

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

STARRED QUESTION NO:130

ANSWERED ON:01.12.2005

PRIVATE SECTOR PARTICIPATION IN DEFENCE SECTOR

Owaisi Shri Asaduddin;Shiwankar Shri Maha Deo Rao

Will the Minister of DEFENCE be pleased to state:

- (a) Whether the Government proposes to formulate a scheme for promoting private industries participation in the defence sector;
- (b) if so, whether a scheme has been formulated for allowing the private sector participation in the defence systems;
- (c) if so, the reasons therefor;
- (d) whether the Government has examined the recommendations of the Kelkar Committee in this regard;
- (e) if so, the details of the recommendations of the Committee accepted by the Government;
- (f) the action taken/proposed to be taken by the Government to implement the recommendations accepted by the Government;
- (g) whether the Indian private sector has shown interest to work with the Defence Public Sector Units and Ordnance Factories; and
- (h) if so, the details thereof and the reaction of the Government thereto?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) to (h): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (h) OF LOK SABHA STARRED QUESTION NO. 130 FOR 1.12.2005

In May 2001, in order to promote private sector participation in Defence Production, the Government opened the Defence Industry sector up to 100% for Indian private sector participation with Foreign Direct Investment permissible up to 26%, both subject to licensing.

2. The Government has examined the recommendations contained in Part-I of the Report of the Kelkar Committee, which was submitted on 5th April 2005. The recommendations contained in Part-II of the Report of the Committee, which was submitted on 10th November 2005, are under examination.

3. Out of a total of 40 recommendations in Part-I of the Report of the Committee, 26 recommendations have been accepted; 8 recommendations have been accepted with some modifications; and the remaining 6 recommendations require further deliberations. The concerned Wings/Departments/Service HQs have been directed to initiate action on the recommendations accepted by the Government for implementation.

4. A very large number of Indian private sector companies are already working with Defence Public Sector Undertakings and Ordnance Factories and supplying input materials to them. In addition, Ordnance Factories are manufacturing Stallion vehicles for the Indian Army under licence from M/s Ashok Leyland Limited and LPTA (Lorry Passenger Truck All-terrain) under licence from M/s TELCO. Several other companies in the private sector like M/s Larsen & Toubro Limited, Tata Industries, Volvo India, Tractor India etc., have also shown interest to work with Defence PSUs and Ordnance Factories. Government policy is to encourage such public-private partnerships.