

THIRD REPORT
STANDING COMMITTEE ON DEFENCE
(1999-2000)

(THIRTEENTH LOK SABHA)
MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(2000-2001)

Presented to Lok Sabha on 19 April, 2000.

Laid in Rajya Sabha on 19 April, 2000

LOK SABHA SECRETARIAT
NEW DELHI

April, 2000/Chaitra, 1922 (Saka)

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Dr. Laxmmarayan Pandey — *Chairman*

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- **45. Smt. Ambika Soni

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
 2. Shri P.D.T. Achary — *Joint Secretary*
 3. Shri Rani Autar Ram — *Director*
 4. Shri K.D. Muley — *Assistant Director*
- * Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha *w.e.f.* 27.01.2000.
- ** Nominated *w.e.f.* 18.02.2000.
- *** Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha *w.e.f.* 2.4.2000.
- "" Nominated *w.e.f.* 06.04.2000.

INTRODUCTION

I, the Chairman, Standing Committee on Defence (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this Third Report on the demands for grants of the Ministry of Defence for the year 2000-2001.

2. The detailed demands for grants of the Ministry for the year 2000-2001 were laid on the Table of the House on 9th March, 2000.

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 30 and 31st March, 2000. The Committee considered and adopted the Report at their sitting held on 11th April, 2000.

5. The Committee wish to express their thanks to the representatives of the Ministry of Defence for appearing before the Committee 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 2000-2001 and for sharing with the Committee their views, perceptions concerning security, Defence capability, modernisation/upgradation programmes and resource constraints which came up for discussion during evidence.

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

NEW DELHI;
April II, 2000
Chaitra 22, 1922 (Saka)

DR. LAXMINARAYAN PANDEY,
Chairman,
Standing Committee on Defence.

REPORT

Introductory

The allocations for Defence in 2000-2001 have seen an increase of 20.79% over the revised estimate of last year. This is substantial increase which should enable the Government to meet the essential requirements for modernising the armed forces. The progressive decline in the percentage of defence allocation in terms of GDP during the past decade has reduced the capabilities of the armed forces. Major plans of indigenous manufacture or acquisition for enhancing the capabilities of the armed forces have been allowed to languish.

2. The Kargil conflict of 1999 has been referred to as a wake-up call. The Committee hope that the Government has drawn proper lessons from this conflict. The view of the Government that there should be long term financial plan is welcome. It is expected that the proposed long term financial planning would properly take care of the defence needs and preparedness.

3. The Union Budget for the Defence Services estimates for the year 2000-2001 has proposed an increase of Rs. 10,000 crores in the total defence outlay over the revised estimates for the year 1999-2000. The Budget proposals of Ministry of Defence are contained in seven demands for grants, *i.e.* Demand Nos. 16 to 22. Demand Nos. 16 and 17 cater to the requirements for the civil expenditure of the Ministry of Defence and Demand Nos. 18 to 22 to the budgetary requirements of the Defence Services.

4. The budgetary requirements for the Defence Services are included in the following five Demands for Grants presented to Parliament-

- Demand No. 18, Defence Services - Army
- Demand No. 19, Defence Services - Navy
- Demand No. 20, Defence Services - Air Force
- Demand No. 21, Defence Ordnance Factories
- Demand No. 22, Capital Outlay on Defence Services.

5. 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 four Demands, which cater to the Revenue expenditure, while the fifth, *viz.*, Capital Outlay on Defence Services, caters to the expenditure incurred on building or acquiring durable assets. The Demand No. 18 (Defence Services — Army) caters to the Revenue expenditure of Army, NCC, R&D and DGQA.

6. 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. Naval Vessels, dockyards etc. Expenditure on procurement of Heavy and Medium Vehicles as well as other equipment, which have a unit value of Rs. 2 lakhs and above and a life span of 7 years or more, is shown as Capital expenditure.

7. 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 five Demands, viz. Demand Nos. 18 to 22.

Budget Estimates 2000-2001 of Defence Services

8. The Budget Estimates of the Defence Services for the year 2000-2001, as compared with the Budget and Revised Estimates for 1999-2000 and the actual expenditure during the year 1998-99, are summarised below:

(Rs. in crores)

		Actuals 1998-99	Budget Estimates 1999-2000	Revised Estimate 1999-2000	Budget Estimates 2000-2001	
Revenue Expenditure						
Gross Expenditure:	Voted	31321.38	34805.38	37383.82	42339.42	
	Charged	6.19	11.82	12.15	12.36	
	Total	31327.57	34817.20	37395.97	42351.78	
Receipt & Recoveries		1465.93	1352.88	1522.74	1691.18	
Net Revenue Expenditure		29861.64	33464.32	35873.23	40660.60	
Capital Expenditure						
Gross Expenditure:	Voted	10020.20	12222.32	12616.47	17912.95	
	Charged	15.74	7.36	14.30	13.45	
	Total	10035.94	12229.68	12630.77	17926.40	
Recoveries on Capital Accounts		—	—	—	—	
Net Capital Expenditure		<u>10035.94</u>	<u>12229.68</u>	<u>12630.77</u>	<u>17926.40</u>	
Net Revenue & Capital Expenditure			398975.58	45694.00	48504.00	58587.00

Civil Estimates of the Ministry of Defence

9. The requirements 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. These are not included in the overall Defence Allocation of Rs. 58587.00 crores in 2000-2001. The requirements of the Coast Guard Organisation and the Border Roads Organisation are provided for by the Department of Revenue and the Ministry of Surface Transport, respectively.

10. The provision in RE 1999-2000 and BE 2000-2001 under Demand No. 16 are given below. Major components of gross Revenue expenditure in Revised Estimates 1999-2000 and CSD (Rs. 2949.42 crores). Defence Accounts Department (Rs. 358.01 crores). Defence Estates Organisation (Rs. 35.19 crores) and Ministry of Defence Secretariat (Rs. 30.53). In the Capital outlay of Rs. 28.52 crores in the Revised Estimates 1999-2000, the major allocations are for the Capital outlay on Housing/Office Buildings (Rs. 14.89 crores) and Miscellaneous Loans for URC by CSD (Rs. 3.00 crores).

(Rupees in Crores)

	BE 1999-2000	RE 1999-2000	BE 2000-2001
Gross Revenue	3391.06	3382.96	3708.55
Capital	39.49	28.52	37.55
Gross Expenditure	3430.55	3411.48	3746.10
Receipts (CSD) (—)	3077.65	3088.26	3385.31
Amount met from N.R.F.	—	—	—
Net Expenditure	352.90	323.22	360.79

(Break up given in Annexure-VII)

11. Demand No. 17 caters for Defence Pensions. This provides for pensionary charges in respect of retired Defence Personnel (including Civilian employees) of the three Defence Services, viz.. Army, Navy, & Air Force and also employees of Ordnance Factories, DRDO and other miscellaneous establishments. It covers payments of pensions and gratuities, family pension, disability pensions and casualty awards such as War-Injury Pay and also Gallantry awards like Param Vir Chakra, Mahavir Chakra etc. Payment of Commuted value of pensions is also included under Pensionary grant.

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

(Rupees in Crores)

BE	RE	BE
1999-2000	1999-2000	2000-2001
7348.65	11024.65	12000.00

(Break up given in Annexure-VIII)

The increase in RE 1999-2000 is mainly on account of additional Dearness Relief, arrears of revised pension, consequent on implementation of Vth Pay Commission awards, additional benefits notified such as compensations to beneficiaries of OP Vijay casualties. The increase in BE 2000-2001 provides for growth of pensioners and balance of benefits accruing from Government notifications on Vth Pay Commission awards.

Allocations for 1999-2000

12. As indicated in the General Budget, the provision for Defence Services under Demand Nos. 18 to 22 for 1999-2000 in the Budget Estimates (BE) was Rs. 47,046.88 crores (Gross) and Rs: 45694.00 crores (Net). The Revised Estimates (RE) has been increased to Rs. 50,026.74 (Gross) and Rs. 48,504.00 crores (Net). As compared to the net actuals of 1998-1999, (Rs. 39897.58 crores), the RE for 1999-2000 shows an increase of Rs. 8606.42 crores and a percentage increase of 21.57%.

13. The Demand-wise position is as under:

(Rupees in Crores)

Demand	BE	RE
	1999-2000	1999-2000
1. Army (Revenue expdr. of Army, NCC, R&D and DGOA)	24384.59	27244.59
2. Navy (Revenue exodr. of Navy)	3415.86	3652.86
3. Air Force (Revenue exodr. of Air Force)	6242.31	6389.64

4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	774.44	109.88
5. Capital Outlay on Defence Services (Capital expdr. of all Services/Deott.)	12229.68	12630.77
Total Gross Expenditure	47046.88	50026.74
Receipts / Recoveries	(-) 1352.88	(-) 1522.74
Total Net	45694.00	48504.00

14. Out of the Revised Estimates of Rs. 48504.00 crores for 1999-2000, the provision for Revenue expenditure is Rs. 35873.23 crores, while that for Capital expenditure is Rs. 12630.77 crores. The major components of the net Capital expenditure are Land - Rs. 86.84 crores Works Rs. 1443.18 crores. Aircraft - Rs. 3350.70 crores. Heavy and Medium Vehicles - Rs. 377.65 crores. Other Equipment - Rs. 4736.3 crores. Naval Fleet - Rs. 2207.59 crores. Machinery and Equipment for Ordnance Factories - Rs. 50.00 crores and other items - Rs. 378.4 crores.

Budget Estimates 2000-2001

15. The Budget Estimates for 2000-2001 work out to Rs. 60278.1} crores (Gross) and Rs. 58587.00 crores (Net).

The Demand-wise position is as under

(In crores of Rupees)

Demand	RE 1999-2000	BE 2000-2001
1. Army (Revenue expdr. of Army, NCC, R&D and DGQA)	27244.59	29552.10
2. Navy (Revenue expdr. of Navy)	3651.86	4097.06
3. Air Force (Revenue expdr. of Air Force)	6389.64	8122.24
4. Defence Ordnance Factories (Revenue expdr. of Ord. Fact.)	109.64	580.38

5. Capital Outlay on Defence Services (Capital expdr. of all Services Deptts.)	12630.77	17926.40
Total Gross Expenditure	50026.74	60278.18
Receipts/Recoveries	(-) 1522.74	(-) 1691.18
Total (Net)	48504.00	58587.00

16. A comparison of the Service/Department-wise allocations in R.E. 1999-2000 and B.E. 2000-2001 is given below:

(Rupees in crores)

Service Deptt.	R.E 1999-2000	% age of Total Budget	B.E. 2000-2001	% age of Total Budget	Details shown in
Army	28412.05	58.57%	32336.00	55.19%	Annexure-I
Navy	6997.39	14.43%	8228.05	14.05%	Annexure-II
Air Force	10395.73	21.43%	14495.61	24.74%	Annexure-III
DGOF	(-) 432.86	(-) 0.89%	4.82	0.01%	Annexure-IV
R&D	2740.00	5.65%	3094.75	5.28%	Annexure-V
DGQA	391.69	0.81%	427.77	0.735	Annexure-VI
Total	48504.00	100%	58587.00	100%	

* Net Revenue plus Capital provision has been shown here.

Category-wise break up

17. The Gross Revenue Expenditure in the Budget Estimates for 2000-2001 is 70.26% as compared to 74.75% in the Revised Estimates 1999-2000. The Gross Capital Expenditure in the Budget Estimates 2000-2001 is 29.74% as against 25.25% in the Revised Estimates 1999-2000.

18. The Net Revenue expenditure in the Budget Estimates for 2000-2001 is 69.40% as compared to 73.96% in the Revised Estimates, 1999-2000. The Net Capital

expenditure in the Budget Estimates 2000-2001 is 30.60% as against 26.04% in the Revised Estimates 1999-2000.

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

19. The following table shows Defence expenditure as 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	3.59
1988-89	17.81	3.37
1989-90	15.52	3.16
1990-91	14.65	2.88
1991-92	14.67	2.65
1992-93	14.34	2.49
1993-94	15.40	2.54
1994-95	14.46	2.30
1995-96	15.06	2.27
1996-97	14.68	2.17
1997-98	15.20	2.33 P
1998-99	14.28	2.26 Q
1999-2000 (RE)	15.97	—
2000-2001 (BE)	17.31	—

Projection/Allocation of funds for Services

20. The three Services and other Defence Departments projected total requirement of Rs. 72723.60 crores for 2000-2001. Of the Rs. 44233.67 crores were under Revenue and Rs. 28489.93 crores under Capital.

21. Thereafter a series of detailed discussions were held within the Ministry with the representatives of the Services HQrs. Based on discussions, Ministry of Defence had recommended an agreed requirement of Rs. 63586.95 crores for 2000-2001 for Defence to Ministry of Finance. Of this, Rs. 41310.58 crores were under Revenue and Rs. 22276.37 crores under Capital.

22. Ministry of Finance have, after further discussions, allocated Rs. 58587.00 crores against the Ministry of Defence's recommendation. Of this, Rs. 40660.60 crores have been provided under Revenue and Rs. 17926.40 crores under Capital Outlay.

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

Service/Deptt.	Initial Projections Made by Services/ Deptt.	Agreed proposals made by Ministry of Defence	(Rs. in crores)		%age
			Budget allocation as per ceiling made by MOF	Shortfall	
Army	38844.43	34935.96	32336.00	2599.96	7.44
Navy	9288.37	9128.04	8228.05	899.99	9.86
Air Force	20806.48	15895.61	14495.61	1400.00	8.81
DGOF	4.82	4.82	4.82	-	-
R&D	3345.03	3194.75	3094.75	100.00	3.13
DGQA	434.47	427.77	427.77	-	-
Total	72723.60	63586.95	58587.00	4999.95	7.86

24. The Ministry of Defence recommended a total provision of Rs. 22276.37 crores under Capital Outlay after detailed consultation with service HQrs/Depts. This included Rs. 20280.53 crores for ongoing/committed schemes and new schemes under modernisation and Rs. 888.00 crores for various land, works programme etc. of the three Defence Services and balance Rs. 1107.84 crores for other Departments viz. DGOP, R&D and DGQA. Against this, a total of Rs. 17926.40 crores 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:

(Rupees in crores)

Service/Deptt.	Initial Projections Made by Service/ Deptt.	Agreed proposals made by Ministry of Defence	As allocated
Army			
Equipment Heads	9674.69	7558.61	5558.63
Land, Works etc.	527.77	522.77	522.77
Sub-Total	10202.46	8081.38	6081.40
Navy			
Equipment Heads	4944.141	4940.12	4040.13
Land, Works etc.	147.45	147.45	147.45
Sub-Total	5091.86	5087.57	4187.58
Air Force			
Equipment Heads	11687.00	7781.80	6381.80
Land, Works etc.	252.77	217.78	217.78
Sub-Total	11939.77	7999.58	6599.58
Total (Army, Navy & Air Force)	27234.09	21168.53	16868.56
DGOF	219.86	219.86	219.86

R&D	1025.48	877.48	827.48
DGQA	10.50	10.50	10.50
Grand Total	28489.93	22276.37	17926.40

26. The Committee note that defence outlay of Rs. 58,587 crores for the year 2000-2001 marks a 28.2 per cent hike over the budget estimates of Rs. 45,694 crores for the year 1999-2000, and a 20.79 per cent rise over the revised estimates of Rs. 48,504 crores for the year 1999-2000. The hike in defence outlay was expected after the Kargil conflict, which exposed the major deficiencies in our national security management system. The Committee hope that the increase in defence outlay that has come after many years of slump in real terms would be sustained for the coming years also. This requires long term financial commitments and cohesive planning by the Government in consonance with the series of perspective Five Year Defence Plans.

27. The Committee are of the view that while meeting the urgent requirement of the Armed Forces, the inefficiencies and bottlenecks in defence procurement process and procedures which have been identified by the Government should be removed. It has often been found that poor planning results in wasteful purchases which are a drain on the scarce resources of the country. The defence needs have to be met from the total resources available and there are huge demands on them from other important sectors as well. The Committee, therefore, feel that the Government should pay serious attention to the need to avoid wasteful expenditure on purchases and plug the sources of leakage of funds. The Committee feel that even while making purchases to meet the urgent requirements of the Armed Forces, there should be compliance with proper procedures. In this context, the Committee desire that the acquisition procedures should be simplified, and rationalised. Further they should be transparent and capable of ensuring timely acquisitions.

The Committee note that the Ministry of Defence on 28th March, 2000 has constituted a Committee under the Chairmanship of Vice Chief of Army Staff (VCOAS) and the representatives of Service Headquarters, Department of Defence Production & Supplies (DDP&S), Defence Research and Development Organisation (DRDO), Ministry of Defence and Ministry of Defence (Finance) as Members with the objective of formulating measures by which the Defence Procurement Procedures can be appropriately modified. The terms of reference of the Committee include changes in the procedures for speedier interaction between the various organisation of the Service Headquarters and MoD/MoD (Finance) on the other. The Committee hope that this body will complete its task quickly. In this context the Committee desire that the Government should also examine the feasibility of setting

up a broad-based high powered committee to take a deeper look at the acquisition procedures in all its dimensions and suggest long term measures in this regard.

28. The Committee feel that the Armed Forces restructuring has not gone very far. An analysis of the figures given in the previous pages shows that a very high proportion of the defence budget goes on salaries and maintenance leaving an inadequate amount for modernisation and upgradation of the Armed Forces. The hike in defence outlay would not bring about the required results till this imbalance is corrected substantially. The Defence Ministry should take necessary steps to remove this imbalance so that the armed forces have adequate manpower on the one hand and adequate resources for capital acquisition on the other. The Services should rationalise their priorities to meet the security needs of the country.

Army

29. The Army had projected a demand for Rs. 38844.43 crores, however, the Ministry of Finance agreed to an allocation of Rs. 34935.96 crores. The Service had, therefore, expected an additional allocation of Rs. 3908.47 crores which they did not get. The Ministry of Defence have stated that capital outlay of Army for the year 2000-2001 is Rs. 6081.40 crores, the rest of the funds are for revenue expenses on wages and maintenance etc. This year's capital allocation compares favourably with allocation of previous years.

The Ministry have, therefore, stated that in light of above, it is expected that this level of enhanced allocation of funds will enable Army to acquire T-90 Tanks, Medium Guns, Unmanned Aerial Vehicles, Missile Systems, Electronic Surveillance System etc.

T-90 Tanks

30. In reply to a question the Ministry of Defence stated that the T-90S Tanks were offered by Russia in December, 1997. A technical delegation was deputed to Russia in 1998 for conducting evaluation of the Tank. The delegation evaluated the Tank in Russian conditions and recommended its acquisition. In December 1998, the Cabinet Committee on Security approved the proposal for acquisition of 124 fully formed Tanks and 186 Semi Knocked Down (SKD) and Completely Knocked Down (CKD) Tanks.

31. The Price Negotiation Committee (PNC) recommended that the Tanks should be tried in Peak summer conditions in India. Three T-90S Tanks were tried in Rajasthan during May-July 1999. Protection trial of the Tanks were also held in Russia during October-November 1999 which were witnessed by technical delegation from India. Based on these trials the Army headquarters prepared a General Staff Evaluation Report and recommended the induction of T-90S Tank into the service. At present PNC is continuing its negotiations with the supplier M/s RVZ of Russia.

32. During the oral evidence it was stated "...no other a person than the visiting Russian Defence Minister v~ho met our Defence Minister said that this Tank had been inducted in their Army. We checked out from the Military Attache in Moscow, whose report is that T-90S tanks are operating in Russian Army. But are they operating a very large fleet? No. Because they have a very large reservoir of tanks. They say that they do not have the economic sustenance to put down T-90S in the number that they want to have."

33. On the basis of a draft contract given by the Russian side, the quoted price of the tank, the Defence Secretary stated, "the \$2.41 million was the price. Though they started with \$2.65 million it was brought down and today after negotiating it is below \$2.2 million."

34. The Committee has carefully considered the facts presented by the Defence Secretary in regard to the trial performance of T-90 tanks as well as the cost advantage the negotiators have been able to extract from the manufacturers. The Committee has also taken note of the contrary opinions expressed on the suitability of this tank. The Committee is of the view that the most important consideration in this regard should be the combat readiness of the Army. The crucial test is whether the induction of T-90 tanks at this stage will make the Indian Army fully equipped to meet the challenge from across the border. The Committee want the Government to fully satisfy itself on the technological, and financial advantages as well as the suitability of the tank at the earliest before taking a final decision in the matter. The Committee desire that the Government should ensure that major defence acquisitions are free from misapprehensions and controversies of any kind. The Committee feel that any controversy surrounding an acquisition of a weapon system will create confusion in the armed forces and adversely affect their morale.

Weapon Locating Radars (WLRs)

35. The Ministry of Defence in reply to a question stated that in February, 1995, request for proposal was issued to five manufacturers for supply of four WLRs after conducting trials of the equipment offered by them. Only one manufacturer M/s Hughes of USA responded to the RFP and offered their equipment for trials. Trials were conducted in India during 1995-96. It was found that the WLR of M/s Hughes, USA did not meet the prescribed General Staff Quality Requirements (GSQR) parameters in full. When the matter was placed before Raksha Mantri for seeking his approval to the relaxation of GSQR, he observed that the GSQR parameters were unrealistic which had also resulted in reduction in competition. It was also decided that the Army should place indent on Defence Research and Development Organisation (DRDO) for indigenous development of WLR.

36. In September, 1998, taking into consideration the urgency expressed by the Army HQrs, import of *tout* WLRs was approved. Simultaneously, it was also decided that the

indigenous development of WLR should be pursued. Meanwhile, in May, 1998, the Government of USA had imposed sanctions on India which precluded the possibility of import of WLR from USA. Accordingly, Request for Proposals (RFPs) were issued to M/s Iskra of Ukraine and M/s Thomson CSF of France. While M/s Iskra responded to the RFP, M/s Thomson CSF informed that they were not in a position to do so as they could not get authorisation from their partner countries. A delegation recommended procurement of WLR from Ukraine.

37. In September 1999, M/s Daimler Chrysler gave presentation on their Cobra WLR system which was witnessed by senior Ministry of Defence and Army Headquarter (AHQ) officials. It was decided to send a technical delegation to evaluate the Cobra WLR system. The delegation has visited France and Germany from 13 to 16 March, 2000. Though a formal Report from the delegation has still not been received, it is learnt that the delegation could not see dynamic demonstration of the system as France did not agree to it.

38. Some issues like Transfer of Technology (TOT), its impact on indigenous development etc, were discussed in a meeting taken by Raksha Mantri (RM) on 13.3.2000. It has been decided that the PNC should resume negotiations with the Ukrainians for acquisition of WLRs, some in fully formed condition and some in SKD/CKD.

39. During oral evidence it was stated by Secretary DR&D "...Sorry DRDO was not engaged in a WLR Programme. It can be imported. In fact, as early as 1989, you may recollect that we had sent a team to evaluate the AN/TPQ-36 & 37. We could not buy it because it was denied to us. The cost was very high".

40. The Committee find on the basis of the facts brought before it that the Ministry of Defence has not shown any sense of seriousness in acquiring this item. The enquiry in respect of this item had admittedly started in 1989 and even after a decade the Indian Army has not been able to acquire it. Our adversary is in possession of the weapon locating radar and it was used by it during the Kargil conflict to destroy our gun positions.

41. The Committee is seriously concerned by the degree of seeming casualness shown by the Defence Ministry in this regard. The statement made by the Defence representative that we could not buy it because it was denied to us and that the cost was very high is unsatisfactory to say the least. The Committee find that though the technical delegation which sent to France to evaluate the Cobra WLR system has not made a formal report, a decision was taken in the Ministry of Defence that the PNC should resume negotiation with the Ukrainians for acquisition of WLRs. The Committee want to be apprised of the reasons for taking such decision to continue the negotiations. The Committee desire that the Government should take immediate steps to equip the Army with this Radar.

National Cadet Corps (NCC)

42. The demand from educational institutions seeking extension of NCC facilities is quite large in number. At present, there are 3.6 lakh students on the waiting list seeking enrollment as NCC cadets. However, partly because of resource constraints in allocation of funds by the various State Governments and also partly due to the limited availability of Service Officers and Other Ranks of the three Armed Forces, the number of educational institutions seeking extension of NCC facilities is being restricted.

43. The Committee are dissatisfied over the stand taken by the Ministry of Defence that due to limited availability of Service Officers, extension of NCC facilities is being restricted. The Committee desire that the services of the officers of Territorial Army should be utilised to make up the shortage of officers in the NCC. Government should also examine the feasibility of providing proper training to the staff of the concerned educational institutions to enable them to serve as officers in NCC. The Committee recommend that NCC should be developed on the lines of Reserve Officer Training Course (ROTC) of America so that it may come up as a channel for Commission and the services of this organisation might be better utilised in the service of the nation.

Smerch (MBRL system)

44. Acquisition of Smerch Multi Barrel Rocket Launcher (MBRL) system was included in the IXth Army Plan. However, in July, 1998, the Army HQrs informed that after reviewing the matter it has been decided to relegate the acquisition to the Xth Army Plan keeping in view the budgetary constraints.

45. In July 1999, Chief of Army Staff (COAS) approved the induction of one battery (6 launchers) of Smerch System along with associated equipment and ammunition on operational urgent basis on the context of Operation (OP) VIJAY. Accordingly, in September 1999, a technical delegation was sent to Russia to carry out an assessment of the combat effectiveness and ascertain the suitability of Smerch MBRL, fuel air explosive ammunition, self-targeting submunition, warheads, etc. The delegation recommended acquisition of the system without conducting field trials in the Indian conditions.

46. During the examination of the proposal, a number of issues relating to the trial of the system in Indian conditions and its evaluation, transfer of technology, its impact on induction plan of Prithvi and Pinaka missiles range of the system, efficacy of the self targeting submunition warhead came up. Many such points were discussed in a meeting taken by RM on 14.3.2000. It was decided that the system should be tried at Balasore Proof Range with the assistance of DRDO. It was also decided that a case for acquisition of Smerch MBRL be processed for seeking approval of Cabinet Committee on Security. Simultaneously, PNC is also being constituted to conduct negotiations on prices and other related issues with the vendor to expedite the acquisition process.

47. The Committee note that despite acquisition of Smerch MBRL system which was included in the IXth Army Plan, the system is yet to be inducted into the Army. The Committee wants to know the reasons for delay on this account.

The Committee desire that Ministry should chalk out a time bound programme for expeditious acquisition of this critically required equipment after completion of the trial in the Indian conditions.

Defence Research & Development Organisation (DRDO)

48. When asked whether the present level of funding for the DRDO is adequate, the Secretary (R&D) stated as follows: "... The previous Committees recommended that the R&D fund should go up to 10 per cent. Now, I think, our R&D fund is approximately hovering around six per cent. But it is not just the percentage. The total quantum of money has doubled. So, for the existing programmes, six per cent allocation is adequate. There has been no shortage of funds for the running projects. I know that the previous Committees have suggested that in a span of three to five years, it should go up to 10 per cent. But at present, if we are given four per cent more money, then we should clearly identify the projects, which have not yet been done. At present, six per cent is quite adequate."

49. The Committee hope that with the present level of funding, the on going projects will be completed within set time frame and in future there will be no delays as seen in the past. The Committee desire that the DRDO should be made accountable for delays.

Navy

50. The Navy had projected a demand for Rs. 9288.37 crores, however the Ministry of Finance agreed to an allocation of Rs. 9128.04 crores. The Service had, therefore, expected an additional allocation of Rs. 160.39 crores which they did not get. The Ministry of Defence have stated that the capital outlay of Navy for the year 2000-2001 is Rs. 4187.58 crores, the rest of the funds are for revenue expenses on wages and maintenance etc. This year's capital allocation compares favourably with allocation of previous years.

51. The Ministry have stated that this level of enhanced allocation of funds will enable Navy to acquire Surveillance aircraft. Helicopters, Missile/Anti-Missile Systems, Air Defence Ship (ADS), Unmanned Aerial Vehicles (UAVs).

Aircraft Carriers

52. In 1987, INS Virat, a 30,000 ton aircraft carrier was acquired from UK. Presently, INS Virat is under medium refit cum modernisation process by the Cochin Shipyard Limited and Naval Dockyard, Mumbai. This ship is likely to become available for service to the Navy by the end of 2000 or early 2001.

53. As per the Navy, there is a need to have two aircraft carriers so that at least one is available at any given point of time for operational use. The Government have approved the construction of an Air Defence Ship at the estimated cost of Rs. 1551.64 crores in May, 1999. The ship is being designed by the Directorate of Naval Design (Service Group) of the Naval HQrs. The ship will be constructed by M/s Cochin Shipyard Limited for which a letter of intent has already been issued in August, 1999.

54. Government have also received an offer from the Government of Russian Federation to gift an existing aircraft carrier Admiral Gorshkov a 45,000 ton aircraft carrier to India. The ship will need to be repaired and modernised before it can be inducted into the service of the Navy. Details in this regard are being discussed with the Russian side.

55. The Committee note that the refitting of ships has taken unduly long time and at present Indian Navy does not have any aircraft carrier for immediate use in need. The Committee desire that Indian Navy should make advance plans so that such type of situation does not recur. In the wake of the recent budget hike the Committee hope that Navy would acquire more aircraft carriers without loss of further time.

Fifth Pay Commission

56. In general, most of the recommendations of the Fifth Central Pay Commission in regard to higher pay scales to civilians under the Ministry of Defence have been accepted and orders issued for their implementation. When asked, the Ministry stated that in regard to Store Keeping Personnel in the Navy, Government sanction has been issued for implementation of the Fifth Central Pay Commission recommendations. The placement of Officer in the restructured grades of Assistant Naval Store Officer Grade-1 and Director is under processing in consultation with the Department of Personnel and Training/Union Public Service Commission. No Officer from the Cadre is eligible for the post of Senior Director.

57. While the higher pay scales have been given from 1.1.96 where no conditions are to be fulfilled, in the cases of restructuring of the cadres where fresh Recruitment Rules have to be notified and Departmental Promotion Committee (DPC) held to assess the suitability of the concerned officers, action is being taken to expedite these processes.

58. The Committee recommend that Ministry of Defence should draw up a time bound schedule to ensure that benefits of Fifth Central Pay Commission recommendations are made available to all officers and Jawans and no existing incumbent should be put to disadvantage monetarily as well as career growth on account of inordinate delay on the part of Ministry/Department. The Committee expect that Ministry would act expeditiously in a matter affecting the morale and interest of their own employees especially employees working in Naval Stores Organisation. In this regard, the Committee reiterate their earlier recommendation contained in their 5th Report (11th Lok Sabha) that the Ministry of Defence should have a separate Pay Commission to revise the pay scales and the service conditions of the defence personnel.

The Committee stress that the Government should give due importance to the quality of life of defence personnel and welfare of their facilities.

Air Force

59. The Air Force had put up a projection of 20,806.48 crores, the Ministry of Defence proposed an allocation of 15,895.61 crores, however the Ministry of Finance agreed to an allocation of Rs. 14495.61 crores. The Service had, therefore, expected an additional allocation of Rs. 6300.87 crores which they did not get. The Ministry of Defence have stated that the capital outlay of Indian Air Force (IAF) for the year 2000-2001 is Rs. 6599.58 crores, the rest of the funds are for revenue expenses on wages and maintenance etc. This year's capital allocation compares favourably with the allocation of Rs. 3972.15 crores in 1997-98, Rs. 3676.82 crores in 1998-99 and Rs. 4230.15 crores in 1999-2000 i.e. the first three years of Ninth Plan period.

60. The Ministry have, therefore, stated that in light of the above prospective, it is expected that this level of funding will enable IAF to implement all the major uncontracted modernisation schemes identified in the IAF's approved Ninth Plan.

The Ministry of Defence have also stated that the enhanced allocation is likely to be utilised for funding major projects, such as Advanced Jet Trainer (AJT), Airborne Warning and Control System (AWACS), Unmanned Aerial Vehicle (UAV), Flight Refueling Aircraft (FRA), Mirage-2000, Mi-17 helicopters, Licenced Production of SU-30 aircraft, MiG-29 upgrade.

Advanced Jet Trainer (AJT)

61. The Ministry of Defence during evidence have stated that for the acquisition of AJT a single vendor situation has been reached and the steps required now will be to look at the British Aerospace offer quickly, and negotiate on flyaway aircraft they will be able to give because the need for them is badly felt. The detailed discussion in terms of indigenous production with Hindustan Aeronautics Limited (HAL) is also being done.

Airborne Warning and Control System (AWACS)

62. The Ministry of Defence have informed that discussions for the acquisition of AWACS system are presently going on and all efforts are being made to acquire the high cost item (approximately Rs. 1000 crores a piece).

63. The Committee note that the Air Force Budget has been enhanced in order to facilitate the major acquisition programmes for the year 2000-2001. The Committee appreciate the efforts made by the Ministry for acquisition of a number of vital equipments like the Airborne Warning and Control System (AWACS), Unmanned Aerial Vehicle (UAV), Flight Refueling Aircraft (FRA), Mirage-2000, Mi-17 helicopters, Licenced Production of SU-30 aircraft, MiG-29 upgrade.

64. The Committee hope that adequate and timely funding is done for all the above projects and at the same time the Ministry of Defence should streamline the procedures for acquisition of all equipment so that delays as in the case of advanced Jet Trainer are not repeated in the other projects.

Light Combat Aircraft (LCA) Programme

65. The Ministry of Defence have stated that the two technology demonstrators of LCA (Technology Demonstrator I & Technology Demonstrator 2) have been built and fully equipped to flight standard. System Integration Tests on both are in progress. TDI is in its last phase of system integration and flight clearance tests. It is expected to have its first flight by May-June 2000. TD2 is expected to fly in about three to four months after the first flight of TDI.

The likely date of completion of Phase I of the Project as specified by the Ministry of Defence is December, 2001 and the first LCA is expected to be given to the Air Force by the year 2005.

66. The LCA project was sanctioned in 1983 with an original cost estimates of Rs. 560.00 crores. The first flight was scheduled to be in 1991. The cost was later revised to Rs. 2188.00 crores in June, 1993 with revised schedule for the first flight in June, 1996. Subsequently first flight test of the light combat aircraft was scheduled for early 1997. Later development flight testing of LCA was planned in the first half of 1999, and now the first Flight of TDI is to take place in May, 2000.

67. The Ministry of Defence have now stated that Initial Operational Clearance (IOC) by IAF is estimated to occur in the year 2004 and Final Operational Clearance (FOC) would be about two years thereafter. Both would need investments for production in advance of these target periods, apart of course from satisfactory performance of the TD and PV (Prototype Vehicle) aircraft. The Air Force have however, during evidence expressed their concern over the fact that they would not be getting the LCA for induction into IAF Squadrons before the year 2010-2012.

68. The Ministry have stated in their written replies that a number of issues (mainly technical) and a considered decision to indigenously manufacture components earlier envisaged for import have caused unavoidable slippages in programme schedules.

69. The Committee note that in view of the depletion in the fleet strength of the IAF, the Ministry of Defence had proposed to prepone the induction of LCA into IAF by 2003. However, the pace of work on the project appears to be very slow. The Ministry of Defence have proposed to induct it in 2005 and initial operational clearance is expected only in the year 2004 and final operational clearance two years later. During discussions it was also brought out that the ultimate induction of the LCA was linked with the successful development of the indigenous Kaveri gas-turbine aero engine which is still undergoing test-bed trials by the DRDO and requires additional trials. While wishing for successful development of the Kaveri, the Committee is concerned to note that there is no standby/ fall back option.

70. The Committee hope that the flight evaluation of the Light Combat Aircraft would be successful. The Committee desire that in the unlikely event of Kaveri Engine not performing as per the GSQR parameters, in this context, the whole LCA project should be reviewed by the Government. The Committee want to know the time schedule laid down by the Government for inducting the LCA in the Indian Air Force.

Modernisation of MiG-21 Bis Aircraft

71. The Ministry have stated that the contract for the upgrade of 125 MiG-21 Bis aircraft with an option to upgrade 50 additional aircrafts was signed in March 1996 with Russians as the prime contractor. Two aircraft were to be upgraded in Russia as part of the design and development programme. The remaining 123 aircraft are to be upgraded at HAL Nasik. The design and development work on the two aircraft in Russia was planned to be completed in August 1998. The series upgradation work -at HAL on the remaining 123 aircraft was planned to be completed in 2002.

72. The Ministry have further informed that all new systems contracted for the upgrade of the MiG-21 Bis aircraft have been integrated on the upgraded MiG-21 Bis aircraft. Flight testing of the new system is in progress in Russia. Flight test task upto 75% has been successfully completed. The remaining task is expected to be completed by July, 2000. The aircraft is planned to enter operational service in 2001. There is no plan for upgradation of other variants of MiG-21 fleet.

73. The Ministry of Defence have stated that there has been a delay of two years in the modernisation of MiG-21 Bis aircraft. The delay is attributable to both the sides *i.e.* the Indian side and the Russian side. The main causes for the delay have been the selection of the customer furnished equipment by the Indian side and problems of customs clearance and delay in design and development on the Russian side. However, now all the problems have been resolved and the final test flights of the aircraft in the new configuration on the two designed and developed aircraft are taking place in Russia and

as per the revised schedule likely to be finished by the end of July, 2000. The design and development phase is also slated to be finally closed by September, 2000.

74. In the meanwhile, 6 (six) aircraft to be modified by HAL have been placed at the disposal of HAL by IAF and modification work has already commenced. According to the revised schedule, all the 125 aircraft which are to be modernised/upgraded will be upgraded by the year 2004.

75. The Committee note that earlier the Ministry of Defence had given the date 2003 as the schedule for completion of upgradation work on MiG-21 aircraft. As the extended life of the aircraft may not go beyond 2010-2015, the Ministry of Defence may also take a review of the progress of this project without affecting its continuity. The Committee desire that the Government should chalk out a schedule for completion of the work of upgradation on MiG-21 aircraft.

Ordnance Factories

76. The Ministry of Defence have informed that modernisation of Ordnance Factories is an ongoing process aimed at meeting the emerging requirement of Armed Forces. The steps taken include renewal and replacement of old plant and machineries and induction of new machines and processes. An investment to the tune of Rs. 1241 crores is proposed to be made in modernisation in the Ninth Plan and Rs. 1786 crores in the Tenth Plan. The thrust is now to induct new productive computerised control machines which are capable of combining a number of conventional operations from the angle of flexibility to produce a variety of stores and also would effect cost reduction in the products alongwith consistent quality.

77. The Ministry of Defence stated that due to Operation Vijay, production went up sizeably on account of higher demand from the Services especially for ammunition items from the Army. This resulted in fuller utilisation of capacities in Ordnance Factories. Thus, it became possible to increase the issues to Services substantially within a very short time by optimum utilisation of all existing resources of Manpower, Plant and Machinery including Stores which constitute inventory.

78. The Committee note with satisfaction the commendable efforts made by the Ordnance Factories to cater to the sudden surge of requirements of items particularly ammunition during the Kargil conflict as a result of increased consumption of items in field operations so as to replenish the depleting stocks. Similar performance of the Ordnance Factories is expected in the years to come to make up all deficiencies wherever they exist. The Committee hope that the Ordnance Factories will make full utilisation of their capacities in future also and modernisation work on the Plant and Machinery of Ordnance Factories will be taken up as scheduled in the Ninth and Tenth Defence Plans.

Capital Outlay on Defence Services

79. The Capital Outlay on Defence Services has shown a marked increase over the previous years the major new projects likely to be funded in 2000-2001 are as follows:

Army

Acquisition of T-90 tanks. Medium Guns, Unmanned Aerial Vehicles, Missile Systems, Electronic Surveillance System, etc.

Navy

Surveillance aircraft. Helicopters, Missile/Anti-missile systems, ADS, Unmanned aerial vehicles, etc.

Air Force

Advance Jet Trainer, Aircraft, AWACS, Flight Re-fuelling Aircrafts, AWACS, Helicopters, Advanced Light Helicopters, MiG-29 upgrade.

DGOF

Nalanda Project

80. The Committee hope that the Ministry of Defence will allocate the funds as planned for all the new major projects which are likely to be taken up during the year 2000-2001. The Ministry of Defence are also advised to speedily complete all formalities for obtaining sanction for the above projects.

NEW DELHI;
April 11, 2000
Chaitra 22, 1922 (Saka)

DR. LAXMINARAYAN PANDEY,
Chairman,
Standing Committee on Defence.

ANNEXURE-I

(Please see Para 16)

ARMY

Minor Head	R.E. 1999-2000	B.E. 2000-2001
1	2	3
Revenue		
101 — P&A—Army	9335.65	10317.90
103 — P&A—Aux. Forces	118.60	114.00
104 — P&A Civilians	1168.98	1251.04
105 — Transportation	851.46	888.57
106 — Military Farms	139.50	151.37
110 — Stores	10318.23	11012.20
111 — Works	1617.87	1809.94
112 — Rashtriya Rifles	500.00	550.00
113 — National Cadet Corps	218.04	237.09
800 — Other Expenditure	491.42	525.49
Total Gross	24759.75	26857.60
Receipts/Recoveries	582.00	603.00
Total Net	24177.75	26254.60

1	2	3
Capital		
Land	27.50	37.50
Works	452.20	457.20
Aircraft	293.20	518.00
Vehicles	371.00	440.32
Other Eqpt.	3084.45	4600.31
Mily. Farms	4.50	4.00
Rolling Stock	0.15	22.07
Rashtriya Rifles	0.00	0.00
National Cadet Corps	1.30	2.00
Stock Suspense	0.00	0.00
Other Expenditruue	0.00	0.00
Total Capital	4234.30	6081.40
Total Revenue/Capital	28412.05	32336.00

ANNEXURE II

(Please see Para 16)

NAVY

(Rs. in crores)

Minor Head	R.E. 1999-2000	B.E. 2000-2001
1	2	3
Revenue		
101 — P&A — Navy	673.16	697.01
102 — P&A Reservists	0.00	0.00
104 — P&A Civilians	487.90	568.16
105 — Transportation	81.65	88.65
110 — Stores	1387.44	1610.00
111 — Works	305.79	333.04
800 — Other Expenditure	715.92	800.20
Total Gross	3651.86	4097.06
Receipts/Recoveries	55.30	56.59
Total Net	3596.56	4040.47

1	2	3
Capital		
Land	33.90	20.50
Works	118.95	126.95
Aircraft	321.97	470.71
Vehicles	6.50	8.00
Other Eqpt.	374.45	682.50
Fleet	2207.59	2513.73
Dockyards	337.47	365.19
Capital Recovery	0.00	0.00
Net Capital	3400.83	4187.58
Total Revenue/Capital	6697.39	8228.05

ANNEXURE - III

(Please see Para 16)

AIR FORCE

Minor Head	R.E. 1999-2000	B.E. 2000-2001
1	2	3
Revenue		
101 — P&A — Air Force	1738.97	1794.90
104 — P&A — Civilans	285.00	306.37
105 — Transportation	149.42	155.29
110 — Stores	3618.87	5221.65
111 — Works	472.79	520.00
200 — Spl. Projects	8.56	9.23
800 — Other Expenditure	116.03	114.80
Total Gross	6389.64	8122.24
Receipts/Recoveries	229.91	226.21
Total Net	6159.73	7896.03

1	2	3
Capital		
Land	25.44	4.23
Works	170.46	170.55
Aircraft	2735.53	4502.41
Vehicles	0.15	0.00
Other Eqpt.	1277.42	1879.39
Spl. Projects	27.00	43.00
Total Capital	4236.00	6599.58
Total Revenue/Capital	10395.73	14495.61

ANNEXURE IV
(Please see Para 16)

DGOF

(Rs. in crores)

Minor Head	R.E. 1999-2000	B.E 2000-2001
Revenue		
001 - Director & Admin.	36.00	38.51
004 - Research	6.54	8.00
052 - Mach. & Eqpt.	13.00	14.30
054 - Manufacture	1669.97	1832.81
105 - Transportation	50.43	55.47
110 - Stores	2710.48	3062.46
111 - Works	43.64	48.00
106. - Renewal & Replacemen	150.00	250.00
797 - Transfer to R/R Fund	150.00	250.00
800 - Other Expenditure	374.53	412.00
Supplies to Services (-)	5094.71	(-) 5391.17

	Total Gross	109.88	580.38
<hr/>			
Receipts/Recovries		645.84	795.42
<hr/>			
Net	(-)535.96	(-)215.04	Total
<hr/>			

Capital

Mach & Eqpt.	50.00	37.00
Works	45.03	170.05
Suspense	8.07	12.81
<hr/>		
Total Capital	103.10	219.86
Total Revenue	(-)432.86	(-) 4.82

Supplies to Services

	4820.71	5089.77
	66.0	72.60
	108.0	118.80
	100.0	110.00
	5094.71	5391.17

ANNEXURE-V
(Please see Para 16)

R&D

(Rs. in Crores)

Minor Head	R.E. 1999-2000	B.E. 2000-2001
1	2	3
Revenue		
1. Pay & Allowances	456.31	482.76
2. Miscellaneous	34.45	47.27
3. Transportation	29.48	35.93
4. Grant of Fellowships	0.90	1.00
5. Grants in-Aid	196.44	241.50
6. Training of personnel	0.20	6.22
7. Stores	1246.70	1304.24
8. Works	125.24	148.49
9. Educational Facilities	5.50	6.50
10. Amenity Grants	0.20	0.31
11. Departmental Canteens	0.04	0.05
Total Gross	2095.46	2274.27
Receipts/Recoveries	7.00	7.00
Total Net	2088.46	2267.27
Capital	651.54	827.48
Total Revenue/Capital	2740.00	3094.75

ANNEXURE VI
(Please see Para 16)

DGQA

(Rs. in crores)

(Rs. in crores)

Minor Head	R.E. 1999-2000	B.E. 2000-2001
Revenue		
1. Pay & Allowances	245.77	270.22
2. Miscellaneous	16.14	16.87
3. Transportation	5.32	5.56
4. Stores	103.26	108.49
5. Works	18.80	19.00
6. Departmental Canteens	0.09	0.09
Total Gross	389.38	420.23
Receipts/Recoveries	2.69	2.96
Total Net	386.69	417.27
Total Capital	5.00	10.50
Total Revenue/Capital	391.69	427.77

ANNEXURE VII
(Please see Para 10)

MINISTRY OF DEFENCE

(Rs. in crores)

	R.E. 1999-2000	B.E. 2000-2001
	1	2
Revenue Section		
1. Deptt. of Defence	25.97	26.30
2. Deptt. of Defence Production & Supplies	4.12	4.49
3. Deptt. of Defence Research and Development	0.44	0.46
4. Defence Accounts Department	358.01	394.44
5. Defence Estate Organisation	35.19	37.75
Total Sectt. General Services	423.73	463.44
6. Canteen Stores Department	2949.42	3234.63
7. Maintenance — DAD Offices	3.25	3.37
8. Maintenance — DAD Housing	5.28	5.81
9. Army Purchase Organisation	1.28	1.30
10. Subsidy in Lieu of Interest — MDL	—	—

	1	2
10. Grant for V.R.S. To		
(a) Bharat Earth Movers Ltd. (BEML)	-	-
(b) Mazagaon Dock Ltd.	-	-
(c) Garden Reach Ship Builders & Engineers (GRSE)	-	-
Total Revenue Section	3382.96	3708.55
Less Receipts Generated by CSD	(-) 3088.26	(-) 3385.31
Less Amount met from National Renewal Fund	(-) —	(-) —
Net Revenue Budget	294.70	323.24
Capital Section		
1. Construction — DAD Offices	4.41	8.60
2. Construction — DEO Offices	0.75	1.84
3. Construction — CSD Offices	5.45	7.43
4. Construction — DAD Housing	13.49	12.86
5. Construction — DEO Housing	0.05	2.16
6. Construction — CSD Housing	1.35	1.65
7. Investment in PSUs (MDL)	0.01	—
8. Loans for Water Supply Schemes	—	—
9. Miscellaneous	3.01	3.01
Total Capital Section	28.52	37.55

ANNEXURE VIII
(Please see Para 11)

DEFENCE PENSIONS

(Rs. in crores)

	R.E. 1999-2000	B.E. 2000-2001
Pension & other Retirement Benefits		
Army	10338.40	11041.92
Navy	246.67	317.31
Air Force	439.58	640.77
Total	11024.65	12000.00

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

The Committee sat on Thursday, the 30th March, 2000 from 1400 hrs. to 1700 hrs.

PRESENT

Dr. Laxminarayan Pandey — *Chairman*

MEMBERS

Lok Sabha

2. Shri S. Ajaya Kumar
3. Shri S. Bangarappa
4. Col. (Retd.) Sona Ram Choudhary
5. Smt. Sangeeta Kumari Singh Deo
6. Shri Chandrakant Khaire
7. Shri Vinod Khaima
8. Shri K.E. Krishnamurthy
9. Shri A. Krishnaswami
10. Shri Sultan Salahuddin Owaisi
11. Prof. Rasa Singh Rawat
12. Shri A.P. Jithender Reddy
13. Shri Madhavrao Scindia
14. Dr. Col. (Retd.) Dhani Ram Shandil
15. Shri Ramjiwan Singh
16. Dr. Jaswant Singh Yadav

Rajya Sabha

17. Shri Suresh Kalmadi
18. Shri Kapil Sibal
19. Shri Nilotpal Basu
20. Dr. Raja Ramanna
21. Shri Shanker Roy Chowdhury
22. Dr. Y. Lakshmi Prasad
23. Sardar Gurcharan Singh Tohra
24. Shri T.N. Chaturvedi

SECRETARIAT

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

DEPARTMENT OF DEFENCE

1. Shri T.R Prasad — Defence Secretary
2. Shri S.K. Misra — AS (M)

DEPARTMENT OF DEFENCE PRODUCTION & SUPPLIES

1. Shri Prabir Sengupta — Secretary (DP&S)
2. Shri Dharendra Singh — AS (DP&S)
3. Shri D. Rajagopal — DGOF & Chairman

DEPARTMENT OF DEFENCE RESEARCH & DEVELOPMENT

1. Dr. V.K. Aatre - SA to RM & Secretary (R&D)
2. Shri K. Santhanam - Chief Adviser (Tech.)

DEFENCE (FINANCE) DIVISION

1. Shri P.R. Sivasubramanian — FA (DS)

ARMY HEADQUARTERS

1. Lt. General Chandra Sekhar — PVSM, AVSM, ADC
Vice Chief of Army Staff
2. Lt. General S.S. Mehta — AVSM, BAR, VSM
Deputy Chief of Army Staff (P&S)

NAVAL HEADQUARTERS

1. Vice Admiral P.J. Jacob — PVSM, AVSM, VSM,
Vice Chief of Naval Staff ADC

AIR HEADQUARTERS

1. Air Marshal S.G. Inamdar — PVSM, VSM
Deputy Chief of Air Staff

2. 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.

3. The Committee then took evidence of the representatives of the Ministry of Defence on various points arising out of the Demands for Grants (2000-2001) of the Ministry of Defence and also written replies furnished by the Ministry to the List of Points thereon.

The representatives of the Ministry explained and elaborated on the queries from the Members. The evidence was not concluded.

4. A verbatim record of the proceedings was kept.

5. The Committee decided to take further evidence of the representatives of the Ministry of Defence on the Demands for Grants (2000-2001) of the Ministry on the 31st March, 2000.

(The witnesses then withdrew).

The Committee then adjourned.

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

The Committee sat on Friday, the 31st March, 2000 from 1100 hrs. to 1330 hrs.
& 1430 to 1545 hrs.

PRESENT

Dr. Laxminarayan Pandey — *Chairman*

MEMBERS

Lok Sabha

2. Shri Raj Babbar
3. Shri S. Bangarappa
4. Col. (Retd.) Sona Ram Choudhary
5. Smt. Sangeeta Kumari Singh Deo
6. Shri Raghuvir Singh Kaushal
7. Shri Vinod Khanna
8. Shri A. Krishnaswami
9. Shri Ashok N. Mohol
10. Shri Sultan Salahuddin Owaisi
11. Prof. Rasa Singh Rawat
12. Dr. Col. (Retd.) Dhani Ram Shandil
13. Shri Ramjiwan Singh
14. Shri C. Sreenivasan
15. Dr. Jaswant Singh Yadav
16. Dr (Smt) Sudha Yadav

Rajya Sabha

17. Shn Suresh Kalmadi
18. Shn Suresh Pachouri
19. Shri Nilotpal Basu
20. Dr. Raja Ramanna
21. Shri Shanker Roy Chowdhury
22. Shri T.N. Chaturvedi
23. Smt. Ambika Soni

SECRETARIAT

- | | | |
|-----------------------|---|--------------------|
| 1. Shri P.D.T. Achary | — | Joint Secretary |
| 2. Shri Ram Autar Ram | — | Director |
| 3. Shri K.D. Muley | — | Assistant Director |

DEPARTMENT OF DEFENCE

1. Shri T.R. Prasad — Defence Secretary
2. Shri S.K. Misra — AS (M)

DEPARTMENT OF DEFENCE PRODUCTION & SUPPLIES

1. Shri Prabir Sengupta — Secretary (DP&S)
2. Shri Dharendra Singh — AS (DP&S)
3. Shri D. Rajagopal — DGOF & Chairman

DEPARTMENT OF DEFENCE RESEARCH & DEVELOPMENT

- 1 Dr V.K Aatre. - SA to RM & Secretary (R&D)
2. Shri K. Santhanam — Chief Adviser (Tech.)

DEFENCE (FINANCE) DIVISION

Shri P.R. Sivasubramanian — FA (DS)

ARMY HEADQUARTERS

Lt. General S.S. Mehta — AVSM, BAR, VSM
Deputy Chief of Army
Staff (P&S)

NAVAL HEADQUARTERS

Vice Admiral P.J. Jacob — PVSM, AVSM, VSM, ADC
Vice Chief of Naval Staff

AIR HEADQUARTERS

Air Marshal S.G. Inamdar — PVSM, VSM
Deputy Chief of Air Staff

2. The Committee resumed evidence of the representatives of the Ministry of Defence on the various points arising out of the Demands for Grants of the Ministry of Defence for the year 2000-2001.

The representatives of the Ministry explained and elaborated on the queries from the Members. The evidence was concluded.

3. A verbatim record of the proceedings was kept.

(The witnesses then withdrew).

4. The Committee considered draft Internal Working Rules of Procedures of Committee on Defence and adopted the same with a few modifications.
5. The Committee decided to meet again on Tuesday, the II April, 2000 to consider and finalise their draft report on Demands for Grants (2000-2001) of Ministry of Defence.

The Committee then adjourned.

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

The Committee sat on Tuesday, the 11th April, 2000 from 1100 hrs. to 1300 hrs.

PRESENT

Dr. Laxminarayan Pandey — *Chairman*

MEMBERS

Lok Sabha

2. Shri S. *Ajaya* Kumar
3. Shri Ra; Babbar
4. Shri S. Bangarappa
5. Col. (Retd.) Sona Ram Choudhary
6. Smt. Sangeeta Kumari Singh Deo
7. Shri IndraJit Gupta
8. Shri Raghuvir Singh Kaushal
9. Shri Mansoor All Khan
10. Shri Vinod Khanna
11. Shri A. Krishnaswami
12. Shri Hannam Mollah
13. Shri Cajendra Singh Rajukhedi
14. Shri A.P. Jithender Reddy
15. Shri Madhavrao Scindia
16. Dr. Col. (Retd.) Dhani Ram Shandil
17. Shri RamJ'iwan Singh

Rajya Sabha

18. Shri Suresh Kalmadi
19. Shri Shanker Roy Chowdhury
20. Shri T.N. Chaturvedi
21. Smt. Ambika Soni

SECRETARIAT

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

2. The Committee considered the draft Report on Demands for Grants of the Ministry of Defence for the year 2000-2001. 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 was then adopted.

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

The Committee then adjourned.