

PROF. P.J. KURIEN (Idukki): 204 posts have been sanctioned for flood relief works.

MR. DEPUTY SPEAKER: Now we are taking up matter under 193.

PROF. P.J. KURIEN: I would like to know the allocation for each State in this regard and also I would request that without waiting for the reports of the Secretaries, they can sanction the amount. He is having the list.

[Translation]

SHRI BHAJAN LAL: As I have stated just now, Rs. 205 crores have been allocated to these states and the State Governments have been directed to take immediate action to utilise these amounts for the benefit of the people. Rs. 340 crores have been earmarked separately for providing immediate relief so that it may be provided wherever immediate relief is called for.

(Interruptions)*

[English]

MR. DEPUTY SPEAKER: Nothing will go on record.

PROF. P.J. KURIEN: When will this discussion take place?

MR. DEPUTY SPEAKER: I will inform after the BAC decides.

14.49 hrs.

DISCUSSION UNDER RULE 193

[English]

Paragraphs 11 and 12 of the Report of the Comptroller and Auditor-General of India for the year ended 31st March, 1988 (No. 2 of 1989) Union Government Defence Services (Army and Ordnance Factories)

MR. DEPUTY SPEAKER: We will take up discussion under Rule 193. The Minister of Defence Shri K. C. Pant will reply.

THE MINISTER OF DEFENCE (SHRI K.C. PANT): I would like to thank all the Members who have participated in the de-

bate. They have covered almost all the points that need to be covered and there is really not much now that I can say. In addition, my colleague Shri Chidambaram has given a detailed account of the investigations being carried out by the CBI on the payments made to three firms and he has given an account of the difficulties that have been encountered by the Intelligence agencies operating in countries where certain secrecy clauses operate in revealing banking transactions. But that is not the main thrust of the debate. But before I come to the debate proper, I would like to express my sincere regret at the fact that the benches opposite are empty. I have been in Parliament for over a quarter of a century and I have never seen the kind of scenes which this House has witnessed in the course of the last week or 10 days. Now, our friends opposite have chosen to resign from the House and to go away at a time which I consider to be an important juncture in the history of this country in many respects. We are facing problems, problems at home, problems abroad and this was a time when the politics of the moment should have given place to larger national considerations. But Sir I find that the conduct of my friends opposite is in tune with what they had done earlier on the Bofors issue. The House will recall that when the Government decided to set up a Joint Parliamentary Committee in response to the demand of the Opposition, then certain questions were raised, certain suggestions were made with regard to the terms of reference with which also we very largely agreed. My friend Shri Shripati Mishra referred to that. But in the ultimate analysis, our friends did not join the Joint Parliamentary Committee. They have been from the beginning very loud and very free in casting aspersions, making allegations, in creating doubts, in creating a certain climate of uncertainty with regard to the Bofors issue. But whenever it has come to a debate or whenever it has come to joining a Committee to inquire into the matter, whenever it has come to going into the facts and placing them before the country, our friends opposite have shied away. So, this is in line with their pattern of behaviour and I find that it is not very difficult

*Not recorded.

[Sh K C Pant]

to understand why suddenly they backed out. Nevertheless, the behavior of not proceeding with a motion which they themselves have given is still unexplained. We did not give the motion and force them to discuss it. It is not as though we were forcing a discussion on them. They gave a motion and the Government was willing to discuss it. Then they did, what I can only call it, auto-filibustering. It is a new phrase I coined. But how do you filibuster yourself? You come forward with a motion and then prevent yourself from speaking. This is what we saw and I emphasise the point that the initiative for the debate came from them. This is very important because to indulge in unruly scenes which we saw in the House was something which will remain as a black-spot in the history of this Parliament. The fact that your microphone, Sir, was physically torn out will remain as a black mark. These are not things which are forgotten, this is not how traditions are built up, and this is not how Parliament function and how they become sacrosanct. Fortunately, we do not yet have television in this country covering the proceedings of the House. Otherwise, Sir, the people would have seen this very distressing spectacle to which we were exposed and they would also have been exposed to the most distressing spectacle of elected representatives choosing to resign from the House and running away from their responsibilities.

As I said, we have always been willing for a debate, we have always been ready for a debate and we have always been willing to look into any fresh piece of evidence that comes forward. We have never dragged our feet. We have never shown any reluctance in the matter. This is because we have nothing to hide. And at no stage, if you recall right from the beginning, have we dragged our feet. Have we said, "no" to any reasonable request that came from the opposition? In fact, we have been one step ahead and even in this matter when the demand for a discussion on the CAG's Report came up, we were ready with our response. We said, "yes", straightway.

As yesterday my colleague Shri Chidambaram was saying, if we had said no, perhaps, there was greater chance for a discussion. But because we readily agreed, they immediately shied away.

Now, Sir, democracy, we say, has taken roots in our country. People are accustomed to the elections at the gram sabha level, in various cooperative institutions, in the local bodies. And today, the Prime Minister has taken an initiative to strengthen these institutions. And these are the institutions on which the pyramid of our democracy rests. Now when people in every village get the news that Members opposite have resigned and gone away, will it not be a shock to them? What will be their concept of the functioning of Parliament? What will be the lesson that this will convey to the people at large? I am sure, they will wonder whether it was wise to send such representatives to Parliament. After all this is not a small matter that they chose to resign. And before they resigned, they chose to bring up issues of national importance. And then instead of debating those issues, they resigned and went away. What is the meaning of this? Does it mean that they have lost confidence in the efficacy of Parliament to resolve national disputes or national issues? Or do they consider that Parliament is not a place where these issues can be thrashed out? Where then will these issues be thrashed out? And what is the lesson for our democracy that they want to give to the people?

After the elections, again our friends will come here in minority. And then again they will come up with issues. There will be difference of opinion. How is the Parliament going to function if the minority does not prevail on the opinion of the majority? Does it then every time walk out and resign? After all, this is the basic issue.

It is a rule by the majority in Parliament in the country. This is what democracy is all about. It is for us to try to persuade them. And I do believe that we tried to persuade the opposition as far as we could and that duty enjoins upon us, it develops upon us. I ac-

cept it. But can there be a tyranny of the minority if we do not agree to something that they said about destroying the institution of Parliament or at least eroding its significance in the eyes of the people? This is the aspect which worries me the most because it is easy to walk out. But where are these issues to be decided? Are they to be decided on the streets?

15.00 hrs.

If we cannot debate and discuss it on the floor of this House, the alternative is that we go out and discuss it in the street. Has the Parliament no role in this matter? Is that the message which our friends opposite want to convey? If it is so, then can there be any worse denigration for Parliament? This is the basic question which the people will have to decide.

I believe that one of the reasons they walked out is that it is only something negative which can unite them. Here was something negative which united them and they took the opportunity and walked out. But they must know negatives cannot bring them back to Parliament. They must know that the country will expect something more positive from them. They have a programme which they all share; they must have a strategy which they can all accept; and they must have a leader that can be common to all of them. All these three elements are missing. So, will they limp back single after walking out together and how many will come back; we do not know. But in the meantime they have damaged the institution of Parliament.

It is what they have done. It may be called a gimmick. I do not want to use harsh words. People have described it here, it is irresponsible, it is a gimmick and so on. I do not want to use any of those terms. Because I think our electorate is a very matured electorate and I think they will see through game and I do not think that they will fail to understand the objective of our friends opposite as to why they want out, why they are always raising this dust and din and why they chose to go out when certain revolutionary meas-

ures were going to be taken up by the Parliament. I am sure they had a lot to say on the Panchayati Raj Bill and other matters and yet they chose to go out. How far is that consistent with their national duty at the moment; these are matters which our people will have to consider. These are not matters that only we can decide; it is a matter which ultimately the people at large will decide and that decision will be taken in a few months.

On the Audit Report itself many Members have spoken, including some who were in the JPC. They have dealt with various aspects. Unfortunately for the record at any rate I will have to repeat some of the arguments which were given and I will have to try to meet some of the other arguments also that have been raised by friends opposite.

No one disputes that the office of the Comptroller and Auditor General is a high constitutional office. On that there is no dispute. All of us know that the C & AG has been a distinguished civil servant. What is under discussion is not the C & AG; but his Report. Let us examine that Report dispassionately, without heat. If this Report has shed new light on the Bofors transaction which has been discussed and debated pitilessly and endlessly in this House and if it can discover any new dimension in the transaction, we should all welcome it.

My experience is that ever since I came into this Ministry, every now and then I seem to come before this House and debate Bofors. Many hours have gone into this here, and the JPC have gone into this. If you add up cumulatively all the time that has gone into this, then you will find that there are very few issues which have received this kind of close scrutiny by the House as this particular issue. Therefore, I would like to look at the report as it is and not get influenced by the drama which my honourable friends opposite seek to surround it with. Now, there is a point—in the beginning, I would like to deal with that—that is the question of technical selection of the gun. Some friends have already dealt with it and that is about the General Staff Qualitative Requirement (GSQR).

[Sh. K. C. Pant]

So, far as the GSQR is concerned—JPC also asked the same question—why was there no GSQR? GSQR is not there for a very simple reason. If we design and develop a weapon system within the country, then we have the GSQR, which it has to answer to. They lay down the requirements and then development takes place. If we go abroad to purchase a weapon system, which has already been developed and which is being manufactured, then you look at various alternatives and compare their merits and see the commercial terms and came to a tentative decision that we will short-list so many weapon systems and then choose between them.

Therefore, if we import a weapon system, there is no requirement for GSQR. It is a simple answer. There are written instructions which clearly show that no GSQR is required in the case of equipment sought to be imported. Therefore, there should be no confusion on this matter. The JPC has gone into this and a part of these instructions has been quoted at page 53 of the report of the JPC. I do not see any valid ground for criticism here and this is not something new.

Then the second point that was raised was the desire to have verification of the manufacturers claims and the need for retrial. The JPC considered this aspect also and accepted that such retrials could have taken several years. As it is, the process of selection of this gun is a long-drawn-out process. As far as I remember, it began in 1979 and ended up in 1986. so, it was not something which was done in a hurry; it was not something which was done clandestinely; it was not something which was done in a moment of aberration. It was a deliberate choice made after due consideration of all aspects. It took so many years also. Therefore, there is a time frame for these matters because defence preparedness is involved. The vital issue in so far as the Bofors system was concerned was the range. Can it attain a range of approximately 30 kms, with the extended range of ammunition? This was an

issue which came up before the House also. If some of my friends remember, I had myself gone with the Members of Parliament to a place where they saw the gun being fired. They themselves witnessed the firing. Shri Jaswant Singh of the other House sat there and fired it. It appeared that he had some experience in these matters. He fired the gun himself. Gen. Arora—the famous General of 1971, all of you know and all of us respect—was also there. Both of them not only witnessed the performance of that gun, not only saw the range of the gun and satisfied themselves on that score, but also immediately told the Doordharshan. In all fairness. I must acknowledge that these gentlemen did not conceal their sentiments or their opinion. Immediately they said, "This is a good gun and we are satisfied" or words to that effect; I do not remember the exact words, Now I referred to these two gentlemen because they are knowledgeable and when Prof. Ranga says, "Hear. Hear" it is because he attaches value to the opinion of these people who have experience in these matters. Now suppose two of the best auditors in this country had gone and seen that gun being fired, would they have been any wiser? If they had not seen the gun being fired but sat in the rooms and then came to certain opinion, should we attach greater weight to it that to that of these MPs who have gone there and seen them! These are not Congress MPs. So one has to be very careful in assessing the weight to be attached to the observations in the CAG report. I do not decry the report. They have done their job. I leave it at that. Ultimately it is Parliament to which they report. So Parliament must exercise its judgement in evaluating all the observations and in deciding about them. So on the question of range, I think, after that visit the matter was settled. Then I do not think that question was raised and even on the general question of the quality of the gun, I think, it was agreed in the House that it is a good gun. There was general appreciation of that fact.

I would also like to say that this opinion or this conclusion has been borne out by the experience of the Army since then. This is

the important point which I want to make. Further whenever I went to the forward area and this gun had been deployed there I asked the officers and the men who fire the gun as to what is their experience and I also asked the Chief here. I have been trying, for my own satisfaction to gather their impression about the gun and I can say that despite the fact that this is a new induction of a sophisticated gun system they gun has been performing very well under difficult conditions of terrain and climate. The House would be happy to know that it has made an addition to our Defence capability and has performed very well and at a very high altitude. The Army is fully satisfied with the various parameters of performance of this gun system.

Now I will not leave it at that. If any friend this side or that side wishes to see the gun I make an offer to them to come and see it. If those friends who have walked out and have resigned also want to come and see that gun I extend the offer to them also. It is not generosity. It is the knowledge that they run away from facts that makes me say this. So, I do not think anyone of them will take advantage of this offer. They do not want to know the facts. They run away from facts. That is my complaint. If it were facts and they wanted to discuss facts I have no quarrels with them. I can understand differences of opinion and I enjoy the cut and thrust of the debate. I have never shied away from the debate. But they do not want to know the facts and that is the whole problem.

Then, Sir, the other question which was raised and which has also been answered to some extent is in regard to reversal of priorities. The JPC had noticed this point. First the Sofma gun was preferred and later on the Swedish gun 'Bofors' was preferred. So, there is the question. The former Chief of Army Staff, General Sunderji, answered this question. I also heard him explain his viewpoint. There is a quotation in the JPC report. Partly it has been read out. I have read it out in a previous debate. I don't want to read out from the report. But there are broadly two considerations which earlier were weighing

in favour of the Sofma system—the French system. One was the possibility of importing a self-propelled Howitzer—self-propelled as against the towed Howitzer. That is the difference. One is pulled and the other is self-propelled. Earlier, that was sought to be imported. Later on, the decision was changed and by 1986, it was decided not to import a self-propelled Howitzer. So, these considerations no longer applied. That is one. The other, which has been referred to earlier in the debate, is with regard to the induction of a sophisticated fire locating radar in our neighbourhood which had earlier been reckoned as a future possibility. But in fact it had become a reality by 1986. General Sunderji told us quite frankly. He said "This induction has come sooner than I expected." He had expected it to come later. It came much sooner. This shoot and scoot capability then acquired weightage.

Now, what is this shoot and scoot capability? I tried to understand this also. When you have a gun here and you are firing inside the enemy's territory itself and there they have the sophisticated radar system on their gun, it picks up the shell in mid-flight. Having picked it up, it fires back. So, two things become essential. You have to fire quickly two or three rounds. Then you have to move the gun so that by the time their computer has located your gun and fired before your gun-shell reaches it, your gun must shift. I think, the General will bear me out that is what shoot and scoot means. Once this became an important consideration, you can well understand why the Bofors gun became technically preferable. This is the whole story and General Sunderji has explained it in a way which carried great conviction with me and, I think, with the Members who heard him and certainly with JPC who have recorded this.

Before I move on, I would like to quote from the JPC report what the Secretary (Expenditure) himself a very senior officer of the Audit and Accounts Service had to say on this question. He was a member of the Negotiating Committee also on behalf of the Finance Ministry. It is important. It is Mr.

[Sri. K. C. Pant]

Ganapathy. Many of us know him. He has worked with me also. That is what appears in the JPC report. I quote :

"I can categorically say that we have got the best possible bargain. Which ever angle you look at it—from the point of view of technical factors or financial factors or commercial factors—Bofors offer had a distinct advantage over the Sofma offer."

All these points have been discussed in earlier debates. In this debate also, earlier many friends have referred to this. So, I do not want to take your time in going into these aspects further. I think, JPC has covered them. They have been actually in public knowledge for over an year now. People have know about this Newspapers have gone into it. The only new input that I could give you on this aspect of the matter is the performance of the gun after it has been inducted into the Army and deployed. I think that is a new element and I have tried to find that out for your benefit and for my own also. I have given that information earlier also.

Now, I turn to audit observations concerning financial evaluations. Audit has highlighted a point that 58 per cent of credit accompanying the Swedish offer was repayable in Deutsche Mark which was an exception to the general policy. I would like to say that the negotiating Committee itself recognised that the Deutsche Mark element of the credit offered by the Swedish supplier was a negative element and that on the whole, the French credit offer appeared to have an edge. However, the clinching consideration was that the Bofors credit offer in the aggregate resulted in the availability of 3.1 billion Kroners for licence production. Thus, much larger credit was available under the Swedish package than under the French one. The entire matter has been dealt with in extense in the JPC Report. The Audit have overlooked the fact that the Negotiating Committee included the Additional Secretary of the Economic Affairs, the Department which

formulates credit policy, which is concerned with foreign exchange matters. Its recommendations were seen by the Finance Secretary, who is again the concerned senior most officer in the department, who deals with foreign exchanges and credit matters and the Finance Minister himself found no deficiency.

SEVERAL HON. MEMBERS: Who was the Finance Minister ?

SHRI K.C. PANT : I will come to that. They found no deficiency. This comment of departure from the policy is not tenable in such a situation. What I wish to emphasis is that the Government was aware of this negative feature of Bofors offer and the reasons for accepting this offer have been well documented. There is nothing under the table. It is in fully view. The Audit Report unfortunately conveys a one-sided picture in highlighting these observations, without also clearing and setting forth the reasons.

The, there is another aspect in respect of which the Audit faults the negotiating process and that is on the ground that the advantage of operating the Bofors gun through a smaller crew was not assessed. Mark the word 'advantage' and not disadvantage'. The advantage was not quantified. The advantage of a smaller crew for the Bofors gun was not quantified. And the JPC went into this aspect and had recorded its conclusions. Now, when a decision was taken to buy the Bofors gun, the advantage of a smaller crew in operational and financial terms was recognised but it was not quantified and at the time of the Letter of Intent. The Bofors offer was Rs. 98 crores cheaper than the French offer, without reckoning the advantage of a smaller crew. I want to repeat the point that at the time of the Letter of Intent, there was a difference of Rs. 98 crores between the two offers without taking this into account. So, the Letter of Intent was placed on Bofors. Between 10th February and 11th March, the Negotiating Committee had secured from Bofors a price reduction of around Rs. 200 crores. Then what happened was that the French, in their last ditch

effort, reduced the price by Rs. 100 crores. There were further negotiations. So, Bofors gave away ten guns free. Ultimately, Bofors offer was cheaper.

And here the question of the advantage being quantified becomes very relevant. It did not change the fact that Bofors offer was cheaper, but it would have been cheaper still, had the advantage been taken into account. This is the plus factor.....(Interruptions). The expenditure is recurring also. And, in fact, the JPC went into the life cycle cost of 1400 guns and came to the conclusion that the saving was Rs. 125 crores, and then the equivalent saving in terms of 400 guns which we got from Bofors was Rs. 36 crores. That is how it worked out. So, the difference at the time of placing of the Letter of Intent becomes Rs. 134 crores, and ultimate difference becomes Rs. 45 crores even after the final reduction by the French. This is the difference.

If you treat the two guns at par technologically, which is not, so the preferred option was Bofors. But for a moment, you say that the two are at par, purely for this consideration of Rs. 45 crores in favour of Bofors, if we had chosen the French gun, the Audit would have not forgiven us.

In fact, the Prime Minister had said and Audit has also mentioned it, that there should be a tighter assessment with reference to this particular point that the advantage should have been quantified etc. So, the question is that although the Audit is perhaps right in pointing out that it would have been better to quantify this advantage, when it is quantified, then it goes in favour of Bofors and not the other way round. Therefore, the basic decision of the Government gets strengthened and not weakened. This is the point I want to mention.

Then, the question of the special responsibility of the Finance Ministry. After all, on the question of prices, commercial terms, on the question of credit provisions, Finance Ministry does have a special responsibility. And in this case, as far as I remember, there

were two senior officers of the Finance Ministry associated with the negotiating Committee. I think, these were Expenditure Secretary and Additional Secretary, incharge of the Finance Section, that is Credit-For-foreign Exchange and so on. Two senior officers were involved and fully associated in the negotiations. The case was submitted to the Prime Minister for approval as Defence Minister only after the approval of the then Finance Minister.

KUMARI MAMATA BANERJEE: (Jadavpur) Who has the Finance Minister at that time ?

AN HON. MEMBER : He has run away.

SHRI K. C. PANT: Whether he is in the House or not, Shri Vishwanath Pratap Singh cannot escape the responsibility.

There are two factors. In fact, I am sorry, he is not here, I said these things when he was here. I talked of joint responsibility and I talked of his responsibility as Finance Minister and today I want to add a third dimension as a member of the CCPA, because CCPA was involved in this decision. Therefore, as a Member of the CCPA, as a Finance Minister and as a member of the team, in all three incarnations he was associated and made responsible.

SHRI G.M. BANATWALLA: What is CCPA?

SHRI K.C. PANT: The Cabinet Committee on Political Affairs. I will later on explain how they were involved. And the fact that he specifically approved the transaction to buy the Bofors gun has to be noted. When he became the Defence Minister, he did not question the quality of the gun. As a Finance Minister he may not have been aware of the technical aspect but as a Defence Minister if he had doubts he could have clarified them. Even as a Finance Minister he could have clarified them. So, all I can say is that he is probably in a better position to explain the circumstances surrounding the purchase of Bofors gun than I am. Shri Vishwanath Pratap

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Singh has to explain why he is condemning the Finance Minister V.P. Singh.

SHRI G.M. BANATWALLA: These dimensions are sufficient, please don't add more now.

SHRI K.C. PANT : Sir, I have been dealing with what I considered to be a larger key issue in this whole matter which has been under discussion for so long. The entire discussion is gone into thread bare and I think many friends here will remember the previous discussion that we have had. They will notice two things: one, that there is really nothing new in relation to the key areas of which I spoke. I have just mentioned them. Many friends have gone through the CAG Report. So, there is nothing new. They have invited attention to the elements which have been well know, which have been debated and discussed and on which Parliament has come to certain conclusion; JPC has come to certain conclusion but there is nothing new in them.

The other feature is that if you compare it with the JPC Report, although that is not really comparably, that is a much more thorough and bigger document; well, it has to be necessarily so and I am not blaming the CAG for that; I am merely pointing out the fact that the JPC Report is a voluminous report. There are 240 pages in the first volume. Then there are hundreds of pages of evidence, of minutes of meetings, legal advice and so on. And the Audit goes into the entire transaction and other aspects of the transaction in detail. If you read it carefully, it has recorded the doubts in people's mind; it has recorded the questions; it has recorded the answers, the explanations, the evidence. Everything is recorded there and the conclusions to which they have come are based on that volume of material. It is not an arbitrary conclusion. The conclusion is well documented, is well based on facts. Therefore, I would like to make this distinction that as against that, the CAG Report records only those elements of the transaction which the Auditor thinks are faulty. It is in the nature of the Audit that they point

out whatever they think is deserving criticism and then they proceed to highlight these aspects. All of us have experience of various organisations and this is exactly how the Audit functions. So in some cases they have referred to what the Ministry has said; in this case they have referred to what the Government has said but by and large they have highlighted the deficiencies and sometimes they have also given the explanation given by the Government. So, the Audit has dealt with this entire matter in 18 pages. in 18 pages they have just flagged the points.

I was trying to remember a briefing that the JPC was given on the technical aspects. It was just an introductory briefing.

It was just an introductory briefing. I remember that that presentation by the Army lasted five hours. That was just to give you an idea of the thoroughness with which the JPC went into all these aspects of the transaction. So, I am not surprised that the Audit Report does not dwell into these questions; does not go into them so deeply and therefore it was failed to appreciate many key elements of the transaction. As I said just now, perhaps, it is because in the very nature of audit, they flag certain points for Parliament or a Parliamentary Committee. Because Parliamentary Committee goes into it, the C&AG goes into it. So, they—it is not as though they have come to conclusion—merely say that these are the things which we should look into. That is the function of the C&AG. After that the PAC picks it up and then calls the Government, takes the evidence and finally comes to certain conclusion. All of us know that. Therefore, the way in which the audit functions is well-known to you, well-known to all of us. The custom is that they do not look at the entire transaction the way the JPC did. Most of their work is far less complex, it is far more routine. So, this is a distinction that must be made. This is a difference that must be understood. In fact, it is understood and it would not require and elaboration on my part except that we are in an extraordinary situation. The situation has

become extraordinary because instead of the C&AG's Report in a normal course going to the PAC here the Opposition came up with a Motion for discussion straightaway on the floor of the House in an unprocessed form. Please remember, this was an unprocessed form of a Report which is meant to be processed by the PAC. But because of their insistence, it came up. Because it came up, obviously we said "No, people would suspect that we have something to hide." We said: "Yes, let us discuss it." Now we are discussing it. Necessarily in discussing it, we have to go into the observations. We have to comment on them. We cannot avoid them.

SHRIR.L. BHATIA (Amritsar): We have nothing to hide. But they have hidden.

SHRI K.C. PANT: They have disappeared and not just hidden. And the second complication that the Opposition has introduced into this picture is that they have tried to create a certain impression that the C&AG's observations are conclusions and that the Government should therefore resign. Now dealing only with that limited point, I have with me—I won't take the time of the House—C&AG's Reports on Andhra Pradesh Government, on West Bengal Government, on Karnataka Government and on so many Governments. Will all those Governments accept the thesis which was propounded by friends opposite who are no longer here, i.e. the C&AG gives an adverse Report, then the Government should resign? So, they have given us a theory which they will never sustain in the States in which they rule. This is obviously an unsustainable theory.

Then the Opposition said: "Okay, now the C&AG's Report has come, therefore we resign from Parliament." This is the third complication being introduced. First, they did not discuss and then they resigned. In this matter, they have been, I thin, very unfair to the C&AG's office. If they had discussed this on merits, the Government has a point of view, they have a point of view, and on merits we could hold a discussion. We are political beings, we are accustomed to the rough and tumble of politics; and we would have an-

swered each other. But they have made the C&AG's report, and indirectly the C&AG, an object of controversy, needlessly and unnecessarily. They could have discussed this report on merits, and maybe then resigned and gone out. But the way they have done it, has unnecessarily brought the high office of the C&AG into political controversy. They are entirely to blame for this. By dealing with the matter in the manner in which I have just mentioned, they have done a disservice to the high office of the C&AG, and they are blaming us for it. But these are the facts, which I have recounted.

This debate has provided an opportunity to go into the role of Audit; and many friends have gone into, this matter. I would normally avoid it, but it cannot be avoided because now that the subject has come up, I think it is necessary to go a little deeper into this matter. What is the charter of duties of Audit? Audit's charter of duties is to look at financial transactions from specific angles which have been precisely spelt out in the C&AG Act. My friend Shri Panja yesterday read out parts of that Act; and I would say that the House will readily agree that Audit should not encroach upon areas which are the jurisdiction of technical experts. Nor must Audit question policy. Decisions and policy are the domain of Government; and in regard to policy, the Executive is directly answerable to Parliament and to the people.

Now, this is a crucial element in the entire business, and it is imperative, therefore, that I pause for a moment to dispel some misconceptions which seems to be prevailing about the role of Audit, and the purpose of its report. Audit's true and, in fact, entire function is to go through the record of Government's financial transactions and to flag, for the benefit of Parliament, those aspects which Parliament may wish to peruse more closely.

It is true that the officer of C&AG is one of the constitutional offices; but in all other respects, he is subordinate to Parliament. The C&AG performs such duties as are prescribed by Parliament under law; and I

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referred to the law earlier. I will not go further into that. As you all know, his reports are to be presented to Parliament. In this regard, it has been pointed out that, strictly speaking, the law confers on him a limited role in respect of audit of expenditure and ascertaining—I repeat this quote; it was quoted yesterday, but it completes the picture, I quote:

“Whether the money shown in the accounts as having been disbursed were legally available and applicable to the service or purpose to which they have been applied, or charged, and whether the expenditure conforms to the authority which governs it.”

Can such a role be extended to allow Audit officers to sit in judgement over the selection of weapons systems; and, when the selection is undertaken by the senior most Defence personnel in the country, or to review judgements on matters of policy, or of defence on which a consensus has already been reached at the highest levels in the Executive or in Parliament?

These are important issues; and we must never forget that the institution of Audit has been developed to discharge the role assigned to it by law, assigned to it by the Constitution; and, therefore, its reports are brief; they focus on certain specific aspects; those aspects are selective and its purpose in life is to criticize. That is its role, and that is regarded as the proper role of Audit. And so, it has not been given specialists in various areas, because it looks at the accounts and then it says: ‘Here something is wrong, and here something is wrong’.

In the Government, for instance, you have a broad expertise. In the Defence Ministry, you have not only the entire staff of the Defence Ministry but also the Defence personnel. In the Army itself, you have a very large set up. So, when a subject like this comes up, we must not lose sight of the essential difference between various institu-

tions and their functioning and their roles. I must say that Audit, for instance, discharges its essential functions of scrutinising Government files with the help of its officers; some of their officers are not very senior officers even in Audit; and they are not certainly trained or equipped to dwell on an issue like weapons selection or for that matter on technical selection of, say, sophisticated surgical equipments or selection of sophisticated plant and machinery. Each area is a specialised area; that is why when Audit has pointed out some defects or some blemish, later on the PAC calls the Ministry concerned and ask them, look here this is what Audit has said, what have you to say about it. Taking that into account, it comes to a conclusion. So, it is very important to understand this and to understand that. If one makes a mistake of audit straying into an area of specialisation and then makes a second mistake of accepting its observation and judgement, then you get into a situation which the Constitution or the law under which the Audit functions did not envisage. So, it is very important to make this distinction.

I would like to emphasise that Audit is not a Bench of the Supreme Court; I mean the way our friends, who are speaking, thought that it is as though a Bench of the Supreme Court giving its judgment; and there is no court of appeal; that is final. It is not; and it is not a Court of Enquiry. Please remember it is not a Commission of Enquiry. It does not follow judicial processes in the discharge of its duty. It is not expected of Audit to review and record the transaction in their entirety; it is not customary for Audit to record the considerations which prevailed with Government in taking any particular decision. This is the job of the PAC, not of the CAG. It is only PAC which takes that into account. The Audit Reports do not contain an account of transactions which appeared unblemished. In other words, if there is a good transaction, then the Audit will not comment on it; if there is a bad transaction, then the Audit will comment on it, because this is the role of the Audit. So, a simple point is that the Government presents Audit Reports to Parliament and then after due consideration, the Parlia-

ment comes to a final decision either itself or through its Committees. So, CAG functions as an instrument of Parliament. The other distinctive feature in this case which we have to take into account is the fact that on behalf of Parliament, the Bofors transaction was gone into already by a Joint Parliamentary Committee. This, as far as I remember, has not happened before. Prof. Ranga would be able to correct me if I am wrong. But I don't think that Parliament has ever set up any Enquiry Committee of this kind.

PROF. N.G. RANGA (Guntur): Never.

SHRI K.C. PANT: So, the Joint Parliamentary Committee was set up. It has taken note of so many issues which again CAG has taken note. They worked in parallel. I have quoted instances where both have taken note of the same issues. These issues have been not merely taken note of by JPC but they have gone into them. Then Parliament has discussed those same issues here JPC Report is being discussed and the Parliament has come to certain conclusion.

Now this is a very unique situation, if I may say so, and to my mind unless the CAG report comes up with something new in these three areas, which have already been gone into and on which Parliament has taken a decision, there is no case for re-opening these issues. I would be fruitless to go into them again. It would be pointless.

So, the lesson one has to draw from this is that we must not get carried away. The incumbents of his offices also carry heavy responsibilities. Parliament also carries a very heavy responsibility and Parliament must show due courtesy to a constitutional office and those in high office must be seen to respect Parliamentary institutions. They must be wise in the assessment of their roles. This is the lesson that one draws from this particular experience.

I would like to repeat that nobody questions the independence of Audit. The independence has to be ensured vis-a-vis the executive, not Parliament. This is a very

important distinction. Certainly, Audit must be independent, independent vis-a-vis the Executive. Ultimately, as I said earlier, the reports come to Parliament from the Parliamentary Committee which takes a decision on them. So, it is not independent of Parliament.

Indeed as some friends will remember—many friends will remember—when the JPC was set up and I had come before the House, many friends opposite, who are not there today had suggested, "Please include the CAG in the report." I think Bhatiaji will remember and they said "You are bringing forward a resolution. In that resolution you ask the CAG and the Attorney General to assist to JPC." As you would know, I accepted almost all the suggestions. This is one of the suggestions I accepted. I straightway accepted it. I said, "Yes". I thought once Parliament sets up a Committee, then probably the CAG would automatically assist it. That was my frank opinion. But I had absolutely no difficulty in putting it explicitly in the Resolution which created the JPC and, as I said earlier, if you look at the two reports, the material on the basis of which the JPC came to its conclusion, is so much more than the material which possibly the CAG looked at. The CAG certainly looked at the material, probably all the material that they asked for, but not the questions, the answers and the oral evidence and the firing of the guns and so on which the JPC members also went into. So, in that sense the verification part was done by the JPC and this is a difference because the Audit, I think has denied itself this opportunity. Had they associated themselves fully and actively, then they would have had the opportunity of acquiring a more thorough comprehension of the issues involved and unhindered access to the entire record much earlier and no one would have been able to say that without the benefit of such of such involvement in the JPC deliberations the Audit's observations appeared to disregard the material conclusions of the JPC and the results of the Parliamentary debates on several occasions for many hours, not to mention the replies of the Ministry of Defence.

[Sh. K.C. Pant]

It is therefore a great pity that Audit did not itself visualise or anticipate that the current situation might arise. Admittedly, the situation as I said earlier, is a unique one. On no previous occasion has there been a JPC. In the normal way the C&AG's Bofors report would have gone to another Joint Committee of Parliament, namely, the PAC. In the normal way the Ministry of Defence would have explained the position to the PAC in an exactly similar fashion in which it had explained the position to the JPC. And in the normal way, the PAC would have undoubtedly reached the same conclusions as did the JPC. The only difference was that instead of undertaking this on a sequential basis, i.e. first C&AG's scrutiny, to be followed by the Parliamentary Committee scrutiny, the two activities were telescoped so to speak and it was decided to undertake them concurrently. As I have said, care was taken to ensure that the C&AG would be associated with the activity and would play a constructive role in it.

My personal opinion is the whenever Parliament choose to appoint a JPC to enquire into a matter, it would be proper for the C & AG to assist it. Such cases would be extremely rare and there should be a provision that a matter enquired into and reported on by a JPC should not go for another examination by the PAC. That would avoid a rather uncomfortable situation that could arise if two Joint Committees of Parliament were to reach two different conclusions even on minor matters. Parliament must, therefore, firmly reject every single criticism of Audit which is contrary to a finding or a conclusion of the JPC on the same issue which Parliament has earlier accepted. Government categorically refute any suggestion that there were any deficiencies in the technical selection of the weapon system. On the contrary, this exercise was competently undertaken in the best interests of the nation. Likewise, the negotiations were carried out with great skill and care and resulted insubstantial savings having been achieved. In the end, the preferred weapon system was purchased at the

cheapest price possible.

I must also strongly refute the absurd suggestions which have emanated as a result of the C&AG's Report from the opposition benches. I am not talking about opposition benches today, but what they were. The other day, they declared that they would dissociate themselves from further proceedings in Parliament because of the C&AG's pronouncements which required only action. In other words, as I said earlier, there were some kind of the decisions by the Supreme Court. The C&AG's is but a Report to Parliament. It is a Report subject to scrutiny by Parliament. Where then is the question of its being a pronouncement? And I have already said that the financial aspects of the transaction, which alone the C&AG is competent to at all comment on, were cleared by the Finance Ministry, were cleared by the Finance Minister. This point has to be made because he personally saw the file before the Letter of Intent was issued. I underline that point. There is no reason why the country should not know it. And so, Sir, when my friends raised this issue, is it because they knew that this would come out, they went away and they did not allow a discussion? Is that the reason? Because, as I said in the beginning, I have not understood really the reason for their going and why they were silent about the responsibility of the Finance Minister. How can they be silent? Therefore, such demands deserves to be summarily rejected.

Now, Sir, there are certain other issues raised in this report and those points have not been dealt with by the JPC. So, if you allow me, I shall briefly refer to them. One or two are important points, but many are minor points.

Now the first point is an observation made by the Audit that the minimum acceptable parameters were diluted in respect of certain types of ammunition. Now this observation creates an incorrect impression. The fact is that some ammunition was to be purchased to attain a minimum range of 24 Kms. This was offered. This was purchased.

But while purchasing the ammunition, the Army and the Government thought that we could buy some cheaper ammunition, that is ammunition which had lesser range and this mix was acceptable to the Army. We saved four crores of rupees. Therefore, it is a simple question of finalising the contract in such a way that we could achieve certain economy.

16.00 hrs.

But it was not at the cost of the 24 km ammunition requirements as seen by the Army. So this is a very clear point and I do not think that one need labour on it.

The second point is that they have said that the DRDO (Defence Research and Development Organisation) expressed an opinion that the evaluation trials for equipment developed by DRDO required the firing of a much larger number of rounds. Now, obviously when you are developing a system you have to fire many more rounds. When you buy a system which had already been developed, then you do not need to fire so many rounds. In this case the Audit has overlooked the fact that the Scientific Adviser to Raksha Mantri, who is Secretary of the Department of Defence Research and Development, was a member of the Negotiating Committee and a party to all its decisions.

Then Audit has observed that the Bofors gun was prone to defects and additional EME back-up may have been necessary and should have been costed for. It was explained to Audit that in the final technical assessment, the view-point that the system was prone to defects, was not substantiated and no additional EME cover was necessary. Now that the gun has been deployed I can tell the House that it has been done without any extra provision of EME cover. Since the matter has come up for discussion, it is better I clarify these issues rather than leave any doubts in anybody's mind.

Another point raised by Audit is that after the negotiations, no fresh approval of CCPA was obtained and no formal sanction

issued. This is where the CCPA comes in. It was explained to Audit that no fresh CCPA approval was required and the CCPA's approval was clear and unequivocal. The value was Rs. 1600 crores. It is to the credit of the Negotiating Team that despite the passage of about two years between the CCPA sanction and the finalisation of the negotiations, and despite the decline in the value of the rupee over this period of time, the contract was finalised for an amount of Rs. 1427 crores.

Audit has pointed out that there has been slippage in some deliveries in respect of some items. It is true that there have been a few slippages in supplies. This is not entirely unusual in a programme of this magnitude. The other side of the coin is that many supplies have been coming ahead of schedule including, most importantly, the supplies of the guns themselves. In respect of the delayed supplies referred to by Audit too, one element relates to the slippages in the delivery of new towing vehicles. I would like the House to appreciate that the supplier has already provided towing vehicles on loan from the Swedish Army so that there is no difficulty in the deployment of the guns. In any case, liquidated damage claims are raised from time to time and are responded to by the firm. If necessary, they are discussed and settled. As the Report itself recognises, many of these claims have since been realised. So I really do not understand the purpose of this comment here.

Some other payments were also delayed in the initial stages because of cumbersome procedural requirements. We have since tightened and improved the procedures so that delays in payments do not arise because of procedural infirmities.

The observation of Audit that, contrary to plans, the equipment issued to the Army till October, 1988 was inadequate for the raising of even a single regiment with the complete complement is invalid. What Audit perhaps means is that the entire range of ammunition would not have been available by October, 1988. This was in fact contem-

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plated at the time the delivery schedule for the contract was finalised. Audit has proceeded merely to compare the delivery schedule proposed by Bofors in its initial offer of 1985 with the delivery schedule incorporated in the final contract. The two delivery schedules were undoubtedly somewhat different. However, the conclusion that the latter was inferior to the former is incorrect. In many respects, the delivery schedule incorporated in the Contract is superior to that originally proposed. Amongst others, this is for the reason that the delivery schedule finally negotiated resulted in the advancement of the schedule for supply of the initial consignment of twelve guns. This resulted in training commencing much earlier and led, in turn, to speedier deployment of the weapon.

I mentioned this because these are matters which one has to see in their entirety. If one just sees one little bit of it, one may lose sight of the whole picture.... (*Interruptions*).

SHRI A. CHARLES (Trivandrum): But is it the duty of th/e Audit to go into these things also?

SHRI K.C. PANT: Well, it has become my duty to explain.

SHRI RAM PYARE PANIKA (Robertsganj): But the point should be cleared, Sir, because it is confusing whether this was the duty of the Auditor General or not.

SHRI K.C. PANT: I have explained what is the role of the Auditor General, what are the parameters, what is his jurisdiction. I have gone into that. But the hon. Member came late, Sir.

Para 12 of the C&AG's Report relates to the payment of commission to Indian agents in respect of purchases made by laboratories of Defence Research and Development and by the DGAFMS, that is, the medical

service. These purchases were made on their behalf by the Directorate General of Supplies and Disposal, a functionary under the Department of Supplies in the Ministry of Commerce.... (*Interruptions*).

SHRI AJAY MUSHRAN (Jabalpur): Are you talking of para 12 now?

SHRI K.C. PANT: Yes.

SHRI AJAY MUSHRAN: Para 12 does not relate to the Bofors gun.

MR. DEPUTY SPEAKER: No interventions please. Let him complete.

SHRI K.C. PANT: Yes, I know it does not. I agree. I am going to say that. But I am deliberately referring to it firstly, because Prof. Dandavate has referred to paras 11 and 12 in his motion; secondly, because some newspapers have referred to this; and thirdly, because confusion has been created which must be cleared. This is the reasons why I am referring to it.

So, I was saying that these purchases were made on their behalf by the Directorate General of Supplies and Disposal, functionary under the Department of Supplies in the Ministry of Commerce, and by the Indian Supply Missions abroad, which too follow the procedure of the Department of Supplies. It is important to note this distinction because this para has nothing to do with the Bofors contract. I repeat, this para has nothing to do with the Bofors contract. I am clarifying this because the positioning of this para immediately next to the para on the Bofors contract has caused avoidable confusion in many quarters, including in some learned editorials. The Ministry of Defence cannot and does not lay down the purchase policy, the policy in respect of the engagement of agents, or the amount payable as commission thereon, for the Government in all its Departments. In fact, the DGS&D and other related purchasing organisations have been established, and function for, the Government as the nodal purchase agency. They acquire large quantities of non-military

items on behalf of the Defence Ministry. It is inconceivable, for instance, that while placing orders for, let us say paint, it should, in terms of its policy, pay commission on the paint acquired by it for CPWD, while declining to pay such commission on paint acquired for MES. You see the point. Or that it should not pay commission for medical equipment purchased for DGAFMS whilst doing so for similar equipment purchased for DGHS.

The simple point had been explained to Audit that purchases made on behalf of the Defence Ministry by DGS&D, or by the Indian Supply Missions which follow DGS&D procedures, were not covered by the Department of Defence policy.

It is obvious that if Audit had still wished to debate this point further, it should have done so with the Department of Supplies... (*Interruptions*).

SHRI G.M. BANATWALLA: Would you allow me a clarification? The point is that for the commission paid by the different departments or whatever it is, there should be some uniformity. If the Defence pays more than what the Directorate General of Supplies pays, then that coordination is not there.

SHRI K.C. PANT: I understand. So, the nodal Ministry for this coordination is the Department of Supplies. The Department of Supplies is really the nodal agency under the DGS&D functions. If the Audit had this point in mind I can understand the point you raised. Then they should have referred this matter to the Department of Supplies and included it in the Report to the Department of Supplies.

SHRI G.M. BANATWALLA: This was misplaced by the Audit.

SHRI K.C. PANT: It is misplaced and put in a position where the misplacements can cause further confusion. Sir, it will be clear from the facts delineated by me that there is not an iota of substance in the statements issued on behalf of the Opposition parties to explain their mass resigna-

tions. Where is the comprehensive and severe indictment of the Bofors deal that the Opposition has been talking about? I have taken so much time of the House and tried your patience because I wanted you to understand what all Audit has said. Where is the indictment? The facts in the CAG Report were available last year, but as the elections were perhaps too distant then for our friends, they refrained from giving up their seats in the Lok Sabha. I am truly amazed and pained that even persons with long service in Parliament can bring themselves to obstruct parliamentary verdict or review of the CAG's report. Is it their contention that the elected government in a democracy can be placed at the mercy of a C&AG Report? Such a doctrine would make a mockery of parliamentary democracy where Audit can be left to determine the fate of a duly elected Government? Where is the will for the people in all this? And where is the prime responsibility of Parliament vis-a-vis the Executive in holding it to account? Finally, where is that portion in the C&AG Report which casts any reflection whatever upon the Prime Minister? There is nothing contained in it which pertains to anything done by the Prime Minister. Sir, the Prime Minister gave his approval after thorough examination at the official level by all the concerned agencies, namely, the Army Headquarters, DRDO, Department of Defence Production & Supplies and the Ministry of Finance. The unanimous recommendation of all agencies was submitted to the Prime Minister through the Ministry of Finance after the same had been also examined in the Internal Finance Wing of the Ministry of Defence. It is well-known that the Ministry of Finance makes a further detailed examination and submits a comprehensive note to the Finance Minister who accords his approval, not in routine, but after a detailed consideration of the case. How can the Prime Minister be faulted for approving a case submitted to him as a unanimous recommendation of all the concerned agencies of the Government and bearing the approval also of the Finance Minister?

SHRI RAM PRARE PANIKA: Who was the Finance Minister then?

[*English*]

MR. DEPUTY-SPEAKER: Mr. Panika, you are late. That is the problem. You have come late.

SHRI K.C. PANT: It is also to be noted that the final proposal was lower in cost than what was earlier approved by the CCPA. It is amazing how any reasonable person can find anything in the C&AG report which can be construed as even remotely critical of any action taken at the Prime Minister's level. It is this very absurdity of the allegation not backed by even a shred of evidence which exposes the hollowness of the stance adopted by the Members of the Opposition parties. It is evident that Members of the Opposition parties knew that this fact would come out on a discussion of the report and, therefore, they did their best to first scuttle the debate, and knowing that they would ultimately fail in this endeavour took refuge in flight.

16.15 hrs.

DEMANDS FOR GRANTS (PUNJAB),
1989-90

[*English*]

THE MINISTER OF STATE IN THE
MINISTRY OF PARLIAMENTARY AFFAIRS

AND MINISTER OF STATE IN THE DEPARTMENT OF CHEMICALS AND PETRO-CHEMICALS IN THE MINISTRY OF INDUSTRY (SHRI P. NAMGYAL): Sir, I have a suggestion that if the august House agrees, we will take up item No. 14 and postpone item No. 13 for the time being because we have other important items of business.

MR. DEPUTY-SPEAKER: I hope the House will accept this suggestion. We shall now take up Discussion and Voting on the Demands for Grants in respect of the Budget for the State of Punjab for 1989-90.

Motion moved:

"That the respective sums not exceeding the amounts on Revenue Account and Capital Account shown in the Fourth column of the Order Paper, be granted to the President out of the Consolidated Fund of the State of Punjab to complete the sums necessary to defray the charges that will come in course of payment during the year ending the 31st day of March, 1990, respect of the heads of demands entered in the second column thereof against Demands 1 to 30."

Mr. Minister, do you want to say anything? If you want, you can.