002-2003) was Rs.1,050 crore.

126. It was further stated by the representative of the Ministry of Defence that there were two issues which were really involved.

“One is that the vendor is Israeli and there are certain major components which are being sourced from Russia. There have been certain problems on this issue. Recently, the problems have been resolved.”.

The Ministry of Defence have further informed that they are interested in the early finalisation of the deal.

127. In regard to the UAVs the Ministry of Defence have stated that based on the experience gained “ Op Parakram” on the two UAV Sqns, inducted earlier into the IAF, a case for procuring three additional Sqns, of UAV, with associated equipment and payloads from M/s. IAI, Malat of Israel, has been taken up under the fast track procedure to meet urgent operational requirements. The entire equipment is to be delivered within 12 months from the date of signing of the contract. The total cost of the project is Rs. 657.3 crore, of which approximately Rs. 620 crore is for purchase of items from the vendor. The balance amount is required to procure Buyer Furnished Equipment through indigenous sources along with Mechanical Transport and Work Services. An approx

amount of Rs. 160 crore has been prioritised for cash outgo in the financial year 2002-2003 towards this scheme.

128. During the evidence, the Ministry of Defence have stated that UAVs have been purchased on single tender basis and also there is clubbing of the requirement for the Army, Navy and Air Force for price advantage. UAVs for Army, Navy and Air Force are being acquired from an Israeli Aircraft Company IAI and the same had also been discussed at the Defence Procurement Board and it has been decided that the long term requirement of the three Services be worked out so as to broaden the vendor base and involve DRDO.

129. Regarding the indigenous UAV 'Nishant', the Ministry of Defence have stated that at present orders for production of 12 'Nishant' will be placed. There were certain problems brought out at the end of production of few airframes, so field trials have to be carried out again to overcome landing defects.

130. The Committee note that the acquisition of AWACS has already been delayed by several years despite allocations made for it this year and in the previous years. The Committee also note that components would come from Israel and Russia and the AWACS would be based on new IL-76 TD aircraft of Tashkent Aircraft Production Company. The acquisition of AWACS would require tripartite memorandum of understanding among Israel, Russia and India, as well as price negotiations with the vendors. The Committee strongly recommend for early finalisation of the AWACS deal in view of the fragile regional security environment and the compulsions of maintaining our superiority over adversaries. Indigenous capabilities should also be developed simultaneously so that the country does not lag behind in the field of high technology radar and sensors equipment.

131. The Committee note that UAVs for the Army, Navy and Air Force are an important requirement of the Services and that their acquisition needs to be pursued vigorously. Similarly, development and further test trials of Nishant, the indigenous UAV, needs to be carried out at the earliest to overcome all difficulties being faced in its landing systems for early induction into the Services.

Aerospace Command

132. The Ministry of Defence had stated in an action taken reply on the recommendation contained in the 7th Report on “Modernisation of the Indian Air Force” (Thirteenth Lok Sabha) that the Air Force would undertake preparatory work of defining viable concepts and drafting various doctrinal and command/control models for the final approval of the Government in regard to Aerospace Command. This work would largely be exploratory involving interaction with numerous agencies and academia, towards generating possible options and concepts. This would establish a core of an aerospace command. The Standing Committee on Defence reiterated their recommendations in the 14th Report on 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” and desired that project of aerospace command should be taken up seriously to ensure that India comes on the global space map in the field. The Ministry of Defence was asked to furnish a brief note on the development of the Aerospace command in the IAF during examination of Demands for Grants of the Ministry of Defence (2003-2004). In response, the Ministry of Defence have stated in a written reply that there is no Aerospace Command in the IAF at present. Foreign collaboration, if any, is done by the Nodal Agency - Indian Space Research Organisation (ISRO) in matters relating to Aerospace. In response to another question on what extent the development in space technologies can be utilised by the IAF for the development of Air Defence technologies, the Ministry of Defence have stated that development in space technologies can be utilised by the IAF in the following ways:

- (a) To build real time situational awareness through space communication and space sensors.
- (b) To link radar and other communications networks over the entire length and breadth of the country.
- (c) To assist in Ballistic Missile Defence.
- (d) To gather real time intelligence about enemy aircraft, missiles and space borne threats.
- (e) To prevent enemy from using its space assets by resorting to jamming.

133. The Committee had recommended in their 7th Report (Thirteenth Lok Sabha) on Modernisation of the Indian Air Force for the development of an Aerospace Command in the Indian Air Force. The Committee are unhappy to note

that despite its recommendation made in the year 2000, no concrete ground work has been done so far on the development of Aerospace Command. The Committee need not emphasise the phenomenal scope for uses of space technologies for Air Defence including the necessity for protecting the country's assets in space in view of the fact that space warfare involving surveillance monitoring and jamming techniques would not be a distant possibility in near future. The Committee once again reiterate that the development of Aerospace Command considering the futuristic scenario should be taken up seriously by the Ministry of Defence and the planning and ground work should be initiated at the earliest.

Ordnance Factories and PSUs

134. The Ministry of Defence have stated that the gross revenue expenditure of Ordnance Factories is computed as the excess of revenue expenditure over the value of issues to the defence sector. The value of total expenditure, value of issues to defence sector and gross revenue expenditure as estimated in B.E. and R.E of 2002-2003 and B.E of 2003-2004 are as under:-

(Rs. in Crore)

		B.E 2002-2003	RE 2002-2003	BE 2003-2004
A.	Total Expenditure	7325.51	6680.53	6744.95
B.	Value of Issues to Defence sector	6029.61	5777.41	6050.30
C.	Gross Revenue Expenditure	1295.90	903.12	694.65

Net Revenue Expenditure means the Gross Revenue Expenditure minus the value of issues to other than Defence sector. The Net Revenue Expenditure has been negative for the Ordnance Factories since 1999-2000, which means that the Ordnance Factories have not taken any budgetary support since 1999-2000. This has been possible due to increased capacity utilisation, modernisation of the production facilities and improved

material management. The net budgetary support for Ordnance Factories during the last three years is given in the table that follows:-

(Rs. in Crore)

	1999-2000	2000-2001	2001-2002
Net Revenue Expenditure	(-) 830.15	(-)27.93	(-)570.83
(+)/surplus (-)			

135. The Ministry of Defence have stated in a written reply with regard to Ordnance Factories that modernisation and automation of the infrastructure in Ordnance Factories is being done to update the plant and machinery to match with the quantitative and qualitative requirement of the end products. The technology needs of the product, as well as the process requirements and capabilities, are kept in mind during the process of modernization. During the IX Plan, an investment of Rs. 1,062 crore (NC – Rs. 228 crore, RR –Rs. 834 crore) was made towards modernisation of facilities in Ordnance Factories. During the X Plan period, an investment to the tune of Rs. 1,786 crore, including both Renewal and Replacement (RR) and New Capital (NC), is planned. The expenditure envisaged under RR during the X Plan is Rs. 1,456 crore. The yearly expenditure plan on procurement of Plant and Machinery planned under RR during X Plan is given in the table that follows:

(Rs. in crores)

2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	Total
300	300	300	300	256	1456

136. In the process of modernisation, automation is also being introduced in the Ordnance Factories in selected areas like auto-gantry robots, material handling manipulators, autogauging units, automatic packing plant, etc.

137. Regarding the capacity utilisation of the Ordnance Factories, the Ministry of Defence have stated that the capacity in Ordnance Factories has been primarily created to meet the demand of the Armed Forces in accordance with the requirements projected by them. Surplus capacity, if any, after meeting the requirements of the Armed Forces and

Para-Military Forces is diverted to civil trade and export with a view to enhance capacity utilisation. The Ministry of Defence have stated that capacity utilisation of Ordnance Factories as a whole has increased over the years.

138. Due to increased off-take by the Armed Forces and expansion of customer profile along with product diversification, the capacity in Ordnance Factories is fully exploited. However, there are few factories where capacity is not fully utilised due to the reduced requirement for a particular store or planning out of an item of production. The capacity utilisation has been low in the Grey Iron Foundry (GIF), Jabalpur and the Vehicle Factory, Jabalpur (VFJ); the target for vehicles has been fixed at 9,000 in 2002-2003 and therefore the capacity utilisation is to improve in the near future.

139. The Ministry of Defence have further stated in a written reply that the Ministry is not considering any proposal for off-loading any of the clothing items being manufactured in Ordnance Factories. These factories have been set up with dedicated facilities with large work force to meet the bulk requirements of the Services for these items, including surge requirements. The Services have expressed a preference for such an arrangement.

140. Regarding exports, the Ministry of Defence have stated that Ordnance Factory Board and Defence Public Sector Undertakings have been exporting some of their products for several years after meeting domestic requirements. Products are exported mainly to countries in Asia and Africa and include helicopters and aircraft spares, small arms ammunition, explosives, rockets, spares of rifles and guns, clothing items, parachutes and accessories, aeronautical stores, communication equipment, night vision devices, bollard pull tug, components and sub-systems etc. Some products have even been exported to countries in Europe and North America. India is also capable of exporting offshore patrol vessels, training ships, survey vessels, anti-tank guided missiles, launchers, test equipment, simulators etc. The value of direct export during the financial year 2000-2001 and 2001-2002 was to the tune of Rs.215.43 crore and Rs.171.63 crore respectively. The target for the current year 2002-2003 is Rs.232.63 crore.

141. The Committee note that the Ordnance Factories are functioning in a more efficient manner than they were in the previous years. The Committee hope that the modernisation programme of Ordnance Factories would be executed and the funds allocated would be utilised fully to ensure overall improvement in equipment,

production processes and management procedures. The Committee also hope that capacity utilisation would show further increase. The Committee desire that the targets fixed for value of exports for Ordnance Factories and PSUs, i.e. Rs 232.63 crore should be achieved in 2002-2003 and further efforts should be made to increase the exports.

142. The Committee are of the view that the activities of our production enterprises, particularly those in the areas of aviation, ship-building and Defence electronics should be encouraged and technical capabilities strengthened so that the technologies and equipment so developed have the potential of being exported in the global market by adopting modern marketing techniques to attract the buyers.

NEW DELHI;

10 April, 2003

20 Chaitra, 1925 (Saka)

MADAN LAL KHURANA

Chairman

Standing Committee on Defence

ANNEXURE-I
(Please see Para 17)

ARMY

(Rs. in crore)

Minor Head	R.E.	B.E.
	2002-2003	2003-2004
1.	2	3
Revenue		
101-P&A-Army	11143.78	11553.85
103-P&A-Aux. Forces	195.23	200.45
104-P&A-Civilians	1238.16	1273.49
105-Transportation	1124.26	983.26
106-Military Farms	148.10	155.15
110-Stores	9505.99	10696.91
111-Works	2244.04	2286.69
112-Rashtriya Rifles	1007.40	1122.13
113-National Cadet Corps	266.72	293.48
800-Other Expenditure	669.65	680.41
Total Gross	27543.33	29245.82
Receipts/Recoveries	725.00	725.00
Total Net	26818.33	28520.82
<u>Capital</u>		
Land	22.50	17.50
Works	762.12	1217.33
Aircraft	380.92	330.51
Vehicles	92.57	114.72
Other Equipments	3631.33	3973.11
Military Farms	6.00	7.00

Rolling Stocks	6.54	6.54
Rashtriya Rifles	0.00	10.00
National Cadet Corps	3.65	5.00
Stock Suspense	0.00	0.00
Other Expenditure	0.00	0.00
<hr/>		
Total Capital	4905.63	5681.71
<hr/>		
Total Revenue/Capital	31723.96	34202.53
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ANNEXURE-II
(Please see Para 17)

NAVY

(Rs. in crore)

Minor Head	R.E. 2002-2003	B.E. 2003-2004
1.	2	3
Revenue		
101-P&A-Navy	739.05	790.00
102-P&A-Reservists	0.00	0.00
104-P&A-Civilians	540.28	590.99
105-Transportation	107.61	107.90
110-Stores	1785.47	2147.50
111-Works	376.68	373.87
800-Other Expenditure	781.73	695.58
112-Joint Staff	125.00	350.51
Total Gross	4455.82	5056.35
Receipts/Recoveries	96.25	105.81
Total Net	4359.57	4950.54
<u>Capital</u>		
Land	7.13	2.08
Works	127.32	192.72
Aircraft	1117.80	650.85
Vehicles	7.50	3.00

Other Equipments	628.56	387.39
Fleet	1717.67	5020.33
Dockyards	469.94	537.77
Joint Staff	0.00	235.98
Capital Recovery	0.00	0.00
<hr/>		
Net Capital	4075.92	7030.12
<hr/>		
Total Revenue/Capital	8435.49	11980.66
<hr/>		

ANNEXURE-III
(Please see Para 17)

AIR FORCE

(Rs. in crore)

Minor Head	R.E. 2002-2003	B.E. 2003-2004
1.	2	3
Revenue		
101-P&A-Air Force	1852.00	1868.95
104-P&A-Civilians	297.00	300.15
105-Transportation	174.00	195.46
110-Stores	4500.00	5340.00
111-Works	655.00	677.50
200-Special Projects	7.71	8.06
800-Other Expenditure	120.00	130.68
Total Gross	7605.71	8520.80
Receipts/Recoveries	186.22	196.72
Total Net	7419.49	8324.08
<u>Capital</u>		
Land	8.20	1.50
Works	220.00	288.36
Aircraft	3817.78	5726.71
Vehicles	0.00	0.00
Other Equipments	938.05	1069.80

Special Projects	18.01	8.87
<hr/>		
Total Capital	5002.04	7095.24
<hr/>		
Total Revenue/Capital	12421.53	15419.32
<hr/>		

ANNEXURE-IV

(Please see Para 17)

DGOF

(Rs. in crore)

Minor Head	R.E. 2002-2003	B.E. 2003-2004
1.	2	3
Revenue		
001-Direction & Admin.	43.41	43.15
004-Research	9.96	9.80
052-Mach. & Equipments	13.01	11.14
054-Manufacture	1846.00	1894.99
105-Transportation	55.18	58.31
110-Stores	3449.81	3765.00
111-Works	59.63	65.00
106-Renewal & Replacement	296.10	300.00
797-Transfer to R/R Fund	350.00	150.00
800-Other Expenditure	560.17	447.56
Supplies to Services	(-) 5777.41	(-) 6050.30
Total Gross	905.86	694.65
Receipts/Recoveries	1216.35	1277.26
Total Net	(-) 310.49	(-) 582.61
Capital		
Mach & Eqpt.	73.74	79.18
Works	66.85	121.81
Suspense	3.17	15.21

Total Capital	143.76	216.20
Total Revenue/Capital	(-) 166.73	(-) 366.41

Supplies to Services

Army	5358.87	5621.27
Navy	66.14	70.86
Air Force	208.49	221.41
Other	143.91	136.76
Total	5777.41	6050.30

ANNEXURE-V(a)
(Please see Para 17)

R & D

(Rs. in crore)

Minor Head	R.E. 2002-2003
1.	2
Revenue	
1. Pay & Allowances	499.60
2. Miscellaneous	42.37
3. Transportation	35.41
4. Grant of Fellowships	2.80
5. Grants-in-Aid	344.00
6. Training of Personnel	0.22
7. Stores	1319.18
8. Works	181.70
9. Educational Facilities	5.10
10. Amenity Grants	0.22
8. Departmental Canteens	0.05
Total Gross	2430.65
Receipts/Recoveries	10.00
Total Net	2420.65
Capital	762.60
Total Revenue/Capital	3183.25

Note : New Demand open w.e.f. BE-2003-2004

ANNEXURE-V(b)
(Please see Para 17)

R&D

(Rs. in crore)

Minor Head

B.E.

2003-2004

Revenue

003	-	Training	4.00
004	-	Research/Research Development	458.00
101	-	Pay & Allowances of Service Personnel	42.60
102	-	Pay & Allowances of Civilians	481.25
105	-	Transportation	39.69
110	-	Stores	1463.25
111	-	Works	183.24
800	-	Other Expenditure	72.08

Total Gross

2744.11

Receipts/Recoveries

10.00

Total Net

2734.11

Capital

913.49

Total Revenue/Capital

3647.60

Note - New Demand and New Minor Heads opened w.e.f. BE 2003-2004.

ANNEXURE-VI
(Please see Para 17)

DGQA

(Rs. in crore)

Minor Head	R.E. 2002-2003	B.E. 2003-2004
1.	2	3
Revenue		
1. Pay & Allowances	231.07	240.35
2. Miscellaneous	16.74	9.60
3. Transportation	7.20	7.56
4. Stores	109.00	116.00
5. Works	24.15	26.00
6. Departmental Canteens	0.04	0.04
7. Information Tech.	3.20	5.00
8. Training of Civilian Personnel	0.00	0.25
Total Gross	391.40	404.80
Receipts/Recoveries	10.50	4.50
Total Net	380.90	400.30
Total Capital	21.60	16.00
Total Revenue/Capital	402.50	416.30

ANNEXURE-VII
(Please see Para 11)

MINISTRY OF DEFENCE

(Rs. in crore)

Minor Head	R.E. 2002-2003	B.E. 2003-2004
1.	2	3
<u>Revenue Section</u>		
1. Coast Guard Organisation	269.51	292.00
2. Deptt. of Defence	35.06	40.44
3. Deptt. of Defence Production & Supplies	5.58	5.85
4. Deptt. of Defence Research and Development	0.38	0.41
5. Defence Accounts Department	387.85	387.23
6. Defence Estate Organisation	44.58	43.91
Total Sectt. General Services	473.45	477.84
7. Canteen Stores Department	3889.69	3889.69
8. Maintenance – DAD Office Buildings	5.66	5.26
9. Maintenance – DEO Office Buildings	0.10	0.00
10. Maintenance-DAD Housing	7.33	7.15
11. Army Purchase Organisation	1.36	1.39
12. Subsidy in lieu of interest to MDL	1.14	0.87
Subsidy in lieu of interest to MIDHANI	0.14	0.08
Subsidy in lieu of interest to BEML	2.88	0.00
Total Revenue Section	4651.26	4674.28
Less Receipts Generated by CSD	(-) 4139.55	(-)4427.51
Less Amount met from National Renewal Fund	0.00	0.00
Net Revenue Budget	511.71	246.77

Capital Section

1. Acquisition of Ships, Fleets, Land & Air Crafts - CGO	241.74	350.00
2. Construction – DAD Offices	4.31	4.31
3. Construction – DEO Offices	4.00	3.00
4. Construction – CSD Offices	15.00	15.00
5. Construction – DAD Housing	6.77	6.79
6. Construction – DEO Housing	2.00	3.16
7. Construction – CSD Housing	2.30	1.30
8. Miscellaneous	2.26	2.26
Total Capital Section	278.38	385.82

ANNEXURE VIII

(Please see Para 12)

DEFENCE PENSIONS

Minor Head	R.E. 2002-2003	B.E 2003-2004
<u>Pension & Other Retirement Benefits</u>		
Army	9117.85	9993.65
Navy	297.89	331.38
Air Force	676.33	674.97
Total	10092.07	11000.00

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2003)**

The Committee sat on Friday, the 28 March, 2003 from 1100 hrs. to 1335 hrs.
in Committee Room No. 62, Parliament House, New Delhi.

PRESENT

Shri Madan Lal Khurana - Chairman

MEMBERS

LOK SABHA

2. Col. (Retd.) Sona Ram Choudhary
3. Shri K.P. Singh Deo
4. Shri Akbor Ali Khandoker
5. Shri Raghuveer Singh Kaushal
6. Shri K.E. Krishnamurthy
7. Shri Hannan Mollah
8. Dr. Laxmi Narain Pandeya
9. Shri Ram Vilas Paswan
10. Shri E. Ponnuswamy
11. Shri Gajendra Singh Rajukhedi
12. Prof. Rasa Singh Rawat
13. Shri A.P. Jithender Reddy
14. Shri Nikhilananda Sar
15. Dr. Col. (Retd.) Dhani Ram Shandil
16. Dr. Raghuvansh Prasad Singh
17. Dr. Jaswant Singh Yadav

RAJYA SABHA

18. Shri Parmeshwar Kumar Agarwalla
19. Gen. (Retd.) Shankar Roy Chowdhury
20. Smt. N.P. Durga

21. Shri Vedprakash P. Goyal
22. Dr. Raja Ramanna
23. Dr. Vijay Mallya
24. Shri Ekanath K. Thakur

SECRETARIAT

- | | | | |
|----|--------------------|---|----------------------|
| 1. | Shri P.D.T. Achary | - | Additional Secretary |
| 2. | Shri A.K. Singh | - | Deputy Secretary |
| 3. | Shri K.D. Muley | - | Under Secretary |

Contd..2/-

REPRESENTATIVES OF MINISTRY OF DEFENCE

MINISTRY OF DEFENCE

1.	Shri Subir Dutta	Defence Secretary
2.	Shri N.S. Sisodia	Secretary (DP&S)
3.	Dr. V.K. Aatre	Secretary (DR&D)
4.	Shri Biswajit Banerjee	Secretary (Defence Finance)
5.	Shri Dharendra Singh	Special Secretary (Acquisition)
6.	Ms. Somi Tandon	Addl. Secretary (T)
7.	Shri Pratyush Sinha	Addl. Secretary (S)
8.	Shri H.C. Gupta	Addl. Secretary (DP&S)
9.	Shri Arvind Joshi	JS(G/Air.)
10.	Shri Alok Ranjan	JS (O/N)
11.	Shri K.G. Goel	JS (ESW)
12.	Shri G. Mukhopadhaya	JS (P&C)
13.	Shri P.K. Rastogi	(JS (Trg.) & CAO
14.	Shri Ranjit Issar	JS & AM (LS)
15.	Shri P.K. Misra	JS & AM (MS)
16.	Shri C.R. Mohapatra	S & AM (Air)
17.	Shri Gautam Chatterjee	JS (E)
18.	Smt. Rita Memon	JS (SY)
19.	Shri R.P. Singh	JS(OF)
20.	Shri Alok Perti	JS (S)
21.	Shri Rakesh Srivastava	JS (HAL)
22.	Shri R. Ravindran	OSD (P)
23.	Shri N.R. Mohanty	Chairman, HAL
24.	Dr. V.K. Koshy	CMD, BEL
25.	Shri D.K. Dutta	DGOF
26.	Lt. Gen. M.K. Chari	DGQA
27.	Shri M.S. Khera	DDG (HQ.), DGAQA
28.	Shri Sunil Verma	Addl. FA & JS

- | | | |
|-----|------------------|-----------------|
| 29. | Shri M. Natrajan | CCR&D(ACE) & DS |
| 30. | Lt.Gen. Tej Paul | CCR&D (R) |

Contd..3/-

31.	Shri S. Banerjee	FA (Acq.)
32.	Shri A.K. Chopra	Addl. FA (A)
33.	Shri Abhijit Basu	Addl. FA (B)
34.	Smt. Dipali Khanna	Addl. FA (K)
35.	Shri Tarsem Lal	Addl. FA (T)
36.	Smt. Vijaylakshmi Gupta	Addl. FA (V)

Armed Forces Headquarters

Army

37.	Lt. Gen. Ashok Chaki	PVSM, AVSM, SM, VSM-COAS (P&S)
38.	Maj. Gen. V.K. Chopra	VSM, ADG (FP)
39.	Maj. Gen. C.S. Brar	AVSM, ADG (WE)

Air Force

40.	Air Mshl. Raghu Rajan	DCAS
41.	Air Mshl. V.A. Patkar	AOM
42.	AVM K.P. Karnik	ACAS (FP)
43.	AVM P.P. Raj Kumar	ACAS (Ops C&D)

Navy

44.	R. Adm. Ajit Tiwari	AVSM, NM – ACNS
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2. At the outset, the Chairman, Standing Committee on Defence informed the Committee that the subject 'Preparedness against Nuclear Blackmail and Response' selected by the Committee earlier has been dropped from the list of subjects taken up for examination, on the request of Ministry of Defence being sensitive in nature. The members who had opted for the Sub-Committee-IV on 'Preparedness against Nuclear Blackmail and Response' has been shifted to the other two Sub-Committees having less number of members and some adjustment has also been made to give representation to all political parties in the Sub-Committees. He also informed the members about the appointment of Dr. Laxmi Narain Pandeya as Convenor for Sub-Committee-I, Shri Hannan Mollah as Convenor for Sub-Committee-II and Shri Shivraj V. Patil as Convenor for Sub-Committee-III.

The composition of three Sub-Committees of the Standing Committee on Defence was then circulated to the members.

3. The Chairman welcomed the Defence Secretary and his colleagues to the sitting of the Committee and invited their attention to the Directions 55 and 58 of the Directions by the Speaker, Lok Sabha.

4. The Committee then took evidence of the representatives of the Ministry of Defence on various points arising out of the Demands for Grants (2003-2004) of the Ministry of Defence and also on the written replies furnished by the Ministry to the List of Points.

5. The evidence was not concluded.

6. A verbatim record of the proceedings was kept.

7. The Committee decided to continue evidence of the representatives of the Ministry of Defence on the Demands for Grants (2003-2004) of the Ministry of Defence on 31 March, 2003.

The Committee then adjourned.

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2003)**

The Committee sat on Monday, the 31 March, 2003 from 1100 hrs. to 1330 hrs. and from 1415 hrs. to 1640 hrs. in Committee Room `D`, Parliament House Annexe, New Delhi.

PRESENT

Shri Madan Lal Khurana - Chairman

MEMBERS

LOK SABHA

2. Shri S. Bangarappa
3. Col. (Retd.) Sona Ram Choudhary
4. Shri K.P. Singh Deo
5. Shri Akbor Ali Khandoker
6. Shri Raghuveer Singh Kaushal
7. Shri K.E. Krishnamurthy
8. Shri P.R. Kyndiah
9. Shri Hannan Mollah
10. Dr. Laxmi Narain Pandeya
11. Shri Ram Vilas Paswan
12. Shri Shivraj V. Patil
13. Shri E. Ponnuswamy
14. Prof. Rasa Singh Rawat
15. Shri Nikhilananda Sar
16. Dr. Col. (Retd.) Dhani Ram Shandil
17. Dr. Raghuvansh Prasad Singh
18. Shri C. Sreenivasan
19. Dr. Jaswant Singh Yadav

RAJYA SABHA

20. Shri R.K. Anand
21. Shri Nilotpal Basu

22. Gen. (Retd.) Shankar Roy Chowdhury
23. Smt. N.P. Durga
24. Shri B.S. Gnanadesikan
25. Shri Vedprakash P. Goyal
26. Shri Suresh Kalmadi
27. Dr. Raja Ramanna
28. Shri Birabhadra Singh
29. Shri Ekanath K. Thakur

SECRETARIAT

- | | | | |
|----|--------------------|---|----------------------|
| 1. | Shri P.D.T. Achary | - | Additional Secretary |
| 2. | Shri A.K. Singh | - | Deputy Secretary |
| 3. | Shri K.D. Muley | - | Under Secretary |

LIST OF WITNESSES OF THE MINISTRY OF DEFENCE

MINISTRY OF DEFENCE

- | | | |
|-----|------------------------|---------------------------------|
| 1. | Shri Subir Dutta | Defence Secretary |
| 2. | Shri N.S. Sisodia | Secretary (DP&S) |
| 3. | Dr. V.K. Aatre | Secretary (DR&D) |
| 4. | Shri Biswajit Banerjee | Secretary (Defence Finance) |
| 5. | Shri Dharendra Singh | Special Secretary (Acquisition) |
| 6. | Ms. Somi Tandon | Addl. Secretary (T) |
| 7. | Shri Pratyush Sinha | Addl. Secretary (S) |
| 8. | Shri H.C. Gupta | Addl. Secretary (DP&S) |
| 9. | Shri S. Banerjee | FA (Acquisition) |
| 10. | Shri Arvind Joshi | JS(G/Air.) |
| 11. | Shri Alok Ranjan | JS (O/N) |
| 12. | Shri K.G. Goel | JS (ESW) |
| 13. | Shri P.K. Rastogi | (JS (Trg.) & CAO) |

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|-----|-------------------------|------------------|
| 14. | Shri Ranjit Issar | JS & AM (LS) |
| 15. | Shri P.K. Mishra | JS & AM (MS) |
| 16. | Shri C.R. Mohapatra | JS & AM (Air) |
| 17. | Lt.Gen. M.K. Chari | DGQA |
| 18. | Shri M.S. Khera | DDG (HQ), DGAQA |
| 19. | Dr. A. Sivathanu Pillai | CCR&D (MNS) & DS |
| 20. | Lt.Gen. Tej Paul | CCR&D (R) |
| 21. | Shri A.K. Chopra | Addl. FA (A) |
| 22. | Shri D.K. Dutta | DGOF |

Armed Forces Headquarters

Army

- | | | |
|-----|-----------------------|----------------------------------|
| 23. | Lt. Gen. Ashok Chaki | PVSM, AVSM, SM, VSM
COAS(P&S) |
| 24. | Lt. Gen. V.K. Jetley | UYSM-MGO |
| 25. | Lt. Gen. V.K. Dua | DG, DCW |
| 26. | Maj. Gen. K.K. Sandhu | MD, ECHS |
| 27. | Maj. Gen. V.K. Chopra | VSM, ADG (FP) |
| 28. | Maj. Gen. C.S. Brar | AVSM, ADG (WE) |

Air Force

- | | | |
|-----|-----------------------|----------------|
| 29. | Air Mshl. Raghu Rajan | DCAS |
| 30. | Air Mshl. A.K. Goel | IG (Safety) |
| 31. | Air Mshl. V.A. Patkar | AOM |
| 32. | AVM K.P. Karnik | ACAS (FP) |
| 33. | AVM P.P. Raj Kumar | ACAS (Ops C&D) |

Navy

- | | | |
|-----|---------------------|-----------------|
| 34. | R. Adm. Ajit Tiwari | AVSM, NM – ACNS |
|-----|---------------------|-----------------|

Expert

35. Air Cmdre (Retd.) Jasjit Singh - AVSM, VrC, VM and
Director Centre for Strategic
and International Studies
2. The Committee heard the expert views of Air Commodore (Retd.) Jasjit Singh on Demands for Grants (2003-2004) of the Ministry of Defence and he also replied to the clarifications sought by the members before the Committee resumed the evidence of the representatives of the Ministry on Demands for Grants 2003-2004 of the Ministry of Defence.
3. The Committee then resumed the evidence of the representatives of the Ministry of Defence on Demands for Grants (2003-2004) of the Ministry of Defence.
4. The representatives of the Ministry explained and elaborated on the queries from the Members. The evidence was concluded.
5. A verbatim record of the proceedings was kept.

(The witnesses then withdrew).

The Committee then adjourned.

**MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2003)**

The Committee sat on Thursday, the 10 April, 2003 from 1000 hrs. to 1045 hrs. in Committee Room `B`, Parliament House Annexe, New Delhi.

PRESENT

Shri Madan Lal Khurana - Chairman

MEMBERS

LOK SABHA

2. Shri S. Bangarappa
3. Col. (Retd.) Sona Ram Choudhary
7. Shri K.P. Singh Deo
5. Shri P.R. Kyndiah
6. Shri Hannan Mollah
7. Shri E. Ponnuswamy
8. Shri A.P. Jithender Reddy
9. Dr. Col. (Retd.) Dhani Ram Shandil

RAJYA SABHA

10. Dr. Farooq Abdullah
11. Shri Parmeshwar Kumar Agarwalla
12. Gen. (Retd.) Shankar Roy Chowdhury
13. Smt. N.P. Durga
14. Shri Vedprakash P. Goyal
15. Dr. Raja Ramanna
16. Shri Birabhadra Singh
17. Shri Ekanath K. Thakur

SECRETARIAT

1. Shri P.D.T. Achary - Additional Secretary

- | | | | |
|----|-----------------|---|------------------|
| 2. | Shri N.K. Sapra | - | Joint Secretary |
| 3. | Shri A.K. Singh | - | Deputy Secretary |
| 4. | Shri K.D. Muley | - | Under Secretary |

2. The Committee considered the draft Nineteenth Report on Demands for Grants of the Ministry of Defence for the year 2003-2004. The Chairman invited Members to offer their suggestions for incorporation in the Draft Report.

3. The Members suggested certain additions/modifications/amendments and desired that those be suitably incorporated into the body of the Report. The draft Report with some modifications was then adopted.

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

The Committee then adjourned.