

STANDING COMMITTEE ON DEFENCE
(2004-2005)

(FOURTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS

(2004-2005)

FIRST REPORT



LOK SABHA SECRETARIAT

NEW DELHI

August, 2004/Sravana, 1926 (Saka)

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Presented to Lok Sabha on 19 August 2004

Laid in Raiya Sabha on 19 August 2004

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2004-2005)

Shri Balasaheb Vikhe Patil - Chairman

MEMBERS **LOK SABHA**

2. Shri Churchill Alemao
3. Shri Iliyas Azmi
4. Shri A.V. Bellarmin
5. Shri S. Bangarappa
6. Shri Suresh Chandel
7. Shri Thupstan Chhewang
8. Smt. Sangeeta Kumari Singh Deo
9. Shri Milind Deora
10. Shri George Fernandes
11. Shri Bhupinder Singh Hooda
12. Shri Ramesh Jigajinagi
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14. Dr. C. Krishnan
15. Shri S.D. Mandlik
16. Dr. K.S. Manoj
17. Shri Raghuraj Singh Shakya
18. Shri Mahadeorao Shivankar
19. Shri Ganesh Prasad Singh
20. Shri Manavendra Singh
21. Shri Balashowry Vallabhaneni

RAJYA SABHA

22. Shri R.K. Anand
23. Dr. Farooq Abdullah
24. Gen. (Retd.) Shankar Roy Chowdhury
25. Shri T.T.V. Dhinakaran
26. Smt. N.P. Durga
27. Shri Pramod Mahajan
28. Shri Mukhtar Abbas Naqvi
29. Shri Anand Sharma
30. Shri Lalit Suri

SECRETARIAT

1. Shri John Joseph - Additional Secretary
2. Shri N.K. Sapra - Joint Secretary
3. Shri A.K. Singh - Deputy Secretary
4. Smt. Anita Jain - Under Secretary

INTRODUCTION

I, the Chairman, Standing Committee on Defence (2004-05) having been authorised by the Committee to submit the Report on their behalf, present this First Report on the Demands for Grants of the Ministry of Defence for the year 2004-05.

2. The detailed Demands for Grants of the Ministry for the year 2004-05 were laid on the Table of the House on 16 July 2004.

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

4. The Committee took evidence of the representatives of the Ministry of Defence on 11 and 12 August 2004. The Committee considered and adopted the Report at their sitting held on 17 August 2004.

5. The Committee wish to express their thanks to the representatives of the Ministry of Defence for appearing before the Committee for evidence and for furnishing the material and information in a very short span of time which the Committee desired in connection with the examination of Demands for Grants of the Ministry for 2004-05.

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

NEW DELHI;
17 August 2004
26 Sravana 1926 (Saka)

BALASAHEB VIKHE PATIL,
Chairman,
Standing Committee on Defence

REPORT

GENERAL

Introductory

India's security concerns are influenced by the dynamic global security environment and more so by the environment in the Sub-Continent. Keeping in view the prevailing security scenario, it is imperative for India to maintain a high level of defence vigilance and preparedness to face any challenge to her security.

2. Modernisation and upgradation of overall defence preparedness, viz. in human skills and equipments, is the area of highest national priority. The Finance Minister while presenting the Budget for the year 2004-2005 stated that the Government is determined to eliminate all delays in the modernisation of Defence Forces.

3. The Union Budget for the Defence Services Estimates for the year 2004-2005 has proposed an outlay of Rs. 77,000 crore which amounts to an increase of Rs. 16,700 crore or 27.6 per cent in the total defence outlay over the Revised Estimates for the year 2003-2004. The increase has been mainly in the Capital Expenditure for which an allocation of Rs. 33,483 crore has been proposed against Rs. 20,953 crore pegged in B.E. (2003-2004).

4. The Budget proposals of Ministry of Defence are contained in eight Demands for Grants, i.e. Demand Nos. 21 to 28. Demand Nos. 21 and 22 cater to the requirements for the civil expenditure of the Ministry of Defence and Demand Nos. 23 to 28 to the budgetary requirements of the Defence Services. In common parlance, the budgetary requirements of Defence Services contained in Demand Nos. 23 to 28 are referred to as Defence Budget.

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

Demand No. 23, Defence Services — Army

Demand No. 24, Defence Services — Navy

Demand No. 25, Defence Services — Air Force

Demand No. 26, Defence Ordnance Factories

Demand No. 27, Defence Services – Research & Development

Demand No. 28, Capital Outlay on Defence Services.

6. The 'running' or 'operating' expenditure of the three Services and other Departments, viz. Defence Research and Development Organisation (DRDO), Director-General of Ordnance Factories (DGOF), Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC), Directorate General Aeronautical Quality Assurance (DGAQA) and Directorate of Standardisation are provided under the first five Demands, which cater to the Revenue Expenditure, while the sixth, viz. Capital Outlay on Defence Services, caters to the expenditure incurred on building or acquiring durable assets.

7. The Revenue Expenditure includes expenditure on Pay & Allowances, Transportation, Revenue Stores (like Ordnance stores, supplies by Ordnance Factories, rations, petrol, oil and lubricants, spares, etc.). Revenue Works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc.) and other miscellaneous expenditure. The Capital expenditure includes expenditure on lands, construction works, plants and machineries, equipments, tanks, Naval Vessels, Aircraft and Aeroengines, Dockyards, etc.

8. Approval of Parliament is taken for the 'Gross' expenditure provision under different Demands for Grants. Receipts and Recoveries, which include items like sale proceeds of surplus/obsolete stores, receipts on account of services rendered to State Governments/other Ministries, etc. and other miscellaneous items are deducted from the gross expenditure to arrive at the net expenditure on Defence Services.

Civil Estimates of the Ministry of Defence

9. The requirement for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, etc. including share capital contributions made/loans advanced to Defence Public Sector Undertakings and Defence Pensions, are provided for in two separate Civil Demands for Grants of the Ministry of Defence. These are Demand No. 21 – Ministry of Defence (Civil) and Demand No. 22 – Defence Pensions. These are not included in the overall Defence Allocation of Rs. 77,000 crore in Budget Estimates 2004-2005. The requirements of the Border Roads Organisation are provided for by the Ministry of Surface Transport and those of JAK LI are provided for by the Ministry of Home Affairs.

10. The provisions in RE 2003-2004 and BE 2004-2005 under Demand No. 21 are given below:

(Rs. in Crore)

	BE 2003-2004	RE 2003-2004	BE 2004-2005
Gross Revenue	4,674.28	4,923.20	5,612.54
Capital	385.82	233.48	435.82
Gross Expenditure	5,060.10	5,156.68	6,048.36
Receipts (CSD) (-)	4,427.51	4,459.34	5,162.01
Net Expenditure	632.59	697.34	886.35

(Break up given in Annexure-VII)

11. Major components of gross Revenue expenditure in Revised Estimates 2003-2004 are Canteen Stores Department (CSD) (Rs. 4,139.69 crore), Defence Accounts Department (DAD) (Rs. 415.37 crore), Coast Guard Organisation (CGO) (Rs. 270.00 crore), Ministry of Defence Secretariat (MoD Sectt.) (Rs. 52.05 crore) and Defence Estates Organisation (DEO) (Rs. 43.75 crore). In the Capital outlay of Rs. 233.48 crore in the Revised Estimates 2003-2004, the major allocations are for the Capital Outlay on other fiscal services – CGO (Rs. 200 crore), Housing/Office Buildings (Rs. 31.22 crore) and Miscellaneous Loans for Unit Run Canteen (URC) by CSD (Rs. 2.25 crore), etc.

12. Demand No. 22 caters to the Defence Pensions. This provides for pensionary charges in respect of retired Defence Personnel (including Civilian employees) of the three Defence Services, *viz.*, Army, Navy and Air Force and also employees of Ordnance Factories etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment and casualty awards such as War-Injury Pension and also Gallantry awards like Param Vir Chakra, Mahavir Chakra, etc.

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

(Rs. in Crore)

BE 2003-2004	RE 2003-2004	BE 2004-2005
11,000.00	11,000.00	11,250.00

(Break up given in Annexure-VIII)

The requirement of allocation in BE 2004-2005 shows an additional requirement of Rs. 250.00 crore over RE 2003-2004 mainly on account of normal annual growth in number of pensioners during 2004-2005, etc.

Budget Estimates 2004-2005 of Defence Services

13. The Budget Estimates of the Defence Services for the year 2004-2005, as compared with the Budget and Revised Estimates for 2003-2004 and the actual expenditure during the year 2002-2003 are summarised below :

(Rs. in Crore)				
	Actuals 2002-2003	Budget Estimates 2003-2004	Revised Estimates 2003-2004	Budget Estimates 2004-2005
REVENUE EXPENDITURE				
Gross Expenditure: Voted	42990.91	46651.19	45747.52	45946.32
Charged	11.28	15.34	17.48	19.00
Total	<u>43002.19</u>	<u>46666.53</u>	<u>45765.00</u>	<u>45965.32</u>
Receipts & Recoveries	2293.21	2319.29	2371.32	2448.17
Net Revenue Expenditure	<u>40708.98</u>	<u>44347.24</u>	<u>43393.68</u>	<u>43517.15</u>
CAPITAL EXPENDITURE				
Gross Expenditure: Voted	14947.95	20942.46	16896.02	33472.99
Charged	4.90	10.30	10.30	9.86
Total	<u>14952.85</u>	<u>20952.76</u>	<u>16906.32</u>	<u>33482.85</u>
Recoveries on Capital Account	-	-	-	-
Net Capital Expenditure	<u>14952.85</u>	<u>20952.76</u>	<u>16906.32</u>	<u>33482.85</u>
Net Revenue & Capital Expenditure	<u>55661.83</u>	<u>65300.00</u>	<u>60300.00</u>	<u>77000.00</u>

Allocation for 2003-2004

14. The provision for Defence Services under Demand Nos. 23 to 28 for 2003-2004 in the Budget Estimates (BE) was Rs. 67,619.29 crore (Gross) and Rs.65,300.00 crore (Net). The Revised Estimates (RE) have been pegged at Rs.62,671.32 crore (Gross) and Rs.60,300.00 crore (Net). As compared to the net actuals of 2002-2003 (Rs.55,661.83 crore), the RE for 2003-2004 shows an increase of Rs.4,638.17 crore in absolute terms and an increase of 8.33 in percentage terms.

15. The Demand-wise position was as under :

(Rs. in Crore)

Demand	BE 2003-2004	RE 2003-2004
1	2	3
1. Army (Revenue expdr. of Army, NCC, R&D and DGQA)	29,650.62	29,081.17
2. Navy (Revenue expdr. of Navy and Joint Staff)	5,056.35	5,016.35
3. Air Force (Revenue expdr. of Air Force)	8,520.80	8,025.59
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	694.65	932.69
5. Research & Development	2,744.11	2,709.20
6. Capital Outlay on Defence Services (Capital expdr. of all Services/ Deptts.)	20,952.76	16,906.32
Total (Gross)	67,619.29	62,671.32
Receipts/Recoveries (-)	2,319.29	(-) 2,371.32
Total (Net)	<u>65,300.00</u>	<u>60,300.00</u>

16. Out of the Revised Estimates of Rs. 60,300.00 crore for 2003-2004, the provision for Revenue expenditure is Rs. 43,393.68 crore, while that for Capital expenditure is Rs. 16,906.32 crore. The major components of the net Capital expenditure of Rs.16,906.32 crore are Land - Rs. 40.14 crore, Works - Rs. 1,374.44 crore, Aircraft - Rs. 5,509.61 crore, Heavy and Medium Vehicles - Rs. 147.12 crore, Other Equipments - Rs. 5,477.02 crore, Naval Fleet - Rs. 2,553.18 crore, Machinery and Equipment for Ordnance Factories - Rs. 29.32 crore and other items -Rs. 1,775.49 crore.

Budget Estimates 2004-2005

17. The Budget Estimates for 2004-2005 work out to Rs. 79,448.17 crore (Gross) and Rs. 77,000.00 crore (Net).

The demand-wise position is as under:-

(Rs. in Crore)

Demand	RE 2003-2004	BE 2004-2005
1. Army (Revenue expdr. of Army, NCC R & D and DGQA)	29,081.17	28,642.99
2. Navy (Revenue expdr. of Navy and Joint Staff)	5,016.35	5,377.63
3. Air Force (Revenue expdr. of Air Force)	8,025.59	8,646.80
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	932.69	944.74
5. R&D	2,709.20	2,353.16
6. Capital Outlay on Defence Services (Capital expdr. of all Services/Deptts.)	16,906.32	33,482.85
Total (Gross)	62,671.32	79,448.17
Receipts/Recoveries	(-)	(-) 2,448.17
Total (Net)	60,300.00	77,000.00

Service/Department-wise break up

18. A comparison of the Service/Department-wise allocations in R.E. 2003-2004 and B.E. 2004-2005 is given below:—

(Rs. in Crore)

*Service Deptt.	R.E. 2003-2004	% age of Total Budget	B.E. 2004-2005	% age of Total Budget	Details in
Army	32,287.52	53.54%	36,277.50	47.11%	ANNEXURE-I
Navy	10,413.75	17.27%	13,149.97	17.08%	ANNEXURE-II
Air Force	13,957.96	23.15%	23,270.53	30.22%	ANNEXURE-III
DGOF	(-) 210.99	(-) 0.35%	(-)139.58	(-) 0.18%	ANNEXURE-IV
R&D	3,458.24	5.74%	4,000.94	5.20%	ANNEXURE-V
DGQA	393.52	0.65%	440.64	0.57%	ANNEXURE-VI
Total	60,300.00	100%	77,000.00	100%	

* Net Revenue plus Capital provision has been shown here.

19. The Gross Revenue Expenditure in the Budget Estimates for 2004-2005 is 57.86 per cent as compared to 73.02 per cent in the Revised Estimates 2003-2004. The Gross Capital Expenditure in the Budget Estimates 2004-2005 is 42.14 per cent as against 26.98 per cent in the Revised Estimates 2003-2004.

20. The Net Revenue expenditure in the Budget Estimates for 2004-2005 is 56.52 per cent as compared to 71.96 per cent in the Revised Estimates, 2003-2004. The Net Capital expenditure in the Budget Estimates 2004-2005 is 43.48 per cent as against 28.04 per cent in the Revised Estimates 2003-2004.

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

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

Year	Def. Exp. as % age of Central Govt. Exptr.	Def. Exp. as % age of GDP
1987-88	18.39	3.38
1988-89	17.81	3.16
1989-90	15.52	2.97
1990-91	14.65	2.71
1991-92	14.67	2.50
1992-93	14.34	2.35
1993-94	15.40	2.54
1994-95	14.46	2.30
1995-96	15.06	2.26
1996-97	14.68	2.16
1997-98	15.20	2.32
1998-99	14.28	2.29
1999-2000	15.79	2.43
2000-2001	15.24	2.37
2001-2002	14.97	2.38 P
2002-2003	13.44	2.25 Q
2003-2004 (RE)	12.71	2.19 A
2004-2005 (BE)	16.11	2.51 A

P - Provisional
Q - Quick Estimates
A - Advance Estimates.

Projection/Allocation of funds for Services

22. The three Services and other Defence Departments projected a total requirement of Rs. 1,03,150.70 crore for 2004-2005. Of this, Rs. 50,167.39 crore were proposed under Revenue and Rs. 52,983.31 crore under Capital.

23. Ministry of Finance have allocated Rs.77,000 crore. Of this, Rs. 43,517.15 crore have been provided under Revenue and Rs. 33,482.85 crore under Capital Outlay.

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

(Rs. in Crore)				
Service/ Dept.	Projections made by Services/ Dept.	Budget Allocation as per ceiling made by MOF	Shortfall of (3) over (2)	%age shortfall
(1)	(2)	(3)	(4)	(5)
Army	49,429.21	36,277.50	13,151.71	26.61
Navy	16,681.05	13,149.97	3,531.08	21.17
Air Force	32,567.98	23,270.53	9,297.45	28.55
DGOF	(-) 284.04	(-) 139.58	(-) 144.46	50.86
R&D	4,280.94	4,000.94	280.00	6.54
DGQA	475.56	440.64	34.92	7.34
Total	1,03,150.70	77,000.00	26,150.70	25.35

The Budget allocation for 2004-2005 (Rs. 77,000 crore), however, shows an increase of Rs.16,700 crore (27.69 per cent) over the RE 2003-2004 (Rs. 60,300 crore) and Rs. 11,700 crore (17.92 per cent) over the BE 2003-04 (Rs. 65,300 crore).

25. The Defence Services/Departments projected a total requirement of Rs. 52,983.31 crore under Capital Outlay. This included Rs. 47,650.85 crore for ongoing/committed schemes and new schemes under modernisation and Rs. 3,229.83 crore for various land, works programme, etc. of the three Defence Services and the balance Rs. 2,102.63 crore for other Departments, viz. DGOF, R&D and DGQA. Against this, a total of Rs. 33,482.85 crore have been allocated under Capital, based on the budgetary ceiling conveyed by the Ministry of Finance.

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

(Rs. in Crore)

Service/Deptts.	Projections made by Services/ Deptts.	As allocated
Army		
Equipment	15,029.05	7,447.66
Heads		
Land, Works etc.	2,178.20	1,389.20
Sub-Total	17,207.25	8,836.86
Navy		
Equipment	10,457.04	7,647.48
Heads		
Land, Works etc.	221.67	208.67
Sub-Total	10,678.71	7,856.15
Air Force		
Equipment	22,164.76	14,341.17
Heads		
Land, Works etc.	829.96	460.96
Sub-Total	22,994.72	14,802.13
Total (Army, Navy & Air Force)	50,880.68	31,495.14
DGOF	277.64	277.64
R&D	1,757.78	1,657.78
DGQA	67.21	52.29
Grand Total	52,983.31	33,482.85

27. The Minister of Defence has, in a press statement, expressed the inadequacy of Defence Budget and has stated that the Ministry of Defence may have to seek additional funds from the Ministry of Finance later in the year. On being enquired, whether the issue has been taken up with the Ministry of Finance, the Ministry of Defence has in their written reply stated that the statement of Minister of Defence may be viewed in the backdrop that before finalisation of allocation for 2004-05, Ministry of Defence had projected a requirement of Rs. 86,457 crore to Ministry of Finance for providing for obligatory charges, essential maintenance needs, committed liabilities and prioritised new schemes of the Defence Services. Ministry of Finance have, however, allocated Rs. 77,000 crore in B.E. 2004-2005. During the current financial year, progress of defence expenditure and status of ongoing/new schemes would be kept under constant review and Ministry of Finance would be approached for additional funds, if required.

28. During the evidence, the Committee wanted to know from the representatives of the Ministry of Defence that since most of the Capital Expenditure in the current Budget is to meet the contractual obligations mainly of contracts which were signed recently and what is the carry forward amount after meeting these obligations. The Defence Secretary stated:

“ Let me come to committed liabilities, that is, what is the carry forward from last year and what is the left over from what you can start something new. Out of the money of the capital budget which is available for our equipment, what is actually left after paying for the committed liabilities is about Rs. 1,000 crore. That is all. So, that would give us an idea as to what we can do with that. It is only about Rs. 1,000 crore. How are we going to overcome this problem, because all our requirements have been contracted for, and therefore, it is only the question of awaiting the deliveries? There are other things which the Armed Forces need, and therefore how do we meet that situation? What we have discussed within the Ministry of Defence, with the Armed Forces is that obviously there is this Rs. 1,000 crore and it does not take us very far. Therefore, we will progress the other cases up to the point where it needs financial approval of the Ministry of Finance or CCS or whatever, depending on the size of expenditure. We have also found, based on the past years’

experience, in the years gone by, that many times it has happened that in the contracted deliveries, there were some delays on the part of the suppliers. Therefore, some slippage takes place. Presuming that delay happened – it should not, but if there is – then we have to surrender the money. We should not be in a position to surrender any amount out of what has been allocated to us. Therefore, we should have some shelf of projects ready. In case such a situation where delay takes place on the part of some suppliers or some other contractual confusion takes place, then in addition to this amount of Rs. 1,000 crore, we should have a whole range of projects of different or varying financial implications ready so that they would be there to take that place, and we do not surrender any money.”

29. The Ministry further informed that new schemes/projects involving an expenditure of Rs. 6,918 crore were at various stages of finalisation. Some of these schemes may have to be curtailed/deferred if adequate allocation is not available during the financial year.

30. The Committee note that the Budget Estimates for the Defence Services at Rs. 77,000 crore for the year 2004-2005 shows an increase of 17.92 per cent over the Budget Estimates of Rs. 65,300 crore and an increase of 27.69 per cent over the Revised Estimates of Rs. 60,300 crore for the year 2003-2004. The increase has been mainly in Capital expenditure which has increased from Rs. 20,953 crore (approx.) in Budget Estimates in 2003-2004 to Rs. 33,483 crore (approx.) in Budget Estimates in 2004-2005.

31. The Committee also note that notwithstanding the higher allocation the Minister of Defence has stated that his Ministry may have to seek additional funds from the Ministry of Finance later in the year. This has to be viewed in the context that the Ministry had projected a requirement of Rs. 86,457 crore to Ministry of Finance for providing for obligatory charges, essential maintenance needs, committed liabilities and prioritised new schemes of the Defence Services. The projections included an amount of Rs. 6,918 crore for prioritised new schemes/projects. The Committee were informed during the evidence that almost the entire amount allocated for Capital expenditure will be spent on committed liabilities due to agreements signed recently for procurement of defence equipments leaving only about Rs. 1,000 crore for the new schemes/acquisitions.

32. The Committee are extremely concerned that not only the amount available with the Ministry on account of Capital expenditure after adjusting the committed liabilities is hardly adequate for taking up any new projects/schemes but several schemes/projects which are at various stages of finalisation would also have to be deferred.

33. The Committee, therefore, recommend the Ministry to assess the situation in the light of likely impact of reduced allocations on the new schemes and ongoing acquisition proposals and approach the Ministry of Finance for supplementary allocations at the earliest to ensure that the modernisation plans and procurement of essential equipments do not suffer or are delayed merely because of squeezing of funds.

Utilisation of Defence Budget

34. A year-wise statement giving variation between the budgetary provisions and the actual expenditure during the last five years, is as follows :

Utilisation of Defence Budget

Year	BE	RE	Actual	Excess/Saving w.r.t. BE/RE whichever is higher Total
1999-2000	45694.00	48504.00	47070.63	-1433.37
2000-2001	58587.00	54460.91	49622.04	-8964.96
2001-2002	62000.00	57000.00	54265.73	-7734.27
2002-2003	65000.00	560000.00	55661.83	-9338.17
2003-2004	65300.00	60300.00	60030.51 (P)*	-5269.49 (P)*

*** (P) – Provisional, Accounts not yet closed**

35. There has been continuous under utilisation of budgetary allocation to the Defence Services during the last several years. On being enquired about the specific steps taken for the full utilisation of the budgetary allocation, the Ministry of Defence have in their written reply stated in order to fully utilise the allocated funds, the status of various procurement processes and the progress of Defence expenditure are kept under constant review and follow-up action as necessary, is taken. With a view to synergise efforts involved in procurement and to speed up the decision making process, a new procurement organisation has been established and the procurement procedure is periodically reviewed.

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

Service/ Dept.	(Rs. in Crore)			
	Amount Earmarked (Final Grant)		Amount Spent	
	2001-2002	2002-2003	2001-2002	2002-2003
Army	32,024.11	32,113.95	31,096.88	32,127.78
Navy	8,434.90	8,139.68	8,368.45	8,155.32
Air Force	11,968.30	12,408.84	11,783.76	12,385.26
DGOF (-)	363.64	(-) 195.86	(-) 471.61	(-) 388.89
R & D	3,172.75	3,079.49	3,119.80	3,008.11
DGQA	374.89	380.88	368.45	374.25
Total	55,611.31	55,926.98	54,265.73	55,661.83

Defence Modernisation Fund

37. The then Minister of Finance had stated during his Interim Budget Speech on 3 February 2004 that the process of defence procurement often extends to over three years. An adequate and committed availability of funds, over such a period, for defence modernisation and weapons systems acquisition needs a satisfactory resolution. It has accordingly been decided to establish a non-lapsable, Defence Modernisation Fund of Rs. 25,000 crore. This will commit availability of adequate funds for the purpose. He had assured to make the fund available to the Ministry of Defence from the new financial year.

38. On being enquired whether the Ministry of Defence has decided to create Defence Modernisation Fund during the financial year 2004-2005 and how much amount have been allocated for this fund in both the Interim Budget and as well as the General Budget during the financial year 2004-2005, the Ministry of Defence has in their written reply stated that the then Finance Minister, in his speech while presenting the Interim Budget 2004-2005, had announced the setting up of a non-lapsable Defence Modernisation Fund for Capital acquisition of the Defence Services. No allocation for the said Fund was, however, made in the Interim Budget.

No allocation in this regard has been made for this Fund in the General Budget for 2004-2005. The question of formulating criteria for utilisation of Defence Modernisation Fund and the areas in which this will be utilised, will arise only after a decision is taken by the Government to set up the said Fund.

39. During the evidence, the Committee wanted to know about the status of non-lapsable fund announced by the previous Government in the Interim Budget. The Defence Secretary stated:

“It is true that it had been announced in the last year’s Budget that the Government would intend to set up a non-lapsable fund or modernisation fund. Generally, these schemes go over for more than one year in selection of the equipment etc. Therefore, if there is a fund like that which has an assured amount available and which does not lapse on the 31st of March, then it would have a better chance about the availability of funds for a particular project. That point had been studied in consultation with the Comptroller and Auditor General and the Ministry of Finance. It was found that the experience of these non-lapsable funds, which had been there in the context of other activities, was not good. While the concept in theory might appear to be very attractive but practically it has not worked because ultimately the money available in any fund would be the fund that the Ministry of Finance is able to allocate. The Finance Minister has a certain constraint of resources and, therefore, whatever money is allocated in any such fund, after some time, when this money is used, replenishment of this amount would again depend on the availability of money with the Finance Ministry. Therefore, we might start with the satisfaction that this amount that is there, to start with, would be available to us even in the next financial year. As soon as this amount is over, then for replenishment, we would be looking to the Ministry of Finance. This has been the experience of other Ministries where either the money has not been replenished or the Finance Ministry has raised doubt about it. Therefore, this was discussed with the C&AG and ultimately, it was found that this would not really work. Therefore, in this year’s Budget, we did not find a mention of it.

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Therefore, the Government in this year’s Budget has not made any provision for any such fund.”

40. The Committee note that during the last five years, i.e. from 1999-2000 to 2003-2004, substantial allocations amounting to Rs. 32,740.26 crore for Capital expenditure has lapsed due to non fructification of the defence modernisation and procurement plans. The Committee are conscious that the modernisation of the defence services is a continuous process and the acquisition proposals which do not or cannot fructify in a financial year are processed/finalised in subsequent years but feel that the ritual of approaching the Ministry of Finance, every financial year, for re-allocation of lapsed fund for the same project, is dilatory and completely redundant. The Committee also feel that under-utilisation/non-utilisation of allocations do not augur well for defence preparedness and seriously undermine the capabilities of the Defence Forces. The Committee had, therefore, in their earlier reports strongly recommended for the creation of a non-lapsable Defence Modernisation Fund as one of the measures to streamline the procurement procedures.

41. The Committee were informed subsequently that the Ministry of Finance had in principle agreed to the creation of the Defence Modernisation Fund which would be available for utilisation over the coming three years.

42. The then Finance Minister while presenting the Interim Budget, 2004-2005 also announced the setting up of a non-lapsable Defence Modernisation Fund with a corpus of Rs. 25,000 crore to commit the availability of adequate funds for the defence modernisation and weapons systems acquisitions. The Ministry has, however, surprisingly conveyed that no allocation for this fund has been made in General Budget 2004-2005 and that the Government has yet to take a decision to set up the said fund.

43. The Committee are extremely dismayed at this abrupt policy reversal by the Ministry and express their deep anguish that a well considered decision which was taken after a lot of deliberations has been reversed without any justifiable reason. The Committee would, therefore, like the Ministry to set up at once the Defence Modernisation Fund with committed allocations for a period of five years as lapsing of funds year after year has greatly hampered procurement of defence equipments and the modernisation plans of the Defence Forces. The progress of utilisation of fund should be closely monitored and periodically reviewed with corrective action taken to ensure that the objectives of the fund are fully achieved.

Tenth Defence Plan

44. Explaining the objective of the Tenth Defence Five Year Plan, the Ministry in a written note stated that the Tenth Plan in brief, seeks to carry forward the process of the restructuring, up-gradation and modernisation of the Armed Forces in the area of infrastructure as well as equipment, and enhance the overall defence capability to an extent where the Armed Forces are optimally equipped and prepared for the entire spectrum of conflict in the context of the regional environment. The plan may be seen within an overall objective to:

- (a) have a conventional capability to effectively deter misadventure by any country;
- (b) respond to situations of Low Intensity Conflict (LIC), including a proxy war using terrorism;
- (c) provide protection against the use of weapons of mass destruction and their means of delivery;
- (d) create and maintain the capability to secure our island territories; and
- (e) deter intervention by any third party”.

45. During the evidence, when the Committee enquired about the present status of the Tenth Plan and the reason for non finalisation of this Plan by the Ministry so far, the Defence Secretary stated:

“As far as the Ministry of Defence is concerned, the Tenth Plan is ready and is with the Ministry of Finance. The Ministry of Finance has to indicate to us as to whether they accept it or they do not accept it. Therefore, as things stand today, the Tenth Plan is awaiting approval of the Ministry of Finance. However, that has not to say that in the absence of an approval of the 10th Plan, there is nothing happening.”

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

<u>Services/Dept.</u>	<u>Allocations</u>	<u>(Rs. in Crore)</u>
Army	1,00,692.80	
Navy	31,719.04	
Air Force	49,613.75	
DGOF	(-) 739.46	
R&D	10,467.29	
DGQA	1,208.41	
Total	1,92,961.83	

47. The Committee express their serious concern that despite half of the plan period is over, the Tenth Defence Plan (2002-2007) has not yet been finalized. The reasons for delay, as stated by the Ministry was a lack of firm commitment from the Ministry of Finance, even on revised projection made after a detailed review within the Ministry of Defence and Service Headquarters. The Committee in their earlier report had stressed upon the urgency to finalize and to put into effect the Tenth Plan without further loss of time.

48. The Committee are not convinced with the sketchy reasons advanced by the Ministry for delays and feel that the Ministry had neither shown any urgency nor followed up with the Ministry of Finance to get the firm commitment of funds to finalise the Plan. The Committee are not happy with the planning mechanism in the Ministry which has moved only at a snails' pace and consequently with no result even after the lapse of one more year, precipitating a situation with no approved Defence Plan to speak of even in the third year of the Plan period.

49. The Committee are surprised to note that the actual allocations during first three years of the Tenth Defence Plan are much below the projected requirements of Defence Services. The Committee are constrained to visualize that reduced allocations vis-à-vis projections may curtail even essential procurement and modernisation plans.

50. The Committee need not emphasize that yearly allocations are no substitute for long term plan commitments and are therefore, concerned that avowed objectives of the Plan will face severe set-backs affecting the overall defence capabilities in case it is not finalised immediately.

51. The Committee, therefore, recommend that finalization of the Tenth Defence Plan with committed allocations should be taken up at the highest level with the Ministry of Finance so that the process of the restructuring, upgradation and modernisation of Armed Forces in the areas of infrastructure as well as equipment is carried forward, thereby enhancing the defence capabilities at the desired pace.

52. The Committee also recommend that the Ministry should prepare a 15 year road map with long term strategic vision for modernisation and acquisition plans for Defence Services indicating the budgetary support required therefor as to enable the Ministry of Finance to appreciate the long term objectives concerning defence preparedness. The Committee would like to be apprised of the progress made in this regard within three months.

Defence Procurement Board

53. The Defence Procurement Board was set up in April 2001 with the objective of making defence procurement swifter and faster. When enquired about the number of procurement proposals cleared by Defence Procurement Board so far year-wise and the number of proposals that have actually been implemented, the Ministry of Defence has in their written reply stated that the Defence Procurement Board (DPB) is an institutional arrangement which functions within the Ministry of Defence. It comprises all the Secretaries of the Ministry, the three Vice-Chiefs of the Armed Forces and the Chief of the Integrated Defence Staff. In addition, the Financial Adviser (Acq.) is also a Member. The Board was set up primarily to oversee all activities relating to acquisition on the capital account. The functioning of the Board is regulated by Government orders and the Defence Procurement Procedure-2002.

54. The Ministry further informed that though the Board oversees all acquisition activities, it has no financial power to sanction any projects. The financial powers are vested in the Ministry of Defence, which in certain cases would have to receive the approval of the Finance Minister, in certain cases of high value, seek the approval of the Cabinet Committee on Security.

55. Defence Procurement Board is also assigned a special role in the acquisition of urgently required defence items. Such cases are processed under Fast Track Procedure. In these cases, the Defence Procurement Board scrutinises the proposals and recommends to Raksha Mantri the acquisition proposal. But even under such cases the role of DPB is recommendatory in nature.

56. Besides the Fast Track Cases the Defence Procurement Board Procedure-2002 also assigns certain responsibilities relating to acquisition cases in specified instances. These relate to waiver of the Service Qualitative Requirements (SQRs) after issue of RFP; recommending cases where recourse to a single tender may be necessary; and recommending cases where procurement is to take place from countries having strategic partnership with India, etc. Such consideration does not lead to approval or sanctions by the DPB. It may be stated that the DPB does not normally deal with the cases that are taken up under the normal procedure

57. 62 proposals under Fast Track Procedure of the three Services and Coast Guard have been cleared by the DPB. In addition, 13 proposals were cleared under normal procedure. DPB meetings have been held regularly and all the acquisition proposals of three Services received have been considered in these meetings.

58. The year-wise details of the cases approved by the Defence Procurement Board and those that have been contracted are given below:-

Year	No. of cases approved	Contracts signed
2001-02	37	51
2002-03	21	
2003-04	17	
2004-05	0	
TOTAL	75	51

59. The Ministry has further stated that the Defence Procurement Board (DPB) does not sign any contract. The DPB only makes recommendations and it is the concerned acquisition wing that takes further action and after obtaining the final approval of the Competent Financial Authority (CFA), the contracts are signed.

60. The DPB does not disapprove any case, after discussion, if need be, it sends the case back to the Service Headquarters for further information. In the first meeting (2001-2002), the DPB considered 120 cases but did not take a decision on them as the procedure was yet to be established. Some of the cases were considered in the subsequent meetings. Out of 51 cases for which contracts were signed and reported to the Standing Committee, in 40 cases, deliveries have commenced. Of the remaining 11 cases, in 10 cases the deliveries are not yet due and in 1 case the vendor is facing some difficulty and the matter is under examination.

61. Several steps are involved in the procurement of capital equipment. They are (a) acceptance of necessity approval (b) issue of Request for Proposal (RFP) (c) technical evaluation (d) staff evaluation (e) examination by Technical Oversight Committee (f) price negotiation by Contract Negotiation Committee (CNC).

62. In addition to the above steps before contracts are signed, approval of Competent Financial Authority (CFA) is obtained.

63. The Committee note that the Defence Procurement Board (DPB) was set up primarily to oversee all activities relating to acquisition of the defence equipments in the Capital Account in order to streamline and expedite defence procurement procedures. The Committee have been informed that the Defence Procurement Board does not normally deal with the cases under normal procedure but with the acquisition of the urgently required items under the fast track procedure. The Committee, however, note that out of 75 cases approved by DPB in the last three years, contracts have been signed in 51 cases only. One third of the cases are, therefore, still pending with the Ministry of Defence for implementation.

64. The Committee are constrained to observe that though the DPB has been mandated for such an important task for procurement of urgently required defence items on fast track basis, it has miserably failed to speed up the process and cut down the time taken, thereby defeating the purpose for which it was set up. In fact, Defence Procurement Board seems to have added one more tier in clearance of defence proposals causing further delays in the procurement of defence equipments.

65. The Committee find that the tedious, cumbersome and time consuming defence procurement procedures have been the bane of defence budgetary exercise and despite the efforts made with good intentions, the procedural delays could not be obviated to the desired extent. The Committee, therefore, feel that the very nature of structural and procedural aspects in acquisition and modernisation of defence forces, and the stages involved therein requires a thorough study to identify the bottlenecks and remedial measures needed to streamline the system.

66. The Committee, therefore, recommend that a Study Group may be constituted to examine the entire gamut of defence procurement procedures and structures and suggest appropriate modifications.

Chief of Defence Staff (CDS)

67. The Ministerial Committee on National Security had recommended in February 2001 for the creation of the post of Chief of Defence Staff (CDS). When enquired about the present status in this regard, the Ministry of Defence has stated that the Government had constituted a group of Ministers (GoM) on 17 April 2000 to thoroughly review the national security system in its entirety and in particular, to consider the recommendations of the Kargil Review Committee. The GoM had after careful consideration of various issues formulated a comprehensive Report titled 'Reforming the National Security System'. The GoM had inter-alia recommended establishment of the Chief of Defence Staff (CDS).

68. The recommendations of the GoM were approved by the Government with the modification that before a view is taken on the recommendations relating to the institution of CDS, various political parties may also be consulted. The Government has not yet come to decision on the post of CDS. Meanwhile, a number of steps have been taken to promote 'jointness' among the Armed Forces, improve coordination between the services on the one hand the Services and the Ministry of Defence on the other, bring about more optimal utilisation of resources and strengthen the higher defence management.

69. Pending a decision on the creation of the post of Chief of Defence Staff (CDS), an Integrated Defence Staff has been set up under a Chief of Integrated Defence staff to the Chiefs of Staff Committee (CISC) to support the Chiefs of Staff Committee and its Chairman in the optimum performance of its roles and functions and bringing together and coordinating several functions common to the Services or involving more than one Service. Tri-Service bodies promoting 'jointness' and 'synergy' among the Armed Forces have also been set up like the Defence Intelligence Agency (DIA), the Strategic Forces Command (SFC) and India's first 'theatre' command, the Andaman & Nicobar Command. Individual Service Headquarters have been re-designated as part of the 'Integrated Headquarters of the Ministry of Defence'. Administrative and Financial powers have also been delegated from the Ministry of Defence to the Integrated Headquarters to promote expeditious decision-making. These steps are expected to enhance the capabilities of the Armed Forces significantly.

70. The Ministry has further stated that the role and function of the Chief of Defence Staff as defined in the recommendations of the Group of Ministers on the Reforming of the National Security System in February 2001 was to (i) provide single point military advice to the Government, (ii) administer the Strategic Forces, (iii) enhance the efficiency and effectiveness of the planning process through intra and inter-Service prioritisation, and (iv) to ensure the required “jointness” in the Armed Forces.

71. Countries with posts of Chief of Defence Staff or similar or comparable systems include the institutions of the Joint Chief of Staff of the USA, the Chief of Defence Staff of the UK, Chief of Defence Forces of Australia, and the Chief of General Staff of China, amongst others.

72. The transition to the CDS model in these countries was not easy or straight forward. However, in all the cases mentioned above, the institutions are understood to have stabilized after initial problems and are now performing the roles and functions effectively.

73. The recommendations of the Group of Ministers regarding the benefits of a Chief of Defence Staff in the Indian context are the following:

- (i) it would provide single point military advice to the civil political executive instead of each Service Chief rendering military advice independent of one another;
- (ii) it would facilitate greater inter-Service and intra-Service prioritisation of acquisitions and projects, and a greater efficiency and effectiveness in the planning/budgeting process to ensure the optimal and efficient use of available resources;
- (iii) it would exercise control over the Defence Intelligence Agency (DIA), since created;
- (iv) it would optimize the use of training resources and other facilities at the disposal of the Services;
- (v) it was visualized that a permanent CDS as the head of Chiefs of Staff Committee (COSC) would make it more effective in fulfilling its mandate.

74. During the evidence, the Committee enquired about the present status of the Chief of Defence Staff. The Defence Secretary stated:

“The Recommendations of the GoM were all accepted except that the decision on the creation of the appointment of CDS was put on hold. The status today remains the same, but the structure which the CDS was supposed to have under him that is all in place. There is a Chief of Integrated Defence Staff who acts as the Chief of Staff of the Chairman who was supposed to be the Chief of Staff Committee of the CDS, so that organisation which is an inter-Service organisation having representation from all the Services is functional and so, therefore, the work which was envisaged in terms of this kind of an equipment planning is very much in hand in the absence of the CDS, the Chairman of the Chief of Staff Committee carries out that function also of supervising and overseeing the work of the Integrated Defence Staff.”.

75. As regards Integrated Defence Staff, and the Chief of Staff Committee, the Ministry of Defence have in their Annual Report (2002-2003) stated that with a view to ensure higher degree of jointness amongst the Services and attempt inter-Service and intra-Service prioritisation, the Government has set up the Integrated Defence Staff, headed by the Chief of Integrated Staff to Chairman, Chiefs of Staff Committee (CISC), to support the Chief of Staff Committee and its Chairman in the optimal performance of their roles and functions. The CISC supervises the Integrated Defence Staff, chairs all Multi-Service bodies and the Defence Crisis Management Group (DCMG) and is also responsible for the coordination of long range plans, five year plans and annual budgetary proposals of the three Services in consultation and coordination with the Integrated Services Headquarters.

76. The Chief of Staff Committee is a forum in which the Service Chiefs discuss matters having a bearing on the activities of the Services and advise the Ministry. The position of Chairman of the Chiefs of Staff Committee devolves on the longest serving Chief of Staff, and consequently, rotates amongst the three Services.

77. The Committee note that the Government had constituted a Group of Ministers (GoM) in April 2000 to thoroughly review the National Security System. One of the major recommendations of the GoM was the establishment of the Chief of Defence Staff (CDS). The recommendations of the GoM were approved by the Government with the modification that before a view is taken on the recommendations relating to the institutions of CDS, various political parties may be consulted. The Committee are, however, surprised to note that the Government has yet not come to any decision on the post of CDS even after the lapse of more than three years. The Committee would like to stress that the coordination and synergy amongst the Armed Forces, Service Headquarters and the Ministry of Defence is extremely vital for expeditious decision-making and also for enhancing the capabilities of our Defence Forces. The existing structure for higher defence management, viz. the Chiefs of Staff Committee have not been able to optimally perform their role and functions in bringing together and promoting coordination amongst the Services. The Committee are constrained to observe that the Ministry has learnt no lesson from the setbacks of Kargil and success of India's first Theatre Command, viz. Unified Andaman & Nicobar Islands Command.

78. The Committee would, therefore, like the Ministry to urgently take a view on the recommendations of the GoM to ensure the immediate establishment of the Chief of Defence Staff.

National War Memorial and War Museum

79. The Ministry has stated that the projects for construction of War Memorial and War Museum are being delayed for the reason that suitable land is not yet available at appropriate sites.

80. A letter was addressed by the Defence Minister to the Minister of Urban development and Poverty Alleviation on 17 October 2001 with a request for identifying and allocating a piece of land suitable for the project of national War Memorial. A detailed concept paper along with suggested designs of the national War Memorial was also sent to the Ministry of Urban Development and Poverty Alleviation. The concept paper suggested that the proposed Memorial may be located in the Central Vista area.

81. Another letter was addressed by the Defence Minister to the Minister of Urban Development and Poverty Alleviation on 18 October 2001 indicating the need for about 100 acres of land, preferably in the National Capital region with excellent road access for constructing a National War Museum of national importance.

82. Both the proposals have been actively pursued with the Ministry of Urban Development. However, no positive response indicating identification of the sites/land for the two projects has been received from that Ministry.

83. The Committee are constrained to note that despite their repeated recommendations for early construction of a National War Memorial and National War Museum, no progress has been made in this regard. The Committee are surprised that though the matter had been vigorously pursued at the Minister's level, no site/land has been indicated/allocated by the Ministry of Urban Development for the purpose. The Committee, while expressing their displeasure at the lackadaisical attitude of the Government in the construction of these symbols of national pride, recommend that a high-level Inter-Ministerial Committee may be constituted immediately to identify a suitable site for construction of these projects to enable the indebted Nation to honour and pay its tribute to the sacrifice and sentiments of thousands of martyrs who laid down their lives for the sake of their motherland.

Establishment of Indian National Defence University (INDU)

84. On the reasons of delay in setting up of a National Defence University, the Ministry of Defence have stated that a Committee on National Defence University (CONDU) was constituted by the Government on 23 July 2001 with Shri K. Subramaniam as the Chairman have submitted their report to the Government on 29 May 2002. The Committee have recommended that a National Defence University be set up in India by an Act of Parliament and be called 'Indian National Defence University' (INDU). It is proposed by the Committee that INDU shall award educational degrees, short-term diplomas and credits. The cost of the proposed INDU is estimated to be Rs. 226 crore to be utilised in a phased manner.

85. The Ministry has further stated that the recommendation of the Committee involve the establishment of a number of new institutions and programmes within INDU. Some of the existing institutions like College of Defence Management, Defence Services Staff College, National Defence Academy and National Defence College are proposed to be incorporated into INDU. The Report is under consideration of Ministry of Defence in consultation with Ministry of Finance.

86. The Ministry has also stated that the detailed examination of the issues relating to the establishment and upgradation of these institutions, the design of new curriculum and identification of suitable faculty is a complex and time consuming process. It also encompasses the structural changes required to tackle the issues of integration of the course of studies in INDU with the existing training methodologies and systems in the Armed Forces as they relate to the Management of the Officers cadres.

87. The Ministry has stated that consideration of various recommendations made by CONDU are time consuming and required thorough deliberations for analysing for large number of related details which also involves coordination with related branches of the three Services. As per the CONDU report the setting up of INDU will take place 7 years after approval is granted by the Cabinet Committee on Security (CCS) primarily due to the time required for the development of infrastructure and human resources development of the faculty.

88. The Committee note that the demand for setting up of a Indian National Defence University (INDU) is under the consideration of the Ministry for the last two years as thorough deliberations and analysis of a large number of issues is required. The existing institutions like College of Defence Management, Defence Services Staff College, National Defence Academy, National Defence College, apart from three Services need to be consulted. The setting up of the University also encompasses the structural changes required to tackle the issues of integration of the course of studies in the proposed University with the existing training methodologies and systems in the Armed Forces.

89. The Committee feel that the fast changing world security scenario and advancement in defence technology have underlined the growing importance of specialised defence studies and analysis in a professional manner. The Committee would, therefore, like the Ministry to expedite the setting up of the Indian National Defence University so that the required number of defence and security experts are available to assist the Ministry, defence institutions and allied industries in formulating strategies and plans.

90. The Committee also desire that while setting up the University, the Ministry should take measures so that cross discipline studies are promoted. In the meantime, the Ministry should ensure that the degree and certificates awarded by the various defence institutions are universally recognised.

ARMY

91. The total allocation made to the Army (Revenue Expenditure) in the Budget Estimates 2003-2004 (Net) was Rs. 28,921.12 crore. The Revised Estimates showed a reduction of Rs. 644.45 crore.

92. The Ministry of Defence has stated that the variation of Rs. 644.45 crore between Budget Estimates 2003-2004 and Revised Estimates 2003-2004 in Revenue Expenditure of Army was mainly on account of non-fructification of certain proposals of Revenue Stores, delay in new raising of certain Rashtriya Rifles Units, non-filling of certain vacancies in Directorate General of Quality Assurance (DGQA) etc.

93. Similarly, on the Capital Account for the Army Rs. 5,681.71 crore was the Budget Estimates for 2003-2004, the Revised Estimates was Rs. 4,384.14 crore. An amount to the tune of Rs. 1,297.57 crore could not be utilised due to non-fructification of certain proposals for acquisition of equipment and due to reduce requirement of funds for Married Accommodation Project etc.

Shortage of Army Personnel

94. The Ministry of Defence, in reply to a question, has stated that the shortage of Officers in the Army is not a new phenomenon. This shortage has been there for quiet sometime. There is a deficiency of 27.57 per cent in the Ranks of Colonel and below. The shortage in the officers cadre is due to a variety of reasons including the fact that the Short Service Commission is not attractive enough because there is lack of promotional avenues and difficult service condition etc. There is also no reservation for Short Service Commissioned Officers (SSCOs) in Public Sector, Central Para Military Forces, Railways, etc. No pensionary benefits are given to the SSCOs except to those officers who come from the ranks and have put in more than 12 years of combined service. Such officers are entitled only for pro-rata pension.

95. The Ministry has further stated that on the issue of lateral transfer of Army personnel to CPMF on voluntary basis, a Working Group was constituted under the Chairmanship of Adjutant General on 7 July 2001. It consisted of representatives from the Armed Forces, Ministry of Home Affairs, representatives of Central Para Military Forces, National Security Council Secretariat and the Department of Defence. The draft report of the Working Group consisting of various recommendations has been submitted to MHA in September 2001. In order to review the recommendations of the Working Group, a joint meeting of the Department of Defence and MHA officials was held on 25 September 2003 under the Chairmanship of Home Secretary. It was decided at this meeting that the views of the concerned Ministries would be submitted to the Apex Committee under the Chairmanship of Cabinet Secretary. The Cabinet Secretary has directed Home Secretary and Defence Secretary to organise an early meeting to resolve the issues contained in the report.

96. In a reply to a question regarding intake of National Cadet Corps (NCC) Cadets as officers, the Ministry has stated that the analysis of the cadets undergoing training at National Defence Academy (NDA), Indian Military Academy (IMA) and Officers Training Academy (OTA) reveals that a substantial number of the Cadets have received NCC training. In addition to the Cadets joining the Armed Forces through the NCC Special Entry Scheme, 30.5 per cent of the Cadets in NDA, 22.85 per cent of the OTA Gentlemen Cadets, 47.2 per cent of the OTA Women Special Entry Scheme Cadets and 9.46 per cent of the Direct Entry Scheme Cadets at IMA have received NCC training which is quite low.

97. The reason given by the Ministry for low turn out of NCC Cadets in officers cadre in Armed Forces is that they are not familiar with the specific details of the selection process to the Armed Forces through Service Selection Board (SSB). Most of the NCC Cadets lack the communication skills and exposure to activities that inculcate leadership qualities required for the SSB.

98. The Committee are extremely concerned to find the nearly 28 per cent shortage at officers' level in the Army. The reasons for the shortage as stated by the Ministry is that Short Service Commission is not attractive enough to the talented youth due to lack of promotional avenues and the difficult service conditions, though the image projection campaign of Army has had some impact. The Committee further note that the Working Group on reduction in Colour Service and lateral transfer of personnel in their report has suggested for lateral transfer of personnel from Army to Central Para Military Forces. The Committee would like the Government to take an early decision on the report so that the slide in the officers' cadre can be arrested.

99. The Committee are convinced that the prime reason for lack of response to Short Service Commission is the bleak future which awaits the trained and disciplined officers once they are discharged barely after 5 years of service, with no prospects whatsoever either in Public or Private Sector. The Committee, therefore, strongly recommend that to meet the shortage of officers in the immediate future, the period of Short Service Commission should immediately be raised from 5 years to 10 years subject to further extensions as per the existing norms and rules. The Ministry should take all other measures which may include more promotional avenues for Short Service Commission Officers in their cadre, reservation and lateral transfer to Public Sector Undertakings, Central Para Military Forces, Railways, etc. and also pro-rata pension to officers who have tendered even mandatory five years service, to attract the talented youth to our Armed Forces.

100. The Committee are surprised and concerned to note the very poor rate of induction of NCC Cadets in the Armed Forces. The Committee were informed that most of the NCC Cadets lack communication skills and exposure to activities that inculcate leadership qualities required for the Services Selection Board (SSB) apart from being not familiar with the specific details of the selection process. The Committee strongly recommend that specialised training should be imparted to NCC cadets in developing in them the communication skills and inculcating leadership qualities, so that they can face the SSB more confidently and become officers in the Armed Forces and their years spent in NCC do not go waste. The Committee are of the view that the potentials of Sainik Schools/Military Schools under State Governments, spread all over the country, which could be a training ground for future officers should be fully harnessed by providing them the necessary support by Union Government for introduction of modern teaching methodologies and better infrastructure.

101. The Committee also desire the Ministry to consider, in consultation with the State Governments the promotion of studies of language of the region, Hindi and English in addition to introduction of uniform curriculum in these schools.

Facilities to Ex-Servicemen -One Rank One Pension

102. The Committee in their earlier reports (16th,18th,19th,20th,21st, Thirteenth Lok Sabha) have been recommending that Ex-Servicemen of Armed Forces may be granted pension on principles of 'One Rank One Pension' which implies that the past pensioners be granted the same pension which is granted to new pensioners with same rank and length of service.

103. The Ministry has informed that Government have constituted a Inter-Ministerial Committee on 27 February 2003 to examine the demand for 'One Rank One Pension'. The Committee has not given their report yet.

104. During the oral evidence, the Defence Secretary has informed the Committee that the issue of One Rank One Pension has a special mention in the Common Minimum Programme of the Government and a new Department of Welfare of Ex-Servicemen is also proposed to be set up. This Department alongwith the Department of Personnel and Ministry of Finance will examine the issue of 'One Rank and One Pension' afresh.

105. The Committee are happy to note that a new Department to look after Welfare of Ex-Servicemen is being set up. The Committee in their various reports have been recommending for providing One Rank One Pension to Ex-Servicemen in a fixed time frame. The Committee are, however, constrained to note that Inter-Ministerial Committee constituted by the Government to examine this issue has still not given its report. It shows that Government is not serious to implement this long standing demand of Ex-Servicemen resulting in disillusionment of old defence pensioners who have served the country in the most demanding circumstances. The Committee strongly recommend that an early decision may be taken on the matter and 'One Rank and One Pension' be implemented without further loss of time.

Information and Electronic Warfare

106. The Ministry of Defence, in reply to a question, has stated that Directorate for Information Warfare, under an Additional Director General (rank of Major General) was created in August 2003 as part of the Military Operations Directorate of the Army Hqrs. The functions of the Information Warfare Directorate include formulating policy and guidelines on all aspects of Information Warfare and monitoring its implementation in the Army.

107. In reply to a question on Electronic Warfare System, the Ministry has stated that these systems are employed in an integrated manner to derive intelligence out of the electro-magnetic emissions of enemy's electronic systems such as radio sets, microwave links, satellite networks, etc. and also to deny him the use of these systems effectively during war, peace and Low Intensity Conflict (LIC) operations. EW systems act as very potent Force Multipliers. The two types of EW operations and their advantages are listed below :

- (i) **Electronic Support Measures (ESM)** are used to intercept transmissions from various electronic equipment of the enemy and terrorists. These systems can then locate and identify the radiating source for threat evaluation through interception and direction finding procedures.
- (ii) **Electronic Counter Measures (ECM)** are used to jam the electromagnetic transmissions of the enemy and thus interfere with or deny them the capability to use his Electronic systems effectively. These systems when used offensively (jamming) disrupt enemy's command and control over his forces.

108. The Ministry has further stated that employment of EW equipment and systems in J&K and North-Eastern part of the country has paid dividends in counter terrorists operations in J&K by intercepting their radio conversations and ascertaining their locations through direction finding. On the question of development of Electronic Counter – Counter Measures (ECCM) the Ministry has stated that these systems are highly sophisticated electronic equipment. The indigenous development and manufacture of ECM/ECCM systems started late in India and, therefore, high levels of sophistication have not been achieved in this field. Various kinds of electronic warfare systems and other electronic systems are currently deployed by the Armed Forces. Some of these are indigenously manufactured. Their import content vary from system-to-system depending on their level of sophistication and purpose for which they are deployed.

109. The Committee note that information warfare is assuming a key role in the operation of hi-tech weapons and to achieve strategic and tactical superiority. The Committee also note that the Directorate for Information Warfare, under an Additional Director General was created in August 2003 as part of the Military Operations Directorate of the Army Headquarters. The functions of the Directorate for Information Warfare include formulating policy and guidelines on all aspects of Information Warfare and monitoring its implementation in the Army. The Committee feel that the Information Warfare has a very vital role in the operations of Air Force and Navy as well. Therefore, the Committee recommend that this Directorate should be a tri-Service body while coordinating closely with the Ministry of Home Affairs and intelligence agencies so that information received from them can be effectively utilised not only against the enemies from outside but also against insurgent groups operating in the country.

110. The Committee also note that Electronic Warfare systems have been deployed effectively in Low Intensity Conflict operations in J&K and North-Eastern parts of the country. The Committee further note that Electronic Counter – Counter Measures systems are highly sophisticated electronic equipments. The indigenous development and manufacture of Electronic Counter Measures and Electronic Counter – Counter Measures systems started late in India and, therefore, high levels of sophistication have not been achieved in this field.

111. The Committee desire that the acquisition and deployment of Electronic Warfare and Electronic Counter – Counter Measures should be given high priority and steps must be taken for their indigenous development.

Casualties in Operation Parakram

112. The Ministry of Defence, in reply to a question, has stated that during the period of operation Parakram from 19 December 2001 to 16 October 2002, a total of 473 Army personnel were killed and 1,401 wounded, totalling 1,874. Out of the 473 Army personnel killed, 60 were killed during mine laying operations. Similarly, out of the total of 1,401 wounded, 142 were during mine laying operations. The remaining 413 Army personnel died and 1,259 were wounded in counter terrorist operations in J&K, attacks by terrorists on Army personnel etc. during the same period.

113. The Ministry has further stated that the reason for casualties during Operation Parakram was due to laying of mines manually under adverse climate and terrain conditions.

114. The Ministry has also stated that they have taken remedial measures to obviate mine casualties including stringent quality control of mines and fuses, timely replacement of vintage stocks and laying greater emphasis on safety procedures in mine-laying and recovery operations including use of trained Army personnel etc.

115. The Committee enquired whether the soldiers are well equipped to fight terrorism, the Ministry in their reply has stated that efforts are underway to equip our troops, both qualitatively and quantitatively, to enable them to successfully counter the terrorists. Some of the equipments deployed include Unattended Ground Sensors (UGS), Battle Field Surveillance Radars (BFSR), Hand Held Thermal Imagers (HHTI), Long Range Reconnaissance and Observation System (LORROS), INSAS Rifles, Flame Throwers, Under Barrel Grenade Launchers (UBGL), Bullet Proof Jackets, Patkas, etc.

116. The Committee note that during the period of 'Operation Parakram' a total of 473 Army personnel were killed and 1,401 wounded including 60 killed and 142 wounded in mine laying operations. The Defence Forces also suffered heavy losses in low intensity conflict in J&K.

117. The Committee feel that a large number of lives could have been saved if the soldiers were fully equipped with protective gears viz. helmets, bullet proof jackets, etc. and provided with night vision devices, communication sets and sensors.

118. The Committee, therefore, strongly recommend that our soldiers, who face extreme adverse climatic conditions ranging from hot weather desert of Rajasthan to biting cold of Siachen, must be provided the best available equipments in the world.

119. The Committee are shocked to note that outdated and defective stock of mines with unworkable fuses were also put to use during 'Operation Parakram' resulting in a large number of casualties during the mine laying and demining operations. The Committee feel that these causalities were entirely avoidable if the duly validated mines alone were used and the required procedure with adequate safety measures was followed. The Committee desire that the mine accidents should be inquired into afresh and the responsibility fixed for the use of outdated mines and disregard of laid down safety procedures.

120. The Committee also recommend that old and defective stock of mines and fuses may be replaced immediately with modern, state-of-the-art mines and latest excavation equipments for demining, for use in future operations.

Bharat Dynamics Limited

121. Bharat Dynamics Limited (BDL) is the only Public Sector Undertaking in the country engaged in manufacturer of Missiles needed for the Armed Forces. The Ministry of Defence, in reply to a question, has stated that the turnover of Bharat Dynamics Limited (BDL) has increased from Rs. 277 crore to Rs. 524 crore over last year. However, the increase is due to assembly of Fully Formed (FF) and Semi Knocked Down (SKD) Konkurs – M and Invar missiles. But the capacity of Components Production Division remain under-utilisation. With the delivery of last batch of Milan in March 2004, the Division does not have any orders. The Army is examining the proposal for procuring milan 2 T. Till this is finalised, the Component Production facility will not be utilised fully.

122. BDL is putting all efforts to use its production facilities by interacting with various manufacturers for production of components for their missiles and weapon systems, which will facilitate to provide load for component production. BDL is also executing orders received from Ordnance Factories for fuses in Milan. Manufacturing facilities for Akash, Nag and Trishul are presently used to meet DRDO requirements for conducting trials. Optimum utilisation of these facilities can be obtained on receipt of bulk orders after completion of development and user trials.

123. To utilise spare capacity, BDL has been nominated as production agency for Barak Missile with ToT from RAFEL, Israel, C-303 with ToT from WASS, Italy, Igla S missiles with ToT from KBM, KOLOMNA, Russia and Takshak (heavy weight Torpedo) developed by DRDO.

124. The Ministry has further stated that once the production of new projects would be commenced with in next 18-24 months, BDL will be able to utilise its capacity fully.

125. The Committee note that Bharat Dynamics Limited (BDL) is the only manufacturer of Missiles in India. The Committee are concerned to note that the Components Production Division of BDL is lying idle since March 2004 and that the BDL will also continue to face under-utilization of capacity for another two years till new projects are taken up.

126. The Committee recommend that the Ministry should take immediate action to formulate a long-term plan so as to ensure that Bharat Dynamics Limited get regular orders and the expertise developed and the state-of-the-art facilities in these centres of excellence are gainfully utilized for the benefit of the nation. The Committee also desire that the Ministry should explore the possibilities of export of missiles to other countries so that the order book position of the company always remains healthy.

Ordnance Factories

127. Ordnance Factory Board has made plans to increase its market share in the domestic market by introduction of new products through Transfer of Technology route, development of new products including product upgrades through in-house R&D with or without the help of other DPSUs, and by entering into collaborations with renowned foreign manufacturers.

128. Due to the modernisation program of Armed Forces, many existing products of the Ordnance Factories are nearing the end of their life-cycle. Induction of new weapon systems or upgradation of existing weapon systems along with induction of newer varieties of ammunition has been envisaged in the perspective plan of the OFB in line with the Capital Acquisition Plans of the Services. Equally important is the necessity for developing new products through in-house R&D route by strengthening design capabilities within the Ordnance Factories. Ordnance Factories have started production of T-90 tanks and have plans to produce weapons like 84mm Rocket Launcher Mark-III, Anti-material Rifle, Multi-Grenade Launcher, AK-630 Naval gun through Transfer of Technology. Ordnance Factories have also developed Mine Protected Vehicles and new version of INSAS rifle and Carbine.

129. As a part of diversification, Ordnance Factories are supplying a wide variety of Arms and ammunition to Ministry of Home Affairs. Production of non-prohibited bore weapons like .32" rifle and pistols and .315" sporting rifle has been stepped up significantly to meet the requirement of the civil market.

130. In reply to opening of Defence production to public sector participation, the Ministry has stated that in order to harness the vast potential of the private sector in terms of capital, infrastructure and trained manpower, the Government, in May 2001 decided to open defence production to the Indian private sector for all items. The private sector now can invest upto 100 per cent equity with 26 per cent Foreign Direct Investment (FDI) both subject to licensing. Detailed guidelines for licensed production of arms and ammunition were issued by the Department of Industrial Policy & Promotion vide Press Note No. 292002 Series) dated 4 January 2002, in consultation with Ministry of Defence. The private sector would now have the opportunity to manufacture full defence equipment and systems under licence. Since the announcement of the new policy, 16 letters of Intent/Industrial Licences have been issued to the Private Companies.

Export

131. The following initiatives have been planned/taken to encourage exports :

- (i) focus on the market segments, which can afford OFB products and hard sell, the same. Quantitative growth targets are established through regular market analysis and forecast for such products;
- (ii) register OFB with all the procurement divisions of the target customers.
- (iii) commencement of on-line internet communication, quickest response time; hosting of website and addressing enquiries through the same;
- (iv) Advertisement in International Military Journals, e.g. Military Technology;
- (v) Increased turnovers in the replenishment market to the maximum extent possible through market promotion and dissemination of information;

- (vi) identify the advances in products and services for which already competence exists with Ordnance Factories and identify sources which can provide synergistic inputs for making product differentiation possible to sell the same in an overseas market;
- (vii) enter into joint projects for higher end products and services required by the international market and establish them through the synergy of competence of the partner(s) involved for successful operation;
- (viii) export of OFB inputs in joint projects when export order for high end products are obtained by the partners;
- (ix) take up turnkey products for establishment of local production in a customer's country of such products where OFB has extensive experience, e.g. 5.56 mm manufacturing plant.

The Ordnance Factories have orders worth Rs. 12,100 crore as on 1.4.2004 and they have exported products worth Rs. 103.79 crore in the year 2003-04.

133. The Committee note that Ordnance Factories cater to the requirement of arms, ammunition and clothing of Defence Forces which is specialized, complex and poses unique challenges.

134. The Committee further note that to harness the vast potential of the private sector in terms of capital, infrastructure and trained manpower, the Government, in May 2001 decided to permit private sector participation in the defence production and 26 per cent Foreign Direct Investment both subject to licensing. The Committee, therefore, recommend that the time bound modernisation programme of Ordnance Factories should be vigorously pursued and adequate financial allocation earmarked therefor to make them competitive and at par with the international standards.

135. The Committee further recommend that the Ordnance Factory Board should chalk out a comprehensive plan to increase its market share in the domestic market by introduction of new products through the Transfer of Technology route, development of new products, including product upgrades through in-house Research & Development with or without the help of other Defence Public Sector Undertakings and by entering into foreign collaborations, if required. The Ordnance Factory Board should also formulate a strategy to increase their exports further. To effectively meet the challenges of the competitive globalisation in Defence Sector, Ordnance Factory Board needs to be restructured by the induction of experts as to make it a truly professional body.

Supply of Sub-Standard Ammunition

136. Comptroller and Auditor General of India in its Reports No. 6 of 2003 (Para-8) mentioned that about 1.35 lakh of tank ammunition worth Rs. 607.43 crore supplied by Ordnance Factory Khamaria is lying segregated in Army Units.

137. The Ministry has replied that this ammunition was supplied by Ordnance Factory, Khamaria duly inspected, proof fired and accepted by DGQA. Consequent to an accident at one of the Army ranges in 2000, the ammunition held in Army stock were frozen, as a precautionary measure, with a view to revalidate/repair these ammunitions before releasing for use.

138. The Ministry has further stated that a sizeable quantity of ammunition has already been validated and released for use. At present about 88,000 rounds valuing Rs. 352 crore (approximately) need to be repaired/revalidated, modalities for which are being worked out in consultation with various agencies under the Ministry of Defence.

139. The Ministry has also stated that 8,124 numbers of Shell 105mm IFG HE, supplied by Ordnance Factory, Khamaria during 1982 and valuing Rs. 2.76 crore approximately duly accepted by DGQA as per prevailing acceptance criteria, was declared unserviceable in 1996-97 due to cavity in the filling.

140. Apart from the above two cases, 1.86 lakh 4 sec. delay detonator and 1.27 lakh 7 sec delay detonator valuing Rs. 7.39 crore (approximately) have been found unserviceable. These detonators were supplied by Ammunition Factory, Kirkee, Ordnance factory, Chanda and Ordnance Factory, Khamaria duly accepted by DGQA and deteriorated during storage.

141. The Committee are unhappy to note that ammunition worth Rs. 352 crore manufactured by Ordnance Factory, Khamaria and supplied to Army Units needs to be repaired/revalidated even after the expiry of four years. The Ministry has also not given the reasons for delay in repair/revalidation of the same. Again ammunition worth Rs. 2.76 crore was declared unserviceable due to cavity in the filling and detonators worth Rs. 7.39 crore have been found unserviceable because of improper storage.

142. The Committee strongly recommend that Ordnance Factories must be more careful in manufacturing of ammunition as well as storage of the same. They must modernise their facilities for manufacturing ammunition and also adopt sophisticated storage facilities so that ammunition of critical importance may not go waste.

NAVY

143. The total allocation made to the Navy (Revenue Expenditure) in the Budget Estimates 2003-2004 (Net) was Rs. 4,950.54 crore. The Revised Estimates showed a reduction of Rs. 40.00 crore.

144.. The Ministry of Defence has stated that the variation of Rs.40.00 crore between Budget Estimates 2003-2004 and Revised Estimates 2003-2004 in Revenue Expenditure of Navy was mainly on account of non-filling of certain vacancies of Defence Civilians, non-fructification of certain proposals for repairs and refits, etc.

145. Similarly, on the Capital Account for the Navy Rs. 7,030.12 crore was the Budget Estimated for 2003-2004, the Revised Estimate was Rs. 5,503.21 crore. An amount to the tune of Rs. 1,526.91 crore could not be utilised due to non-fructification of certain contracts for Naval Fleet and due to reduced requirement of funds for Married Accommodation Project etc.

Budgetary support to Naval Dockyard

146. The Ministry has stated that Shipbuilding Plans of the Indian Navy have been formulated from time to time taking into account the threat perception of the country. India's Naval assets have also been continuously upgraded according to the available technology and resources.

147. Indian Navy presently has 143 ships and submarines. Since 1990, a total of 53 ships and 5 submarines have been inducted into the Navy. Of these, 11 ships and 3 submarines were imported and the balance 42 ships and 2 submarines were indigenously constructed at Indian shipyards.

148. The Navy has formulated a 15-year Shipbuilding Plan as part of the Long Term Perspective Plan that covers the 10th, 11th and 12th plan periods from 2002-2017. The plan envisages induction of 132 ships and 12 submarines.

149. The Defence Acquisition Council (DAC) had accorded 'in principle approval' to this Plan in March 2003 and directed that the Navy should ensure that force levels do not fall below 140 ships and submarines. Accordingly, Navy drew up a 10-year Shipbuilding Plan for the period 2002-2012. This plan is based on the 15-year Shipbuilding Plan and envisages induction of 78 ships and five submarines.

150. There is no definite budgetary allocation for the 15 years' Shipbuilding Plan. The 10th Plan allocation for Ministry of Defence is itself not finalised. Therefore, the allocation for the 15-year Shipbuilding Plan would be taken up in due course.

151. In the construction plan, special attention has been paid to indigenisation of shipbuilding. Of the 132 ships and 12 submarines planned to be inducted in the 15-year Shipbuilding Plan, 10 ships have already been delivered and 19 are under various stages of construction. All the 19 ships presently under construction are in the various defence/public sector shipyards. Of these, 12 are with Garden Reach Shipbuilders and Engineers (GRSE), 6 with Mazagon Dock Limited (MDL) and One Air Defence Ship (ADS) with Cochin Shipyard Limited (CSL). As per the 10-year Shipbuilding Plan, Navy proposes to induct 49 Ships constructed indigenously (excluding imports). Shipyards have indicated the need for augmentation/modernisation of their infrastructure. Adequate funds have been catered for this purpose for each yard. The allocation of funds is to be catered within the project cost. Cases for induction of 32 vessels are under consideration.

152. The Committee note that the Indian Navy presently has 143 ships and submarines. The Defence Acquisition Council (DAC) had in March 2003 opined that the force levels should not fall below 140 ships and submarines. Accordingly, the Navy had formulated a 15-year Shipbuilding Plan as part of the Long Term Perspective Plan covering 10th, 11th and 12th Plan periods from 2002-2017. The Plan envisages induction of 132 ships and 12 submarines.

153. The Committee are constrained to note that there is no definite budgetary allocation for the 15-year Shipbuilding Plan which is very crucial in maintaining the minimum required deterrent force level of the Navy apart from being extremely vital for sustaining our Shipyards which are grossly under-utilised at present.

154. The Committee, therefore, recommend, that immediate steps should be taken for allocation of funds for implementation of the Navy's 15-year shipbuilding plan to prevent any depletion of Naval strength and for optimal and efficient utilisation of the Shipyards.

Modernisation of Coast Guard

155. The role of Indian Coast Guard as defined in the Coast Guard Act, 1978 is to protect the maritime and other national interests, in the maritime zones of India, which would include the territorial waters (upto 12 nautical miles), contiguous zone (upto 24 nautical miles) and the exclusive economic zone (upto 200 nautical miles).

156. The Coast Guard mainly looks after the safety and protection offshore terminals, protection of Indian fishermen, preservation and protection of marine environment, assisting the customs and other authorities in anti-smuggling operations, enforcement of maritime laws under international maritime conventions and collection of scientific data. Besides the duties mentioned above the Coast Guard may also be called to perform wartime roles under the Navy.

157. The Ministry of Defence has further stated that the Coast Guard currently has a force level of 56 ships and 44 aircraft. To enhance the efficiency of Coast Guard, it is essential to induct more ships and aircraft and also to provide shore infrastructure, equipment and systems of advanced technology.

158. The Coast Guard plans replacement of ageing ships/aircraft, however, the replacements would be provided in a timely manner depending upon the budgetary support.

159. On the modernisation of Coast Guard, the Ministry has stated that the Coast Guard has drawn up the Perspective Plan 2002-17 and Development Plan (CGDP) 2002-07 to modernise and to augment the force levels of Coast Guard. The Plan defines acquisition of ships and their midlife updates, acquisition and upgrade of aircraft, infrastructure development and modernisation. Induction of 71 ships and 12 aircraft has

been envisaged in the CGDP 2002-07. The CGDP 2002-07 was approved by the former Raksha Mantri in December 2002. The CGDP 2002-07 will become operational after the approval of Ministry of Finance. Though the 15 and 5 year plans have been drawn up by Coast Guard Headquarters, no definite budgetary allocation has been made for the same.

160. The Ministry has taken the following steps to modernise Coast Guard besides refitting of the ships and aircraft with latest state-of-the-art systems, viz. communication equipment, pollution surveillance and response equipment :

- (i) Acquisition of 5th Advanced Offshore Patrol Vessel (AOPV)
- (ii) Acquisition of three Pollution Control Vessels (PCVs)
- (iii) Acquisition of Five Fast Patrol Vessels (FPVs)
- (iv) Acquisition of 08 Interceptor Crafts (ICs).

161. The Committee note that the Coast Guard currently has a force level of 56 ships and 44 aircraft and to maintain its efficiency it is necessary to provide the required budgetary support for the timely replacement of ageing ships/aircraft. The Committee are of the view that to enable the Coast Guard to effectively look after the interest of the country in maritime zones particularly in the territorial waters, it is imperative to provide it with the most modern ships, aircraft, shore infrastructure and advanced equipments and systems.

162. The Committee, therefore, desire that adequate budgetary support should be provided to the Coast Guard to fully equip it with the latest state-of-the-art equipments and systems to enable it to play its role effectively as a supportive arm of the Indian Navy and fulfil its functions as a protection force for safety of life and property at sea covering areas mandated under international maritime conventions.

AIR FORCE

163. The responsibilities of the Indian Air Force (IAF) are multifarious. They range from air defence of the nation to providing reconnaissance, battlefield air strikes and counter air operations during hostilities. The security environment of South Asia necessitates building and maintaining credible deterrence capabilities against threats from the north and the west. In contemporary wars/hostilities, air power application would precede any operation. Hence, air superiority is a mandatory prerequisite to success in any land and sea battle.

164. The total allocation made to the Air Force (Revenue Expenditure) in the Budget Estimates 2003-2004 (Net) was Rs. 8,324.08 crore. The Revised Estimates showed a reduction of Rs. 476.79 crore.

165. The Ministry of Defence have stated that the variation of Rs. 476.79 crore between Budget Estimates 2003-2004 and Revised Estimates 2003-2004 in Revenue Expenditure of Air Force was mainly on account of non-fructification of certain proposals for revenue stores, introduction of economy measures under Transportation and other expenditure, etc.

166. Similarly, on Capital Account for the Air Force was the Budget Estimates for 2003-2004, were Rs.7,095.24 crore, the Revised Estimates amounted to Rs. 6,110.67 crore. An amount to the tune of Rs. 984.57 crore could not be utilised due to non-fructification of contracts for Aircraft and Aeroengines.

Procurement of Multi-role Fighter Aircraft

167. The Ministry has stated in a written reply that Government have decided for the procurement of SU-30 MK-1 aircraft from Hindustan Aeronautics Limited. The multi-role combat aircraft in the IAF inventory consists of Sukhoi-30 and Mirage-2000 aircraft.

No decision has been taken for licensed production of Mirage-2000-V in the country.

168. Regarding the LCA, the Ministry has further stated that Light Combat Aircraft (LCA) is a multi-role fighter aircraft being indigenously designed and developed to meet the requirements of the Indian Air Force. As a part of the development programme, a total of seven aircraft are being built under the Full Scale Engineering Development (FSED) Phase-I and Interim Phase-II. This comprises two Technology Demonstrator and five Prototype aircraft, including one Trainer.

169. Maiden flight of TD - 1 took place on 4 January 2001. After first block of test flights of TD-1, the Second Technology Demonstrator (TD-2) was flown for the first time on 6 June 2002 and the reduced flight on 25 November 2003. LCA has completed 242 (TD-1-88, TD-2-103, PV-1-51) flight tests. The equipping of the fourth aircraft Tejas (PV-2) is under progress and its maiden flight is expected to be completed during 2004. Design activities on LCA Trainer Variant LCA (PV-5), ensuring commonality with LCA (Navy), has been initiated. Eight LCA Limited Series Production (LSP) version have been ordered on HAL. Delivery of the first aircraft is planned in mid 2006.

Initial Operational Clearance (IOC) of Tejas is planned by year 2006 and Final Operational Clearance (FOC) by 2008.

170. The Committee note that the responsibilities of the Indian Air Force are multifarious ranging from air defence of the nation to providing reconnaissance, battlefield air strikes and counter air operations during hostilities. The Committee are extremely concerned that the bulk of the air fleet consists of ageing MiG series aircraft with only limited fleet of modern multi-role combat aircraft, viz. Sukhoi-30 and Mirage-2000. The Committee further note that the Light Combat Aircraft (LCA) rechristened as 'Tejas' being indigenously designed and developed will not be inducted before 2011.

171. The Committee feel that credible deterrence capabilities of Indian Air Force has to be maintained in all circumstances to ensure air superiority in the region.

172. The Committee, therefore, recommend that the Ministry should strive to ensure that the induction plan of LCA is not delayed any further. The Ministry should also take the required steps for securing licensed production of Mirage-2000 apart from the periodic appraisal of the existing fleet of multi-role strike aircraft to maintain their modern and advanced world class capabilities.

173. The Committee are also not happy with the misconceptions about the functioning of the Ministry in general and defence acquisitions in Indian Air Force in particular. The Committee feel that there should be more transparency in the functioning of the Ministry of Defence and misgivings as and when arising in the general public, must be clarified appropriately. The Committee, therefore, recommend that the Public Relations Division of the Ministry should be adequately strengthened and sensitized to be more proactive for presentation of factual position in the correct perspective.

Aerospace Command

174. All space assets are vital components of nation's war fighting capability. In a futuristic scenario, application of space technology will play an important role in world warfare. In this connection, the Committee had, in their 7th and 19th Reports (Thirteenth Lok Sabha), recommended that in view of phenomenal scope for uses of space technology for Air Defence, development of Aerospace Command should be taken seriously by the Ministry of Defence and Planning and ground work should be initiated at the earliest.

175. On being enquired about the status of setting up Aerospace Command, the Ministry has, in their written reply, stated that the Indian Air Force (IAF) has taken all possible measures to protect the country's assets in space and the IAF is always prepared to effectively counter threats from space. However, the Government has not taken any decision about the setting up of Aerospace Command. India has consistently stood for prevention of Arms race in outer space to ensure that peaceful use of outer space including space exploration are not vitiated by arms race or introduction of new weapon systems in outer space.

176. The Committee are unhappy to note that despite their recommendations in 7th and 19th Reports (13th Lok Sabha) for the development of an Aerospace Command, no initiative has yet been taken by the Ministry. Considering the futuristic scenario of space warfare, the Committee would like to stress the immense importance and potential of space technology in modern air defence system.

177. The Committee, therefore, desire that it is necessary not only to take measures to protect the national assets in space but it is equally important also to have the strategic preparation to counter any threat from the outer space. The Committee, while appreciating the Government stand for preventing arms race in outer space, also feel that India should always be prepared for any threat that may emanate from space. The Committee, therefore, recommend that the development of Aerospace Command must be examined expeditiously by the Air Headquarters and concrete steps be taken to set up the Command at the earliest.

Air Surveillance

178. In reply to a question on the development of Air Defence Shield, the Ministry has stated that based on the analysis of the threat perceptions, the IAF has provided an air defence shield which is reviewed from time to time. High, Medium and Low level Radar cover are provided by the IAF. The vast airspace of our country necessitates a large number of sensor assets to encompass monitoring of air activities from low altitude to high altitude. However, due to the perceived threat, our air defence and most surveillance systems are weighted towards the Western and Northern borders of the country.

179. The Committee note with serious concern that the vast geographical territories of the country are having lopsided surveillance systems tilted towards Western and Northern Borders. In the wake of emerging threat perceptions from all sides, the monitoring mechanism of air activities cannot be concentrated along just two sides of the international borders of the country.

180. The Committee, therefore, recommend that the Ministry should strive to install adequate number of sensors/radars all along the international borders of the country so as to strengthen the surveillance system of the nation.

181. The Committee further desire the Ministry to make serious and sincere efforts to equip the Defence Forces with military satellites with high resolution camera to keep watch on the activities in the border regions.

DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION (DRDO)

182. The Department of Defence Research and Development, which was created in 1980, is dedicated to the mission of progressive enhancement of self-reliance in defence systems and state-of-the-art defence technologies. To facilitate accomplishing this mission, there is a mission-mode structure headed by the Scientific Advisor to Raksha Mantri, who is also the Secretary, Department of Defence Research & Development and Director-General, Research and Development.

DRDO is backed by over 6,000 Scientists and about 25,000 other scientific, technical and supporting personnel.

183. In BE 2004-2005 the total allocation (Revenue and Capital) made for DRDO was Rs. 3,647.60 crore which was reduced to Rs. 3,458.24 crore at the RE stage. The net allocation (Revenue and Capital) made in BE 2004-2005 for DRDO stand at Rs. 4,000.94 crore.

Development of Advanced Avionic System

184. In reply to a question on the procurement of Advanced Avionic System for Advanced Light Helicopters (ALH), the Ministry has stated that HAL has signed a contract of \$ 33 million with M/s. Israel Aircraft Industries (IAI) in December, 2003 for design and development of advanced avionic system, that is, Integrated Avionics Display System (IADS) for 200 Advanced Light Helicopters (Dhruv). At present, the ALH has a conventional cockpit and stand alone avionic system with its own individual Control and Display units. IADS has been planned to replace the present conventional architecture with a view to reducing pilot workload and improve safety.

185. HAL has not acquired the manufacturing technology for IADS. Due to high rate of obsolescence in this avionic system and the investments required for starting this new product line, Transfer of Technology for manufacture was not pursued. However, as part of the contract IAI will transfer the repair and overhaul technology for IADS to India.

The IADS consists of the following modern mission systems:

- Display & Mission Computers (DMC)
- Data Interface Unit (DIC)
- Control and Display Unit (CDU)
- AMLCD type colour Multi Function Displays (MFD)
- Weapon System Interface Units (WSIU)

186. Electronic Warfare (EW) Suite, consisting of Radar Warning Receiver (RWR), Laser Warning Receiver (LWR), Missile Approach Warning System (MAWS) and Flare/Chaff Dispenser (FCD) - all generally stand alone units - are also integrated with the IADS. This enables the pilot to obtain comprehensive and integrated information on the EW scenario at the battlefield. Thus, IADS being the integration centre gathers information from various systems including the EW Suite and provides a collated information. This reduces pilot work load and increases mission effectiveness.

187. The Committee note that Hindustan Aeronautics Limited (HAL) has signed a contract for \$ 33 million with M/s. Israel Aircraft Industries for design and development of Advanced Avionic Display System for Advanced Light Helicopters. The contract does not envisage Transfer of Technology on the ground of the high rate of obsolescence in the avionics systems and the substantial investments required for setting up the new product line. The Committee do not agree with the contention of the Ministry and feel that in view of the trend of modern warfare and resultant relevance of the application of state-of-the-art electronic system, the HAL should also acquire latest technology so as to enable the research agencies to develop similar indigenous avionics systems and minimize the dependence on foreign vendors.

188. The Committee, therefore, strongly recommend that the Ministry should put well conceived efforts to develop the Advanced Avionics Systems indigenously, to effectively meet the challenges of new emerging trends in modern warfare.

Precision Guidance Capability

189. The Ministry in reply to a question on the induction of BrahMos have stated that the induction of BrahMos missile in the Navy will make the Indian Navy the most powerful to destroy enemy ships very accurately. The missile has the capability to fire salvos against multiple ship targets. It has the necessary electronic counter measures to defeat any defence of the target ships. There is no equivalent of this Indo-Russian missile anywhere.

190. The precision guidance capability of the missile is ensured by precise target information and location, the inertial navigation system, the onboard computer with embedded software and the capability of the seeker to home-on the target against possible defence of the target ship. Since BrahMos is a joint venture missile developed by India and Russia, responsibilities have been shared by the two countries along with funds for development. India has gained due to the joint venture partnership in technology and in financial terms.

191. The Ministry has also stated that the Department of Defence Research & Development is developing 'NAG', a third generation anti-tank missile with a fire-and-forget capability. The unique feature of the fire-and-forget missile is that once the missile seeker is locked on the target, before the launch missile is guided to the target automatically with the help of precision guidance system on board the missile. At present, Indian Armed Forces are not equipped with this type of system.

192. The Committee note that BrahMos, a joint venture missile developed by India and Russia is being equipped with the most modern Precision Guidance Mechanism. The Committee also note that NAG is being indigenously developed as anti-tank missile with a fire-and-forget capability. The Committee find that though there are continuous R&D efforts, the two missiles have still not reached the induction stage. As a result, the Indian Armed Forces have not yet been equipped with these modern systems which have effected its defence capabilities.

193. The Committee, therefore, recommend that the development of BrahMos and NAG missiles should be expedited so that the same can be inducted into the Armed Forces at an early date. The Committee further desire that the Ministry should also put efforts to develop the Air Force version of these two missiles.

NEW DELHI;
17 August 2004
26 Sravana, 1926 (Saka)

BALASAHEB VIKHE PATIL
Chairman
Standing Committee on Defence

ANNEXURE-I
(Please see Para 17)

ARMY

(Rs. in crore)

Minor Head	R.E. 2003-2004	B.E. 2004-2005
1.	2	3
Revenue		
101-P&A-Army	11519.39	12472.27
103-P&A-Aux. Forces	191.01	177.40
104-P&A-Civilians	1275.33	1345.66
105-Transportation	1000.00	1050.66
106-Military Farms	155.15	163.15
107-ECHS	0.00	150.00
110-Stores	10088.27	8003.97
111-Works	2486.69	2641.04
112-Rashtriya Rifles	1022.13	1225.86
113-National Cadet Corps	285.00	300.06
800-Other Expenditure	680.41	710.57
Total Gross	28703.38	28240.64
Receipts/Recoveries	800.00	800.00
Total Net	27903.38	27440.64
Capital		
Land	17.50	20.50
Works	917.66	1368.70
Aircraft	367.53	444.51
Vehicles	144.12	412.10
Other Equipments	2910.79	6521.53
Military Farms	7.00	7.00
Rolling Stocks	6.54	12.52
ECHS	0.00	35.00
Rashtriya Rifles	10.00	10.00
National Cadet Corps	3.00	5.00
Stock Suspense	0.00	0.00
Other Expenditure	0.00	0.00
Total Capital	4384.14	8836.86
Total Revenue/Capital	32287.52	36277.50

ANNEXURE-II
(Please see Para 17)

NAVY

(Rs. in crore)

Minor Head	R.E. 2003-2004	B.E. 2004-2005
1.	2	3
Revenue		
101-P&A-Navy	745.69	808.56
102-P&A-Reservists	0.00	0.00
104-P&A-Civilians	526.46	565.10
105-Transportation	477.31	137.42
106-Repairs and Refits *	130.40	653.36
110-Stores	2344.44	2350.44
111-Works	359.94	379.56
800-Other Expenditure	121.60	132.68
112-Joint Staff	310.51	350.51
Total Gross	5016.35	5377.63
Receipts/Recoveries	105.81	83.81
Total Net	4910.54	5293.82
Capital		
Land	9.44	16.45
Works	129.73	192.22
Aircraft	922.88	1450.12
Vehicles	3.00	2.67
Other Equipments	1019.80	496.34
Fleet	2553.18	4460.87
Dockyards	662.51	948.89
Joint Staff	202.67	288.59
Capital Recovery	0.00	0.00
Net Capital	5503.21	7856.15
Total Revenue/Capital	10413.75	13149.97

* Minor Head 106 opened w.e.f. BE 2004-05

AIR FORCE

(Rs. in crore)

Minor Head	R.E. 2003-2004	B.E. 2004-2005
1.	2	3
Revenue		
101-P&A-Air Force	1893.65	2003.10
104-P&A-Civilians	288.04	310.96
105-Transportation	165.20	175.20
110-Stores	4868.44	5296.09
111-Works	677.50	717.50
200-Special Projects	4.90	0.50
800-Other Expenditure	127.86	143.45
Total Gross	8025.59	8646.80
Receipts/Recoveries	178.30	178.40
Total Net	7847.29	8468.40
Capital		
Land	13.20	2.88
Works	220.00	458.08
Aircraft	4219.20	12825.66
Vehicles	0.00	0.00
Other Equipments	1546.43	1504.55
Special Projects	4.49	10.00
Total Capital	6110.67	14802.13
Total Revenue/Capital	13957.96	23270.53

DGOF

(Rs. in crore)

Minor Head	R.E. 2003-2004	B.E. 2004-2005
1.	2	3
Revenue		
001-Direction & Admin.	39.29	42.00
004-Research	9.80	17.50
052-Mach. & Equipments	12.00	15.00
054-Manufacture	1844.60	1994.90
105-Transportation	55.18	58.31
110-Stores	3449.81	3765.00
111-Works	59.63	65.00
106-Renewal & Replacement	296.10	300.00
797-Transfer to R/R Fund	350.00	150.00
800-Other Expenditure	560.17	447.56
Supplies to Services	(-) 5777.41	(-) 6050.30
Total Gross	905.86	694.65
Receipts/Recoveries	1216.35	1277.26
Total Net	(-) 310.49	(-) 582.61
Capital		
Mach & Eqpt.	73.74	79.18
Works	66.85	121.81
Suspense	3.17	15.21
Total Capital	143.76	216.20
Total Revenue/Capital	(-) 166.73	(-) 366.41
Supplies to Services		
Army	5358.87	5621.27
Navy	66.14	70.86
Air Force	208.49	221.41
Other	143.91	136.76
Total	5777.41	6050.30

R & D

(Rs. in crore)

Minor Head	R.E. 2003-2004	B.E. 2004-2005
1.	2	3
Revenue		
003-Training	4.70	5.97
004- Research/Research Development	449.00	547.00
101 – P&A –Service Personnel	44.52	48.44
102 – P&A – Civilians	477.00	531.97
105 – Transportation	39.28	42.17
110 – Stores	1463.25	934.14
111 – Works	178.80	185.29
800- Other Expenditure	52.65	58.18
Total Gross	2709.20	2353.16
Receipts/Recoveries	10.00	10.00
Total Net	2699.20	2343.16
 Capital		
052 – Machinery & Equipment	410.00	1261.27
111 – Works	349.04	396.51
Total Capital	759.04	1657.78
Total Revenue/Capital	3458.24	4000.94

ANNEXURE-VI
(Please see Para 17)

DGQA

(Rs. in crore)

Minor Head	R.E. 2003-2004	B.E. 2004-2005
1.	2	3
Revenue		
1. Pay & Allowances	223.25	232.35
2. Miscellaneous	9.60	16.66
3. Transportation	9.80	10.70
4. Stores	103.84	108.50
5. Works	26.00	27.85
6. Departmental Canteens	0.04	0.04
7. Information Tech.	5.00	6.00
8. Training of Civilian Personnel	0.25	0.25
Total Gross	377.79	402.35
Receipts/Recoveries	4.50	14.00
Total Net	373.29	388.35
Capital	20.23	52.29
Total Revenue/Capital	393.52	440.64

ANNEXURE-VII
(Please see Para 17)

MINISTRY OF DEFENCE

(Rs. in crore)

Minor Head	R.E. 2002-2003	B.E. 2003-2004
1.	2	3
<u>Revenue Section</u>		
1. Coast Guard Organisation	270.00	283.00
2. Sectt. General Services		
(i) Deptt. of Defence	44.81	47.31
(ii) Deptt. of Defence Production & Supplies	6.79	6.63
(iii) Deptt. of Defence Research and Development	0.45	0.44
(iv) Defence Accounts Department	402.96	419.57
(v) Defence Estate Organisation	43.75	44.22
Total Sectt. General Services	473.45	477.84
3. Canteen Stores Department	4139.69	4796.85
4. Maintenance – DAD Office Buildings	5.26	5.26
5. Maintenance-DAD Housing	7.15	7.15
6. Army Purchase Organisation	1.39	1.42
7. Subsidy in lieu of interest -		
(a) Mazagaon Dock Limited (MDL)	0.87	0.60
(b) Subsidy in lieu of interest to MIDHANI	0.08	0.09
Total Revenue Section	4923.20	5612.54
Less Receipts Generated by CSD	(-) 4459.34	(-) 5162.01
Net Revenue Section	463.86	450.53
<u>Capital Section</u>		
1. Acquisition- Coast Guard Organisation	200.00	400.00
2. Construction – DAD Offices	4.31	4.31
3. Construction – DEO Offices	3.00	3.00
4. Construction – CSD Offices	15.00	15.00
5. Construction – DAD Housing	4.45	6.79
6. Construction – DEO Housing	3.16	3.16
7. Construction – CSD Housing	1.30	1.30
8. Miscellaneous	2.26	2.26
Total Capital Section	233.48	435.82
Total Grant Net (Net Revenue + Capital)	697.34	886.35

(Please see Para 11)

DEFENCE PENSIONS

Minor Head	R.E. 2003-2004	B.E. 2004-2005
<u>Pension & Other Retirement Benefits</u>		
Army	9988.65	10305.33
Navy	331.37	272.37
Air Force	674.93	666.25
Rewards	5.05	6.05
Total	11000.00	11250.00

CONFIDENTIAL

MINUTES OF THE FIRST SITTING OF THE STANDING COMMITTEE ON DEFENCE (2004-05)

The Committee sat on Wednesday, the 11 August 2004 from 1500 hrs. to 1645 hrs. in Committee Room 'F', K Block, Parliament Library Building, New Delhi.

PRESENT

SHRI BHUPINDER SINGH HOODA - IN THE CHAIR

MEMBERS

LOK SABHA

2. Shri Churchill Alemao
3. Shri Iliyas Azmi
4. Shri A.V. Bellarmin
5. Shri Suresh Chandel
6. Smt. Sangeeta Kumari Singh Deo
7. Shri Milind Deora
8. Shri Ramesh Jigajinagi
9. Dr. C. Krishnan
10. Shri S.D. Mandlik
11. Dr. K.S. Manoj
12. Shri Raghuraj Singh Shakya
13. Shri Ganesh Prasad Singh

RAJYA SABHA

14. Gen. (Retd.) Shankar Roy Chowdhury
15. Shri Mukhtar Abbas Naqvi
16. Shri Anand Sharma
17. Shri Lalit Suri

SECRETARIAT

1. Shri John Joseph	-	Additional Secretary
2. Shri N.K. Sapra	-	Joint Secretary
3. Shri A.K. Singh	-	Director
4. Smt. Anita Jain	-	Under Secretary

LIST OF WITNESSES OF THE MINISTRY OF DEFENCE

1.	Shri Ajai Vikram Singh	-	Defence Secretary
2.	Shri Shekhar Dutt	-	Secretary (DP)
3.	Dr. V.K. Aatre	-	Secretary (R&D)
4.	Ms. Somi Tandon	-	Secretary (Defence Finance)
5.	Shri S. Banerjee	-	Financial Adviser (Acq.)
6.	Shri P.K. Mishra	-	Additional Secretary (M)
7.	Shri Ranjit Issar	-	Additional Secretary (I)
8.	Shri H.C. Gupta	-	Additional Secretary (DP)
9.	Shri Bimal Julka	-	Joint Secretary (G/E)
10.	Shri P.K. Rastogi	-	Joint Secretary (Trg.)/(Air)
11.	Dr. Thomas Mathew	-	JS & AM (MS)
12.	Shri C.R. Mohapatra	-	JS & AM (Air)
13.	Smt. Rita Menon	-	Joint Secretary (SY)
14.	Shri R.P. Singh	-	Joint Secretary (OF)
15.	Shri Sudhir Nath	-	Joint Secretary (HAL)
16.	Shri A.K. Baweja	-	Director, HAL
17.	Shri P.K. Misra	-	DGOF
18.	Lt.Gen. M.K. Chari	-	DGQA
19.	Smt. Vijaylakshmi K. Gupta	-	Addl. FA (V)
20.	Dr. A.S. Pillai	-	CCR&D (R&M) & NS&DS
21.	Shri A.K. Chopra	-	Addl. FA (A)
22.	Shri Sunil Verma	-	Addl. FA (S)
23.	Shri Gur Swaroop Sood	-	Director (Budget)
24.	Lt.Gen. P.P.S. Bhandari, AVSM	-	DCOAS (P&S)
25.	Lt.Gen. V.K. Jetly	-	MGO
26.	Brig. Kamal Kumar	-	ADG (FP)
27.	Maj.Gen. Kunal Mukherjee	-	ADG (WE)
28.	Air Marshal J.S. Gujral, VM, VSM,	-	DCAS
29.	Air Marshal A.K. Singh	-	IG (Safety)
30.	Gp.Capt. R.B.S. Kalra	-	ACAS (FP) (Officiating)
31.	AVM S.C. Malhan	-	ACAS (Ops. C&D)
32.	Rear Admiral Nirmal Verma	-	ACNS (P&P)
33.	Capt. C.S. Murthy	-	DNP
34.	Shri P.K.M. Sirajuddin, DIG	-	Direction (Plan), Coast Guard

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In the absence of Hon'ble Chairman, Standing Committee on Defence, the Committee chose Shri Bhupinder Singh Hooda, M.P. to act as Chairman for the sittings on 11 and 12 August 2004 under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. At the outset, the Hon'ble Chairman welcomed the Members to the first sitting of the Committee.

3. The Committee then took up the evidence of representatives of the Ministry of Defence in connection with the examination of 'Demands for Grants (2004-05) of the Ministry.

4. The Chairman welcomed the Defence Secretary and his colleagues to the sitting of the Committee and invited their attention to the Directions 55 and 58 of the Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations at the sitting.

5. The Committee sought clarification from the representatives of the Ministry on various points arising out of the Demands for Grants (2004-05) of the Ministry of Defence and also on the written replies furnished by the Ministry to the List of Points.

6. The evidence was not concluded.

7. A verbatim record of the proceedings was kept.

8. The Committee decided to continue evidence of the representatives of the Ministry of Defence on the Demands for Grants (2004-05) of the Ministry of Defence on 12 August 2004.

The Committee then adjourned.

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CONFIDENTIAL

MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON DEFENCE (2004-05)

The Committee sat on Wednesday, the 12 August 2004 from 1100 hrs. to 1400 hrs. in Committee Room '53', Parliament House, New Delhi.

PRESENT

SHRI BHUPINDER SINGH HOODA

- IN THE CHAIR

**MEMBERS
LOK SABHA**

2. Shri Churchill Alemao
3. Shri Iliyas Azmi
4. Shri A.V. Bellarmin
5. Shri Suresh Chandel
6. Shri Milind Deora
7. Shri Ramesh Jigajinagi
8. Shri S.D. Mandlik
9. Dr. K.S. Manoj
10. Shri Mahadeorao Shivankar
11. Shri Ganesh Prasad Singh
12. Shri Balashowry Vallabhaneni

RAJYA SABHA

13. Gen. (Retd.) Shankar Roy Chowdhury
14. Shri Anand Sharma
15. Shri Lalit Suri

SECRETARIAT

1. Shri N.K. Sapra	-	Joint Secretary
2. Shri A.K. Singh	-	Director
3. Smt. Anita Jain	-	Under Secretary

contd...2..

LIST OF WITNESSES OF THE MINISTRY OF DEFENCE
MINISTRY OF DEFENCE

1.	Shri Ajai Vikram Singh	-	Defence Secretary
2.	Shri Shekhar Dutt	-	Secretary (DP)
3.	Dr. V.K. Aatre	-	Secretary (R&D)
4.	Ms. Somi Tandon	-	Secretary (Defence Finance)
5.	Shri S. Banerjee	-	Financial Adviser (Acq.)
6.	Shri P.K. Mishra	-	Additional Secretary (M)
7.	Shri Ranjit Issar	-	Additional Secretary (I)
8.	Shri H.C. Gupta	-	Additional Secretary (DP)
9.	Shri P.K. Rastogi	-	Joint Secretary (Trg.)/(Air)
10.	Dr. Thomas Mathew	-	JS & AM (MS)
11.	Shri C.R. Mohapatra	-	JS & AM (Air)
12.	Smt. Rita Menon	-	Joint Secretary (SY)
13.	Shri R.P. Singh	-	Joint Secretary (OF)
14.	Shri Sudhir Nath	-	Joint Secretary (HAL)
15.	Shri N.R. Mohanti	-	Chairman, HAL
16.	Shri P.K. Misra	-	DGOF
17.	Shri A.K. Lamba	-	Addl.DGOF
18.	Lt.Gen. M.K. Chari	-	DGQA
19.	Smt. Vijaylakshmi K. Gupta	-	Addl. FA (V)
20.	Dr. A.S. Pillai	-	CCR&D (R&M)& NS &DS
21.	Shri A.K. Chopra	-	Addl. FA (A)
22.	Shri Sunil Verma	-	Addl. FA (S)
23.	Shri Gur Swaroop Sood	-	Director (Budget)
24.	Lt.Gen. P.P.S. Bhandari, AVSM	-	DCOAS (P&S)
25.	Lt.Gen. V.K. Jetley	-	MGO
26.	Brig. Kamal Kumar	-	ADG (FP)
27.	Maj.Gen. Kunal Mukherjee	-	ADG (WE)
28.	Air Marshal J.S. Gujral, VM, VSM,	-	DCAS
29.	Air Marshal A.K. Singh	-	IG (Safety)
30.	Gp.Capt. R.B.S. Kalra	-	ACAS (FP) (Officiating)
31.	Rear Admiral Nirmal Verma	-	ACNS (P&P)
32.	Capt. C.S. Murthy	-	DNP
33.	Shri P.K.M. Sirajuddin, DIG	-	Direction (Plan), Coast Guard
34.	Vice Admiral SS Byce	-	DCIDS (PP&FD)

contd....3..

2. The Committee resumed the evidence of the representatives of the Ministry of Defence on Demands for Grants (2004-05) of the Ministry of Defence.

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

4. A verbatim record of the proceedings was kept.

(The witnesses then withdrew).

The Committee then adjourned.

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CONFIDENTIAL

MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON DEFENCE (2004-2005)

The Committee sat on Monday, the 17 August 2004 from 1500 hrs. to 1550 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

CHAIRMAN
SHRI BALASAHEB VIKHE PATIL

MEMBERS
LOK SABHA

2. Shri Churchill Alemao
3. Shri Iliyas Azmi
4. Shri A.V. Bellarmin
5. Shri S. Bangarappa
6. Shri Suresh Chandel
7. Shri Thupstan Chhewang
8. Shri Bhupinder Singh Hooda
9. Dr. K.S. Manoj
10. Shri Manvendra Singh

RAJYA SABHA

11. Shri T.T.V. Dhinakaran
12. Shri Anand Sharma
13. Shri Lalit Suri

SECRETARIAT

1. Shri N.K. Sapra	-	Joint Secretary
2. Shri A.K. Singh	-	Director
3. Smt. Anita Jain	-	Under Secretary

Contd...2/-

2. The Committee considered the draft First Report on the Demands for Grants of the Ministry of Defence for the year 2004-2005. The Chairman invited Members to offer their suggestions for incorporation in the Draft Report.

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

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

The Committee then adjourned.