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**STANDING COMMITTEE
ON DEFENCE
(1996-97)**

ELEVENTH LOK SABHA

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(1996-97)

145

FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 1996/Bhadra, 1918 (Saka)

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(1996-97)

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on defence*

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DEMANDS FOR GRANTS (1996-97)

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

30 AUG 1996



LOK SABHA SECRETARIAT
NEW DELHI

August, 1996/Bhadra, 1918 (Saka)

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COMPOSITION OF THE STANDING
COMMITTEE ON DEFENCE

(1996-97)

Chairman

Shri B.K. Gadhvi

MEMBERS

Lok Sabha

2. Shri Jaswant Singh
3. Smt. Sushma Swaraj
4. Shri Banwari Lal Purohit
5. Shri Baburao Paranjpe
6. Lt. Gen. Shri Prakash Mani Tripathi
7. Shri Rajendra Agnihotri
8. Dr. Chhatrapal Singh
9. Dr. Vallabhbai Kathiria
10. Shri Ram Chandra Benda
11. Shri Nihal Chand
12. Col. Sona Ram Choudhury
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14. Shri Shivraj V. Patil
15. Shri Rajesh Pilot
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18. Maj. Gen. Bikram Singh
19. Smt. Nisha Amarsinh Chaudhary
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27. Shri Nitish Kumar

28. Shri Major Singh Uboke

29. Shri Madhavrao Scindia

Rajya Sabha

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31. Shri Peter S. Alphonse

32. Shri Lachman Singh

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36. Shri Satish Agarwal

37. Shri N. Thangaraj Pandian

38. Shri Adhik Shirodkar

39. Shri Suresh A. Keswani

SECRETARIAT

1. Dr. A.K. Pandey *Additional Secretary*

2. ^{SA M} V.N. Gaur *Director*

3. Shri P. Sreedharan *Under Secretary*

INTRODUCTION

1. I, the Chairman, Standing Committee on Defence (1996-97) having been authorised by the Committee to submit the Report on their behalf, present this First Report on Demands for Grants of the Ministry of Defence for the year 1996-97.

2. The Demands for Grants of the Ministry of Defence for the year 1996-97 were laid on the Table of the House on 30 July, 1996.

3. The Committee on Defence (1996-97) scrutinised the relevant documents, considered and finalised the list of points on the Demands for Grants (1996-97) of the Ministry of Defence for seeking written information forming the basis for discussion with the representatives of the Ministry of Defence.

4. The Committee took evidence of the representatives of the Ministry of Defence on 14th August, 1996. The Committee considered and adopted the Report at their sitting held on 22nd August, 1996.

5. The Committee wish to express their thanks to the officers of the Ministry of Defence for the cooperation extended by them in furnishing information in a very short span of time which they desired in connection with the examination of Demands for Grants of the Ministry for 1996-97 and for sharing with the Committee their views, perceptions concerning security concerns, defence capability modernisation/upgradation programmes and re-equipment schemes and resource constraints which came up for discussion during evidence.

6. 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;
August 23, 1996
Bhadra 1, 1918 (Saka)

B.K. GADHVI,
Chairman,
Standing Committee on Defence.

REPORT

I. GENERAL

(i) Introductory

Changes around the world and in our neighbourhood continue to throw up new security challenges while persisting with, or modifying old ones. An awareness of the contours of this evolving scenario, and the adoption of effective measures to address it, constitute the defence of the nation. Defence planners, thus, face the task of reviewing programmes in the light of changes which have taken place at the global level, as well as in the context of specific threats in our own region.

2. The Budget Estimates of Defence Services for the year 1996-97 are, therefore, expected to reflect the endeavour of Government to balance the minimum maintenance requirements of our Defence Forces and the need to modernise them within the constraints of national economy.

3. The Budget proposals of the Ministry of Defence are contained in seven Demands for Grants i.e. Demand Nos. 15 to 21. Demand Nos. 15 and 16 which are known as Civil Demands for Grants of the Ministry of Defence, cater to the requirements for the civil expenditure of the Ministry of Defence and Demand Nos. 17 to 21 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. 17, Defence Services—Army

Demand No. 18, Defence Services—Navy

Demand No. 19, Defence Services—Air Force

Demand No. 20, Defence Ordnance Factories

Demand No. 21. 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), and Directorate of Technical Development and Production (Air) (DTD & P Air) of Standardisation, are provided under the Demand Nos. 17 to 20,

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. 17 (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, rations, petrol, oil and lubricants, spares, etc.) and supplies by Ordnance Factories, Revenue Work (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. From 1987-88, expenditure on procurement of Aircraft and Aeroengines is shown as Capital expenditure. From the same year, 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. 17 to 21.

(ii) Budget Estimates 1996-97 of Defence Services

8. The Budget Estimates of the Defence Services for the year 1996-97, as compared with the Budget and Revised Estimates for 1995-96 and the actual expenditure during the year 1994-95, are summarised below:

(Rs. in crores)

	Actuals 1994-95	Budget Estimates 1995-96	Revised Estimates 1995-96	Budget Estimates 1996-97
1	2	3	4	5
Revenue Expenditure				
Gross Expenditure : Voted	17450.41	19383.32	19947.84	19962.21

	1	2	3	4	5
Charged		4.72	9.59	9.11	14.21
Total		17455.13	19392.91	19956.95	19976.42
Receipt & Recoveries		1029.32	1247.40	1121.83	1121.83
Net Revenue Expenditure		16425.81	18145.51	18835.12	18854.59
Capital Expenditure					
Gross Expenditure : Voted		6817.34	7347.31	8033.59	8936.75
Charged		2.08	7.18	10.29	7.13
Total		6819.42	7354.49	8043.88	8943.88
Recoveries on Capital Account		—	—	—	—
Net Capital Expenditure		6819.42	7354.49	8043.88	8943.88
Net Revenue & Capital Expenditure		23245.23	25500.00	26879.00	27798.47

(iii) Civil Estimates of the Ministry of Defence

9. The requirements for the Civil expenditure of the Ministry of Defence Secretariat, the Defence Accounts Department, the Canteen Stores Department etc., including share capital contributions made/loans advanced to the Defence Public Sector Undertakings and the Defence Pensions, are provided for in two separate Civil Demands i.e. Demand Nos. 15 and 16. These are not included in the overall Defence Allocation of Rs. 27798.47 crores in 1996-97. 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. With effect from 1.4.96, provision for the Defence Estate Organisation (amounting to Rs. 20.53 crores in B.E. 1996-97) has been made in the Civil Estimates of the Ministry of Defence, which was catered for under the Demand No. 17 Army, earlier.

10. The provisions in 1995-96 and 1996-97 under Demand No. 15 are given below:—

(Rs. in crores)

	BE 95-96	RE 95-96	BE 96-97
1	2	3	4
Gross Revenue	2026.88	1958.21	2156.68
Capital	26.52	37.45	34.68

1	2	3	4
Gross Expenditure	2053.40	1995.67	2191.36
Receipts	(-) 1858.13	(-) 1763.59	(-) 1942.41
Amount met from	-	(-) 10.00	(-) 8.00
N.R.F.			
Net Expenditure	195.27	222.08	240.95

(Break up given in Annexure-VII)

The Major components of gross revenue expenditure in Revised Estimates, 1995-96 are CSD (Rs. 1723.59 crores), Defence Accounts Department (Rs. 202.35 Crores) and Ministry of Defence Secretariat (Rs. 17.08 crores). In the Capital outlay of Rs. 37.45 crores in Revised Estimates 1995-96, the major allocations are for Loans for Water Supply Schemes and Miscellaneous (Rs. 18.51 crores) and Capital Outlay on Housing (Rs. 7.70 crores).

11. The provisions for Defence Pensions and other retirement benefits in 1995-96 and 1996-97 under Demand No. 16 are as under:—

(Rs. in crores)

	BE 95-96	RE 95-96	BE 96-97
Pension and other retirement benefits	2857.00	3197.12	3300.00

(Break up given in Annexure-VIII)

(iv) Analysis of Defence Services Estimates

12. The Main features arising out of an analysis of the Defence Services Estimates for the year 1996-97, in general, are dealt with in the succeeding paragraphs.

(a) Allocation for 1995-96

13. As indicated earlier, the provision for Defence Services under Demand Nos. 17 to 21 for 1995-96 in the Budget Estimates (BE) was Rs. 25500 crores and that in the Revised Estimates (RE) is Rs. 26879 crores, reflecting an increase of Rs. 1379 crores and a percentage increase of 5.41%. Compared to the actuals of 1994-95, (Rs. 23245 crores), the R.E.

for 1995-96 shows an increase of Rs. 3634 crores and a percentage increase of 15.63%.

14. The Demand-wise position is as under:

Demand	(Rs. in crores)	
	B.E. 1995-96	R.E. 1995-96
1. Army (Revenue expdr. of Army, NCC, R&D and DGQA)	12848.01	13347.72
2. Navy (Revenue expdr. of Navy)	1570.39	1870.46
3. Air Force (Revenue expdr. of Air Force)	4264.91	4057.99
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	709.60	680.78
5. Capital Outlay on Defence Services (Capital expdr. of all Services/Deptts.)	7354.49	8043.88
Total Gross Exp.	26747.40	28000.83
Receipts/Recoveries	(-) 1247.40	(-) 1121.83
Total (Net)	25500.00	26879.00

15. Out of the Revised Estimates of Rs. 26879 crores for 1995-96, the provision for Revenue expenditure is Rs. 19956.95 crores, while that for Capital expenditure is Rs. 8043.88 crores. The major components of the net Capital expenditure are Land-Rs. 40.97 crores, Works-Rs. 975.90 crores, Aircraft-Rs. 2771.55 crores, Heavy and Medium Vehicles-Rs. 108.14 crores, other Equipment-Rs. 2493.56 crores, Naval Fleet-Rs. 1397.82 crores, Machinery and Equipment for Ordnance Factories-Rs. 118.00 crores and other items-Rs. 137.94 crores.

(b) Allocations for 1996-97

16. The Budget Estimates for 1996-97 work out to Rs. 28920.13 crores (Gross) and Rs. 27798.47 crores (Net).

The Demand-wise position is as under:

(Rs. in crores)		
Demand	R.E. 95-96	B.E. 96-97
1. Army (Revenue expenditure of Army, NCC, R&D and DGQA)	13347.72	13367.19
2. Navy (Revenue expenditure of Navy)	1870.46	1870.46
3. Air Force (Revenue expenditure of Air Force)	4057.99	4057.99
4. Defence Ordnance Factories (Revenue expenditure of Ordnance Factories)	680.78	680.78
5. Capital Outlay on Defence Services (Capital expenditure of all Services/Depts.)	8043.88	8943.88
Total Gross Expenditure	28000.83	28920.30
Receipts/Recoveries	(-) 1121.83	(-) 1121.83
Total (Net)	26879.00	27798.47

17. A comparison of the Service/Department-wise allocations in R.E. 1995-96 and B.E. 1996-97 is given below:

(Rs. in crores)					
Service/ Deptt.	R.E. 1995-96	%age of Total Budget	B.E. 1996-97	%age of Total Budget	DETAILS SHOWN IN
Army *	14260.10	53.0%	14590.67	52.5%	ANNEXURE-I
Navy *	3814.09	14.2%	3914.09	14.1%	ANNEXURE-II
Air Force*	6937.13	25.8%	7387.13	26.5%	ANNEXURE-III
DGOF *	349.62	1.3%	337.52	1.2%	ANNEXURE-IV
DGQA *	159.44	0.6%	160.44	0.6%	ANNEXURE-V
R&D *	1358.62	5.1%	1408.62	5.1%	ANNEXURE-VI
Total	26879.00	100%	27798.47	100%	

* Net Revenue plus Capital provision has been shown here.

(c) Category-wise break up

18. The Gross Revenue Expenditure in the Budget Estimates for 1996-97 is 69.07% as compared to 71.27% in the Revised Estimates, 1995-96. The Gross Capital Expenditure in the Budget Estimates, 1996-97 is 30.93% as against 28.73% in the Revised Estimates, 1995-96.

The Net Revenue expenditure in the Budget Estimates for 1996-97 is 67.83% as compared to 70.07% in the Revised Estimates, 1995-96. The Net Capital expenditure in the Budget Estimates, 1996-97 is 32.17% as against 29.93% in the Revised Estimates, 1995-96.

(d) 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
1	2	3
1985-86	16.10	3.05
1986-87	17.55	3.58
1987-88	18.39	3.59
1988-89	17.81	3.37
1989-90	15.52	3.16
1990-91	14.65	2.90
1991-92	14.67	2.66
1992-93	14.34	2.49
1993-94	15.40	2.78
1994-95	14.46	2.72
1995-96	14.69	—
1996-97	13.58	—

(v) Allocation projected by the Ministry of Defence

20. The Committee were informed that the Ministry of Defence had projected a total requirement of funds of Rs. 26000.00 crores for 1995-96 and Rs. 31925.61 crores for 1996-97 at the B.E. stage. The break-up of the above amount was stated to be as under:

		(Rs. in crores)	
		B.E. 1995-96	B.E. 1996-97
Army	:	13860.16	16656.66
Navy		3464.57	4413.30
Air Force		6710.28	8758.74
Other Deptts.	:	1964.99	2096.91
Total	:	26000.00	31925.61

The other Departments included Research and Development, Defence Ordnance Factories and Directorate of Quality Assurance.

21. The Ministry of Defence in a note furnished to the Committee stated that they needed enhancement of funds by Rs. 4106.61 crores over Budget Estimates, 1996-97 for meeting various revenue and modernisation requirements.

22. During evidence before the Committee, the Defence Secretary stated that there has been an assurance from the Ministry of Finance that they may be provided additional funds between Rs. 1000 crores to Rs. 1500 crores, later during the year and that the extra burden arising out of normal escalations and from the implications of the recommendations of the Fifth Pay Panel would also be met separately.

23. The Standing Committee on Defence have time and again emphasized the need for enhancement of funds for meeting the requirements of Defence Services. However, the Committee find that as against the allocation of Rs. 26879 crores in 1995-96, the Defence Budget for the year 1996-97 seeks to earmark an amount of Rs. 27798.47 crores only. Significantly, the increase in the Budget Estimates for 1996-97 over the previous year's Revised Estimates works out to 3.2% only as against the current rate of inflation of about 4.5%. In other words, there has been no increase in real terms in the Defence Budget

for 1996-97 at all. While the funds earmarked for the Army have been increased only marginally, there has been no increase in the allocation of funds for the Air Force and the Navy. The Capital outlay at around 30% is almost steady for several years. Evidently, this level of funding may necessitate sacrificing some of the priorities for re-equipment and modernisation of the Armed Forces. It is also surprising that the Budget allocation does not take into account even such obvious liabilities like the hike in the prices of fuel, the implications of the implementation of the impending report of the Fifth Pay Panel etc., the Committee are therefore, constrained to observe that the allocation made in the Defence Services Estimates for 1996-97 are not only inadequate but also unrealistic.

24. During evidence, the Committee were informed that the Ministry of Defence needed enhancement of funds by Rs. ~~40000~~⁴¹⁰⁶ crores over Budget Estimates for 1996-97 for meeting various revenue and modernisation requirements. It was also stated during evidence that the Ministry of Finance had assured the Ministry of Defence that they may be providing additional funds between Rs. 1000 to Rs. 1500 crores during the current year to meet the foreseen shortfalls on the revenue side and that the extra burden arising out of the recommendations of the Fifth Pay Panel would also be met. The Committee are not satisfied with this assurance. Keeping in view the emerging security scenario and for reasons cited in this Report subsequently, the Committee desire that the entire amount projected by the Ministry of Defence may be allocated in the Defence Budget, 1996-97. Considering the fact that a period of five months of the current financial year has already elapsed, the Committee are of the view that the allocation for Defence Services should be enhanced by a reasonable level, say Rs. 2000 crores, for meeting the various revenue and modernisation requirements at the earliest.

25. The Committee will now deal with certain specific aspects arising out of the scrutiny of the Defence Services Estimates, 1996-97.

II.

ARMY

26. For 1996-97, the Ministry of Defence had projected a requirement of funds of Rs. 16656.66 crores for the Army. The Government have, however, provided only Rs. 14590.67 crores for the purpose in the Budget Estimates for the year, which was 12.4 per cent less than the requirement projected. The allocation made in the Budget Estimates 1996-97 for the Army accounted for 52.5% of the Defence Budget.

(i) Shortage of Officers in the Army

27. There has been a persistent shortfall in the strength of officers in the Army in the recent past. Paragraph 21 of the Report of the Comptroller & Auditor General for the year ended 31 March, 1995, No. 8 of 1996, Union Government, Defence Services (Army and Ordnance Factories) revealed that the deficiency had aggravated from 22 per cent in 1990 to 28 per cent in 1994 in the officers cadre. During evidence, the Committee were informed that the present shortfall of officers was about one third of the sanctioned strength. They were also informed that the Army proposed to take up a scheme of Image Projection Campaign in a big way.

28. The Committee are concerned about the extent of shortfall of officers in the Army. There is an imperative need to inculcate and strengthen a feeling of national pride among the youth and motivate them in entering the Services. The efforts made by the organisations like the National Cadet Corps in this direction are welcome. However, such efforts have to be suitably supplemented and strengthened by taking measures such as, ensuring extension of N.C.C. to all colleges and providing of training particularly at Under Officers/Senior Under Officers level with a view to developing in them officers like qualities and thus enabling them to obtain commission in the Armed Forces. The performance of the Sainik Schools, the Military Schools etc. should be reviewed and effective steps taken with a view to preparing the students for induction into the Armed Forces. Steps should also be taken to establish pre-military training centres. In view of the prevailing market conditions where softer and attractive options are becoming increasingly available for qualified brilliant candidates. Government should take concrete measures to make Army career, which requires endurance of a harder life, sufficiently remunerative and more attractive including improvement in the career prospects. The Ministry of Defence should also formulate a time bound plan to make good the shortfall in the Army. The Committee would like to be kept apprised of the precise steps taken in the matter.

(ii) Territorial Army

29. Constituted under the Territorial Army Act, 1948, the Territorial Army (TA) not only provides civilians from all walks of life an excellent opportunity to serve the nation, but also ensures a reserve force which can assist the regular Army during operations and emergent situations, as and when required. The Committee were informed that the Territorial Army had been facing problems in mobilisation and functioning of its

units. They have been informed that despite concerted efforts of the Directorate of Territorial Army to increase, the intake, there had been only a marginal increase during the last two years. The reasons attributed for lower intake were, lack of interest in joining the TA, reluctance on the part of employers to allow their employees to join and serve the TA, discouragement due to frequent embodiment of the TA units in the last 6-7 years etc. The TA also suffered due to inadequacy of stores/equipment/weapons etc. In this connection, the Committee were informed that a high powered review Committee on the Territorial Army was constituted by the Ministry of Defence in January, 1995. The high powered Committee had been assigned the task of reviewing the concept, role, employment and the terms and conditions of the Territorial Army, with a view to attracting more and more gainfully employed people to join the TA. The said Committee is stated to have submitted its Report on 6 August, 1996.

30. The Committee desire that the Report should be processed expeditiously and necessary follow-up action taken with a view to making the functioning of the Territorial Army more effective so that it provides not only an excellent opportunity to civilians to serve the nation but also to the Army a trained reserve and thereby contribute to the national security.

(iii) Commitment of Army Towards Internal Security Duties

31. The prevailing internal security conditions dictate large commitment of the Army towards internal security duties thereby imposing a high cost on the Army in terms of training and battle readiness as well as financial burden. The Standing Committee on Defence in their Second Report (Tenth Lok Sabha) had *inter-alia* desired the Ministry to find a suitable solution therefor including the possibility of reimbursing such costs to the Army Budget. In their action taken reply, the Ministry had stated that a system of claiming reimbursement from aid requisitioning authorities existed in case of assistance provided by the Army to the Civil Authorities in case of natural calamities and other duties except maintenance of law and order/internal security as it was a statutory obligation of the Armed Forces under the Cr. P.C. During evidence, when the matter was raised again, the Defence Secretary agreed with the view that the statutory obligation was for providing services and not for incurring the expenditure.

32. The Committee are of the view that though it may be a statutory obligation of the Armed Forces to provide services for maintenance of law and order/internal security, it may not prevent the Ministry of

Defence to get recouped, the costs incurred by them on this account from the Ministry/Agencies concerned. The Committee, therefore, desire that the matter of getting the expenditure incurred on this score including that of the Rashtriya Rifles reimbursed from the Ministry of Home Affairs/States may be further examined so that the additional burden on the Defence Budget in this behalf could be avoided. The Committee expect that deployment of the Army for duties in connection with maintenance of law and order should be resorted to only in highly justified cases.

III.

NAVY

33. The Ministry of Defence had sought an allocation of Rs. 4413.30 crores for the Navy during 1996-97. However, only Rs. 3914.09 crores have been provided by the Government in the Budget Estimates for the year, which was 11.31 per cent less than the requirement projected and accounted for 14.1% of the Defence Budget.

Under-utilisation of Capacity at MDL

34. The Mazagon Dock Ltd. (MDL) was taken over by the Government in 1960. Its activities include construction of missile boats, destroyers, frigates and corvettes for the Indian Navy, patrol vessels for the Coast Guard and well-head platforms for the Oil and Natural Gas Commission. It also undertakes repairs of vessels. The facilities to construct submarines in the country have been installed only at the Mazagon Dock Ltd. and rare skills in this field have been acquired by training our personnel in Germany.

35. In a written reply, the Ministry stated that the capacity utilisation at hull fabrication side at the MDL was 35 per cent this year. The Ministry further stated that hull construction facility in East Yard of the MDL was largely remaining idle, as no further orders had been received by the Shipyard for construction of submarines after delivery of two numbers in February, 1992 and May, 1994. At North Yard also the hull shop would be idle after completion of fabrication work on yard 735, as there was no further order. The Defence Shipyards were dependent on the Indian Navy for their work orders. The last CCPA sanction for indigenous construction of ships for the Navy was given in 1986. According to the Ministry, in order to maintain the force levels of Navy commensurate with increased responsibilities and consistent with the threat perceptions and in view of the depleting force levels, the Ministry proposed to import submarines and also to indigenously construct submarines. Presently, the case was being processed for submission to the Cabinet for approval, the Ministry stated.

36. The Committee are distressed to note the low level utilisation of capacity at the Mazagon Dock Ltd. particularly on submarine side which has been lying idle since May, 1994. It is a matter of concern that the technical expertise of high order is in danger of getting dissipated. The Committee trust that the proposals for acquisition of submarines will be expeditiously processed and the final decision taken in a manner so as to achieve the objectives of not only catching up with the projected force levels of the Navy but also full utilisation of the indigenous capacities created at great costs particularly at the MDL. Government should ensure that the infrastructure/capacity created for Defence Production is fully utilised.

IV.

AIR FORCE

37. As against an amount of Rs. 8, 758.74 crores projected by the Ministry of Defence, the total allocation for the Air Force in the 1996-97 Defence Budget Estimates is Rs. 7387.13 crores (Revenue plus Capital provision) which was less by 15.65 per cent of the requirement projected. The allocation made in the Budget Estimates, 1996-97 constitutes 26.5% of the total Defence Budget.

(i) Acquisition of Advanced Jet Trainer (AJT)

38. The acquisition of Advanced Jet Trainer (AJT) has been hanging for more than a decade. The proposal initiated as far back as 1984 is yet to fructify. The Committee during the course of the scrutiny of Demands for Grants for the year 1996-97 drew the attention of the Ministry of Defence to the same. Explaining the present status, the Defence Secretary stated during evidence that discussions with two short listed foreign suppliers were in progress, but recently a few developments had taken place which had changed the scenario.

39. It has been stated by the Ministry that a Russian AJT fitted with French engine and avionics is expected to be productionised by December, 1997. According to the Ministry, due to the phasing out of the Hunter aircraft and the delay in the induction of AJT, the interim training task had been shifted to the MiG-21 trainer aircraft a few of which had been procured. In this connection, the Defence Secretary stated during evidence:

“the MiG-AT has come of the drawing board but it is still not the production line aircraft. But the aircraft appears to be a sound aircraft. Therefore, serious consideration must be given to MiG-AT as an option to the Hawk and the Alpha Jet. However, as things stand today and till the production line becomes clear it is difficult to close the chapter

on others because this aircraft is still to be productionised and it has still to be evaluated further. In any case right now we do not have the resources for a major AJT programme. The MiG-21 is an interim and inferior solution to AJT."

40. The Committee regret to note that the proposal mooted as far back as in 1984 for the acquisition of Advanced Jet Trainers is yet to materialise causing its adverse impact in the country's defence preparedness. They are deeply distressed to note that in such an important area of Defence, timely decision making is wanting on the part of Government. The Committee, therefore, desire that Government should accord high priority for finalisation of choice of aircraft after considering all the options available and make provision for adequate funding for its acquisition.

(ii) Acquisition of Multi-role Combat Aircraft from Russia

41. The ageing of IAF fleet of aircraft has necessitated acquisition of new multi-role fighter aircraft. In a note furnished to the Committee, the Ministry of Defence stated that the Hank Brown amendment enabled Pakistan to acquire advanced weaponry and platforms especially the P-3 C Orion, long range patrol and attack aircraft. China had embarked on a venture for purchase and licence manufacture of SU-27 long range air superiority aircraft and it had been reported that China will possess about 200 SU-27 aircrafts by the turn of the century. According to the Ministry, these acquisitions in our neighbourhood rendered our installations vulnerable to enemy strikes. In order to meet these newer challenges, the IAF required modern multi-role aircraft as replacement for those which were being phased out.

42. In early 1994, the IAF evaluated a Russian multi-role fighter aircraft. The evaluation revealed that the aircraft satisfied most of the IAF requirements. A joint IAF/DRDO team carried out detailed interaction with the Russians and evolved a standard of preparation of the aircraft for the IAF. The aircraft was found as the most suitable option both in terms of technical superiority and cost effectiveness. It has been stated by the Ministry that though all requisite approvals for acquisitions of the aircraft had been obtained in March, 1996, the final approval of the Cabinet to conclude the contract was not taken following the notification of General Elections. The Union Cabinet took a decision on 3 April, 1996 to release an advance of US \$ 142 million (about Rs. 500 cr.) to ensure that the Russian agencies would maintain prices and delivery schedule beyond 31 March, 1996. The Russian Government also undertook to refund this amount in the eventuality of the Government deciding not to induct the multi-role aircraft in the IAF fleet.

43. In regard to productionisation of the aircraft and utilisation of the installed facilities already available in India, the Defence Secretary stated in evidence that a detailed technical dialogue regarding productionisation partially or wholly in India will be taken up.

44. The Committee feel that in order to maintain the force levels in a futuristic threat scenario, it is essential that the IAF build up the inventory of multi-role aircraft. As the IAF has examined the feasibility of the Russian Aircraft and US \$ 142 million has already been paid to Russia, an amount lying idle presently, it is necessary that an early decision by the Government in regard to acquisition be taken. In case it is decided to go ahead with the proposal the Government in the light of past experiences may also insist upon simultaneous transfer of technology for indigenous production at places like Ozhar (Nasik) along with induction with a view to eliminating future problems arising out of overhaul/repair of the aircraft. The Committee would like to be kept informed of the developments.

(iii) Light Combat Aircraft (LCA)

45. The LCA is a multi-role aircraft meant to provide air superiority in the Air Defence. The LCA has been designed to suit the IAF requirements for use in Indian tropical environmental conditions. Its power plant has been specifically optimised to meet this objective. The project initially envisaged the induction of LCA in 2005. Regarding the latest stage of development of the project, the Ministry of Defence informed the Committee that after the roll-out of LCA in November, 1995, all activities relating to the preparation, testing and qualification of the aircraft leading to first flight, scheduled in early 1997, were in progress. Two prototypes of the aircraft were expected to be ready by June, 1996. The first aircraft was expected to undergo flight testing from June, 1996 onwards and the second from March, 1997 onwards. It has, however, now been stated that the prototype was, at present undergoing comprehensive ground tests. It was further stated that the Department have initiated measures to prepone initial clearance to 2001 leading to final induction by 2003.

46. The Committee are concerned over the delay in the development of the prototype. While on the one hand, there has been a delay in the development of the prototype, on the other hand, because of the prevailing security scenario the IAF has asked for preponement of the induction to 2003. The Committee hope that all necessary steps will be taken to ensure development of the prototypes according to the revised schedule and the induction of the Aircraft in the IAF fleet by 2003 so as to maintain the combat worthiness of the Indian Air Force.

(IV) High Accident Rate in IAF

47. During evidence, the Committee drew attention of the Ministry of Defence to the increase in the number of accidents taking place involving the aircraft of IAF. The Defence Secretary stated that over the last five months, 8 aircraft had been lost. The reasons attributed for the same were, technical failure, human error, bird hits, and inadequate training of pilots at Stage III etc.

48. The Committee are deeply concerned about the frequent occurrences of accidents involving the IAF aircraft resulting in large scale losses. They desire that the Ministry of Defence should thoroughly look into the causes of all accidents which took place in the recent past and take remedial measures on an urgent basis with a view to saving precious human lives and valuable aircraft. In this connection, the Committee desire to be apprised of the present position regarding implementation of the recommendations of the La Fontaine Committee on Flight Safety.

V. DEFENCE RESEARCH AND DEVELOPMENT

49. The Department of Defence Research & Development is engaged in the design and development, leading to production of indigenous state-of-the-art sensors, platforms, weapons and equipment in accordance with the requirements of the Services. The Ministry of Defence stated that the Government had approved the 10 years' plan for enhancing self-reliance in defence systems for the period 1995 to 2005. The objective of the plan was to raise the self-reliance index (ratio of yearly defence acquisitions from indigenous sources to total defence acquisitions) from estimated 0.3 value (1993 level) to a possible 0.7 value by the year 2005. The Ministry believe that self-reliance index value will increase to 0.5 or 0.55 by 1998. According to the Ministry, induction of major systems such as MBT Arjun, INSAS family of small arms, PINAKA rocket system and various missile systems in the coming years will significantly increase the self-reliance index.

50. The Secretary (DR&D) informed the Committee during evidence that a demand of Rs. 1629.80 crores was made for expenditure on the Defence Research & Development. An amount of Rs. 1408.62 crores has, however, been provided for in the Budget Estimates, 1996-97 for the purpose. In terms of percentage it is 5.1 per cent of total Defence Budget for the year. The Government is stated to have promised to release balance amount in October-November. The Secretary (DR & D) stated that they

wanted more funds. They need funding for 1996-97 upto Rs. 1600 to Rs. 1800 crores and 1997-98 onwards every year between Rs. 2000 to Rs. 2300 crores.

51. The Committee appreciate the efforts made by the DRDO in the defence research and developmental programmes. Although the level of allocation of funds to the DRDO during 1996-97 has been proposed to be kept at the same level of 1995-96, i.e. 5.1% of the Defence Budget, the Committee trust that sincere efforts would be made to progressively raise this upto 10% as recommended by them in their Fourth Report (10th Lok Sabha) in order to realise the objective of self-reliance in critical Defence technologies. The Committee are of the view that the funds requirements for the Defence Research & Development projected by the Ministry of Defence should be fully provisioned for in the Budget by the Government as early as possible so as to avoid uncertainty in planning the expenditure for the year.

VI. ORDNANCE FACTORIES

52. Indigenous defence production is an important element of defence preparedness. The vital task of developing an indigenous base for production is currently being undertaken through 39 ordnance factories and eight defence public sector undertakings. The ordnance factories are dedicated to manufacturing the equipment, ammunition and other stores required by the armed forces and their capital equipment, machinery and skills have been established accordingly. The Revenue Expenditure of Ordnance Factories in the Budget Estimates for 1996-97 has been shown as Rs. 680.78 crores, which is the same as that of the Revised Estimates of 1995-96.

53. In regard to the stores budget of ordnance factories, the Ministry of Defence stated that the proposed allocation of stores budget (Rs. 1369.11 crores) and issue budget (Rs. 2082.48 crores) for the defence services at the level of RE of 1995-96 was inadequate and was required to be increased to a minimum level of Rs. 1550 crores and Rs. 2300 crores, respectively. According to the Ministry, it was necessary because, in 1995-96 the total value of sales (issues) to the defence forces sector was at the level of Rs. 2330 crores. To keep the same level of physical production of the items, value of issues as per prices now available will be Rs. 2540 crores. But the Army has given target for priority items of ammunition and other equipment, which is higher by Rs. 300 crores than that of the last year. Infrastructure at ordnance factories is capable of doing so and has already taken action to manufacture the same. The total value of issue in ordnance factories this year can be well above Rs. 2830 crores. In the Ministry's perception, non-enhancement of the stores budget will have the following

adverse cascading implications:

- (i) physical issues to the defence and the non-defence customers will be less than that of the last year, thereby reducing the physical turnover;
- (ii) as production lines are product specific, capacity utilisation will go down;
- (iii) manpower will be partly idle; productivity will be lower;
- (iv) price for items will increase, as cost of overheads and infrastructure is fixed. The Army will acquire less for the same budget; and
- (v) some of the priority items of ammunition which can be manufactured by the ordnance factories will not be available. This may later on require import beyond the available capacity in ordnance factories.

54. The Committee note that provision of adequate stores is extremely important for sustained defence production. It is therefore, essential that the stores budget should be kept at an optimum level so as to maintain the chain of production. The Committee, therefore, recommend that adequate funds be made available to the ordnance factories to procure stores and to modernise and upgrade their manufacturing lines. The issue budget may also be enhanced proportionately according to the total expected value of sales to the armed forces to ensure availability of priority items of ammunition and other equipment.

VII. CAPITAL OUTLAY ON DEFENCE SERVICES

(i) Modernisation and Re-equipment

55. The details of the funds provided in the Budget Estimates, 1996-97 for modernisation and re-equipment vis-a-vis those funds sought by the Defence Services are as under :-

(Rs. in crores)

Service	Funds sought by Services	Funds projected by Defence Ministry	Funds provided in Budget
Army	3496.43	3223.43	2358.51
Navy	2791.40	2303.35	2011.75
Air Force	3670.50	3901.89	3284.57

The Committee sought to examine the adequacy of funds provided for modernisation and re-equipment in each of the Services.

Army

56. Out of the amount of Rs.2,358.51 crores provided in budget Estimates, 1996-97, Rs. 2025.93 crores were meant for meeting contractual liabilities of the Army. Thus, only Rs.332.58 crores would be available for starting new modernisation schemes for the Army. The Defence Secretary submitted before the Committee that our hostile neighbouring country had not only been re-arming itself but also upgrading the technological capacity of her weapon systems. He also stated that specially for about the last five or six years, due to budgetary constraints and other difficulties, our level of re-armament had, relatively speaking, been smaller than what that country had been able to accomplish. The witness informed that the Army had a crying need for additional number of tanks and also needed to upgrade T-72 tanks. They needed to bring in night fighting capabilities in the tank fleet and strengthen the anti-tank weaponry. They also needed tactical control radars, self-propelled guns and improved rocketry. According to him, with the provision of Rs 332.58 crores for starting new modernisation schemes for the Army, they would be able to get some radars, upgrade attack helicopters and some artillery and induct a few other essentials; but many other things may be adversely affected.

Navy

57. As regards the Navy, out of the amount of Rs. 2011.75 crores provided in BE, 1996-97 Rs. 1618.91 crores were required for meeting contractual liabilities of the Navy. Thus only Rs. 392.84 crores would be available to the Navy to start new modernisation schemes. Pointing out the inadequacy of the allocation for starting new modernisation schemes of the Navy, the Defence Secretary submitted before the Committee that the Naval equation in the region had been deteriorating in view of re-armament programme of our hostile neighbouring country. The cost of essential requirements of the Navy came up to Rs. 14000 crores to Rs. 15000 crores which included acquisition of new frigates, an aircraft carrier or air defence ship, submarines and modernisation/upgradation of existing submarines. Though all of that would not mature in one year, but with about Rs. 400 crores, the Navy could not take up schemes for more than Rs. 3000 crores. According to him, this would necessitate deferring the acquisition/modernisation programmes.

Air Force

58. The total Capital outlay in the IAF Budget Estimates for the year 1996-97 is Rs. 3475.29 crores. The Ministry of Defence in a note stated that after taking into account the committed liabilities viz. debt repayment, provision for HAL, expenditure on on-going schemes etc., the balance

fund available for modernisation programme is Rs. 1061.68 crores. As against this, the projected new requirements for modernisation of the IAF included *inter-alia* Multi-role combat Aircraft, survey and Target Tow Aircraft, Refurbishment of Missiles in the IAF inventory, low level radars, additional Mirage-2000 aircraft, aircraft upgradation, induction of Prithvi Missile etc. The anticipated requirement of funds, for the purpose, is approximately Rs. 1600 crores. The Ministry of Defence also stated that this significant mismatch between requirement and availability of funds, when made good, would impact most adversely on the inescapable and urgent modernisation of the IAF.

59. The Committee regret to note that the various modernisation/upgradation schemes and re-equipment programmes prioritised by the Services/Ministry could not be taken up in a desired manner due to the resources crunch/budgetary insufficiency. In view of the submissions made by the Ministry of Defence, the Committee feel strongly that such schemes which are on anvil and are vital for the defence preparedness of the country are not hampered and emphasise that Government should provide adequate resources for the same. The Committee therefore, desire that the Government should formulate a time bound plan for implementation of the various schemes/programmes for modernisation and re-equipment and provide adequate funds in time with a view to ensuring that our defence capabilities keep pace with the changing threat perceptions, technologies and the geo-political environment.

(ii) Inadequate utilisation of allocated resources

60. During the examination of Demands for Grants of the Ministry of Defence, it came to the notice of the Committee that a large amount of allocated funds were lying unutilised at the R.E. stage in respect of certain Naval projects under the head Capital Expenditure as per details given below :

		(Rs. in thousands)			
		Actuals 1994-95	B.E. 1995-96	R.E. 1995-96	B.E. 1996-97
(i)	Modernisation of Naval Dockyard, Bombay	2,68,82	8,00,00	1,15,88	2,79,00
(ii)	Other works pertaining to Naval Dockyard, Bombay	4,12,08	30,64,00	3,78,44	7,06,00
	Naval Air Station, Arkonam	3,57,19	5,00,00	3,00,00	2,00,00
	Naval Academy, Ezhamalai	5,88,20	2,50,00	66,00	8,50,00

61. The reasons cited by the Ministry of Defence for the low utilisation of funds included, slow progress on the ground, initial teething problems, delay in commencement of the projects, delay in setting up of project monitoring organisations, delineation of responsibilities between MES and the architects, and delay in negotiation for signing of contract for construction etc.

62. The Committee are not fully convinced with the arguments advanced by the Ministry of Defence seeking to justify non-utilisation of the funds in the specified items. They are rather surprised that while on the one hand, the Ministry have been complaining about inadequacy of funds in several areas, in the specific instances under scrutiny, the Ministry have miserably failed in ensuring proper utilisation of the resources in the execution of new naval construction projects. This clearly shows adhocism and lack of planning in the Ministry. The Committee recommend that the Ministry of Defence should take suitable steps for effectively monitoring the implementation of new projects in order to ensure not only proper utilisation of the meagre resources allocated, but also to avoid cost and time overruns.

VIII. ILLEGAL OCCUPATION OF DEFENCE LAND

63. The Committee were informed that presently about 6,903 acres of land owned by the Ministry of Defence were under illegal occupation of various persons. During evidence, a representative of the Ministry stated that most of the cases of illegal occupation were presently under litigation. The Defence Secretary stated that the problem was more in the cantonments and in the urbanised areas.

64. The Committee desire that all cases of illegal occupation of land belonging to the Ministry of Defence should be vigorously pursued to their logical conclusions. The Ministry should also take effective steps to strengthen their vigilance and check such encroachments. Special vigilance should be kept in urban areas where the land prices obviously are considerably high.

NEW DELHI;
August 23, 1996
 Bhadra 1, 1918 (Saka)

B K. GADHVI,
 Chairman,
 Standing Committee on Defence.

(Please see para 17)

ARMY

(Rs. in Crores)

Minor Head	R E 95-96	B E 96-97
(Revenue)		
101-P&A-Army	5155.78	5188.14
103-P&A-Aux Forces	52.44	52.44
104-P&A-Civilians	697.34	697.34
105-Transportation	335.50	364.86
106-Military Farms	81.50	81.50
110-Stores	4382.90	4382.90
111-Works	969.12	939.12
112-Rashtriya Rifles	118.07	118.07
113-National Cadet Corps	130.90	130.90
800-Other Expdr.	283.17	270.92
Total Gross	12206.72	12226.19
Receipts/Recoveries	400.00	400.00
Total Net	11806.72	11826.19
Capital		
Land	30.65	21.50
Works	328.30	370.70
Aircraft	111.85	93.06
Vehicles	102.64	80.03
Other Eqpt.	1868.82	2185.42
Mily. Farms	2.50	2.50
Rolling Stock	7.35	8.00
Rashtriya Rifles	0.54	0.54
National Cadet Corps	0.73	2.73
Stock Suspense	0.00	0.00
Other Expdr.	0.00	0.00
Total Capital	2453.38	2764.48
Total Revenue/Capital	14260.10	14590.67

(Please see para 17)

NAVY

Minor Head (Revenue)	(Rs. in Crores)	
	R E 95-96	B E 96-97
101-P&A—Navy	333.62	333.62
102-P&A—Reservists	0.00	0.00
104-P&A—Civilians	256.62	256.62
105—Transportation	44.00	44.00
110—Stores	800.00	800.00
111—Works	170.02	170.02
800—Other Expdr.	266.20	266.20
Total Gross	1870.46	1870.46
Receipts/Recoveries	36.22	36.22
Total Net	1834.24	1834.24
Capital		
Land	6.62	2.00
Works	62.44	66.10
Aircraft	350.00	250.00
Vehicles	3.58	4.00
Other Eqpt.	60.00	66.00
Fleet	1397.82	1531.75
Dockyards	99.39	160.00
Net Capital	1979.85	2079.85
Total Revenue/Capital	3814.09	3914.09

(Please see Para 17)

AIR FORCE

(Rs. in Crores)

Minor Head (Revenue)	RE 95-96	BE 96-97
101-P&A-Air Force	850.00	850.00
104-P&A-Civilians	170.00	170.00
105-Transportation	84.00	84.00
110-Stores	2620.08	2620.08
111-Works	251.26	251.26
200-Spl. projects	7.25	7.25
800-Other Expdr.	75.40	75.40
Total Gross	4057.99	4057.99
Receipts/Recoveries	146.15	146.15
Total Net	3911.84	3911.84
Capital		
Land	3.70	19.97
Works	115.30	137.83
Aircraft	2309.70	2655.83
Vehicles	1.92	3.00
Other Eqpt.	564.74	625.74
Spl. Projects	29.93	32.92
Total Capital	3025.29	3475.29
Total Revenue/Capital	6937.13	7387.13

(Please see Para 17)

DEFENCE ORDNANCE FACTORIES

(Rs. in Crores)

Minor Head (Revenue)	RE 95-96	BE 96-97
001-Direction & Admin.	20.00	20.00
004-Research	4.50	4.50
053-Maint.-Mach. & Eqpt.	5.00	5.00
054-Manufacture	940.30	940.30
105-Transportation	29.50	29.50
110-Stores	1369.36	1369.36
111-Works	30.00	30.00
106-Renewal & Replacement	70.00	70.00
797-Transfer to R/R Fund	80.00	80.00
800-Other Expdr.	214.60	214.60
Supplies to Services*	2082.48	2082.48
Total Gross	680.78	680.78
Receipts/Recoveries	524.26	524.26
Total Net	156.52	156.52
Capital		
Mach. & Eqpt.	118.00	106.00
Works	55.10	55.00
Suspense	20.00	20.00
Total Capital	193.10	181.00
Total Revenue/Capital	349.62	337.52

* Break up is as under :

Army	1996.48
Navy	44.00
A.F.	102.00
Others	40.00
	<u>2082.48</u>

(Please see Para 17)

D G Q A

(Rs. in Crores)

Minor Head (Revenue)	RE 95-96	BE 96-97
1. Pay & Allces.	117.00	117.00
2. Miscellaneous	4.00	4.00
3. Transportation	3.20	3.20
4. Stores	24.00	24.00
5. Works	9.00	9.00
6. Deptl. Canteens	0.19	0.19
Total Gross	157.39	157.39
Receipts/Recoveries	(-) 2.20	(-) 2.20
Total Net	155.19	155.19
Capital	4.25	5.25
Total Revenue/Capital	159.44	160.44

(Please see Para 17)

R & D

	(Rs. in Crores)	
Minor Head (Revenue)	RE 95-96	BE 96-97
1. Pay & Allces.	218.75	218.75
2. Miscellaneous	20.23	20.23
3. Transportation	17.02	17.02
4. Grant of Fellowships	0.60	0.60
5. Grants-in-Aid	247.25	247.25
6. Training of Personnel	0.15	0.15
7. Stores	410.38	410.38
8. Works	66.62	66.62
9. Educational Facilities	2.42	2.42
10. Amenity Grants	0.14	0.14
11. Deptl. Canteens	0.05	0.05
Total Gross	983.61	983.61
Receipts/Recoveries	(-) 13.00	(-) 13.00
Total Net	970.61	970.61
Capital	388.01	438.01
Total Revenue/Capital	1358.62	1408.62

(Please see Para 10)

MINISTRY OF DEFENCE

(Rs. in Crores)

	RE 95-96	BE 96-97
	1	2
Revenue Section		
1. Deptt. of Defence	14.20	15.12
2. Deptt. of Defence Production & Supplies	2.67	2.85
3. Deptt. of Defence Reserach and Development	0.21	0.24
4. Defence Accounts Department	202.35	223.31
5. Defence Estate Organisation	-	20.53
Total Sectt. General Services	219.43	262.05
6. Canteen Stores Department	1723.59	1880.90
7. Maintenance-DAD Offices	1.26	1.48
8. Maintenance-DAD Housing	3.19	3.48
9. Army Purchase Organisation	0.74	0.77
10. Subsidy in Lieu of Interest-MDL	0.00	0.00
10. Grant for V.R.S. to		
(A) Bharat Earth Movers Ltd.(BEML)	0.00	4.00
(B) Mazagon Dock Ltd.	10.00	3.00
(C) Garden Reach Shipbuilders & Engineers (GRSE)		1.00
Total Revenue Section	1958.21	2156.68
Less Receipts Generated by CSD	-1763.59	-1942.41
Less Amount met from National Renewal Fund	-10.00	-8.00
Net Revenue Budget	184.62	206.27

	1	2
Capital Section		
1. Construction–DAD Offices	9.22	9.50
2. Construction–CSD Offices	2.00	2.20
3. Construction–DAD Housing	7.30	8.80
4. Construction–CSD Housing	0.40	0.40
5. Investment In PSUs	0.02	0.01
6. Loans to PSUs	0.00	0.00
7. Loans for Water Supply Schemes and Miscellaneous	18.51	13.77
Total Capital Section	37.45	34.68

(Please see Para 11)

DEFENCE PENSIONS

(Rs. in Crores)

	RE 95-96	BE 96-97
1. Pensions and Other Retirement Benefits		
Army	3000.79	3089.06
Navy	55.51	59.47
Air Force	139.80	150.45
2. Rewards-Army, Navy & Air Force	1.02	1.02
Total	3197.12	3300.00

MINUTES OF THE FIRST SITTING OF THE STANDING COMMITTEE ON DEFENCE (1996-97)

The Committee sat on Friday, the 9th August, 1996 from 1130 hours to 1300 hours.

PRESENT

Shri B.K. Gadhvi — *Chairman*

MEMBERS

Lok Sabha

2. Shri Jaswant Singh
3. Smt. Sushma Swaraj
4. Shri Banwari Lal Purohit
5. Shri Baburao Paranjpe
6. Lt. Gen. Shri Prakash Mani Tripathi
7. Dr. Chhatrapal Singh
8. Shri Ram Chandra Benda
9. Dr. Mallikarjun
10. Shri Shivraj V. Patil
11. Shri P. Upendra
12. Shri Hannan Mollah
13. Shri A. Sampath
14. Shri Pratap Singh
15. Shri Major Singh Uboke

Rajya Sabha

16. Shri Lachman Singh
17. Shri Satchidananda
18. Shri Surendra Kumar Singh
19. Shri K.R. Malkani

SECRETARIAT

Shri V.N. Gaur — *Director*

2. At the outset, the Chairman welcomed the Members on their nomination to the Committee on Defence (1996-97).

3. The Committee then considered the List of Points prepared by the Secretariat and circulated to the Committee, on the Demands for Grants of the Ministry of Defence (1996-97). The Committee deliberated over the suggestions made by the Members for modifications/amendments in the List of Points.

4. The Committee directed that additional points in the light of suggestions/views expressed by the Members during sitting of the Committee might be incorporated in the List for reference to the Ministry for eliciting written replies thereon for consideration by the Committee.

5. The Committee then adjourned to meet again on 14th August, 1996 for taking oral evidence of the representatives of the Ministry of Defence.

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON DEFENCE (1996-97)

The Committee sat on Wednesday, the 14th August, 1996 from 1000 hours to 1300 hours and from 1500 hours to 1800 hours.

PRESENT

Shri B.K. Gadhvi — *Chairman*

MEMBERS

Lok Sabha

2. Smt. Sushma Swaraj
3. Shri Banwari Lal Purohit
4. Shri Baburao Paranjpe
5. Lt. Gen. Shri Prakash Mani Tripathi
6. Dr. Chhatrapal Singh
7. Dr. Mallikarjun
8. Shri P. Upendra
9. Maj. Gen. Bikram Singh
10. Shri H.D. Kumaraswamy
11. Shri Hannan Mollah
12. Shri A. Sampath
13. Shri C. Narasimhan
14. Shri Pratap Singh
15. Shri T. Nagaratnam
16. Shri Major Singh Uboke

Rajya Sabha

17. Shri Sushil Kumar Sambhajirao Shinde
18. Shri Lachman Singh
19. Shri Satchidananda
20. Shri Surendra Kumar Singh
21. Shri K.R. Malkani
22. Shri Suresh A. Keswani

SECRETARIAT

1. Shri V.N. Gaur — Director
2. Shri P. Sreedharan — Under Secretary

Representatives of the Ministry of Defence

1. Shri T.K. Banerji — Defence Secretary
2. Shri V.K. Kapoor — Secretary (DP & S)
3. Dr. A.P.J. Abdul Kalam — Secretary (DR & D)
4. Shri G.P. Rao — Additional Secretary (R)
5. Shri D.K. Chet Singh — FA (DS)
6. Shri K. Srinivasan — Additional Secretary (KS)
7. Shri D. Basu — Additional Secretary (DP & S)

2. At the outset, the Chairman welcomed the Defence Secretary and his colleagues to the sitting of the Committee and invited their attention to the Direction 58 of the Directions by the Speaker.

3. The Committee then took 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 (1996-97) and also on written replies furnished by the Ministry to the List of Points thereon.

4. The representatives of the Ministry explained and elaborated on the queries from the Members. The evidence was concluded (The witnesses then withdrew).

5. A verbatim record of the proceedings was kept.

6. The Committee decided to meet again on Thursday, the 22nd August, 1996 to consider and adopt the draft report.

The Committee then adjourned.

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON DEFENCE (1996-97)

The Committee sat on Thursday, the 22nd August, 1996 from 1100 hours to 1315 hours.

PRESENT

Shri B.K. Gadhvi

Chairman

MEMBERS

Lok Sabha

2. Shri Banwari Lal Purohit
3. Shri Baburao Paranjpe
4. Shri Rajendra Agnihotri
5. Dr. Chhatrapal Singh
6. Shri Ram Chandra Benda
7. Col. Sona Ram Choudhury
8. Dr. Mallikarjun
9. Shri P. Upendra
10. Maj. Gen. Bikram Singh
11. Shri Hannan Mollah
12. Shri A. Sampath
13. Shri Pratap Singh
14. Shri T. Nagaratnam
15. Shri Major Singh Uboke

Rajya Sabha

16. Shri Sushil Kumar Sambhajirao Shinde
17. Shri Lachman Singh
18. Shri Satchidananda
19. Shri K.R. Malkani
20. Shri Adhik Shirodkar
21. Shri Suresh A. Keswani

SECRETARIAT

Shri P. Sreedharan - *Under Secretary*

2. The Committee considered the draft Report on Demands for Grants of the Ministry of Defence for the year 1996-97. The Chairman invited Members to offer their suggestions for incorporation in the Draft Report. The Committee deliberated over the suggestions made by the Members for modifications/amendments in the Draft Report.

The Committee adopted the Report with modifications/amendments as given in Appendix.

3. The Committee authorised the Chairman to finalise the Report in the light of factual verification received from the Ministry of Defence as also of verbal and consequential changes and for presentation of the Report to Parliament.

The Committee then adjourned.

APPENDIX

[See Para 2 of the Minutes of the third sitting of the Standing Committee on Defence (1996-97)]

Modifications/Amendments made by the Committee on Defence in the First Report on Demands for Grants (1996-97) of the Ministry of Defence.

Para	Line (s)	Modifications/Amendments
1	2	3
24	10	<i>For "cannot remain"</i> <i>Substitute "are not"</i>
	17	<i>Delete "at the Budget Estimates stage itself"</i>
	19	<i>After "requirements"</i> <i>Add "at the earliest"</i>
27	7-8	<i>Delete "in the strength"</i>
	8	<i>After "Third"</i> <i>Add "of the sanctioned strength"</i>
28	1	<i>For "with"</i> <i>Substitute "about"</i>
	2	<i>For "arouse"</i> <i>Substitute "strengthen"</i>
	3	<i>For "service"</i> <i>Substitute "pride"</i>
	6	<i>After "strengthened"</i> <i>Add "by taking measures such as ensuring extension of the N.C.C. to all colleges and providing of training particularly at Under Officers/Senior Under Officers level with a view to developing in them officers like qualities and thus enabling them to obtain commission in the Armed Forces. The performance of the Sainik Schools, the Military Schools etc. should be reviewed"</i>

1	2	3
		and effective steps taken with a view to preparing the students for induction into the Armed Forces. Steps should also be taken to establish pre-military training centres."
	6-7	Delete "particularly in" Before "the prevailing market" Add "In view of"
	9	Delete "The Committee, therefore, desire that the"
	11	For "well" Substitute "more"
	12	After "attractive" Add "including improvement in career prospects"
32	6	For "feasibility" Substitute "matter"
	10	After "avoided" Add "The Committee expect that deployment of the Army for duties in connection with maintenance of law and order should be resorted to only in highly justified cases."
36	4	For "because" Substitute "that"
	6	For "import/construction" Substitute "acquisition"
	10	After "MDL" Add "Government should ensure that the infrastructure/capacity created for Defence Production is fully utilised."
40	4-7	Delete "The Committee are unhappy to find that no funds have been provided in this years' Defence Budget for this programme despite their earlier recommendation in the Fourth Report on Demands for Grants (1995-96)."

1	2	3
	4	<i>After "preparedness"</i> <i>Add "They are deeply distressed to note that in such an important area of Defence, timely decision making is wanting on the part of Government."</i>
	8	<i>After "choice of aircraft"</i> <i>Add "after considering all options available"</i>
	9	<i>After "make"</i> <i>Add "provision for"</i>
44	9	<i>After "technology"</i> <i>Add "for indigenous production at places like Ozhar (Nasik)"</i>
48	6	<i>After "aircraft"</i> <i>Add "In this connection, the committee desire to be apprised of the present position regarding implementation of the recommendations of the La Fontaine Committee on Flight Safety."</i>
51	11	<i>For "at the BE stage itself"</i> <i>Substitute "as early as possible"</i>
54	1	<i>For "maintenance of proper"</i> <i>Substitute "provision of adequate"</i>
	6	<i>After "Stores"</i> <i>Add "and to modernise and upgrade their manufacturing lines"</i>
56	15	<i>For "technical"</i> <i>Substitute "tactical"</i>
59	3	<i>For "cannot"</i> <i>Substitute "could not"</i>
59	4	<i>After "insufficiency"</i> <i>Add "In view of the submissions made by the Ministry of Defence, the Committee feel strongly that such schemes which are on anvil and are vital"</i>

1	2	3
		for the defence preparedness of the country are not hampered and emphasise that Government should provide adequate resources for the same."
	5	After "Committee" Add "therefore"
62	4	For "maintaining" Substitute "complaining about"
	8	For "lack of planning and adhocism" Substitute "adhocism and lack of planning" Add the following fresh paragraphs at the end of the paragraph 62 : "VIII. Illegal occupation of Defence land 63. The Committee were informed that presently about 6,903 acres of land owned by the Ministry of Defence were under illegal occupation of various persons. During evidence, a representative of the Ministry stated that most of the cases of illegal occupation were presently under litigation. The Defence Secretary stated that the problem was more in the cantonments and in the urbanised areas. 64. The Committee desire that all cases of illegal occupation of land belonging to the Ministry of Defence should be vigorously pursued to their logical conclusions. The Ministry should also take effective steps to strengthen their vigilance and check such encroachments. Special vigilance should be kept in urban areas where the land prices obviously are considerably high. "