

RAJYA SABHA

Thursday, the 17th March, 1994 26th
Phalgun, 1915 (Saka)

The House met at eleven of the clock

The Deputy Chairman in the Chair.

ORAL ANSWERS TO QUESTIONS

Technical support to private companies
for manufacture of Defence equipment
for export

*261. SHRI PRAMOD MAHAJAN :
SHRI VIREN I. SHAH:

Will the PRIME MINISTER be
pleased to state

(a) whether the Ministry of De-
fence has offered any technical sup-
port to private companies to make
defence equipment for export;

(d) if the reply to parts (a), (b)
volving the private sector in the de-
fence export plan have been worked
out;

(c) whether Government have fina-
lised the list of the equipment which
it wants to export through the help
of private sector;

(d) if the reply to parts (a) (b)
and (c) above be in the affirmative
what are the details in this regard;
and

(e) what is the quantity and value
of defence equipment exported dur-
ing each of the last three years
offered by the public sector under-
takings?

THE MINISTER OF STATE IN
THE MINISTRY OF DEFENCE
(SHRI MALLIKARJUN) (a) to (e)
A Statement is laid on the Table of
the House.

+The Question was actually asked on
the floor of the House by Shri Pramod
Mahajan

Statement

To secure the contribution of pri-
vate sector companies in indigenous
manufacture of sub assemblies and
components of defence equipment,
the Supply Wing of the Department
of Defence Production and Supplies
has a well established arrangement
of providing technical and other sup-
port to the companies. Annually,
development orders to the extent of
about Rs 200 crores are given. Some
of the products of the private sector
companies have been exported by
them.

Private companies can now under-
take export of defence equipment
without an export licence, subject to
no objection from the Department of
Defence Production and Supplies.
They are also free to associate them-
selves with the Ordnance Factory
Board and the defence public sector
undertakings in exporting their pro-
ducts.

Information regarding exportable
equipment is available with the Or-
dnance Factory Board and the defen-
ce PSUs and is made available to
intending exporters.

The value of exports (including
deemed exports) achieved by defence
public sector undertakings and ord-
nance factories during the last three
years is as under:

(Rs. in crores)

1990-91	78.94
1991-92	101.26
1992-93	261.31

श्री प्रमोद महाजन : उपसभापति
महोदय, निजी कंपनियों को निर्यात
लाइसेंस के बिना रक्षा संबंधी उपकरणों
को निर्यात करने की अनुमति अब केन्द्रीय
सरकार की है। मैं मंत्री महोदय से यह
जानना चाहता हूँ कि इस निर्यात के
लिये निजी क्षेत्र जो उपकरण बनाएगा,
क्या इन उपकरणों को बनाने के लिये

आवश्यक पुर्जों वे स्वयं निजी क्षेत्र में बना सकते हैं या पुर्जे उन्हें सार्वजनिक क्षेत्र के उपक्रमों या सार्वजनिक क्षेत्र में आयुध निर्माण जहां होता है, वहां से लेना अनिवार्य है या अपने आप इसके पुर्जे बना सकते हैं ?

SHRI MALLIKARJUN: Madam, it is true that earlier there was the need to obtain an export licence, but after the liberalization of the Industrial Policy, we have dispensed with it. Now, only a "no objection" certificate has to be obtained from the Department of Defence Production and Supplies. So far as choosing of components or sub-assemblies is concerned, mainly it is allowed for the private sector to produce sub-assemblies and components, and that they can choose. They have quite a number of sub-assemblies and components with the Ordnance Factory Board. From among them, depending upon the capacity of the private sector for investment, ability to produce and also strength for marketing, both internal and external, they are chosen.

श्री प्रमोद महाजन: उत्सभापति महोदय, जब पहली बार रक्षा संबंधी उपकरणों के उत्पादन में निजी कम्पनियों को अनुमति दी है और उन्हें निर्यात की भी अनुमति मिली है, तो स्वाभाविक है कि इसका असर सार्वजनिक क्षेत्र के रक्षा उपक्रमों तथा आयुध निर्माणियों पर होगा। आपके उत्तर में पिछले तीन वर्षों में सार्वजनिक क्षेत्र द्वारा जो निर्यात किया गया है, उसका मूल्य दिखाया गया है और स्वाभाविक रूप से इस मूल्य में निरन्तर वृद्धि हो रही है। लगभग तीन सालों में यह तीन गुना बढ़ा है। अब आपने जब निजी क्षेत्र को इसमें निर्यात की अनुमति लाइसेंस प्राप्त किये बिना दी है, तो क्या सरकार ने इसका सार्वजनिक क्षेत्र के रक्षा उपक्रम और आयुध निर्माणियों द्वारा जो निर्यात होगा उस पर इसका क्या प्रभाव पड़ेगा, इसका कोई अध्ययन किया है, यदि अध्ययन किया है, तो इसका क्या प्रभाव पड़ेगा ? इसमें सार्वजनिक क्षेत्र में निर्माण कितना

कम होने की संभावना है। इस प्रकार यदि निर्यात कम होगा, तो वहां काम करने वाले कर्मचारियों के लिये क्या कोई वैकल्पिक व्यवस्था के लिए आपने विचार किया है ? निजीकरण का सार्वजनिक क्षेत्र के उपक्रमों पर जो प्रभाव होगा, उसके संबंध में सरकार ने क्या अध्ययन करके कोई निर्णय लिया है ?

SHRI MALLIKARJUN: Madam, this policy is in no way going to affect our public sector units or Ordnance Factories. Whatever spare capacity is available, we are utilizing it in the name of diversification, whereby the workers will also be fully utilized technically, and that is how we have now started exporting certain items to Third World countries and wherever they are needed.

Giving 'no objection certificate' to the private sector in no way affects the public sector undertakings' production. It will also not affect the requirements of the Armed Forces. Whatever the requirements of the Armed Forces are, they are being fully met. The civil sector plays even a greater role in meeting the requirements of the Armed Forces.

श्री प्रमोद महाजन : उत्सभापति महोदया, मुझे एक ही आपत्ति है। मुझे निजीकरण में आपत्ति नहीं है। लेकिन सरकार का इस प्रकार का उत्तर कि एक घंटे में दो आदमी होने के बाद पहले वाले के घंटे पर असर नहीं होगा, मुझे लगता है कि ... (व्यवधान) यह साधारण वृद्धि का आदमी भी जानेगा कि हमारा निर्यात हो रहा है, दूसरा कोई निर्यात कर रहा है, तो स्वाभाविक है कि कुछ न कुछ तो असर होगा।

THE DEPUTY CHAIRMAN: He is worried since you have allowed the private sector to get into it and to export, don't you think that it is going to affect the public sector, where the employees have work to do?

SHRI MALLIKARJUN: I would like to emphasise, if not reiterate, whatever I have already informed the august House. Whatever the Armed Forces' requirements are, they are fully being met by our production units. On the contrary whatever the spare capacity we do have, we are utilising it to give work to the manpower employed. That is how we are also exporting it.

SHRI PRAMOD MAHAJAN: I am not asking these things. What I am asking is that there is one more partner in export business. So, what effect will it have on the original business?

SHRI MALLIKARJUN: Please try to comprehend the essence of the policy. In no way encouragement to the civil sector exports will effect the public sector production in different Ministries.

THE DEPUTY CHAIRMAN: What he is trying to say is that already the Defence Minister is giving certain production to the private people. Those private people after supplying those components to the public sector, if they manufacture more, they are exporting and getting the foreign exchange. That is what I understand.

SHRI MALLIKARJUN: You are perfectly right, Madam.

SHRI VIREN J. SHAH: We are very happy to have the medium of Deputy Chairman to translate our question and also translate the answer.

श्री प्रमोद महाजन : अगर आप मन लें, तो फिर मैं मराठी में प्रश्न पूछूँ।

SHRI VIREN J. SHAH: With great respect I would like to state the point that since the days of the 70s, when Babu Jagjivan Ram was the Defence Minister, that a policy to encourage both the Defence public sector units and the com-

mercial sector units to get into larger production of defence requirements was enunciated. The policy of the Government, as announced by Defence Ministers, including the Prime Minister, is to develop greater export of defence goods—may be lethal or non-lethal. That is a different point. But the defence market is several \$100 billions per annum. If it is the policy of the Government, I welcome that. The problem that arises is that despite the policy declaration, it is a fact that somehow our progress is extremely slow. I have a report that there has been a meeting between the Secretary, Defence Production and various private sector apex bodies. Thereafter two Joint Secretaries are looking at it. The point that I might like to make is that there is a feeling that there is no effective support from our Ministry of Defence and Defence services to bolster export drive which the private sector organises. That is one point they have made.

Secondly, there is a suggestion that in advanced nations they have a dedicated export promotion organisation where Government organisations research organisations and private sector work together. I would like to know whether the Government of India is thinking of moving in that direction to get a better coordination. Along with that, though your reply says that information regarding exportable equipment is available with the ordnance factories, the information that I have received only yesterday from one of the topmost organisations ASSOCHAM, is that the Government is not ready to provide any list due to strategic reasons. The industry can offer both items, low and high technology, and will be permitted case to case basis after examining the issue of exports.

Now, I think this might lead to a greater delay and lesser fulfilment of your desire to increase exports and earn foreign exchange and make our defence industry progress because in times of war, this will have to be produced for the country, which we experienced in 1962 and 1971. I am aware personally

how tremendous efforts were made to boost production. But you cannot do it suddenly. So, keeping that in mind, will the hon. Minister consider answering these points and making those improvements which could help?

SHRI MALLIKARJUN: Madam, I appreciate the concern of the hon. Member. But I have already given the list of items which any private sector entrepreneur would like to obtain. It is with the Ordinance Factory Board. It is also available with me and I can read it out (*Interruptions*)

SHRI VIREN J. SHAH: You make it available to them.

SHRI MALLIKARJUN: There is no problem. Whoever may be the entrepreneur, whether he is a big industrialist or a small industrialist, if he comes forward, the information will be furnished. Apart from that, he will be guided also. For example, we are encouraging the young entrepreneurs in the field of Electrical Engineering, Mechanical Engineering, Civil Engineering or Chemical Engineering and recently, with the co-operation of the Development Commissioner for Small Scale Industries, we are encouraging the small-scale entrepreneurs, I mean, the newcomers in this field. We have selected nine points where we are displaying the items. We will be guiding these young entrepreneurs and we will give them all types of initial assistance required by them to come into the field and produce the defence spares and components.

SHRI VIREN J. SHAH: Madam, part (a) of my question was about the... (*Interruptions*) Please don't mind. (*Interruptions*)

THE DEPUTY CHAIRMAN: I don't mind. But the thing is, if you ask one question, he can answer. But if you put two or three questions, he forgets them.

SHRI VIREN J. SHAH: Madam, I have a greater respect for the memory and the confidence of the hon. Minister than you give it to him. (*Interruptions*)

SHRI MALLIKARJUN: I have understood your point.

THE DEPUTY CHAIRMAN: Mr. Bhandare, let him finish. Let the Minister complete the answer. He is answering.

SHRI MALLIKARJUN: The Government is thinking in terms of what the hon. Member desires. So, the point is, now we would like to have a nodal agency from the Defence side so that it would be able to coordinate in whatever manner it could to help the private sector, in order to augment the production and also augment the export in order to earn the foreign exchange.

SHRI MURLIDHAR CHANDRAKANT BHANDARE: Madam, as far as my information goes, there is a very healthy co-operation and coordination between the private sector and our Ordnance and other defence factories, particularly because extensive diversification has taken place in Defence production. Now, we must thank late Krishna Menon for being where we are today and the figures are also encouraging. But I want to caution the hon. Minister that the market with the climate for peace gathering strength and the climate of war receding, the point is not really very strong. He must take notice of that position. I want to ask him whether there is going to be any efforts at coordinating the private sector and the public sector better for a market-oriented process so as to identify the areas of supply and augment our sales in that behalf.

SHRI MALLIKARJUN: Madam, whether it is war or peace, a minimum defence preparedness every country would like to have. When there is a minimum defence preparedness, what every they possess, the requirements for overhauling and other purposes will be a continuous process.

SHRI MURLIDHAR CHANDRAKANT BHANDARE: What are the figures for 1993-94?

SHRI MALLIKARJUN: For 1993-94, we expect Rs. 300 crores. That shows

how cautiously we identify, how cautiously we promote the export and how liberally we encourage and assist the private sector

THE DEPUTY CHAIRMAN: And there is a dual use also of the technology

SHRI SANJAY DALMIA: Madam. I would like to know what the target is for export of defence goods by both the private and public sectors in the next three years. The total export today is a very, very small figure and I think, there is in immense scope for increasing our defence export by the private sector or the public sector. I think, at least one or two million dollars exports would be possible if we do it properly.

And secondly, are there any countries to which the public sector or the private sector is not allowed to export? I know Pakistan and some other Middle-East countries may be there. Which are the countries where the defence goods cannot be exported?

SHRI MALLIKARJUN: So far as our target for the next three-or four years is concerned, we hope that we will, at least, earn foreign exchange to the tune of Rs. 500 crores and in the next five years, the amount will go up to Rs. 1,000 crores. This is regarding the public sector.

So far as the private sector is concerned, Madam, we have given a “no objection” certificate to 14 companies. Though their position of supplying the equipment and its value are not known to us, we have given this certificate to them. So far as the export to other countries is concerned, it depends upon the countries which need our assistance. Now, some companies are exporting to U.K. also. Some companies are supplying goods to various advanced countries like France, Belgium. And the Third-World countries are always there. Now if I can read out the names, Algeria, Poland, Iran—these are the countries to which we are exporting today. I mean, the private sector is exporting to these countries.

SHRI SANJAY DALMIA: Madam, my question was to which countries they are not allowed to export or to which countries they export of defence goods is banned. I know, nobody will be allowed to export goods to Pakistan but there may be some other countries also to which they are not allowed to export:

SHRI MALLIKARJUN: As far as our foreign policy is concerned, there is no country as such for which there is a ban on export except an enemy country, if it is there.

SHRI ASHOK MITRA: Madam Deputy Chairman. I presume, the private units which are being roped in for Defence exports would have some collaboration arrangements with foreign parties. I would like to enquire of the Minister whether sufficient safeguards have been provided to ensure that some of our Defence production secrets are not leaked out to such collaborators.

SHRI MALLIKARJUN: Madam, as per the laid-down policy of the Government of India only some sub-assemblies and components are allowed in the private sector or the civil sector; not the main item like war-ships, tanks and other sophisticated equipment which we produce. (Interruptions)...

THE DEPUTY CHAIRMAN: Don't worry about it. It was an imported question!

SHRI MALLIKARJUN: Thank you, Madam.

SHRI SOMAPPA R. BOMMAI: Madam, the hon. Minister said that entry of the private sector into the Defence industry has not affected the public sector units and the workload of the workers. I would like to know whether the Minister has any knowledge about the fact that most of the ancillaries attached to the Defence service sector like BEL, HAL etc. are closing down because there is no work given to them. Most of the ancillaries have been working for the last ten years. For the last two years there is no workload. They are sick industries now. Has it come to the notice of the Minister that in

most of the factories like HAL, BEL and others there is not sufficient workload? The workers are idle there. You say that it has no effect. I can give you the figures if you want. What is happening in HAL? What is happening in BEL? Most of them have no work. You are paying only salaries. No orders.

SHRI MALLIKARJUN: I am thankful to the hon. Members for bringing out the facts. It is true that because of resource crunch we are not able to place full orders. We are helpless in a way. My Defence Budget is so inadequate that all the Budget allocation goes to the maintenance and contractual obligations and so on and so forth. That is the very crux of the problem. For that reason we are unable to place orders either on HAL or BEL. The ancillaries are not working for this reason. We are planning for diversification where there is spare installed capacity. It is not in the case of HAL alone which is also exporting. So, the main reason is the resource crunch.

SHRI SOMAPPA R. BOMMALI. What are you doing?

THE DEPUTY CHAIRMAN. Shri Swell.

SHRI G. G. SWELL: The Minister is saying that a list of exportable defence equipment is made available to the defence PSUs and the private exporting parties. Now, for our information and enlightenment, can he mention some of these equipment as an illustration? Do they include arms, small arms in particular? Can he name a few countries where our defence equipment are exported to?

THE DEPUTY CHAIRMAN: I think he did. He did mention Algeria, France and some other countries.

SHRI G. G. SWELL: My question is regarding the illustration of equipment and whether they include small arms. I would like him to mention particularly the countries where most of these defence equipment are going.

SHRI MALLIKARJUN: Madam, so far as the list is concerned, I can read it out. But I think it is nothing but a waste of time. So far as the arms are concerned, small arms and ammunition, detonators and like things are mostly exported to the Third World countries.

Earnings of Private Airlines

*262. SHRI MISA R. GANESAN:†

SHRI TINDIVANAM G.
VENKATRAMAN:

Will the Minister of CIVIL AVIATION AND TOURISM be pleased to state:

(a) how many Indian private airways are now operating within and outside India;

(b) what were their total earnings in the last few months of their commencement till January 1994; and

(c) what is the loss of amount to Indian Airlines and Air India after the commencement of these private airlines?

THE MINISTER OF CIVIL AVIATION AND TOURISM (SHRI GHULAM NABI AZAD): (a) to (c) A Statement is laid on the table of the House.

Statement

*262. SHRI MISA R. GANESAN:†

(a) As on 15.3.1994, fourteen Air Taxi Operators are operating in the country. They are not permitted to operate outside India.

(b) Air Taxi Operators are not required to furnish such information to Government.

(c) while Air India has not been affected, Indian Airlines has reported loss of revenue amounting approximately to Rs. 117 crores in 1992-93 and Rs. 370

†The Question was actually asked on the floor of the House by Shri Misa R. Ganesan.