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**STANDING COMMITTEE
ON DEFENCE**

**(1995-96)
TENTH LOK SABHA**

**MINISTRY OF DEFENCE
DEMANDS FOR GRANTS (1995-96)**

SEVENTH REPORT

*(Action taken on the Recommendations Contained in the 4th Report of the
Committee on Demands for Grants of Ministry of Defence for 1995-96)*



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1996/Phalguna, 1917 (Saka)

SEVENTH REPORT
STANDING COMMITTEE ON DEFENCE
(1995-96)

(TENTH LOK SABHA)

MINISTRY OF DEFENCE
DEMANDS FOR GRANTS (1995-96)

(Action Taken on the Recommendations Contained in the 4th Report of the Committee on Demands for Grants of Ministry of Defence for 1995-96)

Presented to Lok Sabha on 12 March, 1996
Laid in Rajya Sabha on 12 March, 1996



LOK SABHA SECRETARIAT
NEW DELHI

March, 1996/Phalguna, 1917 (Saka)

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CONTENTS

COMPOSITION OF THE COMMITTEE	PAGE
	(iii)
Introduction	(v)
	1

6

CORRIGENDA TO

25

SEVENTH REPORT OF STANDING COMMITTEE ON DEFENCE

26

Page	Para	Line	For	Read
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27

28

32

34

35

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I Report	1
CHAPTER II Recommendations/Observations which have been accepted by Government	6
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of Government's Replies	25
CHAPTER IV Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee	26
CHAPTER V Recommendations/Observations in respect of which final replies of Government are still awaited.....	27
Minutes of the Sitzings.....	28
APPENDICES	
1. Instructions issued for timely execution of prioritised modernisation/upgradation and re-equipment programmes.....	32
2. Communication from Ministry of Defence to Ministry of Finance that there is no decline in the Defence allocation in real terms in coming years.....	34
3. Analysis of action taken by Government on the recommendations contained in the 4th Report of the Standing Committee on Defence (Tenth Lok Sabha)	35

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (1995-96)

CHAIRMAN

*Shri Sharad Dighe

MEMBERS

Lok Sabha

- **2. Shri Ayub Khan
- 3. Shri Nurul Islam
- 4. Shri Bhupinder Singh Hooda
- 5. Shri Nandi Yellaiah
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- 30. Shri Kamaluddin Ahmed

Rajya Sabha

- 31. Shri B.B. Dutta
- 32. Shri Misa R. Ganesan
- 33. Shri Hiphei

* Appointed w.e.f. 8 February, 1996 vice Shri Indrajit Gupta resigned from the Chairmanship w.e.f. 22 January, 1996.

** Ceased to be a Member of the Committee consequent upon his appointment as Minister w.e.f. 13.09.95.

*** Expired on 04.12.95.

(iv)

- *34. Shri Suresh Kalmadi
- 35. Shri R.K. Karanjia
- 36. Shri Prabhakar B. Kore
- 37. Shri K.R. Malkani
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- 44. Shri Gopalsinh G. Solanki
- ***45. Shri R. Margabandu

SECRETARIAT

- | | | |
|-------------------------|---|-----------------------------|
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| 2. Smt. Roli Srivastava | — | <i>Joint Secretary</i> |
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| 4. Shri A.K. Singh | — | <i>Under Secretary</i> |

* Ceased to be a Member of the Committee consequent upon his appointment as Minister w.e.f. 13.09.95.

** Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 24.7.95.

***Nominated w.e.f. 17.8.95.

INTRODUCTION

I, the Chairman, Standing Committee on Defence (1995-96) having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on Action Taken by Government on the recommendations contained in the Fourth Report of the Committee (Tenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1995-96.

2. The Fourth Report was presented to Lok Sabha/laid in Rajya Sabha on 3rd May, 1995. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 23rd February, 1996 and 6th March, 1996. The Draft Report was considered and adopted by the Standing Committee on Defence (1995-96) at their sitting held on 7th March, 1996.

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

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

NEW DELHI;
March 8, 1996

Phalguna 18, 1917 (Saka)

SHARAD DIGHE,
Chairman,
Standing Committee on Defence.

CHAPTER I

REPORT

1. This Report of the Committee deals with the action taken by Government on the recommendations contained in their Fourth Report (Tenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 1995-96 which was presented to Lok Sabha on 3rd May, 1995.

2. Action Taken Notes have been received from the Government in respect of all the 21 recommendations/observations contained in the Report. These have been categorised as follows :—

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

Sl. Nos. 1—21

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

Nil

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

Nil

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

Nil

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

Defence Allocation

Recommendation (Sl. No. 3, Para No. 29)

4. The Committee had desired the Ministry of Defence to take up the matter regarding decline in the Defence allocation in real terms in the Budget Estimates of 1995-96 *vis-a-vis* 1994-95 with the Ministry of Finance at highest level so that there was no decline in the Defence allocation in real terms in coming years.

5. The Ministry of Defence have in their action taken reply intimated that the observation of the Committee has been communicated to the Ministry of Finance through a written communication.

6. As per the Interim Budget, 1996-97 a provision of Rs. 27,819 crore has been made for Defence making an increase of Rs. 940 crore as compared to Revised Estimates of Rs. 26879 crores for 1995-96. It has, however, been assured by the Finance Minister in his Budget speech that

the provision for Defence will be further revised at the time of preparation of the regular Budget.

7. The Committee note that the allocation for Defence has been increased by about 3.5 per cent in the Interim Budget Estimates for 1996-97 as compared to the Revised Estimates for 1995-96. This increase does not offset the inflation and in real terms there is decline in Defence allocation.

The Committee reiterate that the Ministry of Defence should urgently take up the matter in a more effective manner at highest level with the Ministry of Finance as to ensure that there is no decline in the Defence allocation in real terms in the year 1996-97, and also in the coming years so that operational preparedness of the Services is not compromised.

Force levels of Navy

Recommendation (Sl. Nos. 10 & 11, Para Nos. 52 & 53)

8. In regard to Force levels of Navy, the Committee had recommended as follows :—

"The Committee note that as against the projected demand of Rs. 4464.34 crores for modernisation and capital acquisition during 1995-96, only Rs. 1853.40 crores have been provided in Budget Estimates which comes to about 41% of the projection of the Naval Headquarters. The Committee have been informed that this represents an increase of nearly 34% over capital Budget Estimates for 1994-95. The Committee are, however, constrained to note that in past the Navy has been most affected by the financial crunch which particularly hampered indigenous construction of ships for which last CCPA sanction was given in 1986. The Committee find this particularly disturbing in view of Ministry's own admission that to maintain force levels commensurate with increased responsibilities and consistent with the threat perceptions, there will be need to commission an average of 8 ships per year to sustain the force levels.

The Committee need hardly emphasise the adverse impact of low priority accorded to indigenous construction of ships. The Committee hope that the necessary steps have been initiated on priority basis to catch up with projected force levels as to ensure that there is no depletion in the Naval Force Levels. Adequate allocation had to be ensured to maintain the combat worthiness of the Navy."

9. The Ministry have *inter-alia* stated in their reply as follows:—

“The total Budget provision made for Navy during 1995-96 was Rs. 3384.89 crores which apart from a sum of Rs. 1853.40 crores on capital account, also includes revenue account and receipts and recoveries.

The following are some of the steps taken to catch up with the targetted force levels/to arrest the fall in the levels of the Navy :—

Cabinet approval has been obtained for :—

- (a) Indigenous construction of four Fast Attack Crafts (FACs);
- (b) Import of one Fleet Tanker from Russia;
- (c) Indigenous construction of a Sail Training Ship (STS).
- (d) Indigenous construction of two Hydrographic Survey Vessels.

Other projects relating to Naval force levels which are in advanced stage/consideration of the Ministry of Defence are as follows :—

- (i) Indigenous construction of Air Defence Ship.
- (ii) Indigenous construction of GT Frigates (Project 17).
- (iii) Indigenous construction of Submarines (Project 75).
- (iv) Import of one Landing Ship Tank and indigenous construction of three additional ships.
- (v) Indigenous construction of two follow-on Missile Boats (Project-1241 RE).

In addition to the projects mentioned above, a proposal for import of six frigates is also under consideration to maintain the force levels.”

10. The Ministry had stated before the Committee that the last CCPA sanction for indigenous construction of ships for the Navy had been given in 1986. The Ministry had also stated that for the Navy to maintain force levels commensurate with increased responsibilities and consistent with the threat perceptions, there would be need to commission an average of 8 ships per year to sustain the force levels. The Committee, therefore, expressed the hope that necessary steps had been initiated on priority basis to catch up with projected force levels.

The Committee note that steps have been taken/are under consideration in order to catch up with the targetted force levels of the Navy. The Committee desire that the Ministry of Defence should process the proposals stated to be under their consideration for expeditious decision.

The Committee also desire the Government to ensure adequate allocation to achieve the targeted force levels of the Navy within a laid down time-frame.

Acquisition of Advanced Jet Trainer (AJT)

Recommendation (Sl. No. 14, Para No. 76)

11. In regard to the acquisition of Advanced Jet Trainer, the Committee had recommended as follows:

"The Committee note that the pressing need for acquisition of the Advanced Jet Trainer (AJT) has been hanging fire for more than a decade. As admitted by the Defence Secretary during evidence, lack of proper trainer has already cost the IAF heavily in terms of loss of precious life and costly aircrafts diverted for training. The Committee desire that the Government accord high priority for finalisation of choice of aircraft and make adequate funding for acquisition. The Committee feel that in view of the acute financial crunch and the time likely to be taken for finalisation of terms and conditions for acquiring and ultimate induction of AJT, the Russian AJT at practically half the price should also be considered and properly evaluated for acquisition."

12. In their communication dated the 25th November, 1995 the Ministry of Defence stated *inter alia* as follows:

"It will be appreciated that the situation before the Indian Air Force is that two western vendors have offered Advanced Jet Trainers (AJTs) which are being operated by Air Forces around the world. These trainers meet the Air Staff Requirements (ASRs) of the Indian Air Force. The Indian Air Force has also been repeatedly emphasising the need for acquisition of an Advanced Jet Trainer since the year 1984. The trainer aircraft assets that the Indian Air Force has been holding are depleting. What is more alarming is the fact that even if contracting for an AJT is done at the earliest, the delivery of the first few aircraft would be made only 4 years hence. The assets of the Air Force would by then have depleted to unacceptably low levels thereby jeopardising the training requirements which would undermine the flight safety requirements of combat pilots. As against the offered western trainers, the Standing Committee had desired the MOD to examine the possibility of inducting Russian trainers. As has been brought out in earlier paragraphs, Russia has no flight proven Advanced Jet Trainer at present. These are merely at the prototype stage. The Russian Air Force has also not decided on which of the AJTs they would be adopting. Both the MiG-AT and the Yak-130 have significant western components. The schedule for the first flight has already been delayed by over a year and after repeated postponements, was contemplated for December, 1995. However, no information is available on any prototype flight having taken place till date. Even on this, there is no certainty. After the first flight, the aircraft would require to pass the further stages of Initial Operational Clearance (IOE) and later the Final Operational clearance (FOC). The FOC would take place after two years of the

first test flight. It is only after the FOC that the manufacturing process would commence. Naturally, supplies would first be made to the Russian Air Force and only subsequently, would the requirements of Indian Air Force be met. It is thus obvious that if we do follow the Russian route, then after meeting all the procedural requirements, the trainers will be available to the Indian Air Force only after substantial delay.

In view of the aforementioned factors and after careful consideration of all significant factors involved, the MOD feel that the prudent course of action would be to commence negotiations with the western vendors while, at the same time, closely monitoring the development of the Russian trainers."

13. The Committee have considered the submissions made by the Ministry of Defence in their note dated 25th November, 1995 on the subject of acquisition of Advanced Jet Trainer (AJT) for the Indian Air Force as well as further clarifications given during oral evidence held on 18th December, 1995 in connection with implementation of recommendations contained in Para 76 of their Fourth Report on acquisition of Advanced Jet Trainer.

The Committee decided that the Ministry of Defence might go ahead with commercial negotiations with the short-listed Western vendors for acquisition of AJT and the Ministry should adhere to a time-frame for conclusion of these negotiations. The Committee also desired that the Ministry of Defence should closely monitor the development of Russian AJT.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1, Para No. 27)

The Committee note the modernisation/upgradation schemes and re-equipment programmes prioritised by the three Services for the Eighth Plan Period. The Committee note that in the Budget Estimates 1995-96 only 60 per cent of the amount projected by the three Services for modernisation for the year has been provided. The Committee regret to note that most of the prioritised modernisation/upgradation and re-equipment projects, though heavily capital intensive are still in the infancy stage even in the 4th year, viz. 1995-96 of the VIIIth Plan Period 1992-97.

Reply of the Government

The slow take off of capital intensive modernisation schemes is attributable to the unprecedented resource crunch in the past few years as explained during the evidence. Unforeseen geopolitical developments like disintegration of USSR and Yugoslavia posed difficulties in smooth supplies. Ministry had to look for alternatives.

Now most of these problems have been tackled satisfactorily. To meet the operational requirements of the Navy, outright purchase/lease of an aircraft carrier is being processed. It will be appreciated that all these projects have long gestation periods. Normal time-frames for the construction/purchase activities will have to be elaborate considering the complexities involved in these cases. However, timely execution of projects is ensured through specially set up High-powered Steering Committees entrusted to monitor the progress. Senior Officers of the Ministry are being asked to specially monitor these projects, with a view to avoid time and cost overruns. A copy of the instructions issued to the authorities in the Ministry in this respect is enclosed [Appendix I].

[Ministry of Defence, O.M. No. H. 11019/13/95/D(Parl) Dated
23.2.96]

Recommendation (Sl. No. 2, Para No. 28)

The Committee feel it necessary to stress that failure to acquire new equipment each year will only result in an accumulation or back-log which can become prohibitive and unaffordable. The Committee agree with the view that while considering the modernisation/upgradation and re-equipping our Armed Forces it is necessary to look at least 15 to 20 years ahead and plan accordingly. It is equally essential that adequate allocation

should be earmarked each year and the plan should go ahead and purchases made accordingly.

Reply of the Government

The effect of failure of acquiring new equipment every year, as pointed out by the Committee has been noted. Our plans take into consideration the need for modernisation/upgradation and re-equipping of the Armed Forces *vis-a-vis* the requirements of the Services, the obtaining threat scenario and resource availability. The need for defence allocation with an element of growth in real terms apart from the approximate inflation adjustments is the need of the hour. Notwithstanding this, adequate funds from within the allocated defence-budget are earmarked for these schemes/programmes based on the anticipated pace of completion of procedural formalities and the estimated cash outgo in each financial year.

[Ministry of Defence, O.M. No. H. 11019/13/95/D(Parl) Dated 23.2.96]

Recommendation (Sl. No. 3, Para No. 29)

The Committee are concerned at the fact that there has been an increase of 10.87% in the Budget Estimates of 1995-96 *vis-a-vis* 1994-95 whereas the rate of inflation during 1994-95 was 11.41%, making no increase in real terms in the Defence Budget, 1995-96. The Committee are also concerned to note that gross capital expenditure which was 29.45% in 1994-95 (R.E.) declined in 1995-96 (B.E.) to 28.84%. The Committee desire that the Ministry of Defence should take up the matter with the Ministry of Finance at highest level so that there is no decline in the Defence allocation in real terms in coming years.

Reply of the Government

As directed by the Committee, the observation has been communicated to the Ministry of Finance at the appropriate level by the FA(DS). Copy of Ministry of Defence (Fin)'s ID No. 1712/B-L/95 dt. 23.6.95 is enclosed [Appendix II].

[Ministry of Defence, O.M. No. H. 11019/13/95/D (Parl) dated 23.2.96]

Comments of the Committee

Please see para No. 7 of the Chapter I of the Report.

Recommendation (Sl. No. 4, Para Nos. 31-32)

The Committee have been informed by the Ministry in their written reply as well as during evidence that acquisition process under way in respect of 155 mm self propelled guns and other new generation weapon systems are at different stages of implementation/finalisation.

The Committee desire that these proposals for acquisition may be finalised within reasonable time frame and adequate allocation made to meet the requirements.

Reply of the Government

The recommendation of the Committee has been noted in the Ministry.

Procurement proposals relating to 155 mm Self Propelled Guns and other new generation weapon systems are being processed without delay with a view to finalise the same at the earliest. The progress is also being monitored regularly.

Requirement of funds for procurement of such major weapon systems is spread over a few years. Therefore, while prioritising its modernisation needs, the Army keeps in view the likely availability of budgetary resources over such period of time, past contractual liabilities, cost implications of the proposal and *inter-se* priority of different procurement proposals. This exercise enables the Army to earmark adequate funds in a particular year (and in subsequent years corresponding to the delivery schedule) for the procurement proposals likely to be finalised in that year. Thus, adequate allocation of funds will be made by the Army out of their budget for finalising procurements of 155mm self Propelled Guns and other new generation weapon systems.

[Ministry of Defence, O.M. No. H. 11019/13/95/D(Parl) Dated 23.2.96]

Recommendation (Sl. Nos. 5, 6 & 7, Para No. 40)

The Committee note that next user trial of MBT Arjun would be held in the summer of 1995 and meanwhile plans for its series production are being formulated whereafter the firm time schedule for its productionisation and induction in the forces would be finalised. The Committee also note that it is proposed to induct two regiments of MBT Arjun initially during Ninth Plan and that Government's sanction for its production is expected this year.

The Committee desire that a firm time schedule for commencement of production and induction of MBT Arjun be indicated and the concrete steps taken to remove all bottlenecks urgently as the project has already been delayed too much.

In regard to modernisation of T-55 tanks, the only remaining item to be installed in the modernised tank is the tank fire control system for which a contract was entered into with former Yugoslavia which could not be executed because of the U.N. embargo. The Committee further note that Ministry is on look out for an alternate source and are yet to evaluate the offers received by them.

In order to remove delay and uncertainty in modernisation of T-55 tanks, the Committee desire that offers received in regard to fire control system in T-55 tank should be evaluated and finalised as expeditiously as possible.

The modernisation of T-72 tank is being undertaken by DRDO and that two of these tanks have been modernised specially on two aspects viz. night fighting capability and increasing ammunition capacity both in regard to accuracy and penetration.

The Committee hope that the modernisation of T-72 tanks would be expedited ensuring adequate funds for the same.

Reply of the Government

The recommendation of the Committee has been noted in Ministry.

The confirmatory trials of MBT Arjun held in the summer of 1995 have been witnessed by the Standing Committee on Defence in June'95. On the basis of these trials and the continuing trials thereafter, production clearance has been accorded by the Army for setting up of production facilities. Cabinet is being approached for sanction of acquisition of two regiments of Arjun tanks during the IXth Plan period. A firm time schedule for its productionisation and induction in the forces is also being finalised.

In order to increase night fighting capability of T-55 tanks, a question being now examined is to obtain Thermal Imager Stand Alone Sight (TISAS). Necessary action to locate suitable sources and invite offers for trial evaluation has also been initiated. Meanwhile, the UN embargo on former Yugoslavia has been lifted. An exercise is being carried out by the Army to assess if it will be still desirable to pursue the procurement of tank fire control system with the concerned former Yugoslavian vendor with whom the contract had earlier been concluded, duly keeping in view the technology involved.

Trial evaluation of Thermal Imager Stand Alone System (TISAS) for T-72 has been conducted by the Army to improve fire control at night time. Army are preparing to carry out retrials, after concerned vendors have carried out modifications suggested by the trial team. In addition, trial evaluation of two modernised T-72 tanks developed by the DRDO has been successfully completed on two aspects viz. night fighting capability and increasing ammunition capacity both in regard to accuracy and penetration. Few other tests viz. EMI/EMC, MET and technical trials are going on which are likely to be completed by March' 96. These tanks will have a more powerful engine, Explosive Reactive Armour Protection, day and night fighting capability and a modern all weather fire control system. [Ministry of Defence, O.M. No. H. 11019/13/95/D (Parl) Dated 23.2.96]

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

The Committee are informed that Pakistan has its own missile development programmes. Pakistan Armed Forces have already in their inventory two surface-to-surface (SS) missiles variants—Hatf I and Hatf II with ranges between 70 to 150 Kms. Pakistan has received the supply of longer range M-11 missiles from China which can carry nuclear warheads.

These nuclear capable missiles are reported to have been deployed by Pakistan in the vicinity of its border with India.

The Committee do not want to advocate build up of any great arsenal but are only in favour of maintaining parity in Defence preparedness based on the perception of threat from a very hostile neighbour to the nation's security. As the defence preparedness is the first priority of any Government to protect the country from outside aggression, it has become imperative that Government take quick decision on the induction and deployment of the indigenously developed surface-to-surface 'Prithvi' missile. This will not only boost the morale of the armed forces but also act as a deterrent against enemy attacks and help maintain peace and stability in the region.

Reply of the Government

Government have noted the observations of the Committee.

[Ministry of Defence, O.M. No. H. 11019/13/95/D(Parl.) Dated 23.2.96]

Recommendation (Sl. No. 9, Para No. 46)

The Committee note that land under occupation of the Army in Mizoram since 1966 has been vacated after signing of Accord in 1986. However, the land has not so far been returned to the owners. The Committee desire that the land may be restored to owners without any further loss of time and arrears of rentals paid. The committee would like to be apprised of the action taken in the matter.

Reply of the Government

An area measuring approximately 600 acres had been occupied by the security forces from 1966 onwards for Counter Insurgency operations in Mizoram. The Counter Insurgency operations were carried out under the overall control of the Home Ministry till the peace accord was signed in 1986. As such the rentals for these lands for the period from 1966 to 1986 was to be paid by the Home Ministry. It is learnt that the Ministry of Home Affairs have paid the said rentals. After 1986 the Ministry of Defence has to pay the hire charges for land under the occupation of the Army. A Board of officers was to decide on the area to be retained and areas to be returned to the owners. However, because of the formations moving out for OP Pawan to Sri Lanka, this could not be possible till end 1992.

Notwithstanding this, from 1991 to 1994, the following areas have already been vacated by the Army and returned to their owners:

Sl. No.	Name of the Stn.	Year (Handed over)
1.	Thingdawl	Mar 91
2.	Lungdai	Mar 91
3.	Bilkhawtlier	Mar 91
4.	Tawipui	Mar 91
5.	Hawlang	Mar 91
6.	Maulthuam	Mar 91
7.	Sailsuk	Mar 91
8.	Bualpai	Mar 91
9.	Diltlang	Mar 91
10.	Thingzawi	18 Dec 95
11.	Theirate	18 Dec 93
12.	Saithui	21 Dec 93
13.	Thingsulsthliah	
14.	Kawlkulh	21 Dec 93
15.	Seling	21 Dec 93
16.	Hnathial	17 Dec 93
17.	Kawnzawl	20 Dec 93
18.	Lungchem	16 Dec 93
19.	Hartoki	Feb 94
20.	North Holimen	Feb 94
21.	Chatilang	Feb. 94
22.	Mamit	Feb 94
23.	Phileng	Feb 94
24.	Kolsib	Feb 94

In addition to the above the following posts have been handed over to Assam Rifles/Border Security Force:—

(a) Posts handed over the Assam Rifles

- (i) Ngopa
- (ii) Champhai
- (iii) Bungtland
- (iv) Pukpui
- (v) Lawngtlai

(b) Posts handed over to Border Security Force

- (i) Tutroad
- (ii) S/Phuldongzei

(iii) Marapara

(iv) Demagiri

(v) Parva

Presently the Army is occupying only 328.4 acres of land in Mizoram. The details of the areas are as follows:—

Sl. No.	Location	Area in Acres	Remarks
(a)	Durtlang	9.756	6.6 hired
(b)	Bawngkawn	34.704	6.51"
(c)	Zemabawk Helipad Area	14.717	12.00"
(d)	Zemabawk MH Area	3.788	
(e)	Zemabawk MES Area	4.209	25.6"
(f)	Zemabawk Sup Pl ASC	23.127	
(g)	Zemabawk EME Wksp and Transit Camp Area	65.249	
(h)	Tural Water Pt	1.583	
(i)	Tural Air Fd	0.251	
(j)	Kuwnpui	2.684	
(k)	Kolasib	7.652	
(l)	Pukpai	64.512	
(m)	Kamzawl	44.899	
(n)	Lunglei	50.000	
(o)	Serchhip	2.312	
		328.443	

Out of 328.443 acres of land, the Army proposes to retain only 82.128 acres as per the details, given below. The remaining pockets of land measuring 246 acres are to be returned to the owners shortly.

Location	Area in acres
(a) Bawngkawn	34.704
(b) Zemabawk	14.717
(c) Zemabawk	23.127
(d) Zemabawk	4.209
(e) Zemabawk	3.7888
(f) Tural Water Pt	1.583
Total	82.128

The Army authorities have initiated the process of returning the land not required by it to the land owners. Action has also been initiated to regularise the land holding by way of hiring and making payment of rentals to the land owners.

[Ministry of Defence, O.M. No. H. 110191394(D(Parl) Dated 23.2.96]

Recommendation (Sl. No. 10, Para No. 52)

The Committee note that as against the projected demand of Rs. 4464.34 crores for modernisation and capital acquisition during 1995-96, only Rs. 1853.40 crores have been provided in budget Estimates which comes to about 41% of the projection of the Naval Headquarters. The Committee have been informed that this represents an increase of nearly 34% over capital Budget Estimates for 1994-95. The Committee are, however, constrained to note that in past the Navy has been most affected by the financial crunch which particularly hampered indigenous construction of ships for which last CCPA sanction was given in 1986. The Committee find this particularly disturbing in view of Ministry's own admission that to maintain force levels commensurate with increased responsibilities and consistent with the threat perceptions, there will be need to commission an average of 8 ships per year to sustain the force levels.

Reply of the Government

The total budget provision made for Navy during 95-96 was Rs. 3384.89 crores which apart from a sum of Rs. 1853.40 crores on capital account, also includes revenue account and receipts and recoveries.

The following are some of the steps taken to catch up with the targetted force levels of the Navy.

Cabinet approval has been obtained for:—

- (a) Indigenous construction of four Fast Attack Crafts (FACs);
- (b) Import of one Fleet Tanker from Russia;
- (c) Indigenous construction of a Sail Training Ship (STS).
- (d) Indigenous construction of two Hydrographic Survey Vessels.

Other projects relating to Naval force levels which are in advanced stage/consideration of the Ministry of Defence are as follows:—

- (i) Indigenous construction of Air Defence Ship.
- (ii) Indigenous construction of GT Frigates (Project 17).
- (iii) Indigenous construction of Submarines (Project 75).
- (iv) Import of one Landing Ship Tank and indigenous construction of three additional ships.
- (v) Indigenous construction of two follow-on Missile Boats (Project-1241 RE).

In addition to the projects mentioned above, a proposal for import of six frigates is also under consideration to maintain the force levels.

[Ministry of Defence, O.M. No. H. 110191395D(Parl) Dated 23.2.96]

Comments of the Committee

Please see Para No. 10 of the Chapter I of the Report.

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

The Committee need hardly emphasise the adverse impact of low priority accorded to indigenous construction of ships. The Committee hope that the necessary steps have been initiated on priority basis to catch up with projected force levels as to ensure that there is no depletion in the Naval Force Levels. Adequate allocation has to be ensured to maintain the combat worthiness of the Navy.

Reply of the Government

Several steps have been taken to arrest the fall in the force levels of the Navy. Cabinet's approval has been obtained for:—

- (i) Indigenous construction of four FACs.
- (ii) Import of one Fleet Tanker from Russia.
- (iii) Indigenous construction of Sail Training Ship (STS).
- (iv) Indigenous construction of two Hydrographic Survey Vessels.

The following projects are under consideration of the Ministry of Defence in order to catch up with the targetted force levels:—

- (i) Air Defence Ship.
- (ii) Project 75 (Submarines).
- (iii) Project 17 (GT Frigates).
- (iv) LST(M) Landing Ship Tank (Medium)

It would be seen that all the above projects except for the Fleet Tanker and one LST(M), are meant for indigenous construction.

[Ministry of Defence, O.M. No. H. 1101913/95/D(Parl) Dated 23.2.96]

Comments of the Committee

Please see Para No. 10 of the Chapter I of the Report.

Recommendation (Sl. No. 12, Para Nos. 54, 55 & 56)

The Committee also note that the Naval Chief's priorities were for quick sanctioning of two Air Defence Ships and Submarines Project-75. The matter regarding indigenous construction of Air Defence Ships (ADS) was being processed by the Ministry. To bridge the gap between decommissioning of Vikrant (1995-96) and the induction of the ADS (2003-04), a proposal for outright purchase/lease of Aircraft Carrier from Russia is also under processing.

The Committee, however, express their anguish over the manner in which the Ministry have handled the matter regarding replacement of

ageing Aircraft Carrier 'Vikrant' when it was obvious for past many years that there is gradual erosion in operation viability and that the life span of Vikrant cannot be stretched beyond the mid 90's.

The Committee desire the Ministry to speed up the process of Cabinet approval to the matter and other negotiations for early induction of ADS.

Reply of the Government

The need for replacement of INS Vikrant was appreciated well in time and accordingly the case for indigenous construction of a Sea Control Ship was initiated in April, 1987. However, the project had to be shelved due to severe resource crunch. In view of the budgetary constraints a case for indigenous construction of an Air Defence Ship, which is much smaller than a Sea Control Ship has been initiated which is now in an advanced stage of consideration. The proposal for outright purchase/lease of an Aircraft Carrier is also under examination as an ad-interim solution to bridge the time gap between Virkrant's decommissioning and the induction of the indigenously built ADS.

[Ministry of Defence, O.M. No. H. 110191395D (Parl) Dated 23.2.96]

Recommendation (Sl. No. 13, Para Nos. 61 62 & 63)

The Committee note that the construction Phase I of Naval Project Karwar is likely to commence after obtaining the CCPA approval in the near future. A provision of Rs. 2.5 crores for the project was made in Budget Estimates of 1994-95 which was subsequently reduced to Rs. 1.90 crore in Revised Estimates of 1994-95 and that the present outlay is confined to maintenance of project team, payment of compensation and securities etc. Completion of Phase I is likely to take 10-12 years.

The Committee have also been informed that Karwar Project which is a major Naval Project is likely to cost around Rs. 1200 to 1300 crores in first phase itself which is expected to be completed in 10 years. The Committee also note that 6 to 7 years were wasted in litigation and from 1990 onwards no major work could be undertaken because of unprecedented financial crunch.

The Committee regret the inordinate delay in commencement of Karwar Naval Project which was stated to be one of the most strategic and ambitious projects of the Indian Navy. The Committee are further surprised that the Ministry have not yet fully completed the process of obtaining CCPA approval. The Committee expect that after taking CCPA approval during the current year the Government would make provisions for adequate allocations for construction and completion of the project within the stipulated time frame. The Committee desire that such proposals vital for nation's security deserve to be accorded high priority and finalised expeditiously.

Reply of the Government

The urgency for early completion of Karwar Project is fully appreciated by the Government. Phase-I of the Project at a cost of Rs. 1294.91 crores has been sanctioned by the Cabinet on 05-10-1995.

[Ministry of Defence, O.M. No. H. 11019/1395/D (Parl.) dated 23.2.96]

Recommendation (Sl. No. 14, Para No. 76)

The Committee note that the pressing need for acquisition of the Advanced Jet Trainer (AJT) has been hanging fire for more than a decade. As admitted by the Defence Secretary during evidence, lack of proper trainer has already cost the IAF heavily in terms of loss of precious life and costly aircrafts diverted for training. The Committee desire that the Government accord high priority for finalisation of choice of aircraft and make adequate funding for acquisition. The Committee feel that in view of the acute financial crunch and the time likely to be taken for finalisation of terms and conditions for acquiring and ultimate induction of AJT, the Russian AJT at practically half the price should also be considered and properly evaluated for acquisition.

Reply of the Government

The Hawk and the Alphajet, shortlisted to meet the AJT requirements of the IAF, have been conceived, designed and developed as Advanced Jet Trainers. The Hawk was first flown in August 1974 and has since been periodically updated. Similarly, the Alphajet was first test flown in October, 1973 and has undergone periodic technology upgradations. The aircraft that will be finally chosen is to be built in India and fitted with state-of-the-art avionics, communication equipment and flight instruments. The indigenously built aircraft is expected to be one of the most advanced of the type in the world. A provision of Rs. 300 crores have been made in the financial year 1995-96 for acquisition of AJT depending on the total cost of acquisition. Based on final negotiation with vendors, adequate provision would be made for this purpose in the respective years of cash outgo.

As stated above, the negotiations for the AJT with both vendors have been confined to the option; which involves full indigenous manufacture from raw material. Technical discussion between IAF, HAL & MOD on the Indian side and the vendors i.e. M/s BAe of UK & M/s DA of France have taken place. This being a multi agency negotiation, an appropriate time management programme was evolved in order to ensure smooth completion of all the activities. For this purpose the entire set of activities have been grouped as follows:

- (a) Standard of Preparation.
- (b) Visits.
- (c) Manufacturing aspects.
- (d) Logistics (IAF & HAL as required).

- (e) Training & Training Aids (IAF & HAL).
- (f) Draft Contract Negotiations (including sub-vendors).
- (g) Credit Package.
- (h) Contract Negotiations.

As per the activity schedule, the following have been concluded:

- (a) Discussions with the vendors on Standard of Preparation, Role. Equipment requirements, Avionics Integration.
- (b) Discussions on vendor assessment of HAL's potential and project feasibility.
- (c) Vendor survey of infrastructural facilities at HAL and IAF bases to assess the additional requirements of work services and facilities.
- (d) Survey and Study of vendor facilities at their work sites.
- (e) Both the vendors have submitted the draft contracts for approval of MOD.
- (f) The HAL have submitted Detailed Project Reports (DPR) dealing with the technical issues involved in the productionisation of the AJT at Indian facilities. The reports are under discussion and evaluation with the representatives of IAF and the two vendors.

Russia is developing the YAK-130 and MIG-AT—two competing designs to meet the AJT requirements of the Russian Air Force. The MIG-AT was scheduled to have its maiden flight in December 1994. This was delayed to April and then to July-August 1995. There have been further repeated postponements of the first flight date which is still to be finally determined. This aircraft uses the Larzac engine which is fitted on the Alphajet. Similarly, the YAK-130 was originally scheduled to fly in March 1995 but was postponed to May and is yet to take place. Thus, neither aircraft have had their first flight as yet. After successful completion of development and testing, production of the final choice would begin in Russia, which is not likely before 1998. Considering the fact that the Russian design is still under development, any cost prediction can at best be only an estimation.

If the two Russian options are to be adequately evaluated, we shall have to wait till they are first test flown and subsequently certified for use. Certification normally is after about 300 hrs. of flying. The normal monthly flying hours being around 20 hours, certification is likely to take some time. There is an inconsistency between the two recommendations of the Committee that the AJT acquisition be finalised very early on priority and that the Russian AJTs should also be properly evaluated before an acquisition decision is taken.

The Government is closely monitoring the development status of the Russian aircraft.

[Ministry of Defence, O.M. No. H.11019/13/95/D (Parl.) dated 23.2.96]

Recommendation (Sl. No. 15, Para No. 77)

The Committee note that the Ministry of Defence in consultation with the Air Force Headquarters have taken up for execution prioritised long pending plans of the Air Force for upgradation of MIG-21 BIS, acquisition of Multi-role Combat Aircraft with deep strike capability, development of indigenous repair/overhaul facility for MIG-29 aircraft. The Committee desire that these prioritised projects should be completed in a specified time-frame for which adequate funding may also be ensured.

The Committee also desire that upgradation of MIG-27 and MIG-29 aircraft should also be given priority.

Reply of the Government

MIG-21 BIS Upgrade. In view of the enormous cost of acquiring a new fighter aircraft with state-of-the-art technology, the need to undertake selective upgradation/modernisation of various combat aircraft in the IAF fleet has been identified as a priority requirement by the Government.

Considering the good flying characteristics of MIG-21 BIS aircraft and to ensure its optimal utilisation, it has been decided to upgrade 125 MIG-21 BIS aircraft by integrating an improved Radar, Inertial Navigation System, Radar Warning Receiver, Electronic Warfare Equipment, etc., on it. Various systems/sub-systems proposed to be included in the upgrade package have been identified; and the final system architecture and upgrade package has been finalised in consultation with Russian, indigenous and non-Russian vendors. After design, development and flight test by the Russian agency, the productionisation of the upgraded version will be done at HAL. The matter is now being negotiated with the Russian side for final contract settlement. A provision of Rs 200 crores has been made in the budget for the year 1995-96.

Acquisition of Multi-role Combat Aircraft with deep strike capability

The Indian Air Force is already equipped with Mirage 2000 multi-role aircraft. However, in order to sustain the existing fleet strength for a longer period, the Air HQrs have proposed acquisition of additional Mirage-2000 aircraft against maintenance reserve and Strike off Wastage requirements. This proposal is being processed for expeditious decision.

In addition, the Indian Air Force requires a new generation multi-role aircraft to be inducted in its present fleet, to counter the threat posed by acquisitions by its potential adversaries. There is also a need to replace its ageing fleet, which would lose its strike capability in the futuristic combat scenario, unless a new generation aircraft is inducted. In this context, the Indian Air Force has been considering the SU-30MK multi-role aircraft being developed by the Sukhoi Design Bureau, Russia. The other features of this aircraft include *inter-alia* deep penetration, long endurance and more armament carrying capability. The Russians have offered to develop the multi-role variant in cooperation with Indians and also to permit licence

production of the aircraft in India. The levels of technical development feasible within the desired time-frame, and the commercial terms accompanying the offer will require detailed evaluation and negotiation before any decision can be taken.

Setting up of indigenous overhaul facilities for MIG-29 aircraft

The Government have already approved the setting up of indigenous overhaul facilities for MIG-29 aircraft. The repair/overhaul facilities of the airframe and its aggregates is being set up at 11 BRD Nasik. Necessary agreement/contracts for supply of machinery and technology have been concluded and signed. The schedule for supply of machinery and technology is 2 years and these are likely to be available by end 1996. As a part of the package for setting up repair/overhaul facilities, 100 IAF personnel are proposed to be trained in Russia in 3 batches. The training of the first batch commenced in July, 1995; with full training to be over by August 1996. The commercial offer for spares, has been received and will be negotiated to conclude necessary agreements to procure the same within the stipulated time-frame. Indigenous activities like works service and indigenous procurement of machinery/test equipment etc. are also progressing satisfactorily. It is expected that Mig-29 airframe and aggregates overhaul would commence by end 1996.

The facilities for overhaul of MIG-29 engine and Gear box are being set up at HAL. The latter has reported satisfactory progress and has also indicated the possibility of commencement of engine and Gear box overhaul by beginning 1996.

A Steering Committee headed by an Addl. Secretary has been constituted to monitor the progress of setting up of repair/overhaul facilities; and to take corrective measures if required to avoid time and cost over run.

Upgradation of MIG-27 and MIG-29 aircraft

The Indian Air Force have started technical discussions for upgradation of MIG-27 and MIG-29 aircraft. The detailed planning for upgradation of these aircraft would be undertaken on the basis of the final outcome of these technical discussions.

Light Combat Aircraft

As per directions of Chairman, General Body of Aeronautical Development Agency (ADA), given during roll out ceremony of LCA on 17 November, 1995, concerted efforts are being made by all the concerned agencies to compress the time-frame for completion of development leading to production and induction of LCA into Service 2-3 years ahead of schedule. Adequate funding support will continue to be provided to cater for accelerated development and induction of LCA.

[Ministry of Defence, O.M No.H.11019/13/95/D(Parl) Dated 23.2.96 & 6.3.96]

Recommendation (Sl. No. 16, Para No. 81)

The Committee feel that the vast and strong infrastructure base for production for various defence items existing within the country after meeting the country's Defence needs, can be gainfully utilised for export production.

The Committee desire that defence PSUs should make strenuous and concerted efforts to promote exports of Defence equipment and light weapons/arms for which substantial potential exists in the global market.

Reply of the Government

The guiding philosophy behind the setting up of ordnance factories and defence public sector units was to achieve self-reliance in defence production. It is, therefore, only natural that there has been emphasis on import substitution and indigenisation. Exports had not figured significantly in our approach.

Having achieved a fair degree of success in our indigenisation programme, attention was paid to the need to diversify in order to make optimum use of the installed capacity. Our export effort has been a part of this diversification programme.

During the past few years defence exports have received greater attention. As a result of the various steps initiated, the value of defence exports (including deemed exports) has risen from Rs. 101.26 crores in 1991-92 to Rs. 545.87 crores (provisional) in 1994-95. Some of the export promotion efforts taken/proposed to be taken are as under:—

(a) Participation in defence exhibitions abroad. During the year 1994-95 our defence production units participated in three foreign defence exhibitions held at Kuala Lumpur (April 1994), at Athens (October 1994) and at Abu Dhabi (March 1995). Our participation in these exhibitions has helped in creating better awareness about our defence products and has enhanced the potential for our exports. Our defence production units will now be participating in Defence Asia Exhibition to be held at Bangkok in September 1995.

(b) For the first time a detailed catalogue, of international standard, on defence products which are available for export, has been brought out.

(c) Greater involvement of our Missions abroad in export promotion efforts is being sought.

(d) Apart from the visit to India of working level foreign defence delegations, we have also decided to invite foreign Service Chiefs to visit India exclusively for the purpose of export promotion. The first such visit of Tanzanian Chief of Defence Forces has already taken place in May

1995. Similar invitations have also been extended to the Nigerian Chief of Defence Forces and the Syrian Chief of Air Force and Air Defence. The visits are likely to materialise in the near future.

(e) Taking into account their marketing skills, we are seeking greater involvement of star/super star trading houses in the promotion of defence exports.

(f) We are offering technical collaboration to friendly countries which are likely to bear fruitful results in the coming years.

While maximum efforts are being made by the defence production units to increase the level of exports and thereby secure additionality to their turn over, it is necessary to point out the following limiting factors:—

- (a) contracting defence spending in most countries;
- (b) conditions imposed by licensors with whose technology we have been undertaking production of various items;
- (c) Our security and strategic considerations;
- (d) Our exercise of care and responsibility to obviate arms proliferation in areas of tension.

[Ministry of Defence, O.M. No. H.11019/13/95/D (Parl.) Dated 23.2.96]

Recommendation (Sl. No. 17, Para No. 82)

The Committee also desire that a Task Force may be set up to identify the potential and capabilities in Defence Public Sector Undertakings and Ordnance Factories, for export production and formulate strategy for marketing and intensification of promotional activities.

Reply of the Government

All the defence production agencies have fairly good marketing divisions entrusted with the task of identifying their products which have the potential for export. These units also regularly draw up their short and long term corporate export strategies and prepare annual targets for exports. The services of various outside agencies are also being utilised by the defence public sector undertakings and ordnance factories for export promotion activities.

The export wing of the Department of Defence Production and Supplies (DDP&S) also acts as a focal point within the Government and renders all necessary assistance to the production units in policy formulation, strategic direction and monitoring of defence exports, under the overall guidance of an Inter-ministerial Board, known as Defence Export Promotion Board (DEPB), chaired by Secretary (DP&S). The existing arrangement, both within the production units and in the DDP&S for undertaking export promotion efforts is producing the desired results.

Pursuant to the recommendation of Standing Committee on Defence, a task force headed by Joint Secretary (Exports) of the Department of Defence Production and Supplies, with Directors (Marketing) of BEML, BEL, HAL, OFB and a representative of shipyards as members, is being constituted for the purpose, to identify items with good export potential and to suggest to DEPB appropriate policy initiatives.

[Ministry of Defence, O.M. No. H. 11019/13/95/D (Parl.) Dated 23.2.96]

Recommendation (Sl. No. 18, Para No. 83)

The Committee are of the view that the activities of our production enterprises, particularly those in the areas of aviation, shipbuilding and defence electronics can be greatly enhanced and their technical capabilities can be strengthened if the Government follow a well formulated policy on offsets. All purchases of major equipment should be subject to the selling companies providing work packages to the Indian production enterprises linked to corresponding buy back arrangements.

Reply of the Government

An increasing emphasis is now laid on procuring Defence equipment from the original equipment manufacturer to get the latest production at lowest possible cost and assured supplies of spares etc. Concurrent engineering and real-time technology absorption approach is already being followed in all the future major Defence projects.

The following strategy is normally adopted to secure a good work package for the Indian Production Enterprises:—

An effort is made to import minimum number of complete equipment from the Supplier and a provision is made for gradual indigenisation through transfer of technology for the manufacturing of such activities in India. This reduces our continued dependence on the Supplier for the equipment and spares resulting in reduced outgo of foreign exchange and provides work and new technology to our own Enterprises.

Keeping overall cost effectiveness of any major import proposal in view, possible offset arrangements are worked out for products which can be manufactured by indigenous PSUs, with the work packages to be supplied.

To the extent that it is cost competitive and beneficial for the Indian production enterprises, offset arrangements are insisted upon and the recommendation of Standing Committee will be followed as a guiding criterion.

[Ministry of Defence, O.M. No. H. 11019/13/95/D (Parl.) Dated 23.2.96]

Recommendation (Sl. No. 19, Para No. 88)

The Committee desire that allocations for DRDO are progressively increased to about 10 per cent level during 1998-99 as to fully gear up the R&D Organisations to meet the requirements of Defence Services as also to benefit the civil sector by spin-offs.

Reply of the Government

The funds allocated to Defence by Ministry of Finance are given to Services/Depts. taking into account their essential requirements, Debt Service liabilities etc. Requirements of R&D will be met taking into account the progress of their projects and inter-Service priorities within the overall resource allocation.

In another action taken reply on the similar recommendation (Paras 2.11 to 2.12—5th Report) the Ministry of Defence have also stated as follows:—

“Budgetary allocations for Defence R&D have progressively been increased from a mere 2.8% in 1983-84 to 5.3% in 1995-96. the increase has offset the inflation and also met the funds required for prioritised Defence R&D Projects. The budgetary allocation for Defence R&D will be further enhanced in need-based manner to ensure that progress of Defence R&D programmes is not hindered for want of funds.”

[Ministry of Defence, O. Ms. No. H. 11019/13/95/D (Parl.) Dated 23.2.96 and No. H. 11019/14/95/D (Parl.) Dated 23.11.95]

Recommendation (Sl. No. 20, Para No. 89)

The Committee hope that with progressive increase in allocation to DRDO, the target of self-reliance index of 0.7 by the year 2005 would be achieved.

Reply of the Government

Under Integrated Guided Missile Development Programme (IGMDP), the users trial phase of 150 km PRITHVI surface-to-surface missile has been successfully completed and its subsequent activities are in progress. 250 km version PRITHVI has been successfully flight tested. Short range quick reaction surface-to-air missile TRISHUL and third generation anti-tank missile NAG will enter production in 1997. Medium range surface-to-air missile AKASH will be ready for production in 1998.

Concerted efforts are being made to complete development and induct LCA into service by year 2002, i.e., 2-3 years ahead of schedule. KAVERI engine for LCA is already undergoing tests on multiple test beds. Multibarrel rocket system PINAKA and remotely piloted vehicle FALCON are getting ready for user trials.

Based on excellent results achieved in user trials the Army has accorded clearance for productionisation of main battle tank ARJUN.

Acceptance by the Services during 1995-96 alone of MBT ARJUN, modernised combat-improved tank T 72 M1 and its 125 mm FSAPDS ammunition and EW systems will lead to a production value of about Rs. 4000 crore in the coming years.

The above-mentioned major state-of-the-art systems and other systems in advanced stage of development and their variants/derivatives will be progressively inducted into Services during 9th and 10th Plan periods thereby substantially enhancing indigenous content of Defence acquisition. With the induction of these systems into Service, the target of self-reliance index of 0.7 by the year 2005 would be achieved.

[Ministry of Defence, O.M. No. H. 11019/13/95/D (Parl.) Dated 6.3.96]

Recommendation (No. 21, Para No. 90)

The Committee also expect that the DRDO, apart from the present programme, should plan futuristic technology for next two decades alongwith its concurrent technology transfer to Defence and Civil Sectors, wherever feasible, to enhance their performance.

Reply of the Government:

Services draw their perspective plans in consonance with their threat perception. Based on these plans and global defence technology forecast, DRDO draws up technology development programmes to ensure that the emerging technologies required for the systems projected in the perspective plans are developed before development of the systems is taken up. This helps in reducing development time for the systems to be developed in future. Concurrent engineering and real-time technology absorption approach is already being followed in all the major programmes of DRDO.

[Ministry of Defence, O.M. No. H. 11019/13/95/D(Parl.) dated 23.2.96]

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

—NIL—

CHAPTER IV

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

—NIL—

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

—NIL—

NEW DELHI;
March 8, 1996
Phalguna 18, 1917 (Saka)

SHARAD DIGHE,
Chairman,
Standing Committee on Defence.

MINUTES OF THE NINTH SITTING OF STANDING COMMITTEE ON DEFENCE (1995-96)

The Committee sat on Monday, the 18th December, 1995 from 1700 hours to 1750 hours.

PRESENT

Shri Indrajit Gupta—*Chairman*

MEMBERS

Lok Sabha

2. Shri Nurul Islam
3. Shri Bhupinder Singh Hooda
4. Shri Manikrao Hodalya Gavit
5. Sqn. Ldr. Kamal Chaudhry
6. Shri Vijay Naval Patil
7. Shri Ram Niwas Mirdha
8. Maj. D.D. Khanoria
9. Shri Yoganand Saraswati
10. Shri Jagat Vir Singh Drona
11. Shri Gabhaji Mangaji Thakore
12. Shri Amal Datta
13. Shri Hannan Mollah
14. Shri Pratap Singh
15. Maj. Gen. R.G. Williams

Rajya Sabha

16. Shri Misa R. Ganesan
17. Shri K.R. Malkani
18. Shri M.P. Abdussamad Samadani
19. Shri Satchidananda
20. Shri Gopalsinh G. Solanki

SECRETARIAT

1. Shri G.R. Patwardhan : *Joint Secretary*
2. Shri K.L. Narang : *Deputy Secretary*
3. Shri A.K. Singh : *Under Secretary*

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri K.A. Nambiar : *Defence Secretary*
2. Shri Vinod Rai : *Joint Secretary (Air)*
3. Air Marshal S.R. Deshpande : *DCAS*
4. AVM S. Krishnaswamy : *ACAS (Plans)*

At the outset, the Chairman, welcomed the Members of the Standing

Committee on Defence and Defence Secretary and his colleagues to the sitting of the Committee and invited their attention to the provisions contained in Directions 55 and 58 of the Directions by the Speaker.

2. The Committee examined representatives of the Ministry of Defence and sought certain clarifications on the reply furnished by the Ministry to the recommendation made by the Committee in their Fourth Report on Demands for Grants (1995-96) in regard to the acquisition of the 'Advanced Jet Trainer' (A.J.T.) for IAF.

3. A verbatim record of the evidence was kept.

(The Witnesses then withdrew).

4. The Committee then deliberated over the matter and decided that pending their recommendation to be incorporated in their Action Taken Report which is to be finalised on receipt of Action Taken Replies on the Fourth Report on Demands for Grants (1995-96), the Ministry of Defence might go ahead with commercial negotiations with the shortlisted Western vendors for acquisition of AJT and that they should adhere to a time frame for conclusion of these negotiations. The Committee also desired that the Ministry of Defence should closely monitor the development of Russian AJT.

The Committee then adjourned.

MINUTES OF THE ELEVENTH SITTING OF STANDING COMMITTEE ON DEFENCE (1995-96)

The Committee sat on Thursday, the 7th March, 1996 from 1600 hrs. to 1810 hrs.

PRESENT

Shri Sharad Dighe — Chairman

MEMBERS

LOK SABHA

2. **Shri Bhupinder Singh Hooda**
3. **Sqn. Ldr. Kamal Chaudhry**
4. **Shri Vijay Naval Patil**
5. **Shri Ram Niwas Mirdha**
6. **Shri Yoganand Saraswati**
7. **Shri B.L. Sharma Prem**
8. **Shri Jagat Vir Singh Drona**
9. **Shri Amal Datta**
10. **Shri Hannan Mollah**
11. **Shri Indrajit Gupta**
12. **Shri Pratap Singh**
13. **Shri Abhay Pratap Singh**
14. **Maj. Gen. R.G. Williams**

Rajya Sabha

15. **Shri B.B. Dutta**
16. **Shri K.R. Malkani**
17. **Shri Suahil Kumar Sambhajirao
Shinde**

SECRETARIAT

- | | | | |
|--------------------------------|----|-------------------------|----|
| 1. Smt. Roli Srivastava | — | <i>Joint Secretary</i> | |
| 2. Shri K.L. Narang | — | <i>Deputy Secretary</i> | |
| 3. Shri A.K. Singh | — | <i>Under Secretary</i> | |
| .. | .. | | .. |
| .. | .. | | .. |

6. The Committee then considered the draft Report on action taken by the Government on the recommendations contained in their Fourth Report on the Demands for Grants of the Ministry of Defence for the year 1995-96 and adopted the same.

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8. The Committee authorised the Chairman to make verbal and consequential changes if any arising out of factual verification and security vetting and finalise the Report for presentation to the Parliament.

The Committee then adjourned.

APPENDIX I

**Instructions issued for timely execution of prioritised modernisation/
upgradation and re-equipment programmes**
(*vide* Page No. 8)

IMMEDIATE

MINISTRY OF DEFENCE

**SUBJECT:—Monitoring of the Prioritised Modernisation/upgradation and
Re-Equipment Programmes.**

Recently while examining the Demands for Grants of the Ministry the Standing Committee has pointed out many instances of slow progress in case of the prioritised modernisation/upgradation and re-equipment programmes. Eventhough some of the delay is attributable to the resource constratints the time has come to review the status of our capital intensive prioritised programmes.

You may personally discuss each of these cases mentioned in para 21 of the Fourth Report of the Standing Committee, with the concerned Joint Secretary to assess the status and ways and means of avoiding the time and cost over-runs.

I would like to have a concrete statement giving the details of (i) time frame for completion of each stage of procedural formality *i.e.* commercial negotiations, Trial Evaluations, Cabinet approval and finalisation of Agreement/Contracts. In case of developmental activities, a time frame for the production and induction schedule may also be worked out apart from the above; (ii) Monitoring Groups constituted to have an effective budgetary control may report on the status of the building up of a data base of contractual liabilities under 'Capital' grant along with a statement on contractual obligations in terms of implementation and actual year-wise cash out-go.

Once the Time Frames are set-up, monitoring of the activities through a suitable regular feed back mechanism should be ensured so that the schedules are strictly adhered to.

Sd/
(K.A. Nambiar)
DEFENCE SECRETARY

AS(R)

AS(KS)

FA(DS)

M of D ID No. 6411/Def. Secy./95 dtd. 10th July, 95

Copy to

Secy (DP&S)

SA to RM

APPENDIX II

Communication from Ministry of Defence to Ministry of Finance that there is no decline in the Defence allocation in real terms in coming years

(Vide Page No. 7)

Ministry of Defence (Finance)

SUBJECT: Action taken statement on the recommendation/observations of the Standing Committee contained in their Fourth Report (10th Lok Sabha) on the Demands for Grants of the Ministry of Defence for 1995-96.

The Standing Committee on Defence (1995-96) in their Fourth Report has observed that:—

"The increase in the budgetary allocations is less than the rate of inflation. The percentage of capital expenditure has also gone down in 1995-96 (BE) as against 1994-95 (RE). Ministry of Defence to take up the matter with Ministry of Finance at the highest level."

2. Above observation may please be kept in view while allocating funds for Defence in the RE 1995-96/BE 1996-97 and subsequent years to keep the Services in the high level of operational preparedness.

Sd/-

**(A.K. Ghosh)
FA(DS)**

**Secretary (E)
Addl. Secretary (Budget)**

MoD (Fin) ID No. 17/12¹ B-L/95 dated 23rd June, 1995

APPENDIX III

Analysis of the Action Taken by Government on the recommendations contained in the 4th Report of the Standing Committee on Defence (Tenth Lok Sabha) on the Demands for Grants of the Ministry of Defence for the year 1995-96:

		% of Total
(i) Total number of recommendations	21	
(ii) Recommendations/Observations that have been accepted by Government	21	100
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's Reply	Nil	—
(iv) Recommendations/Observations in respect of which Government reply has not been accepted by the Committee	Nil	—
(v) Recommendations/Observations in respect of which final reply of Government is still awaited	Nil	—