

16

STANDING COMMITTEE ON DEFENCE
(2006-2007)

(FOURTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(2007-2008)

SIXTEENTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

April, 2007/Vaisakha, 1929 (Saka)

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MINISTRY OF DEFENCE

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(2007-2008)

Presented to Lok Sabha on 28.04.2007.

Laid in Rajya Sabha on28.04.2007



LOK SABHA SECRETARIAT

NEW DELHI

April, 2007/Vaisakha, 1929 (Saka)

CONTENTS

		PAGES
COMPOSITION OF THE COMMITTEE		(ii)
PREFACE		(iv)
CHAPTER – I	General Defence Budget.....	1
CHAPTER - II	Defence Planning.....	40
CHAPTER - III	Army	51
CHAPTER - IV	Navy	78
CHAPTER - V	Air Force	95
CHAPTER – VI	DRDO.....	116
CHAPTER – VII	Special facilities for War Disabled Veterans.....	123
CHAPTER – VIII	Welfare of Ex-Servicemen.....	131
CHAPTER – VIII	Civil Estimates of the Ministry of Defence.....	135
Annexure –I	145
Annexure – II	Abbreviations used in the Report.....	154
APPENDICES	

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2006-07)

Shri Balasaheb Vikhe Patil - Chairman

MEMBERS

LOK SABHA

2. Shri Churchill Alemao
3. Shri S. Bangarappa
4. Shri Milind Murli Deora
5. Shri Santosh Gangwar
6. Shri Ramesh C. Jigajinagi
7. Shri Suresh Kalmadi
8. Shri C. Kuppusami
9. Dr. K.S. Manoj
10. Ms. Ingrid Mcleod
11. Shri Asaduddin Owaisi
12. Shri Adhalrao Shivaji Patil
13. Shri Shrinivas Patil
14. Shri Rajendrasinh Ghanshyamsinh Rana (Raju Rana)
15. Dr. H.T. Sangliana
16. Shri Arjun Charan Sethi
17. Prof. Mahadeorao Shiwankar
18. Shri Manvendra Singh
19. Shri Balashowry Vallabhaneni
20. Shri Rajesh Verma

RAJYA SABHA

21. Dr. Farooq Abdullah
22. Shri Jai Parkash Aggarwal
23. Shri Abu Asim Azmi
24. Smt. Shobhana Bhartia
25. Shri R.K. Dhawan
26. Smt. N.P. Durga
27. Shri S.P.M. Syed Khan
28. Shri K.B. Shanappa
29. Shri Arun Shourie
30. Smt. Viplove Thakur

SECRETARIAT

- | | | | |
|----|------------------------|---|-------------------------|
| 1. | Shri S. K. Sharma | - | Additional Secretary |
| 2. | Shri P.K. Bhandari | - | Joint Secretary |
| 3. | Shri Gopal Singh | - | Director |
| 4. | Shri D.R. Shekhar | - | Deputy Secretary-II |
| 5. | Smt. Jyochnamayi Sinha | - | Under Secretary |
| 6. | Shri Rahul Singh | - | Committee Officer |
| 7. | Shri Nilendu Kumar | - | Sr. Executive Assistant |
| 8. | Smt. Indu Kaushal | - | Executive Assistant |

PREFACE

I, the Chairman, Standing Committee on Defence (2006-07) having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on the Demands for Grants of the Ministry of Defence for the year 2007-08.

2. The Committee examined the Demands for Grants pertaining to the Ministry of Defence for the year 2007-08, which were laid on the Table of the House on 08 March 2007.

3. The Committee took evidence of the representatives of the Ministry of Defence on 13, 22, 23 March and 12 April, 2007. The Committee also took the evidence of the representatives of the Ministry of Finance on 30 March 2007. Besides expert opinion of the representatives of Disabled War Veterans (India) Regd. and All India Ex-Services Welfare Association (Regd.) on 12 April 2007. The Committee considered and adopted the report at their sitting held on 20 April 2007.

4. The Committee wish to express their thanks to the representatives of the Ministry of Defence, Ministry of Finance and the non-official experts for appearing before the Committee for evidence and for furnishing the valuable 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 2007-08.

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

NEW DELHI;
25 April 2007
05 Vaisakha, 1929 (Saka)

BALASAHEB VIKHE PATIL,
Chairman,
Standing Committee on Defence

REPORT

CHAPTER I

BRIEF ON ACTION TAKEN REPORT ON DEMANDS FOR GRANTS (2006-07)

The Committee in their 11th Report on Demands for Grants (2006-07) presented to Parliament on 23 May 2006, had examined the Demands for Grants of the Ministry of Defence contained in eight Demands. These are as under:

1. Demand No. 20 – Ministry of Defence
2. Demand No. 21 – Defence Pension
3. Demand No. 22 – Defence Services – Army
4. Demand No. 23, Defence Services – Navy
5. Demand No. 24, Defence Services – Air Force
6. Demand No. 25, Defence Ordnance Factories
7. Demand No.26, Defence Services – Research & Development
8. Demand No. 27, Capital Outlay on Defence Services

1.2 The report contained 55 recommendations. The Action Taken Replies to all the recommendations of the Committee have been received by the Committee. The Action Taken Replies to 30 recommendations i.e. 55 percent of the Committee's recommendations were accepted by the Government. These recommendations pertained to the following issues:

- i) Need to have comprehensive review of security scenario, adequate contingency plan and maintain high level preparedness.
- ii) Need to have a separate specialised force to handle internal security
- iii) Need to strengthen R&D in Defence Sector and Private Sector Participation
- iv) Need to bridge the gap between the projections and budgetary allocations
- v) Need to augment the capital budget of Army
- vi) Strict adherence to the parameters while submitting acquisition proposals
- vii) Married Accommodation Project (MAP)
- viii) Tenth Plan and Long Term Integrated Perspective Plan
- ix) Eleventh Defence Plan
- x) Modernization of Army

- xi) Night Fighting Devices
- xii) Procurement of Artillery Guns at the earliest
- xiii) MBT Arjun Tank
- xiv) Production of radar
- xv) Light Combat Aircraft (LCA)
- xvi) Force multipliers in Indian Air Force
- xvii) Upgradation of Aircraft
- xviii) Upgradation of Sukhoi-30 MK1
- xix) Fifth Generation Fighter Aircraft
- xx) Procurement of multi-role helicopters
- xxi) R & D expenditure
- xxii) Force level of coast guard
- xxiii) Need to intensify patrolling operation by Indian Coast Guard
- xxiv) Computerization of Land Record and measure taken to make the deficit cantonment self-sufficient
- xxv) Restructuring of Defence Estate Organization
- xxvi) Separate Bill for the management of Defence Lands
- xxvii) Ex-Servicemen Contributory Health Scheme (ECHS)
- xxviii) Allotment of available surplus land to the Armed Forces Personnel
- xxix) Need to explore various international standard games for the participation of Indian Naval Personnel

1.3 In view of the reasons forwarded by the Government, the Committee did not desire to pursue Action Taken Replies to 9 recommendations. These are as under:

- i) Chief of Defence staff
- ii) Modernization of Indian Navy and Construction of Air Defence ship
- iii) Enhance the features of Air Defence ship
- iv) Adequate coverage of Radars
- v) Conversion of units of HAL to separate PSUs
- vi) Modernization of missiles firing units
- vii) Granting benefit of thirty-three years qualifying service to the PBOR
- viii) Separate Pay Commission for Armed Forces Personnel
- ix) Need to constitute a core group of military disaster management

1.4 The Committee did not in accept of the Replies furnished by the Government in respect of their 13 recommendations on which the Committee have given their comments and the Ministry have been asked to furnish further action taken replies:

- i) Need for restructuring and modernizing the Armed Forces

- ii) Need for advance planning for hundred per cent utilization of capital expenditure
- iii) Financial Delegation to Service HQs
- iv) Defence Modernization Fund
- v) Indian National Defence University (INDU)
- vi) Need to ensure ToT in case of procurement of Guns
- vii) DGQA
- viii) Completion of Air Defenceship as per schedule
- ix) Need to augment the maritime surveillance air craft capability and Strengthening of Indian Navy
- x) Adequate coverage of Radars
- xi) Delegation of in-house R&D to DPSUs and OFs
- xii) Fixing of target for self-reliance in Eleventh Defence Plan
- xiii) One Rank One Pension

1.5 Further, Action Taken Replies to three recommendations received from the Ministry are interim in nature and the Ministry have been asked to furnish further Action Taken Replies on these recommendations:

- i) Bullet Proof Jacket
- ii) Squadron Strength of Air Force
- iii) Dependant Pension for unmarried daughters of Ex-Servicemen

CHAPTER II

BRIEF INTRODUCTION ON DEMANDS FOR GRANTS (2007-08)

1.6 The Budget of the Ministry of Defence is contained in Eight Demands. The Budgetary requirements for the Civil expenditure are provided in the following two Demands for Grants:

Demand No. 20, Ministry of Defence

Demand No. 21, Defence Pension

1.7 The requirement for the Civil expenditure of the Ministry of Defence include Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estate organisation, Coast Guard Organisation, JAKLI etc. and Defence pensions are provided for in two separate Civil Demands for Grants of the Ministry of Defence, viz. Demand No. 20 - Ministry of Defence (Civil) and Demand No. 21 - Defence Pensions. These are not included in the overall Defence allocation of Rs. 96,000 crores in Budget Estimates 2007-08. The requirement of Border Roads Organisation are provided for by the Ministry of Road Transport and Highways.

1.8 The budgetary requirements for the Defence Services commonly known as Defence Budget are included in the following six Demands for Grants presented to Parliament:-

Demand No. 22, Defence Services - Army

Demand No. 23, Defence Services – Navy

Demand No. 24, Defence Services – Air Force

Demand No. 25, Defence Ordnance Factories

Demand No. 26, Defence Services – Research & Development

Demand No. 27, Capital Outlay on Defence Services

1.9 The 'running' or 'operating' expenditure of the three Services and other Departments viz. DRDO, DGOF, DGQA, NCC, 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. The Demand No. 22(Defence Services – Army) caters to the Revenue Expenditure of Army, NCC and DGQA and Demand No. 23 (Defence Services – Navy) caters to Navy and Joint Staff.

1.10 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 their miscellaneous expenditure. The Capital expenditure includes expenditure on Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. The expenditure on items which have a unit value of Rs. 10 lakhs and above and a life span of 7 years or more, is debited to the Capital Heads.

DEFENCE SERVICES ESTIMATES

1.11 An allocation of Rs. 96,000 crore has been provided for Defence services in BE (2007-08). There is an increase of 7.83 percent, against BE(2006-07) and 11.63 percent, against RE(2006-07).

1.12 The Budget Estimates for the year 2007-08, as compared with the Budget and Revised Estimates for 2006-07 and the actual expenditure during the year 2005-2006 are summarized below:

	Actuals, 2005-06	Budget Estimates 2006-07	Revised Estimates, 2006-07	Budget Estimates, 2007-2008
REVENUE EXPENDITURE				
Gross Expenditure : Voted	51302.98	54581.71	54355.83	57049.19
Charged	19.36	22.73	24.96	20.53
Total	51322.34	54604.44	54380.79	57069.72
Receipt and Recoveries	3111.23	3062.44	2838.79	2991.72
Net Revenue Expenditure	48211.11	51542.00	51542.00	54078.00
CAPITAL EXPENDITURE				
Gross Expenditure : Voted	32326.30	37444.25	34380.60	41857.60
Charged	11.57	13.75	77.40	64.40
Total	32337.87	37458.00	34458.00	41922.00
Recoveries on Capital Account	-	-	-	-
Net Capital Expenditure	32337.87	37458.00	34458.00	41922.00
Net Revenue Expenditure	80548.98	89000.00	86000.00	96000.00

1.13 The **Demand-wise position of allocation during B.E. and R.E. of 2006-07 and B.E. of 2007-08** is as under:

(Rs. in crores)

<u>Demand</u>	<u>BE 2006-07</u>	<u>RE 2006-07</u>	<u>BE 2007-08</u>
1. Army (Revenue expdr. of Army, NCC and DGQA)	33205.14	33173.76	35194.26
2. Navy (Revenue expdr. of Navy and Joint Staff)	6791.78	6890.42	7050.11
3. Air Force (Revenue expdr. of Air Force)	10087.36	10117.81	10430.36
4. Defence Ordnance Factories (Revenue expdr. of Ord. Factories)	1500.08	1168.08	1192.52
5. Research & Development	3020.08	3030.72	3202.47
6. Capital Outlay on Defence Services (Capital expdr. of all Services/Deptts)	37458.00	34458.00	41922.00
Total (Gross)	92062.44	88838.79	98991.72
Receipts / Recoveries	3062.44	2838.79	2991.72
Total (Net)	89000.00	86000.00	96000.00

1.14 Out of the Revised Estimates of Rs. 86000.00 crore for 2006-07, the provision for Revenue Expenditure is Rs. 51542.00 crore, while that for Capital expenditure is Rs. 34458.00 crore.

1.15 The Budget Estimates for 2007-08 work out to Rs. 98991.72 crore (Gross) and Rs. 96000.00 crore (Net). The provision for Revenue expenditure is Rs. 54078.00 crore, while that for capital expenditure is Rs. 41922.00 crore.

1.16 A comparison of the Service / Department-wise allocation in RE 2006-2007 and BE 2007-08 is given below :

(Rupees in crore)

Service/ Deptt.	R.E. 2006-2007	%age of Total Budget	B.E. 2007-2008	%age of Total Budget
Army	41730.28	48.52%	45316.54	47.20%
Navy	15794.37	18.37%	17529.44	18.26%
Air Force	22874.01	26.60%	27021.74	28.15
DGOF	(-) 238.10	(-) 0.28%	(-) 202.41	(-) 0.21%
R&D	5457.37	6.35%	5887.22	6.13%
DGQA	382.07	0.44%	447.47	0.47%
Total	86000.00	100.00%	96000.00	100.00%

GROWTH OF DEFENCE EXPENDITURE VIS-À-VIS OTHER ECONOMIC PARAMETERS

1.17 The following table shows the Defence Expenditure as percentage share of Central Government expenditure since last five years:

Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp % of Central Government Expenditure
2003-2004	60066	471368	12.74
2004-2005	75856	497682	15.24
2005-2006	80549	506123	15.91
2006-2007	86000	581637 (RE)	14.79
2007-2008	96000	680521 (BE)	14.11

1.18 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 GDP
1991-92	2.50
1992-93	2.35
1993-94	2.54
1994-95	2.30
1995-96	2.26
1996-97	2.16
1997-98	2.32
1998-99	2.29
1999-2000	2.40
2000-2001	2.35
2001-2002	2.38
2002-2003	2.27
2003-2004	2.18
2004-2005	2.43
2005-2006	2.26
2006-2007	2.10
2007-2008	2.07

1.19 The Defence Budget for 2007-08 is only 2.07 per cent (provisional) of the GDP for the coming fiscal year, as against 2.10 per cent in the previous year. In the last four fiscal year since 2004-05, Defence expenditure as a percent of GDP has continuously declining and is far low below the percentage expenditure of GDP during the year 1987-88 i.e. 3.38 percent. Similarly, Defence expenditure as a percentage of total Central Government expenditure for the year 2007-08 has come down to 14.11 percent from 14.79 percent in the previous year. In the last four years, there has been a continuous decline on this front.

1.20 During the Briefing, the representative of the Ministry of Defence stated as under:

“In relation to Central Government expenditure, our share has fallen compared to the previous years and many of the earlier years. It now stands at 14.11 percent. We have to see whether we are in a position to improve upon it. As share of GDP, it is stagnant at 2.1 percent which is what was the situation last year. But in earlier years, we had 2.3 percent and 2.4 percent. We have been trying to attain the level of three percent of the GDP, which used to be the case earlier.”

1.21 During oral evidence session of the Ministry of Finance, when asked, whether it would not be feasible to fix a specific percentage of GDP for Defence, in order to ensure an assured availability of funds for Defence, the representative of the Ministry of Finance stated:

“There are many arguments in this regard. This is a matter which has been debated over several years. The argument is that what is the relationship of defence expenditure with the external parameter like the GDP? GDP shows you the rate of growth. The defence expenditure is related to your threat perception, essentially. This debate has not settled. I am only putting the pros and cons of the situation. It can be argued that, in a country like India which has a large segments of disadvantaged, not included in the growth process, as the GDP grows a larger amount should be allocated to the welfare of those people rather than spending it more on arms and ammunitions. That is the argument. It may not go well with the Armed Forces. It is a political choice. It is a guns versus butter choice. With this perspective in mind, this debate remains unresolved as to whether the defence expenditure should be fixed as a percentage of

the GDP. This argument can be extended to other sectors. But this is a political choice. It is a matter not really left to bureaucrats like us.”

RECOMMENDATION SL. NO. 1

1.22 The issue of defence preparedness and our ability to meet the threat perception is closely related to the quantum of funds made available to our services. In this regard, the Committee are distressed to note that five year Defence plans have lost their utility for resource planning, as 10th Defence plan got tentatively approval at the end of its specified period and 11th plan which begins from April, 2007 is yet to get final clearance form the Ministry of Finance. The Committee also observe that every year the annual budgetary allocation for the armed forces particularly for capital acquisition is being reduced at RE stage as a result of which a number of schemes do not fructify which causes delay and cost overruns in the modernisation of the Armed forces. The Budget outlay for the year 2007-08 indicates that the allocations have been increased to Rs. 96,000 crore i.e. an increase of around 11 percent growth over the BE 2006-07. Given an inflation rate of 5 to 6 percent, the increase is marginal. In this context, the Committee are concerned to note that Defence outlay since 2004-05 as a percentage of GDP has been continuously declining. Defence outlay during 2006-07 was 2.10 percent of GDP. During the year 2007-08, the percentage of Defence outlay to GDP has been further reduced to 2.07 percent. The Committee therefore, strongly recommend that the Ministry of Defence should take up the matter with the Ministry of Finance for providing a minimum 3% of GDP for Defence Services every year in order to ensure a fixed amount to carry out their modernisation, Capital acquisition and R&D Programme and fulfil the need based requirements of the Defence Forces.

PROJECTION MADE BY THE THREE SERVICES AND BUDGETARY ALLOCATION DURING THE YEAR 2007-08

1.23 Projection of funds flow from the Services Acquisition Plan, which are examined thoroughly in the Ministry of Defence and are based on the requirements to meet the changing security environment and threat perception

1.24 The Ministry have informed that the three Services and the Defence Departments projected a total requirement of Rs. 103940.47 crores for 2007-08. Of this, Rs. 58900.35 crores were under Revenue and Rs. 45040.12 crores under Capital. The Ministry of Finance have allocated Rs. 96000.00 crores. Of this, Rs. 54078.00 crores have been provided under Revenue and Rs. 41922.00 crores under Capital outlay.

1.25 Service-wise/Department-wise position of projection & BE for 2007-08 is given as under:

(Rs. in crore)

Service/ Department	Projections made by Services/Deptts.	Budget Allocation as per ceiling made by MOF	Shortfall of (3) over (2)	% age shortfall
(1)	(2)	(3)	(4)	(5)
Army	49809.00	45316.54	4492.46	9.02
Navy	18387.80	17529.44	858.36	4.67
Air Force	28073.38	27021.74	1051.64	3.57
DGOF	340.52	-202.41	542.93	159.44
R & D	6931.17	5887.22	1043.95	15.06
DGQA	398.60	447.47	No shortfall	
Total	103940.47	96000.00	7940.47	7.64

1.26 When asked by the Committee, the reasons for making less allocation than that projected by the Services, the Ministry of Finance in their written replies stated:

“An amount of Rs. 1,03,940 crore was projected as expenditure by Ministry of Defence during 2007-08. Against this projection, an amount of Rs. 96,000 crore has been provided in 2007-08 ensuring an overall increase of about 12% over the allocation of Rs. 86,000 crore made in RE 2006-07 assuming a normal growth 5% in Revenue expenditure and 22% growth in Capital expenditure. Allocation of budgetary resources is made keeping in view the overall resource position of the Government as also the various competing needs of different sectors. It may, however, be mentioned that while presenting the Budget for the year 2007-08, Finance Minister had, in his budget speech, stated that “any additional requirement for the security of the nation will be provided”.

1.27 When asked by the Committee, how the Ministry of Finance compare the needs of the various other sectors with the Defence Services, the Ministry of Finance in a related reply stated:

“The Revised estimates for ‘Defence Services’ is arrived at after due consultation with Secretary (Defence Finance). The actual expenditure incurred by the Ministry of Defence upto December of the financial year in the instant case, 2006-07, was Rs. 53,256.19 crore. Taking into consideration the trend of expenditure during the year as also the sanctions in the pipeline, contractual and committed liabilities for which funds would be required during the remaining part of the financial year, the expenditure ceiling in RE of the financial year 2006-07 was decided at Rs. 86,000 crore. Inter-Service allocation of Funds as well as scheme-wise allocations of funds is left to the Ministry of Defence.”

RECOMMENDATION SL. NO. 2

1.28 The Committee note that projection of funds by the three services flow from the Services Acquisition plan, which are examined thoroughly in the Ministry of Defence and are based on the requirements to meet the changing security environment and threat perception. Based on these requirements, the Defence Services and Departments had made projection of Rs. 1,03,940 crore for the year 2007-08 (The provision for Revenue expenditure is Rs. 58900 crore and capital expenditure is Rs. 45040 crore). Against this the Ministry of Finance have made an allocation of Rs. 96,000 crore(The provision for Revenue expenditure is Rs. 54078 crore and capital expenditure is Rs. 41922 crore). This allocation accounts for 7.87 percent increase over the Budget estimate for the year 2006-07 and 11.63 percent increase over the Revised estimate for the year 2006-07. However, there is a gap of Rs. 7,940.47 crore between the projections made by the Ministry and the allocation made in the budget. This shortfall is reflected in both the Revenue and Capital expenditures. The Shortfall in the Revenue side is Rs. 4822 crore i.e. 8.19 percent. In the capital side, the shortfall is Rs. 3118 crore i.e. 6.92 percent.”

1.29 The Committee also note that the Ministry of Finance apply the general rule for resource allocations to various sectors i.e. “the overall resource position of the Government and also the various competing needs of different sector”. The Committee however feel that the defence sector needs a different treatment and strongly recommend that the Government must allocate the amount as projected by the Defence services, so that the defence acquisition programme and modernisation of Armed Forces may not face any resource crunch and adversely affect the country’s defence preparedness in any manner.

The Committee also desire that the Ministry of Defence should make a study to find out area where wasteful expenditure can be avoided and valuable resources can be saved in order to utilise that amount for modernisation of Armed Forces.

RATIO OF REVENUE TO CAPITAL EXPENDITURE

1.30 The Revenue expenditure includes expenditure on Pay & Allowances, Transportation, Revenue Stores (like Ordnances stores, supplies by Ordnances 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.

1.31 The Capital expenditure includes expenditure on Land, Construction Works, Married Accommodation Project and for Capital Acquisitions etc.

1.32 The comparison of total revenue and capital ratio during 9th plan, 10th plan and BE 2007-08 is as under:

	Revenue Ratio	Capital Ratio
IXth Defence Plan (Average)	74	26
Xth Defence Plan (Average)	64	36
BE 2007-08	56	44

1.33 The comparison of revenue and capital ratio of the three services during the 9th Plan, 10th Plan and BE 2007-08 is as under:

	Army		Navy		Air Force		Total	
	Rev	Cap	Rev	Cap	Rev	Cap	Rev	Cap
IXth Defence Plan (Average)	86	14	48	52	60	40	74	26
Xth Defence Plan	79	21	43	57	45	55	64	36

(Average)								
BE 2007-08	74	26	40	60	38	62	56	44

1.34 The growth of Revenue expenditure of the three Services during 9th and 10th Defence Plan is as under:-

(Rs. in Crores)

Year	Revenue	% Growth	Capital	% Growth	Total	% Growth
1997-98	26174	24.66	9104	6.99	35278	19.57
1998-99	29862	14.09	10036	10.24	39898	13.09
1999-00	35216	17.92	11855	18.12	47071	17.98
2000-01	37238	5.74	12384	4.46	49622	5.42
2001-02	38059	2.20	16207	30.86	54266	9.36
2002-03	40709	6.96	14953	(-) 7.73	55662	2.57
2003-04	43203	6.12	16863	12.77	60066	7.91
2004-05	43862	1.52	31994	89.73	75856	26.29
2005-06	48211	9.92	32338	1.10	80549	6.19
2006-07 (RE)	51542	6.91	34458	6.56	86000	6.76

1.35 The growth of capital acquisition during the last ten years is as under:

Year	Capital Budget	Capital Acquisition	Capital Acquisition as % of Capital	Growth rate of Capital Acquisition
1998-99	10036	8663	86.32	13.09
1999-00	11855	10219	86.20	17.95
2000-01	12384	10502	84.80	2.77
2001-02	16207	14430	89.04	27.99
2002-03	14953	12939	86.53	(-) 10.33

2003-04	16863	14584	86.49	12.71
2004-05	31994	27209	85.04	86.96
2005-06	32338	25491	78.83	(-) 6.31
2006-07 (RE)	34458	26774	77.70	5.03
2007-08 (BE)	41922	32827	78.31	22.61

From the above tables, it is very much pertinent to infer that the share of capital expenditure in comparison to the revenue expenditure is increasing. In the 9th plan, the ratio of revenue expenditure was 74% and the ratio of capital expenditure was 26%. In the 10th plan which has ended on 31st March, 2007, the share of capital expenditure has further improved to 64:36 and in the current year namely, 2007-08, it further improved to 56 percent for revenue and 44 percent for capital.

1.36 During the briefing, the representative of the Ministry of Defence stated :

“The other major aspect which is of concern is the share between revenue and capital. In the 8th Plan it used to be 70 per cent for revenue spending and 30 per cent for capital. This improved in the Ninth Plan. It was 74 percent versus 26 per cent. In the 10th Plan which is going to end on 31st the share has further improved to 64:36 and in the current year, namely, 2007-08, it further improved to 56 percent for revenue and 44 percent for capital. So, that shows the determination of the Services and the Ministry of Defence to provide greater outlays for modernisation and try to contain revenue to the extent it is containable. That is the other aspect that has to be recognized and most of it is linked to acquisition, authorization of certain usage, the norms for various weapon platforms, equipment and also linked to war waging reserves and all that cost money which is funded from the revenue it is not as if there is far too much of flexibility in the matter of containing revenue. I would add that in the last two years there were disasters and we have to meet disaster management which requires a far greater expenditure on deployment of Armed Forces. The expenditure is out of the revenue and this is what is also beyond a certain reduction of revenue expenditure may not be possible but what is being done is that a fine balance is being brought about to make it optimal.

1.37 The Defence Secretary further stated:

“Navy and Air Force have distinctly a lower rate of increase as far as revenue is concerned. Army, because of the nature of its work, has a requirement and, therefore, it has to be balanced. So, what we are trying with all these reiterations is consultation. So, while we want everybody to come to a discipline that there should be a lower revenue expenditure but we also recognize that beyond a certain point we cannot. If the increase in the revenue are not allowed in the Defence budget, since the revenue expenditure cannot be further curtailed, the expenditure in terms of capital will have to be restricted. So that is where I think the interaction between the Finance Ministry and the Ministry of Defence has to go on.”

1.38 When asked about the area in which revenue expenditure is going down, the Defence Secretary, during deposition before the Committee stated:

“it is not on account of manpower. There are inventory control mechanisms and various other mechanisms by which revenue expenditure can be brought under control. All those mechanisms have been done. But beyond a certain point, we cannot lower down the revenue expenditure”.

1.39 When asked whether the Ministry have made any exercise in regard to the minimum ceiling on revenue expenditure, the representative of the Ministry of Defence during oral evidence stated:

“This was behind our Eleventh Plan exercise that the very minimum that needs to be allocated for revenue spending by each of the Services. So, there is very modest growth ranging between eight and nine percent for all the essential needs – for ammunition, for various types of stores, for meeting of WWR needs and all that. With each Service, we have had extensive discussions and that is how, it was arrived at. If we were to get what is projected in the Eleventh Plan, we will be very comfortable. Post-Eleventh Plan exercise, prices of some items have gone up or there is impact of inflation. That way, may be we find the revenue expenditure projections for the three Services somewhat inadequate”.

1.40 In regard to the decrease in share of revenue expenditure of Army, when asked whether the Ministry have carried out a study in regard to the items / equipment which are durables, not consumable and not consumed from time to time, the representative of the Ministry of Defence stated:

“Traditionally, Army has had the largest share of revenue. What has happened over the years, the period that we are talking about, is that the revenue expenditure has grown somewhat modestly for all the three Services, but in the capital expenditure, there has been very substantial growth and Army did not get that kind of a share. That major share went to the Air Force and Navy because of the kind of acquisitions which were made during those years when the sharp increase in the capital budget took place. That is how Army’s percentage of the total defence allocation has gone down.

We cannot afford to curtail that, particularly in respect of Army and also for Air Force and Navy. This revenue spending, which goes into their budget, is very essential for ensuring the readiness level of various weapon platforms that they have. If they have to maintain 70, 80 or 85 percent level of serviceability, all those spares are needed, all those consumables are needed. All the ammunition gets funded through revenue budget. So, if we have to have enough ammunition to fire from various types of weapons that we have, revenue spending has to remain at a reasonable level.

There is one more dimension because Army has higher proportion than the other two Services of items which are all vintage, bordering obsolescence and not too new.”

RECOMMENDATION SL. NO. 3

1.41 The Committee note that since 9th Defence plan, the ratio of Capital to Revenue expenditure has been increasing. This indicates the determination of the services and the Ministry of Defence to provide greater outlays for modernisation and initiative to contain revenue expenditure to the extent it is containable. However, it is pertinent to mention here that revenue expenditure is meant to maintain weapon platform and equipment as well as supply of ammunition and fuel cost. Besides, the armed forces require some amount of revenue expenditure to meet the disaster management. During evidence, the representative of Ministry of Defence also admitted that beyond a certain point, revenue expenditure can not be curtailed as that may hamper defence preparedness and the allocation for revenue expenditure for the year 2007-08 is inadequate. The Committee, while stressing the overneed for reduction of revenue expenditure, also feel that due precaution should be taken in the matter so as not to adversely affect the defence preparedness of the country.

CAPITAL EXPENDITURE

1.42 The main components of Capital Budget in tabular form is as follows:

	Actual 2005-06	BE 2006- 07	RE 2006-07	BE 2007-08	% increase (BE 06- 07 to BE 07- 08)	% increase (RE 06- 07 to BE 07- 08)
Land	70.07	88.17	97.40	149.87	69.98	53.87
Works	1778.79	1681.70	2192.80	2293.64	36.39	4.60
MAP	764.44	1390.00	1474.46	1819.34	30.89	23.39
DGOF issues	1344.55	1325.15	1031.80	1483.90	11.98	43.82
Other (incl. Med. Eqpt., NCC, ECHS, RR etc.	2889.49	2982.15	2887.15	3348.45	12.28	15.98
Cap. Acq.	25490.53	29990.83	26774.39	32826.80	9.46	22.61
Total Capital	32337.87	37458.00	34458.00	41922.00	11.92	21.66

1.43 The Capital outlay provides allocation for Land & Construction Works, Married Accommodation Project and for Capital Acquisitions, etc. as given below:

(Rs. in crores)

B.E. 2007-08		
Revenue (Net)		54078.00
Capital		41922.00
Land & works of 3 Services & Joint Staff	2547.84	
Married Accommodation Project	1819.34	
DGOF Issues	1483.90	
DRDO, DGOF and Other Defence Deptts.	3244.12	
Capital Acquisition	32826.80	
Committed Liabilities	19214.32	
New Schemes	13612.48	
Total Revenue + Capital (Net)		96000.00

1.44 When asked to state the share of Capital Acquisition Budget for Modernisation in Capital Budget since 2005-06, the Ministry have furnished the following information:

Year	Total Cap. Budget	Budget for Capital Acquisition Modernisation	%age of total Cap. Budget
2005-06	32337.87	25490.53	78.83
2006-07(RE)	34458.00	26774.39	77.70
2007-08 (BE)	41922.00	32826.80	78.30

From the above tables, it can be inferred that there is a reduction of allocation from Rs. 29990.83 crore to Rs. 26774.39 crore at RE stage. The percentage increase of the allocation relating to capital acquisition from BE 2006-

07 to BE 2007-08 is 9.46 percent. The percentage increase of the allocation relating to capital acquisition from RE 2006-07 to RE 2007-08 is 22.61 percentage. The percentage of capital acquisition budget for modernisation to the total capital budget ranges to 77% to 78% since 2005-06. Out of the BE of Rs. 32826.80 crore during the year 2007-08, for capital acquisition, Rs. 19214.32 crore is for committed Liabilities and only Rs. 13612.48 crore for New Schemes.

1.45 When asked whether the marginal increase in the capital Budget and the amount for New Schemes is sufficient the Ministry of Defence, in their written replies stated:

“Considering the present status of new schemes/ projects, the BE 2007-08 allocation is sufficient to meet the requirement for modernisation of Armed Forces, both for committed liabilities and schemes/projects. Additional funds, if required, would be projected at the RE stage.”

1.46 On being asked by the Committee about the break-up of Capital Acquisition made from indigenous source and imported since 2000-01, the Ministry have furnished the following table:

Year	Expenditure on procurement from indigenous sources (Rs. in crore)	Expenditure on procurement Ex-import (Rs. in crore)	Total Capital Acquisition expenditure (Rs. in crore)	Percentage of expenditure on procurement from indigenous sources w.r.t. total capital acquisition expenditure
2000-01	4680.68	5821.23	10501.91	44.57
2001-02	7216.99	7212.60	14429.59	50.00
2002-03	4961.32	7977.32	12938.64	38.34
2003-04	6370.28	8213.48	14583.76	43.58
2004-05	11656.86	15551.71	27208.57	42.84

RECOMMENDATION SL. NO. 4

1.47 The Committee note that there is an increasing trend in the Capital expenditure of the three Services which reflects their intention to spend more on the modernisation programme. However, the Committee are pained to note that the allocation for capital acquisition has been drastically reduced from Rs. 29990.83 crore to Rs. 26774.39 crore at RE stage during the year 2006-07. The Committee further note that out of Rs. 32826.80 crore at BE allocated during the year 2007-08, for capital acquisition, Rs. 19219.32 crore is for committed liabilities under agreements signed for procurement of defence equipment leaving only about Rs. 13612.48 crore for the new schemes/acquisitions. The Committee are given to understand that the Ministry of Defence are content with the amount left for new schemes/projects and additional amount if required any, would be made available as agreed to by the Ministry of Finance.

1.48 Therefore, the Committee strongly recommend that the Ministry of Defence should complete all the procedural formalities for procurement before the month of September, in order to avoid cut in the capital acquisition budget allocation at the RE stage. This will further facilitate the Ministry of Defence to allocate more funds for the new schemes instead of earmarking larger percentage of capital acquisition budget for committed liabilities.

1.49 The Committee note with concern that since 2000-01 onwards the Ministry of Defence have been spending huge amount on Capital acquisition for procurement of equipment through import and only 40 – 45 percent of allocated funds for capital acquisition is being spent for procurement of Capital items from indigenous sources. Therefore, the Committee would like to reiterate their earlier recommendations, given in

various reports to boost fundamental R&D and encourage the DPSUs, Ordnance Factories and Private Sector to increase indigenisation and reduce foreign dependence. The Committee also recommend that the forces should undertake relevant R&D on the line of Navy as per their requirement.

REDUCTION OF FUNDS IN REVISED ESTIMATE STAGE – NEED FOR EXPEDITIOUS CLEARANCE OF PROPOSALS

1.50 The Budget Estimate , Revised Estimate, Actuals and surrender of allocation, for the defence services from the year 2002-03 is as under:

Rs. in crore

Year	BE	RE	Actuals	Shortfall (RE – Actual)	Surrender (BE – RE)
2002-03	65000.00	56000.00	55661.83	338.17	9000.00
2003-04	65300.00	60300.00	60065.80	234.20	5000.00
2004-05	77000.00	77000.00	75855.92	1144.08	0.00
2005-06	83000.00	81700.00	80548.98	1151.02	1300.00
2006-07	89000.00	86000.00	-	-	3000.00
2007-08	96000.00	-	-	-	-

1.51 Figures shown in the above table shows that there is reduction of allocation from BE to RE & from RE to actual since 2002-03 except in the year 2004-05. shows thereby shortfall / under utilisation of budgetary allocations.

1.52 It may seen that during the year 2006-07 of Rs. 89,000 crore was reduced to Rs. 86,000 crore in R.E.(2006-07) thereby showing a reduction of Rs. 3000 crore. The reduction has been made in the Capital allocation which was reduced from Rs. 37458 crore provided in BE (2006-07) to Rs. 34458 crore in RE (2006-07). The BE and RE 2006-07 in respect of Revenue are the same at Rs. 51542 crore.

1.53 When the Committee asked to know the percentage expenditure of the Ministry of Defence during the first, second and third quarters of the year 2006-07, they detailed as follows:

Period	Actual expenditure		Expenditure during the quarter as percent of BE
	During the quarter	Progressive expenditure	
First quarter upto June '06	13,282	13,282	15%
Second quarter upto September '06	18,815	32,097	21%
Third quarter upto December '06	21,140	53,237	24%

1.54 On being asked by the Committee whether the reduction was imposed by the Ministry of Finance or this is due to non-fructification of various projects, the Ministry in their written reply stated:

“This reduction was not sought by the Ministry of Defence but imposed by Ministry of Finance at the RE stage.”

1.55 For further clarification, when asked by the Committee about the procedure adopted for assessing Defence plan priorities at the time of Revised Estimates, The Ministry of Finance, in their written reply stated:

“Revised Estimates during the course of the year are fixed after mid-term review of the progress of expenditure/schemes by various Ministries/Departments. Based on the availability of resources, reasonableness of the requirement and prioritizing the competing needs of various sectors, funds are allocated to various Ministries/Departments. Care is always taken to meet immediate and important additional requirements. Defence expenditure is the single largest item of non-plan expenditure, after ‘interest payments’ and Ministry of Defence gets major allocations from Government budget. Over the years, it was found during the course of mid-year review that the utilisation of allocations under ‘Capital’ head of expenditure of the Ministry of Defence was much below

the amount provided in the budget. For the year 2006-07, the capital expenditure upto January, 2007 of 'Defence Services' was Rs. 17,489 crore, which is about 47% of Rs. 37,458 crore provided in BE 2006-07. The capital expenditure upto February, 2007 is Rs. 20,086 crore, which is about 54% of the budgeted provision. Considering this trend of expenditure, it was difficult to conceive of the eventuality of Ministry of Defence being in a position to fully utilise the remaining Rs. 17,372 crore during the month of March, 2007. Given the responsibility of Ministry of Finance to match resources with competing demands it then becomes necessary to review and make required adjustment under any demand including that of Ministry of Defence if utilisation of public resources is not taking place, and to deploy them wherever they are immediately required in public interest."

1.56 On the issue of allocation of funds and pattern of utilisation of capital expenditure by the Ministry of Defence, the representative of the Ministry of Defence during oral evidence stated:

"The cut at RE stage is not done to our volition, but it was done by the Ministry of Finance, we were planning to spend the entire amount; the schemes were all at various stages of implementation; we would carry on and that additionally would have to be sought in the coming years".

1.57 The Ministry of Defence further stated:

"We have enough projects in the pipeline which are being simultaneously progressed. Therefore, on capital we can play around between the three Services. Therefore, there is no problem. The only thing is that because we have to do a proper negotiation, we have to also have a very clear procedure, while contracting and, therefore, we do not want to have any shortcuts. We will have clear schemes. If they give us money even at the BE level, that is fine and we can spend. Otherwise, in the first month of 2007-08, we will be able to spend.

It is because of the processes that we have put in place. Hon. Chairman is well aware that our planning process includes the long-term planning, the medium-term planning and the Annual Plan. Our Annual Plan is a two-year rolling plan. It is not really buffeted in by the budgetary constraint. It is really a list of all schemes which are required by the Armed Forces, which have the approval of the Defence Acquisition Council, and we take acquisition action on that once they form a part of the Annual Acquisition Plan. Consequently, all through out, now there are schemes in the pipeline at various stages of acquisition. Whatever can be done in one

year. We will book the expenditure in that year. If money is not available, we will find money in the next year. I would only submit that funds for these schemes, which are approved – funds are a part of the Annual Acquisition Plan – would be found in one year or the other within the planning period.”

1.58 During the oral evidence before the Committee, the representative of the Ministry of Finance on budget allocation to the Ministry of Defence, utilisation pattern, ceiling / freedom on expenditure stated as under:

“The first issues is that the provisions of the defence expenditure is made by the Ministry of Finance on a consolidated basis. As far as inter se allocation between various services and towards the capital expenditure are concerned, that is left to entirely the Ministry of Defence. Our role is to give a big share and thereafter inter se allocation like how much they want to spend on a particular item is left to the Ministry of Defence. Once the budget has been passed by the Parliament, the Defence Ministry has full freedom to spend the budget in the manner it likes. It is not subject to the kind of fiscal discipline that is imposed on other Ministries. In other Ministries, there is a cap on the last quarter spending. There is 33 percent limit which you cannot reach and there is also 15 percent limit in March to avoid parking of funds. All these are not available to the Ministry of Defence. They can spend the amount as they like. There is no issue on that point.

As far as the provision of funds is concerned, the Ministry of Finance has been always fully sensitized to the needs and requirements of the Defence Forces but our main concern over the years has been the persistent inability of the Defence Ministry to spend the amount allocated to it. That is the domain issue. It will give you some statistics to underscore this point.”

1.59 From the above statement of the Ministry of Finance, it may be seen that the Ministry of Defence has full freedom to spend the budget in a manner it likes and it is not subjected to any kind of fiscal discipline that is imposed on other Ministries like cap on last quarter spending avoiding parking of funds in the month of March etc.

1.60 When asked to state about the reasons for not fully utilizing the allocated funds by the Ministry of Defence and surrendering the substantial amount at RE Stages during the 2005-06 and 2006-07 and how this problems of surrendering of funds / under utilisation of funds could be minimised/streamlined, the Ministry of Defence in their written reply stated:

“Normally Ministry of Finance allocates net budgetary outlays in respect of Defence Services Estimates each year to Ministry of Defence (MOD) and MOD in turn sub allocates funds to Defence Services and Departments under Revenue and Capital based on the assessed needs/projects of each Service/Department. However, during the financial year 2004-05, additional allocation of Rs. 11000 crores was made in the interim BE to arrive at final BE 2004-05. This entire additional allocation was made by Ministry of Finance under Capital outlays of Defence Services. Also, during the financial year 2005-06 and 2006-07, Rs. 1300 crores and Rs. 3000 crores respectively were reduced at RE stage under Capital outlay of Defence Services by the Ministry of Finance.

All expenditure in the Ministry of Defence is sanctioned by competent financial authorities both in the Government in the Service HQrs. After following due procedure. This ensures application of due fiscal discipline in sanction of expenditure. Defence Procurement Procedure 2006 for procurement on Capital account and Defence Procurement Manual 2006 for Revenue purchases have been updated and put in place for timely and cost effective procurements in a transparent manner.

There is a well laid out procedure for procurement of Capital acquisition items. It carries defined stages of projection of requirements till the signing of the contract.”

1.61 During the briefing, DG(Acquisition) of Ministry of Defence briefed the Committee that for Capital modernisation and speedy clearance of proposal Defence Procurement Procedure (DPP) 2006, has been enunciated. This includes procedures for all types of acquisition that include ‘Buy’, ‘Buy & Make’ and ‘Make’ category. The make procedure has been introduced for the first time. This is to encourage development of high-tech technology areas equipment required by the Armed Forces in the country itself while involving the capacities available in the private sector apart from the DRDO, DPSUs and OFB. We also

made out detailed guidelines for implementing the offset policy of the Government. Apart from that the ship building procedure has already been revised and revamped. That has become part of the DPP. Besides, first track procedure has been completely revamped and part of DPP2006.

1.62 When asked whether some time frame has been fixed/scheduled to dispose of proposals of the Ministry of Defence which come up for approval of the Ministry of Finance, the representatives of the Ministry of Finance, in their written reply stated:

“Department of Expenditure ensures that the proposals received from Ministry of Defence are examined expeditiously. The cases in the department are monitored periodically and a system of submission of monthly report by the concerned officers dealing with the cases pertaining to defence procurement/projects/schemes has been devised. Normally cases relating to defence capital procurements are examined within three weeks from the receipt of such cases in this Department. However, during the year 2006-07 many cases were examined within a period of 1-2 weeks also.”

1.63 The Standing Committee on Defence in their 11th Report had recommended the Ministry of Defence, to work out a mechanism in consultation with concerned agencies to curtail the time period to complete acquisition procedure. They further recommended that the Ministry of Defence should strictly follow the parameters laid down by the Ministry of Finance for submission of proposal for clearance by Ministry of Finance and in consultation with the Ministry of Finance and should work out a strategy to have a systematic improvements in clearing of the proposals.

1.64 In order to speed up the acquisition process and to bring transparency, when asked whether it would not be better to involve CVC, C&AG, in the acquisition procedure, the Ministry of Finance in their supplementary reply stated:

“It has been an endeavour on the part of Department of Expenditure to examine all the cases received from Ministry of Defence relating to Defence Acquisitions expeditiously. Ministry of Defence and Ministry of Finance have consensually worked out an agreed arrangement for streamlining the proposals of Ministry of Defence for Defence Procurement. The examination of all acquisition proposals is now being done keeping in view such arrangement between the two Ministries. Ministry of Defence initiates the acquisition proposals for approval of CCS and such proposals are sent to Ministry of Finance for comments if the amount involved is more than Rs. 200 crore. In cases where amount involved is less than Rs. 200 crore, but more than Rs. 100 crore, Ministry of Defence seeks approval of Finance Ministry and Raksha Mantri. For acquisition proposals upto Rs. 100 crore, approval of RM is taken. Role of CVC and C&AG is to act as watchdog to ensure transparency, accountability and fairness in the procurement process and in this background, the cases of Defence acquisitions are also scrutinized by CVC and C&AG. Involving CVC and C&AG at the time of initial processing of the cases, may not lead to speedier completion of the acquisition process. However, a view on this essentially needs to be taken by the Ministry of Defence.”

RECOMMENDATION SL. NO. 5

1.65 The Committee note with serious concern that since 2002-03, the amount provided in the BE has been reduced at RE stage except in the year 2004-05. There is further shortfall from RE to actual expenditure. The Committee are perturbed to note that during the year 2006-07, allocation of Rs. 89,000 crore was reduced to Rs. 86,000 crore in RE stage thereby showing a reduction of Rs. 3,000 crore. The Committee note with concern that reduction has been made in the capital acquisition expenditure meant for modernisation programme, even when there were enough projects with the Ministry in the pipelines and certain projects were being simultaneously progressing. The Committee note from the reply of the Ministry of Finance that the principle of budgetary cap in the last quarter spending is not applicable to the Ministry of Defence and they have full freedom to spend the budget in any manner they like. The Committee are given to understand by the Ministry of Finance that reduction at RE stage has been made after due consultation with the Ministry of Defence taking into account the actual trend of expenditure. The Committee note that the Ministry of Defence upto February 2007 has been able to make the capital expenditure only upto 54% of the budgetary allocations for the year 2006-07.

1.66 The Committee note that inspite of the fact that the Ministry of Defence has come out with DPP 2006, to bring transparency and expeditious clearance of acquisition process, as well as the Ministry of Finance has laid down standard parameters for submission of proposals for approval of Ministry of Finance, the Department of Expenditure ensure to examine the proposals received from Ministry of Defence expeditiously and monitor them periodically, the Ministry of Defence have not been able to increase the pace of expenditure to convince that they will be in a position to fully utilise the allocated amount during the year.

1.67 From the foregoing the Committee observe that this clearly shows the inability of the Ministry of Defence to timely plan and process the cases so as to bring them to the concluding stage during the first three quarters of the financial year and to secure financing of projects provided in the budget. The large scale surrender of funds at the end of the year has eroded their credibility and ability to utilise the allocated funds which were badly required for modernisation upgradation of defence forces. The Committee therefore desire that the Ministry of Defence should set up a committee consisting of the Ministry of Defence, the Ministry of Finance & Comptroller and Auditor General (C&AG) represented not below the rank of Additional Secretary in the acquisition process and clear the proposals, timely. Further, they desire the Ministry to carry out advance planning and process the cases so as to bring them to the concluding stage before the month of December of every financial year. This will facilitate optimum utilisation of scarce resources allocated for Defence and timely completion of schemes, projects envisaged by the Ministry of Defence to ensure modernisation and to maintain highest level of Defence preparedness. The Committee would like to be apprised of the progress made by the Government in this regard.

DELEGATION OF FINANCIAL POWER TO SERVICE HEADQUARTERS TO APPROVE CAPITAL EXPENDITURE OF LESSER AMOUNT

1.68 The issue of Delegation of financial powers for Defence capital acquisition proposals, was last taken up by Ministry of Defence for consideration of the Cabinet in March, 2006 and consequent upon the decision of the cabinet in the meeting dated 30.3.2006, the financial power of Raksha Mantri was enhanced to Rs. 100 crore from Rs. 50 crore and that of Finance Minister was raised to Rs. 200 crore from Rs. 100 crore. Beyond Rs. 200 crore, it was decided that approval of the CCS would be required.

1.69 In their 11th Report on Demands for Grants(2006-07) the Standing Committee on Defence had observed that there are many procurement cases with the Services which cost less than Rs. 50 crore. The Committee observed that there are many procurement cases with the Services which cost less than Rs. 50 crore. The procurement procedure includes categorisation, acceptance of necessity, quantity vetting, technical evaluation, trials, contract negotiation and placement of supply order of these cases, which consumes a lot of time in getting the proposal cleared by the Ministry. The Committee were informed that the Ministry of Defence has modified the procedure for Price Negotiation Committee (PNC). They have delegated this power to the Service Headquarters in case of revenue purchase and are planning to extend this to the capital procurements also. Therefore, the Committee had recommended that the Government should delegate the entire processing of cases of acquisition, both in the case of revenue and capital, upto Rs. 50 crore to the Service Headquarters and Rs. 300 crore to the *Raksha Mantri* as per the priorities of the Services. Appropriate financial delegation should also be given to the Defence Secretary for capital acquisition. This will reduce the work load of the Ministry of Defence, allowing them more time for processing proposals of higher cost, thereby clearing the proposals well in time and bringing improvement in the

utilisation of allocated funds and will also reduce the time taken on procurement and timely availability and procurement of the capital items.

1.70 The Ministry as regard the delegation of financial power, in their written reply stated:

“It was for the first time in 2006 that power was delegated to the Vice-Chief of Army Staff, Vice Chief of Naval Staff, CISC and Deputy Chief of Air Staff for capital procurement up to Rs. 10 crores per scheme, which is to be exercised with the concurrence of respective IFAs in the Services HQrs. This was done in consultation with the Services. This delegation is expected to bring approximately 33% of the cases (by number) within the purview of the delegated powers.”

RECOMMENDATION SL. NO. 6

1.71 The Committee observe that for the first time in 2006, delegation of financial power upto Rs. 10 crore for capital procurement has been made to three services. This however was done in consultation with the Services. This delegation is expected to cover approximately 33% of the procurement cases thus expediting the procurements. However, the Committee feel that the Ministry of Defence may examine to enhance the amount of financial delegation to the three services to Rs. 50 crore and to give appropriate financial delegation of power to the Defence Secretary as recommended by the Committee in their earlier report to further speed up and facilitate the acquisition process.

CHAPTER II

DEFENCE PLANNING

LONG TERM INTEGRATED PERSPECTIVE PLANNING (LTIPP)

A Long Term Perspective Plan already exists in the form of LTIPP 2002-17. However, it is being revised keeping in view the likely availability of funds during the Eleventh Plan and the shift from Equipment based approach to Capability based approach, which was approved by the Defence Acquisition Council in June 2006.

2.2 The process of revision has already been completed by the Navy in the form of Maritime Capability Perspective Plan, which covers the period 2007-22. The other two Services are in the process of completing this exercise of updating the LTIPP from 2002-17 to 2007-22 based on the final projections for the XI Plan period from 2007-12. Once these individual plans are ready these will be integrated into one long-term perspective plan and after necessary approvals within the Ministry of Defence, it will be taken up with the Ministry of Finance for approval in principle of the overall size of the Long Term Integrated Perspective Plan covering the three Plan periods from 11th Plan to 13th Plan.

2.3 As per the timeframe approved by the Defence Acquisition Council, the LTIPP 2007-22 has to be prepared and approved by the Defence Acquisition Council by 31st October, 2009.

2.4 When asked, about the reasons for not finalizing the revised LTIPP, the Ministry of Defence in their written replies stated:

“LTIPP (2002-17) covering the 10th, 11th and 12th Plan is already in place. With the 10th Plan coming to a close, the task has been undertaken to prepare a revised LTIPP extending it to the 13th Plan, thus covering the 11th, 12th and 13th Plan upto 2022. This way it would also be possible to

build in latest inputs for such long term planning. The revised LTIPP (2007-22) is being prepared following a deliberate and integrated 'Top Down' approach by articulating National Security Strategy, National Military Strategy, National Military Objectives/Capitality and so on. Such an exercise has been undertaken for the first time and is an extremely involved process with inputs from the three Services, MoD, NSA and various other agencies. The document is expected to be ready by Dec. 2009.

RECOMMENDATION SL. NO. 7

2.5 The Committee are constrained to note that the period of Long Term Integrated Perspective Plan(LTIPP) 2002-17 has been revised to 2007-2009 keeping in view the likely availability of funds during the Eleventh Plan and shift from equipment based approach to capacity based approach. The process of revision has been completed by Navy. The other two services are in the process of completing their exercises. The Committee note that an integrated perspective plan covering the three plan periods from 11th to 13th plan i.e. from 2007 to 2022 will be approved by the Defence Acquisition Council by 31st October 2009.

2.6 The Committee are dismayed to note the continuous delay in preparing LTIPP and revised LTIPP which will be approved by the DAC by 31st October 2009. This clearly depicts the lackadaisical approach and commitment of the Ministry of Defence in preparing & finalizing the long term plan for defence Forces.

2.7 Therefore, the Committee strongly recommend that the Ministry of Defence should take up this matter at the highest level to get its 11th plan cleared by the Ministry of Finance and finalise the LTIPP at the earliest, not only to make a correct assessment of the threat perception, changing security scenario and rapid scientific and technological innovation but also to meet the requirement of forces of latest / high tech machine/equipment and best human resource well in advance with adequate allocation of funds and effective visionary plan.

The Committee are of the view that in the changing paradigm of security scenario, threat perception and fast changing scientific and technological field, the long-term plan need a regular and sustained review of its content and thrust. Therefore, the Committee wish to recommend that the long-term plan should be reviewed and updated from time to time well in advance, in order to make it realistic and the Committee may be apprised of the progress in this regard.

UTILISATION OF ALLOCATION DURING 10TH PLAN

2.8 The following tables shows, the projection for Tenth Defence Five years plan and actual allocation:

Fin. Year	Projection	Actuals/Allocation	Variation (2-3)
1	2	3	4
2002-03	55662	55662	000
2003-04	60300(RE)	60066	234
2004-05	90928	75856	15072
2005-06	100960	80549	20411
2006-07	110251	86000	24251
Total	418101	358133	59968

2.9 From the above mentioned table it can be observed that the allocation during all the five years of 10th plan was less than the projection made by the Ministry of Defence. When asked about the effect of such reduction, the Ministry of Defence in their written replies stated:

“In almost each financial year of the 10th Defence Plan, the allocation by Ministry of Finance was lesser than the projection made by the Ministry of Defence. The reduced allocations have been managed by curtailing expenditure and reprioritizing Schemes. Under the Revenue head it was met by curtailing the revenue running/operational cost without compromising on the obligatory expenses under Pay and Allowances, Works head etc. While the reduced allocation under Capital head was organised in a manner to give credence first to the committed liabilities under capital acquisition/modernisation Schemes followed by reprioritization of expenditure against various heads of Capital including new Schemes of modernisation.”

2.10 When sought clarifications from Ministry of Finance, in regard to the reasons for not providing the allocation as per the demand of the services / departments, the Ministry of Finance, in their written reply stated:

“While communicating the Outlay for Tenth Defence Plan(2002-2007) at Rs. 4,18,101 crore, it was stipulated that annual allocations would depend on the resources available with the Government, needs of the Defence Forces, capacity to utilise funds, pace of expenditure, contractual agreements and other committed liabilities. It was also clearly indicated that the Outlay at Rs. 4,18,101 crore was an indicative figure. It is pertinent to mention that against the indicative outlay for Defence in the Tenth Plan of Rs. 4,18,101 crore, a total provision of Rs. 3,79,300 crore was made through the Budget. The actual expenditure against this allocation is Rs. 3,58,133 crore, which clearly indicates that the Ministry of Defence were unable to utilise an amount of Rs. 21,000 crore(approximately) in the Tenth Plan.”

2.11 When asked about the strategy that have been worked out for full utilisation of the allocated funds and to ensure speedy acquisition of capital equipment/items so that during the Eleventh Plan the Ministry may not face the same problem of surrendering a huge amount, the Ministry of Defence in a supplementary reply stated:

“IX Defence Plan (1997-2002) was approved for an outlay of Rs. 2,22,224 crores during the first year of the Plan itself. Accordingly, the actual expenditure during the Plan period was Rs. 2,26,134 crores. This worked to Rs. 3910 crores more than the approved IX Plan outlay.

However, for the period 2002-07, Xth Defence Plan was not approved by the Ministry of Finance. Only during December 2004, an indicative figure of Rs. 4,18,101 crores was communicated by the Ministry of Finance with certain caveats. By that time almost three financial years of the Xth Defence Plan were over. During the remaining two years of the plan, allocations matching to an indicative figure were also not made available by Ministry of Finance. Instead, at the RE stage, cuts to the tune of Rs. 1300 crores and Rs. 3000 crore were imposed respectively during the financial years 2005-06 and 2006-07 by the Ministry of Finance.

2.12 The projection for XIth Defence plans (2007-2012) has been made after carrying out a detailed analysis in regard to committed liabilities, prioritized new modernisation schemes, obligatory charges and maintenance requirements of the Defence Services and Departments. The XI Plan is yet to be approved by

the Ministry of Finance while the first year of the Plan has already commenced w.e.f. 1.4.2007.

2.13 As regards strategy to effect full utilisation of the allocated funds and also to ensure speedy acquisition of Capital equipments/items during XIth Plan, it is sated that various administrative systems and procedures have been put in place. The procurements on Capital account are processed through Defence Acquisition Council/Defence Procurement Board. The Defence Procurement Procedure(DPP) is continuously updated and DPP 2006 was made effective from 1.9.2006. Similarly, Defence Procurement Manual (DPM) for purchase on Revenue account is continuously updated and DPM 2006 was promulgated w.e.f. 1.9.2006. In addition, larger delegation of financial powers both under Revenue and Capital have been given to the Service HQrs.

RECOMMENDATION SL. NO. 8

2.14 The Committee are to note that the 10th plan was tentatively approved in the last quarter of 10th plan i.e. in December 2004 with a lesser allocation by the Ministry of finance than the projection made by the Ministry of Defence. Every year there has been cut at RE stage by the Ministry of Finance which affected both the revenue as well as capital expenditure of the Ministry of Defence. The Committee note that the Ministry of Finance made annual allocations depending upon the resources available with the Government as also on utilisation of allocated funds by the Ministry of Defence. The Committee do not agree with the logic putforth by the Ministry of Finance. The Committee are of the strong view that had the 10th plan been approved in time, the Ministry of Defence would have planned their projects as per the changing requirements and utilised the allocated amount in a better way. Budgetary allocations on a year to year basis for country's defence requirements and in the absence of Long Term plan, has an adverse impact and has led to the adhocism in decision making thereby creating a stumbling block on the path of modernisation and overall Defence preparedness. The Committee feel that this may be the reasons for delay in capital acquisition and will demoralize the Armed Forces.

2.15 Expressing their displeasure, the Committee strongly recommend that the Ministry of Finance and Ministry of Defence should not shift the responsibility to each other, rather together they must approve the 11th plan at the earliest, so that it does not face the same fate of 10th plan. This will further facilitate both the Ministry of Defence to plan their finance, equipment acquisition and utilise the allocated amount to the fullest extent in a time-bound manner.

The Committee observe that weightage is invariably given by the Government to the Plan expenditure as compare to non-Plan expenditure which one of the reasons for delay in approving the allocation of Ministry of Defence which is non-plan expenditure. Therefore, the Committee urge the Government to give due importance to the non-plan expenditure as in the case of Plan expenditure.

STATUS OF 11TH DEFENCE PLAN

2.16 The 11th Defence Plan projections were sent to the Ministry of Finance for consideration with the approval of Raksha Mantri in July 2006 which has been acknowledged by Ministry of Finance. However, till date, availability of funds as regards Eleventh Defence Plan has not been indicated by the Ministry of Finance. When asked about the opinion of the Ministry of Finance in their written replies, they stated:

“Ministry of Finance have received the proposal of Ministry of Defence regarding projections for the 11th Defence Plan. The proposals of Ministry of Defence were examined and the views of Ministry of Finance were conveyed vide Finance Minister’s letter dated 25th September, 2006 indicating therein that it would be realistic to assume year on year increase in Defence allocations in the range of 8-10% for the purpose of initiating planning exercise for the 11th Plan, as against the annual average growth rate of 12.35% per year indicated by Ministry of Defence. Some suggestions were also made on certain operational aspects having substantial financial implications with the request that the Ministry of Defence review the same with objective of rationalizing expenditure while at the same time, not compromising on modernisation plans. Details regarding initial projections by the Service/department for the 11th Defence Plan would be available with Ministry of Defence. The Raksha Mantri has again written on 31st October, 2006 on this issue. The matter is under examination in the Ministry of Finance.”

2.17 When asked whether the budget estimate for the year 2007-08 is according to the 11th plan projection, the representative of the Ministry of Defence, during oral evidence stated:

“There is a mismatch between what we had sent for the first year of the plan and the BE which has been allocated for the year 2007-08. But the important thing is that from our point of view, we are changing nothing. We are seeking to implement all the proposals continued in the Eleventh plan, whatever supposed to be accomplished in the first year of the Eleventh plan”.

RECOMMENDATION SL. NO. 9

2.18 The Committee note that the 11th Defence plan has been sent by the Ministry of Defence to Ministry of Finance for approval and the matter is under examination and consultation between the two Ministries and till date, availability of funds as regards Eleventh Defence plan has not been indicated by the Ministry of Finance. The Committee strongly note that 11th Plan has not been finalised, plan period has already began from April 2007 and are perturbed to note that there is a mismatch between the projection and budgetary allocation during the first year of 11th plan i.e. 2007-08. Therefore, the Committee strongly recommend that the 11th plan should be approved at the earliest so that the Ministry of Defence should implement all the proposals at the right earnest in the first year of 11th plan as per projection and seek additional allocation at the RE stage so as to achieve the physical and financial target of 11th plan as envisaged in its first year.

CHAPTER III

ARMY

Out of the total (net) Defence budget of Rs. 96,000 crore in the Budget Estimates(BE) for 2007-08, Army shares 47.67 per cent *i.e.* Rs. 45,764 crore as compared to 48 per cent *i.e.* Rs. 41,318 crore of the total (net) budget of Rs. 86,000 crore in the Revised Estimates (RE) for 2006-07.

3.2 In the presentation before the Committee, during evidence, the Ministry highlighted the Army's share out of the Defence budget in the 10th Defence Plan; year-wise as under :-

(Rs. in crore)

Financial Year	Total Budget	Army's Share	
		Amount	Percentage
2002-03	55,662	31,847	57
2003-04	60,066	32,928	55
2004-05	75,856	34,926	46
2005-06	80,811	39,181	48
2006-07 (RE)	86,000	41,318	48
2007-08 (BE)	96,000	45,764	47

3.3 The bifurcation of the above Army's share as revenue and capital in the 10th Defence Plan was presented year-wise as under :-

(Rs. in crore)

Financial Year	Capital		Revenue		Total
	Amount	Percentage	Amount	Percentage	
2002-03	5,288	17	26,559	83	31,847
2003-04	5,171	16	27,757	84	32,928
2004-05	7,410	21	27,516	79	34,926
2005-06	9,340	24	29,841	76	39,181
2006-07 (RE)	9,877	25	31,441	75	41,318
2007-08 (BE)	11,677	26	34,087	74	45,764

Out of the total (net) allocation made to Army for the year 2007-08, Revenue expenditure shares 74 per cent against 75 percent for RE 2006-07; whereas Capital component is 26 per cent against 24 per cent for RE 2006-07.

The total allocation (Revenue Expenditure) made to the Army in the Budget Estimates 2006-07 was Rs. 31,527 crore which was reduced to Rs. 31441 crore in the Revised Estimate stage. In the Budget Estimate 2007-08 the allocation has been increased to Rs. 34,087 crore.

On the Capital Account the allocation for the Army in the Budget Estimate 2006-07 was Rs. 10,388 crore which was decreased to Rs. 9877 crore in the Revised Estimate. The Capital allocation in the Budget Estimate 2007-08 was put at Rs. 11,677 crore thus showing an increase of Rs. 1800 crore.

DECLINING SHARE OF ARMY IN THE BUDGET

3.4 The Committee asked whether the budget of Army is declining, the Ministry during presentation before the Committee submitted the following information:-

% Share (Rs. in crore)

FY	TOTAL DEF	ARMY'S SHARE AMOUNT	ARMY	NAVY	Air Force	OTHERS
2002-03	55,662	31,847	57	15	22	06
2003-04	60,066	32,928	55	17	22	06
2004-05	75,856	34,926	46	17	31	06
2005-06	80,811	39,133	48	17	27	08
2006-07 (RE)	86,000	41,318	48	18	27	07
2007-08 (BE)	96,000	45,764	47	17	28	08

3.5 In the presentation before the Committee, the Ministry gave the analysis of Revenue Budget estimates of Army for the year 2007-08 as under :-

(Rs. in crore)

HEAD	PROJECTION	ALLOCATION	SHORTFALL
Pay & Allowances	15,949.96	15,943.96	06.00
Transportation	1,300.63	1,270.63	30.00
Mil Farms	196.45	181.45	15.00
ECHS	489.91	329.91	160.00
Stores	12,684.91	10,616.17	2,068.74
Revenue Works	3,596.56	3,340.56	256.00
Rashtriya Rifles	1,538.19	1,450.19	88.00
Other Expenditure	1,250.59	1,236.29	14.30
Total	37,007.20	34,369.16	2,638.04

3.6 In the presentation before the Committee, the Ministry gave the analysis of Capital Budget estimates of Army for the year 2007-08 as under :-

(Rs. in crore)

HEAD	PROJECTION	ALLOCATION	SHORTFALL
Modernisation	7,212.20	6,937.20	275.00
Land	438.15	100.15	338.00
Other Eqpt (DGOF)	1,858.90	1,358.90	500.00
ECHS	67.00	57.00	10.00
Construction Works	3,834.55	2,935.27	899.28
Total	13,410.80	11,388.52	2,022.28

3.7 During the oral evidence, when asked about the increasing revenue expenditure of Army, the representative of the Ministry of Defence stated as under :-

“Mr. Chairman, Sir, this term, I think, is to be marked. Army is deployed all over, whether we say in the Valley or in counter-insurgency or even at places which are peacetime because we have floods, disasters and others. We cannot lower down the revenue expenditure beyond a certain limit. So, while it is very good for the Government to have a proper

direction in expenditure that you will spend more in capital, you will create more assets etc., but as far as Army is concerned, because of its deployment, because of its very principle in which we use and you have many, many cases they have to do it. There was a bridge which came under severe damage in floods in Andhra Pradesh. Army units had to go and rescue those people, straightaway before any loss of life. I think immediately the Army were able to take good steps. The Army is required to do these kind of things. We cannot have the revenue expenditure curtailed.

Here what you have seen is 5.52 per cent growth which does not take care of inflation. It is stagnant. When this Pay Commission report comes and our expenditure on manpower will increase, that should not be held against us that your revenues increases etc.

Traditionally, Army has had the largest share of revenue. What has happened over the years, the period that we are talking about, is that the revenue expenditure has grown somewhat modestly for all the three Services, but in the capital expenditure, there has been very substantial growth and Army did not get that kind of a share. The major share went to the Air Force and Navy because of the kind of acquisitions which were made during those years when the sharp increase in the capital budget took place. That is how Army's percentage of the total defence allocation has gone down.

Sir, I would like to clarify that we cannot afford to curtail that, particularly in respect of Army and also for Air Force and Navy. This revenue spending, which goes into their budget, is very essential for ensuring the readiness level of various weapon platforms that they have. If they have to maintain 70, 80 or 85 per cent level of serviceability, all those spares are needed, all those consumables are needed. All the ammunition gets funded through revenue budget. So, if we have to have enough ammunition to fire from various types of weapons that we have, revenue spending has to remain at a reasonable level because it is a very artificial exercise.

There is one more dimension because Army has higher proportion than the other two Services of items which are all vintage, bordering obsolescence and not too new. The spares consumption is very expensive and very difficult to get and, therefore, their revenue budget has tended to be larger.

Navy and Air Force have distinctly a lower rate of increase as far as revenue is concerned. Army, because of the nature of its work, has a requirement and, therefore, it has to be balanced. So, what we are trying with all these reiterations is consultation. So, while we want everybody to come to a discipline that there should be a lower revenue expenditure but we also recognize that beyond a certain point we cannot.”

RECOMMENDATION SL. NO. 10

3.8 The Committee note with concern the declining trend in the share of Army in Defence budget, which was 57 per cent in the year 2002-03 and now has come down to 47 per cent in the current year (2007-08).

3.9 The Committee note with serious concern that during the year 2007-08 out of Rs. 13,410.80 crore projected by the Army for capital expenditure, Ministry of Finance allocated Rs. 11,388.52 crore only, which has resulted in shortfall of Rs. 2022.28 crore and this shortfall is likely to adversely affect the different constituents of Army work like modernization, land, equipment (DGOF), Ex-Servicemen Contributory Health Scheme (ECHS) and construction work. The Committee further note that in the Revenue side also during the same year, Rs. 37,007.20 crore was projected by the Army, the Ministry of Finance allocated Rs. 34,369.16 crore only which has resulted in shortfall of Rs. 2638.04 crore which is likely to affect Pay & Allowances, Transportation, Military Farms, ECHS, Stores, Revenue works, Rashtriya Rifles etc. The Committee take a serious note of the fact that there has been a drastic reduction in funds allocated in Capital side particularly in area of modernisation of Army, which has direct ramification on security of the country. The Committee, therefore, strongly recommend that the Government should look into the matter afresh to allocate the projected funds for Capital expenditure at Revised Estimate stage, so that modernization and other programmes, as envisaged by the Army, may not suffer for want of funds.

3.10 The Committee also note that the revenue expenditure is taking the major chunk in the allocated Defence budget of Army and there is a huge gap between the revenue expenditure and capital expenditure of Army, due to different kind of requirement and work performed by it. The Committee endorse the views of the Ministry of Defence that revenue expenditure

cannot be curtailed beyond a certain point and desire that any reduction in the revenue expenditure should not be at the expense of Army's readiness/preparedness. This will greatly boost the moral of the Army.

3.11 The Committee, therefore, recommend that the Ministry should make a proper study in order to identify and rationalize Revenue and Capital items and categorise them accordingly. The Committee are of the view that any need of new item should be treated as capital expenditure. Further for this purpose study should be made by the Ministry on pattern being followed by other countries in this regard.

NON-INTRINSIC BUDGET OF THE ARMY

3.12 The non-intrinsic budget is the budget which is not specific to Army but included in overall budget of the Army. The Ministry during the evidence before the Committee gave following details about non-intrinsic budget of Army :-

(Rs. in crore)

NCC	413
DGQA	412
ECHS	330
DGAFMS	346
Misc	646
Total	2,147

3.13 The Ministry also gave details about the miscellaneous expenditure included in the non-intrinsic budget of Army as under :-

(Rs. in crore)

CAO	05.00
DPR	02.00
NDC	01.50
Printing & Stationery	25.00
Svy. of India	05.00
Common Wealth Games	05.00
HMI, NIM, JIM	03.50
DGR	31.00
Op SADBHAVANA	64.00
Dept. Canteen	02.00
Republic Day	01.00
Sainik Samachar	01.00
Others	500.00
Total	646.00

RECOMMENDATION SL. NO. 11

3.14 The Committee note that out of Rs. 45,764 crore of budget of Army, Rs. 2,793 crore are proposed to be spent on non-intrinsic items/activities of Army which includes National Cadet Corps (NCC), Ex-Servicemen Contributory Health Scheme (ECHS), Director General Armed Forces Medical Services (DGAFMS), Commonwealth Games, Republic Day and other miscellaneous activities. The Committee are of the view that non-intrinsic budget should not be a sole responsibility of Army as this expenditure is also concerned with the other Services of the Armed Forces. The Committee, therefore, recommend that Ministry should create a separate head under Civil budget of the Ministry of Defence and Army can be entrusted with administrative authority to facilitate them.

The Committee recommend that expenditure incurred by Director General Quality Assurance (DGQA) should be shared by all the three Services proportionately.

SEPARATE PAY COMMISSION FOR ARMED FORCES

3.15 Pay Commissions are constituted to look into the pay structure, allowances and other benefits of the Central staff and to recommend new pay structures for personnel of the armed forces and officers and employees of regulatory bodies set up under Acts of Parliament. The terms and reference of the Sixth Pay Commission are as follows:-

“A.To examine the principles. The date of effect thereof that should govern the structure of pay, allowances and other facilities/benefits whether in cash or in kind to the following categories of employees:-

1. Central government employees – industrial and non-industrial.
2. Personnel belonging to the All India Services.
3. Personnel belonging to the Armed Forces.
4. Personnel to the Union Territories.
5. Officers and employees of the Indian Audit and Accounts Department; and
6. Members of the regulatory bodies (excluding the RBI) set up under Acts of Parliament.*

B. To transform the Central Government Organisations into modern, professional and citizen-friendly entities that are dedicated to the service of the people.

C. To work out a comprehensive pay package for the categories of Central Government employees mentioned at (A) above that is suitably linked to promoting efficiency, productivity and economy through rationalization of structures, organizations, systems and processes within the government, with a view leveraging economy, accountability, responsibility, transparency, assimilation of technology and discipline.

D. To harmonize the functioning of the Central Government Organisations with the demands of the emerging global economic scenario. This would also take in account, among other relevant factors, the totality of benefits available to the employees, need of rationalization and simplification, thereof, the prevailing pay structure and retirement benefits available under the Central Public Sector Undertakings, the economic conditions in the country, the need to observe fiscal prudence in the management of the economy, the resources of the Central Government and the demands thereon on account of economic and social development, defence, national security and the global economic scenario, and the impact upon the finances of the States if the recommendations are adopted by the States.

- E. To examine the principles which should govern the structure of pension, death-cum-retirement gratuity, family pension and other terminal or recurring benefits having financial implications to the present and former Central Government employees appointed before January 1, 2004.
- F. To make recommendations with respect to the general principles, financial parameters and conditions which should govern payment of bonus and the desirability and feasibility of introducing Productivity Linked Incentive Scheme in place of the existing ad hoc bonus scheme in various Departments and to recommend specific formulae for determining the productivity index and other related parameters.
- G. To examine desirability and the need to sanction any interim relief till the time the recommendations of the Commission are made and accepted by the Government.”

3.16 During the oral evidence, on the question of representation of Armed Forces personnel in the Sixth Pay Commission, the representative of the Ministry of Finance stated as under :-

“You asked some questions relating to the personnel in the Armed Forces. As far as the Sixth Pay Commission is concerned, you know that this is one of the terms of reference, that is the pay of the personnel and the facilities of the personnel of the Armed Forces. We would await its recommendations. There was an issue of having a number of the Armed Forces as a member of the Commission. The Commission itself, which is an independent body has corresponded with the Ministry of Defence. It feels there is no necessity for having a member of the Armed Forces as the Member. So, we will await the report of the Sixth Pay Commission to see what are their recommendations regarding the Armed Forces.”

3.17 The Committee received a representation from a non-official witness highlighting the grievances of Armed forces personnel regarding their service anomalies to be resolved by the government/pay Commission, details of which are inter-alia given as under:

“The Armed Forces constitute nearly 40% of Central Government employees; their officers, forming the largest officer cadre among Central Services. The Committee learnt that the Fifth Pay Commissions report runs into 2168 pages, out of which less than 50 pages pertain to Armed

Forces. It assembled 145 officers and staff to assist it in working out of the details of pay, allowances and emoluments of Central Government Employees and prepare the report. The Commission took officers and staff from Postal Service, BSF and Indian Forest Service etc, for this task but declined to take any from the Armed Forces, even the Committee of Secretaries constituted to review the recommendations of the Fifth Pay Commission included, an officer from the Police on the Committee but none from the Armed Forces.

There were major anomalies in the commission's recommendations; one of them being that it gave a brigadier more pension than a major general. It also removed the, ' Running Pay Band' given by Fourth Pay Commission to compensate for very limited promotions in the armed forces.

For the purpose of pension, Defence Personnel remained equated with Civilian Employees. Condition of 33 years services to earn full pension stayed, placing the services at a great disadvantage. As you are well aware, that more than 90 percent service personnel have to be retired early and therefore, do not fulfill the criteria of 33 years service to earn full pension. Consequently a sepoy in the Army gets less than half the pension of a peon.

All in all the Fifth Pay Commission completely ignored the hardships of a career in the Armed Forces. These relate to truncated careers, extremely limited promotions, long separations from families, limited family accommodations in peace stations, hard living conditions in uncongenial and difficult areas, extreme turbulence, risk to life and limb and a hundred other travails. In every democracy these are termed as 'X' factor and compensated through pay, perks and pensions, etc. However, either the meaning of the 'X' factor is not understood by the Pay Commissions or they have been deliberately ignoring it.

Successive Pay Commissions have made service in the Armed Forces so unattractive that there continues to be deficiency of nearly 13,000 officers in the Army. Between 2001 and 2004 more than 2000 officers applied to leave the Army. These included 2 Lt-Gens., 10 Maj-Gens, 84 brigadiers and the remainder colonels and below. The situation in the IAF is even more distressing. Against this, how many from the IAS, IPS and other central services have opted to leave their service prematurely? Can there be a more convincing inequality between the civil services and the military.

With the Defence forces constituting nearly 40% of the Central Government Employees, as a first step it should be incumbent on the Government to appoint a member from the Services on the Sixth Pay Commission. In addition to this, least 50 officers and staff of the three

services, of suitable ranks, should be included in the staff of the Commission to prepare the report, which does justice to the Armed Forces.

It has been reported in the press that MoD has asked the Finance Ministry to place one Lt-Gen on the panel of Sixth Pay Commission. We feel that, as in the past, the Finance Ministry will not agree to this request and the Defence Services will continue to be denied their representation. In fact Armed Forces have been repeatedly asking for a separate Pay Commission for Services.

This matter of pay and emoluments of Service Officers and those below officer rank (PBOR) can only be ignored at our peril and at the cost of Country's security. Armed Forces have been through five wars (including the Kargil operations) and for the Army, it has been an unending conflict with insurgents and terrorists these last sixty years. All difficult and hazardous tasks, such as counter insurgency and counter terrorism, internal and external security, rescue and relief operations during floods and all kind of disasters fall in the lap of the Services, yet the services are always ignored when it comes to their pay and emoluments."

RECOMMENDATION SL. NO. 12

3.18 Considering the fact that all difficult and hazardous tasks, such as counter insurgency and counter terrorism, internal and external security, rescue and relief operations during floods and all kind of disasters fall in the lap of the Services and are undertaken by Armed Forces personnel, the Committee in their 11th Report on Demands for Grants 2006-07 had recommended that the Government should seriously consider the separate Pay Commission for the Armed Forces which can appreciate the peculiar problems of the forces and suitably compensate them for the difficult conditions in which they serve. This however has not been accepted by the Government. The Committee reiterate their earlier recommendation for setting up of separate Pay Commission.

3.19 The Committee are given to understand that a large number of discrepancies, brought to their notice by various non-official witnesses, regarding Fifth Pay Commission's recommendations; one of them being that it gave a Brigadier more pension than a Major General. It also removed the, 'Running Pay Band' given by the Fourth Pay Commission to compensate for very limited promotions in the armed forces. The more disturbing the fact is that a Sepoy in the Army gets less than half the pension of a peon in the Central Government.

3.20 The Committee also feel that the Fifth Pay Commission completely ignored the hardships of a career in the Armed Forces. It did not consider the truncated careers, extremely limited promotions, long separations from families, limited family accommodations in peace stations, hard living service conditions in uncongenial and difficult areas, risk to life and limb and other travails.

3.21 The Committee observe that successive Pay Commissions have made service in the Armed Forces unattractive, which is one of the reason

of a large number of deficiency of officers in the Army. The Committee are given to understand that between 2001 and 2004 more than 2000 officers applied to leave the Army. These included 2 Lt-Gens., 10 Maj-Gens, 84 brigadiers and the remaining colonels and below. The situation in the IAF is even more distressing. Against this a very few IAS, IPS and other central services officers have opted to leave their service prematurely.

3.22 During the oral evidence of the representatives of the Ministry of Finance on the Demands for Grants and other related matters of the Ministry of Defence, they could not furnish any plausible explanation for even non-inclusion of a representative of Armed Forces on the Sixth Pay Commission except that the Commission was an independent body and had corresponded with the Ministry of Defence and it felt no necessity for having a member of Armed Forces.

3.23 The Committee are given to understand that Armed Forces do not have a right to form union/association to represent their demand before Pay Commission. Therefore, they strongly recommend that representatives of the Ministry of Defence and Armed Forces while representing the case of Armed Forces before Sixth Central Pay Commission must pursue, and apprise the difficulties/risky working conditions and problem of attrition of officers and Jawans from Armed Forces. The Committee desire that the Sixth Pay Commission must consider the anomalous conditions of the Fifth Pay Commission's recommendations and provide attractive salary structure and better service conditions to Armed Force personnel so that they may feel proud to serve the nation and live a dignified life.

3.24 The Committee are deeply concerned to note that the vacancies and additional requirement of manpower in the Armed Forces are increasing and the Ministry of Defence are facing difficulties in filling up of the vacancies as talented youths are not coming forward to join Armed Forces. Therefore, the Committee desire that the issue may be adequately

addressed in the Sixth Pay Commission in order to attract best talented youth to join Armed Forces.

SAINIK SCHOOLS

3.25 Sainik Schools were established as joint venture of the Central and State Governments. These are under the overall governance of Sainik Schools Society. The objectives of Sainik Schools include bringing quality public school education within the reach of the common man, all round development of a child's personality and to remove regional imbalance in the officers' cadre of the Armed Forces. The Sainik Schools prepare boys academically, physically and mentally to join Armed Forces through the National Defence Academy (NDA). Sainik Schools are wholly residential schools run on public school lines. All the Sainik Schools are also members of the All India Public Schools Conference. They offer a common curriculum and are affiliated to the Central Board of Secondary Education, New Delhi and follow the 10+2 pattern of education. The schools impart instructions in English medium although knowledge of English is not a pre-requisite for admission. There are at present only 21 Sainik Schools in the country.

3.26 During oral evidence, when asked about why the standard of Sainik Schools in the country, which have been a very good source of Officers in the Armed Forces, is declining, the representative of the Ministry of Defence (Army) stated as under :-

"I speak from my experience because I was Chairman of Board of Administration of Sainik School, Purulia. Sainik Schools were established and financed by the State. That means the State has to give the land and construct school building. They are controlled by the Sainik School Society which is in Delhi.

I will tell you a few problems of what has happened and what the present state is. When I joined NDA, there were about 25 per cent of my classmates who were ex-Sainik School. At the moment, each Sainik School is contributing two or three cadets per year, which is a terrible

figure. Sainik Schools are not fully serving the purpose of being feeder institution to NDA.

Now, I try to analyse what the problem is. Earlier the Sainik Schools had an all India character. That means the Sainik School, Purulia got cadets from all over the country. They got a chance to interact and they got a chance to speak in the lingua franca which means it was English or Hindi. But ever since these Sainik Schools became the preserves of the State, most of the boys were Bengali. Their conversation was in Bangla and their medium of instruction was English or Hindi. But these boys could not pass the Service Selection Board because of the problem of language.

The next problem was the entry of wards and children of ex-servicemen. This was very high because in the initial stages, the grant given by the State Government was adequate to see a boy through the School without any liability to his parents. At the moment, the liability of a Jawan who wants to educate his child in Sainik School is Rs. 39,000 per year with the result that the entry of children of servicemen has dropped considerably. There are very few children of ex-servicemen in Sainik Schools. These were hardcore types who made it to NDA.

Now another problem has arisen in that children get into Sainik School and leave after Class X. The best students go to IITs and other places. I had recommended that we do not allow the population to shift but that has not been accepted by the Sainik School Society. All these measures need to be taken. The State Governments need to contribute a greater deal or a greater amount to the scholarships for education of these children to allow children of deprived sections of the society and Ex-Servicemen to enter Sainik Schools. I think Sainik Schools need a total overhaul.”

3.27 The representative of the Ministry of Defence further added :-

“Some States are very proactive. The point is it is well recognized. But the subject of education in the Government of India, according to the business allocation, is that of the HRD Ministry which runs Central Schools and Navodaya Vidyalayas. If you really ask, Sainik Schools are a minuscule part of that. The bulk of the Central Government responsibility towards education is done through the Central Schools and Navodaya Vidyalayas.

Actually, Sainik Schools were opened with the aim of providing standard education and encouraging children to go into the Armed Forces. That is the aspect today. But the Central Government schools are run on 50:50 ratio that between Central and the State. In the current year, we have

provided Rs. 15 crore towards fees and food for the children of Ex-Servicemen and others. So, it is not that the Government of India does not look into these aspects. But in certain schools like the hon. MP mentioned, we have sometimes seen that there is a problem of paying their pension, etc. because of the local administrative problems. We as a Committee will look into it also. In the last year, I remember distinctly that the JS (Training) reviewed the syllabus and various other things and made corrections in many things. As the hon. Member has pointed out starting of a school in Bijapur, we would certainly look into it. We would see and resolve it. I am sure, the Government is committed to improve the quality. As the Army Officer stated, some people are going into the IITs because that is more attractive option. There has been a concept of change in the whole society. So, some children do opt for the Armed Forces.”

RECOMMENDATION SL. NO. 13

3.28 The Committee are concerned to note the declining standard of Sainik Schools in the country and the reasons furnished by the Ministry in this regard. The Committee note that due to rising cost of education, it has become very difficult for the Servicemen and Ex-Servicemen to get their wards admitted in these Sainik Schools. The Committee note that these Sainik Schools are being run on the grants given by the Central/State Governments which is perhaps not sufficient to meet all expenses of the school children. The Committee, therefore, desire that the Government should make a thorough review of the matter and make these schools financially viable by using available surplus land etc. so that these schools can become self reliant. The Central Government should ponder in wider perspective in consultation with the State Governments to provide them sufficient financial resources on sharing basis.

3.29 The Committee also recommend that the Government should explore the possibility of opening Sainik Schools in different districts of the States which are traditional catchment areas of the country. The Committee also desire that the Government should make earnest efforts to increase the number of Sainik Schools run by Central/State Governments double the existing strengths.

3.30 The Committee, keeping in view the present situation of the Sainik Schools, strongly recommend the government to constitute a high level Committee to study and analyse the causes of lowering the educational standard of Sainik Schools and to suggest for overall improvement in the working of these schools so that objectives for which they have been created, may not be defeated. The steps should also be taken to maintain All India character of these schools. The Committee would like to be apprised of the steps taken in this regard.

OPERATION SADBHAVANA AND OPERATION GOOD SAMARITAN

3.31 The Army has undertaken a large number of civic action programmes aimed at winning the “Hearts and Minds” of the people in Jammu and Kashmir as well as in the North East as part of a strategy for conflicts prevention. In Jammu and Kashmir and North East, these projects are being implemented under OPERATION SADBHAVANA, and in the North East under OPERATION GOOD SAMARITAN by Ministry of Home Affairs.

Thrust Areas: The Army approached the problem of conflict prevention in a very planned manner by identifying the specific thrust areas, such as Human resource development, infrastructure development initiatives and efforts in the social sector. The efforts made towards the goals have had an immense impact on the psyche of the people who have come forward in combating terrorism.

3.32 During the evidence before the Committee, it was informed by the Ministry that during the year 2007-08, an allocation of Rs. 63.10 crore has been projected in Budget Estimates based on projections made by the Army.

RECOMMENDATION SL. NO. 14

3.33 The Committee note that Army has undertaken a large number of civic action programmes aimed at winning the “Hearts and Minds” of the people in Jammu and Kashmir as well as in the North East as part of a strategy for conflicts prevention under these two operations i.e. Sadbhavana and Good Samaritan.

3.34 The Committee during their visit to J&K, had taken note of the efforts being made by the Army for spreading harmony and healthy relations between Army and civilians. The Committee also noticed the good work being done by the Army in the field of education and upbringing the children of terrorists who died during Army operations. Keeping in view the noble cause of the these civic action programme of Army, the Committee strongly recommend that the Ministry should allocate more funds to Operation Sadbhavana. The Ministry of Home Affairs should also make more allocation to Operation Samaritan in order to fortify harmony and integration among the people. The Committee feel that community development projects should be undertaken in these areas by involving local people. The Committee note that presently all Ministries of the Union Government are allocating 10 per cent of their budget every year for the development of North East. The Committee desire that Army should be allocated funds from the corpus for the development schemes of North East. The Ministry of Defence should take up the matter with the appropriate authority for facilitating such an allocation.

3.35 The Committee also desire that for this purpose funds should be collected from different heads of the various Ministries like Health, Human Resource Development, Rural Development, Road Transport etc. so that money may not be a constraint for this nodal cause and Army should

continue to be the nodal organisation for effective implementation of operation Sadbhavana and Good Samaritan.

Main Battle Tank - Arjun

3.36 in order to put India on the world map along with other countries capable of mastering the technology of designing and developing their own MBTs, in March 1974, the Government of India accorded clearance for the development of an indigenous Main Battle Tank (MBT). DRDO was nominated to execute the mission.

The Chronology of Development is as under :-

Development of first prototype	-	November 1983
Development and production of next 1992	-	November 1983 to 1992
Series prototypes (12 Numbers)		
Development and production of Pre-Production Series (PPS tanks) (12 numbers)	-	1992 to 1995
Production of another three PPS tanks	-	1995-1996
Rolling out of five Limited Series Production (LSP) tanks	-	07 August 2004
Five LSP tanks handed over to 43 Armoured Regiment	-	February 2005”

3.37 The Committee desired to know the reason behind the cost escalation as the original cost of MBT project was Rs. 15.50 crore in 1974 which escalated to Rs. 306 crore in 2005. The Ministry submitted the following reason :-

“The original scope & requirement of 15 pre-Prod tanks was enhanced. 15 Pre-production Series (PPS) tanks involving production cost of 110 cr is included in the development cost .Accuracy of fire has been enhanced”.

3.38 The Ministry was asked to give comparative table of production cost, features and capability of Arjun Tank with original and upgraded T-90 and T-72 Tank. The Ministry replied as under :-

“MBT Arjun is a 60 tonne class battle tank with state of the art optro-electronic power-packed control system, weapon management system and high performance suspension. It is a product unique in its class specifically configured for Indian Army requirement. Unlike T-90 tank which was primarily built for Russian Armed Forces, adapted by Indian Army for certain specific roles, this T-90 is a 50 tonne class vehicle which does not have some of the advanced features of MBT Arjun. But it is an improved system over T-72 tank. A price comparison between the two

tanks, therefore, will not be in order. However, it is important to know that MBT Arjun had a cost of Rs 17.20 crore per system from the production line and is Rs 6-8 crore cheaper than its contemporary system in the west. It is understood that T-90 tank is costing approximately Rs 12 crore and is yet to be indigenised. Some of the salient features of the three tanks are given below :

MBT Arjun :

- Four men operated crew.
- 120 mm gun.
- 60 tons weight.
- Powered by 1400-1500 hp engine.

T-90 and T-72 Tanks:

- Three men operated crew
- 125 mm gun
- 50 tons weight
- Powered by 780-1000 hp engine

MBT Arjun firing accuracy is far superior to other two tanks. It has a second generation thermal imager and can engage targets at 2500 meters. Its 1400 hp engine ensures excellent mobility performance. It has capability to fire Laser Homing Anti Tank (LAHAT) missile from the barrel of the gun. Only T-90 tank has such capability. MBT Arjun has good export potential in African countries due to its superior features vis-à-vis contemporary MBTs.”

3.39 During oral evidence, on the quality of Arjun Tank, the non-official expert informed the Committee :-

“..... I am afraid our quality control is very poor I have heard that five tanks were presented before the media, however, when the media and other people went away, the tanks were put back in the factory because still some quality checks had to be made. The biggest problem in India in respect of defence production is quality control. If China can do it, why can we not do it ?”

3.40 During oral evidence, on the production of MBT Arjun, the representative of the Ministry informed the Committee :-

“After we took over the production from the DRDO first year we decided to deliver five tanks. These tanks were delivered last year. This year we are delivering 15 tanks more. Now 14 tanks which we had promised are ready. But while the tanks were handed over to the Army, they went for an extensive user trial. Now in the user trial some minor defects were noticed and these defects are being rectified one-by-one. Now the corrective actions which are required are expected to be completed by January this year. After this corrective action, further trials will take place. Now these are very small defects”.

3.41 Regarding the snag, he further stated :-

“Sir, we have driven them and for over 60,000 kms and fired more than 8,000 rounds. There was no problem. What happens is that in the gun control system, there are power amplifiers which are used in the fire control system. Some temperature settings were not properly done by the parent company. These were tucked inside. As you know, now-a-days, the deck is packaged so densely even to get access to that you have to take out the whole module. So, when this type of settings get disturbed, the rule says that one has to go through the whole qualification process again. There is no change in the design. It is a temperature re-setting which was got done. That has been rectified. Now the tanks would be there by the middle of January”.

3.42 During oral evidence, on the problems faced by MBT Arjun during trials, the representative of the Ministry apprised the Committee :-

“In the Arjun, we got into a little bit of a problem because certain temperature-setting switches were not tuned properly. They had to be returned. Yes, this was a problem of the Defence Research Scientists who have not seen that 60 degree setting was not kept at 60, but at 55 which is a normal standard of that company which supplied those parts follow. But we had in the prototype modified that for the 60. so, this had to be done. Once this got done, now we are ready. So some of these productions hiccup if they do take place in the initial phase, they should not dispirit us because whenever we do new products like that, we may face these kinds of problems”.

3.43 On the requirement of Tanks by the Army and the present position of orders received from the Army for Arjun Tank and also time schedule to deliver the same, the Ministry replied as under :-

“Total requirements of Army is about 3500 tanks. Army has placed an indent for manufacture of 124 MBT Arjun. Heavy Vehicle Factory (HVF) Avadi, a constituent unit of Ordnance Factory Board (OFB), has set up exclusively for Main Battle Tank (MBT), Arjun an assembly bay that has just started functioning. Once the activity picks up speed in this facility, HVF is confident to produce 50 Arjun tanks per year from the year 2009 onwards subject to continuous requirement by the user. T-90 tank is also being produced in the same factory under a separate production line.”

3.44 On NBC and missile protection system, the Ministry supplied following information:

“Tank T-90 and ARJUN have NBC protection system. In the case of T-72 tanks the NBC protection system exists in the recent models of the tanks. The older tanks, which had relatively less protection are now being upgraded. There is no missile protection system available on the Indian Army tanks. At present the tanks will be able to avoid/bear conventional attacks due to mobility and armour protection. Active protection system is being procured for T-90 tanks.”

RECOMMENDATION SL. NO. 15

3.45 The Committee are perturbed to note that the Government of India accorded clearance for the development of an indigenous Main Battle Tank (MBT) Arjun in May 1974. Even after the lapse of more than 34 years, the nominated agency of DRDO could not execute the mission so far. Inordinate delay has escalated the original cost of MBT project from Rs.15.50 crore in 1974 to Rs. 306 crore in 2005. The Committee are surprised to note that neither the execution agency of DRDO or the certifying agency Director General Quality Assurance (DGQA) are taking responsibility for the inordinate delay and quantity in production of MBT Arjun. Out of 124 ordered for tanks by the users, only 15 tanks have been produced by the Heavy Vehicle Factory, Avadi. Therefore, the Committee desire that the Ministry of Defence should think seriously as to how to comply Arjun's requirement in a time bound manner.

CHAPTER IV

NAVY

BRIEF ON REVENUE & CAPITAL EXPENDITURE BUDGET 2007-2008

The Revenue Expenditure of Defence Services 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 Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aeroengines, Dockyards, etc.

4.2 Under Revenue Head, the Defence Services/Departments projected a total requirements of Rs. 58900.35 crores for the year 2007-08. Against this, a total of Rs. 54078.00 crores have been allocated in BE-2007-08.

4.3 Details of projection made by Navy and funds allocated during the year 2007-08 are as under:-

	(Rs. in crore)	
Service/ Deptt.	Projections Made by Services/ Deptts.	As allocated
<hr/>		
<u>Navy + Jt. Staff</u>		
<u>Capital</u>		
Equipment Heads	10193.22	9980.74
Land, Works incl.	580.56	580.45

MAP		
Sub-Total Capital	10773.78	10561.19
New Revenue	7614.02	6968.25
Total Navy	18387.80	17529.44

4.4 In the presentation before Committee, the representatives of the Ministry of Defence gave the following figures on Reduction of Naval Gross Budget (excluding Joint Staff) during the year 2006-07:-

NAVAL BUDGET			
		BE/RE 2006-07	(Rs. in crores)
Head	BE 2006-07	RE 2006-07	Remarks
Capital MH 4076-02	9074.01	8724.01	Reduction of Rs 350 Crs (3.9%) at RE (296 crs under modernization and 54 crs under land and works).
Revenue MH 2077	6417.23	6452.07	Increase of 34.84 Crs (0.5%) at RE under Pay and Allowances.
Total	15491.24	15176.08	Overall reduction of Rs 315.16 Crs (-2%) at the RE stage.

4.5 On being asked by the Committee regarding budgetary allocation provided 4% less revenue expenditure to meet the demand of the Navy for the year 2007-08, the representative of the Ministry submitted as under:-

“Sir, In fact, at the first session of the Standing Committee on Demands for Grants, the Secretary (Defence Finance) had emphasized this aspect that the revenue expenditure is going to come under tremendous strain and this was reiterated by the Vice-Chief of Army staff and the same applies here. As I mentioned to the Chairman, we are actually at bare bones as far as revenue expenditure is concerned. It is an area where augmentation would be required as we go through the financial year.”

4.6 The Ministry during the presentation before Committee further added:-

“Increase in the Revenue Budget is 4% less than the present rate of inflation. Additional allocation would be sought at RE stage to maintain operational readiness.”

4.7 In their presentation during the evidence before Committee, on increase of Navy’s budget the representative of the Ministry submitted:-

“Naval Budget has grown from 13% of Defence Budget in 1990s to current level of 17.5%. This has been achieved with the active support of the Standing Committee. However, figure is still well short of SCOD recommendation of increasing Naval Share to 30% as proposed by the X Finance Commission.”

4.8 In a presentation before the Committee, the representative of the Ministry of Defence highlighted the following important achievements made during the 10th Plan by Navy:-

1. Commencement of construction of Indigenous Aircraft Carrier.
2. Acquisition of Ex-Gorshkov.
3. Construction of Six Submarines.
4. Follow on of Frigates.
5. LPD Jalashwa along with 6 UH3H Helicopters.
6. Construction of Off Shore Patrol Vessels and Fast Attack Craft.
7. Acquisition of MiG 29K aircraft for Vikramaditya.
8. Acquisition of Dornier Aircraft.
9. Sea Harrier Upgrade.
10. Construction of six Survey Vessels.
11. Barak, KLUB and LRSAM missiles.
12. Armament and Repair Facility.

The objectives of the Navy proposed for the 11th Defence Plan are as follows :-

- (a) Build airborne maritime surveillance and air defence capability.
- (b) Enhance the Mine Counter Measures (MCM) and shallow water Anti Submarine Warfare (ASW) capability.
- (c) Enhance Force multipliers like satellite based communication and reconnaissance and network enabled platforms to achieve the aims of network centric operations.
- (d) Augment and build infrastructure for maintenance of new induction platforms and undertake repairs of modern equipment being introduced in the service.
- (e) Harness the emerging elements of the RMA particularly in the field of electronics, computation technologies and information warfare.
- (f) Provide further impetus to the indigenisation process in all dimensions including space. Pursue public-private partnerships in shipbuilding and defence production.

RECOMMENDATION SL. NO. 16

4.9 The Committee note that during the year 2006-07 under Capital expenditure at RE Stage, reduction of Rs. 350 crore (296 crore under modernization and 54 crore under land and works) was made by the Government. Navy demanded Rs. 18387.80 crore for its Revenue and Capital expenditure during the year 2007-08 against this Rs. 17529.44 crore were allocated. It shows shortage of overall amount of Rs. 0858.36 crores against the projected demand of Navy. The Committee further note that Naval Budget has grown from 13% of the Defence Budget in 1990s to current level of 17.5% for the year 2007-08 however increase in the Revenue Budget is still 4% less than the present rate of inflation and additional allocation would be sought by the Ministry at RE Stage to maintain operational readiness.

4.10 The Committee take a serious note that inspite of the fact that Navy is a capital intensive Service, with projects having a long term gestation period and as such sustained committed funding support is critical for modernization of the Navy, the Ministry drastically reduced the Capital expenditure budget by Rs. 350 crore under modernization plan of Navy during the year 2006-07. The projected demand of Navy during the year 2007-08 has also been reduced by Rs. 867.36 crore.

4.11 The reduction of projected budget allocation, forces the services to reprioritise and abandon their capital schemes, which as a result deprive the Services to avail the intended benefits of that schemes/projects envisaged by them which directly affect the moral of the Armed Forces Personnel security of the nation as a whole. The Committee, therefore, urge the Government to increase Naval share in the defence budget from current level of 17.5% to 30% as proposed by the Finance Commission so that budgetary allocation to Navy may grow in consonance with their long

term plan for self reliance in Naval defence. The Committee also hope that Navy would be provided additional Revenue Budget allocation at RE Stage to maintain operational readiness.

MARITIME SURVEILLANCE CAPABILITY OF INDIAN NAVY

4.12 In reply to a query as to what steps have been taken by the Government for strengthening our maritime surveillance facilities, the representative of the ministry stated:-

“As far as surveillance is concerned, it is an ongoing process. As far as Navy is concerned, we have added 11 Dorniers to our air surveillance capability in the last plan period. In addition, you find that there are ten fast attack aircraft which are being built at GRSE. These are the assets which are being used, as far as close coastal surveillance is concerned. I would say the Naval plans do factor the growing requirements of asymmetric threats and the need for far greater surveillance to ensure that we detect anything which is going to upset the aspect of tranquility, as far as maritime sphere is concerned.”

4.13 Secretary Defence further added :-

“The increasing use of UAVs in the Naval operations will improve our surveillance capacities. Helicopters are an intrinsic element in the ships and they are extensively used to increase the surveillance capability of the ships or the flotilla.”

4.14 He further stated:-

“One thing that I would like to assure you is that when a ship is commissioned, the surveillance element is always taken care of. We intend to keep on increasing the surveillance capability. We know that maritime responsibilities are increasing and will increase because of the growth of our economy and also because EEZ is also fairly large and is likely to expand in coming years.”

RECOMMENDATION SL. NO. 17

4.15 The Committee are happy to note that for strengthening of Air Surveillance Capability, Navy have added 11 Dorniers in the last plan period. The Committee, however, keeping in view the fact that maritime responsibilities are increasing and will increase because of the growth of our economy and EEZ, strongly recommend the Ministry to make all out efforts to complete the ongoing work of ten fast attack aircraft being built at GRAC and to meet shortage of both short range as well as long range maritime Surveillance aircraft in order to ensure greater surveillance and to meet any other emergent requirement to safeguard our maritime interest. The Committee desire that considering the fact that we have far flung Islands like Andamans and Lakshdweep, the requirements of Air Surveillance should be reviewed on year to year basis and necessary steps should be taken to strengthen the surveillance for which necessary funds should be immediately provided to Navy.

REFITTING SCHEDULE OF ADMIRAL GORSHKOV (VIKRAMADITYA) AND ACQUISITION OF MIG 29K

4.16 The Committee while examining Demands for Grants of the Ministry of Defence for the year 2001-02 on induction of Aircraft Carrier Admiral Gorshkov, the Ministry stated as under:-

“The Ministry of Defence have stated that a detailed study of the maritime environment around the Indian sub-continent and the Indian Ocean region, maritime interests and the strategic imperatives needed to ensure our security had shown that the Indian Navy requires two operational Aircraft Carriers. For the operational availability to remain two, a total of three Aircraft Carriers are needed. Currently the IN has Viraat with a residual life of 5/6 years. Vikrant has been decommissioned and in its place the Government has approved the construction of an Air Defence Ship (ADS) in May, 99, which is likely to enter services in 2009-2010. Anticipating the critical void in the intervening years, the Government plans to acquire another carrier. An Inter Governmental Agreement (IGA) which inter-alia provides for acquisition of Aircraft Carrier Gorshkov from Russia for the Indian Navy has been signed on 4.10.2000. A Detailed Project Document (DPD) has been prepared by the Russian side, which is under examination. This indicates tentative cost of refit and modernization package of the ship as USD 738.6 million. So far three delegations have visited Russia to examine the Gorshkov in 1995, 1998 and 1999 respectively. The recommendation made after the visit of the 1st delegation is as under:-

The detailed survey of Gorshkov indicates that the hull, machinery and equipment are in a satisfactory state. After implementing modifications as outlined for operations by Sea Harriers and option for MIG 29/LCA, this ship would provide noticeable power projection capability to the IN for the next 20-25 years. It is, therefore, recommended that the acquisition of the ship be progressed in a time bound manner and subject to reasonableness of cost.”

4.17 When asked during the examination of Demands for Grants 2007-08 of the Ministry of Defence on the refitting schedule of Gorshkov Vikramaditya and the acquisition of MiG 29K for Vikramaditya and position of Aircraft carrier and training of pilot of MiG 29K, the representative of the Ministry stated:-

“As far as refitting of Gorshkov is concerned, as per the original date, it was to come towards the end of 2008, last quarter. We did have a feeling that in some of the areas, the progress is not as much as it should have been, but we have been assured by the Russian side that they are going to put in far greater resources, and during recent visits of some very senior-level delegations from Russia to our country, these concerns were reflected. Once again, they have assured us that in the intervening period, there are two years left, any slippages which have taken place would be taken into account, and the aircraft carrier would be delivered as close to the date as possible.

As far as MiG 29 aircraft programme is concerned, it is going online. At the moment, of course, the first aircraft which flew was shown on the television channels also. In due course of time, we have to depute our pilots for training and that would be done. I would say the MiG 29 programme, as things stand, is online.”

4.18 The Committee on Defence during their study visit to Cochin Shipyard Limited in November 2006, when asked the representatives of the Cochin Shipyard Limited about the construction of Air Defence Ship (ADS) and initial period fixed for its completion, they submitted the following:-

- “(i) Original LOI was in Aug 99 - it stated that infrastructure should be set up by 2002 and work on construction should commence by Jan 2002.
- (ii) Revised Government sanction came in Jan 2003.
- (iii) Revised LOI was issued in March 2003.
- (iv) Work order was issued in Jan 2004 for design and pre-production activities. The principal design of the project has been completed and detailed design was progressed adequately on the full modeling and system validation. Production drawings are ready and the construction of the ship has commenced in November 06. The keel is scheduled to be laid in Oct 2008. Ordering for major equipments is being progressed as per the agreed schedule between Navy and M/s CSL. The first phase of construction includes 15000 ton of steel 2500 tons outfit is expected to be completed by Oct 2010. The second phase construction would follow and the ship is expected to be ready for delivery by Dec 2014.”

RECOMMENDATION SL. NO. 18

4.19 The Committee during the examination of Demands for Grants of the Ministry of Defence for the year 2006-07 were given to understand that there is a need of three aircraft carriers wherever as of now country have only one Aircraft Carrier i.e. Virat. The Committee note that after refitting, Admiral Gorshkov is to be procured from Russia by the end of 2008 and Air Defence Ship (Ship Carrier) is under construction at Cochin Shipyard Ltd.(CSL). Considering the fact that refitting work of Admiral Gorshkov is already delayed in certain areas, the Committee are concerned to note that the Ministry have not drawn up any plan to meet the shortage of two carriers in the intervening two years. The Committee, therefore, urge the Government to pursue this vital and strategic important matter with the high level delegation of Russia to expedite the procurement of Gorshkov Vikramaditya and also make concerted efforts for providing necessary infrastructure and make necessary budgetary allocations for speedy completion of work of Air Defence Ship being constructed in CSL.

4.20 The Committee also desire that the Ministry of Defence should chalk out time bound process of acquiring MiG 29K for Vikramaditya and to depute our pilots for Training to operate it. The Committee may be apprised of the progress made by the Government in this regard.

NEED TO ATTRACT BEST HUMAN RESOURCES IN ARMED FORCES

4.21 On being asked by the Committee on the number of applicants for Short Service Commission (SSC) which has been substantially declining over last year, the Ministry of Defence furnished the following figures and number of applicants those recruited:-

INDUCTION OF OFFICER						
ENTRY	2004		2005		2006	
SSC/PC	Applied	Appointed	Applied	Appointed	Applied	Appointed
SSC	9687	145	10471	121	8326	79
Misc. Cadre	3703	60	8291	119	6564	93
CSIC/NCC	408	13	373	14	1402	38
10+2 (X)	697	70	556	55	461	47
NDA (N)	692	82	682	75	499	74
10+2 (TECH)	3186	84	3570	77	--	-(FEBO)
TOTAL (Cadet Entry)	4983	249	5182	221	2362	249

4.22 When asked by the Committee on the number of applicants for induction of sailors which are fairly steady and those recruited, the representative of the Ministry submitted the following table:-

INDUCTION OF OFFICER				
BATCH	MER/NMER		AA/DE (DH)	
	EXAMINED	SELECTED	EXAMINED	SELECTED
2004	1,03,386	3623	19,857	285
2005	1,07,657	2750	22,872	271
2006	98,028	2358	22,269	242

4.23 On being asked about the reason for declining trend of recruitment to Short Service Commission and National Defence Academy(NDA), the representatives of the Ministry stated:-

“Regarding recruitment to the Short Service Commission, it is true that it is a difficult entry to manage because we are competing with whatever are the avenues in the rest of the country. Certainly, it appears that with the present service conditions that the Defence Services are able to offer, we are not able to attract best of the youth. It is a problem. We are trying our best in terms of publicity campaigns and we send teams to colleges. In fact, in one of the earlier meetings of the Standing Committee, one hon. Member had mentioned about greater focus on coastal States. That has been done. We have actually tasked our Command Headquarters to do that because it is true that from the coastal States, the intake rate was dropping. That should not be due to the reason of lack of awareness. That action is also being taken. As far as Cadet careers are concerned, by and large, the vacancies that we have are fully subscribed to. We have not had any problem in that end.”

4.24 Defence Secretary further added :-

“Actually, the number of people or interviewees who are coming to either NDA or UPSC or through other sources are continuously increasing. Where we find it difficult is that we cannot lower down the selection criteria. So, the number of people who are selected is less. There is a continuous sort of attrition also on those who are in the Services, especially when they have certain type of skills which are higher in demand. So, the largest sort of areas where we have big concerns are, say, pilots where there is a tremendous demand outside in the open market and we are not able to let the pilots of the Air Force or the Navy go till they have completed some minimum service which they are required to do. Similarly, there is a big draw on the doctors because doctors outside are in great demand, so we cannot leave them. Now, similar pressures are also coming in some of the more technical branches because there is a big demand outside, but that pressure is lesser than what we are facing in respect of pilots. The strategy is two-pronged. The arguments that we are placing before the Pay Commission will include all these because we want to have greater facilities or greater attractiveness in the Services created and that we are taking up with the Pay Commission. On the other hand, what can be done within the Ministry or with the Ministry of Finance, we are also taking it up. There are about more than a dozen issues which if we are able to get proper solutions with the Ministry of Finance, we will

make some difference in the quality of facilities which are available. There are some other things where we have problems, say of the serving soldiers and their families which we are also trying to sort out in conjunction with the concerned State Governments. The Defence Minister and I have written to the State Governments in this regard. At different levels, we are working, but it is a fact that there is a certain drawal of trained manpower required by the private sector because our economy is growing and there is a strain on the Defence Forces where, perhaps, we will have to make things much more attractive than what it is now.”

4.25 On a suggestion made by the Committee regarding pre-selection training and establishing Special Training Centres and relation to some type of equipment, the representative of the Ministry submitted:-

“We will have a very close look at your suggestion about pre-selection training, especially in relation to some types of equipment. We are going to have a look and we are going to formulate some strategies on that.

Your concerns are very right. Training is an essential feature. We are continuously increasing the allocations and also making the training establishment more competent. Use of technology is one of the major things in the Navy especially because it is a high technology force. The type of equipment that the Navy has to use is very compact and in the ship. Therefore, in the naval training they have a great need for use of technology. From what I have seen in the last few years, there is a quantum jumps in the capability. But I would like the Vice Chief of Naval Staff to react to this.”

4.26 Thereupon the Vice Chief of the Naval Staff further added:-

“Specifically with respect to the aspect of how we are training people for high technology, the emphasis on simulators is tremendous as far as Navy is concerned. In fact, there used to a time in the old Navy where you put one of each equipment to each training school. Those days are gone. There is so much of technology in simulation available that you can virtually replicate whatever you do on a console of a ship in terms of operations and virtually fight a battle inside a room. There would be ten to twelve cubicles which represent ships. You go inside one and get locked up. You are actually in a ship sailing somewhere in the ocean. The type of information which comes into your cubicle over there is what you receive if you are actually operating on a ship. The level to which simulation is run is very high. For instance, if you are talking about a sensor, a radar, or if you want to generate the effect of rainfall or propagation conditions, all that

can be built in. The amount of realism that is being built into simulators with passage of time is really phenomenal. By the time a person actually comes on board a ship, he has operated everything that he is going to be operating while he is on a ship. Therefore, he is much better prepared today when he steps on a ship to sail a ship and fight with the ship.”

4.27 Dr. Vijay L. Kelkar who was the Chairman of the Committee set up by the Government, “Towards Strengthening Self-Reliance in Defence Preparedness” appeared before the Committee in Dec 2006 and had inter-alia in reply to the query of the Committee suggested following for higher education and study for Services to attain the best technological knowledge:

“We also made other recommendation regarding giving scholarship to our Army officers for higher education in technological studies because tomorrow’s war is technological. Our officers of Army, Navy and Air Force are just not being technological advanced. We should send officers to IITs and if necessary send them abroad to give best knowledge. The reason why Navy is better than the other two Services is because Navy is more technological advanced. So, we should have really 50 per cent scholarship to the officers of our Services because tomorrow’s war is technological. Our personnel of Navy are well trained in technology. It does not cost that much because for giving 50 per cent scholarship, it will cost a couple of crores of rupees only but the kind of human capital it will create in our defence services which will improve the entire capability of Defence. So, Navy is doing better because they design themselves and they know what exactly they need which the other two Services do not know. I would be personally grateful to you and the Committee if you could endorse this recommendation of giving our Service officers access to best possible technological knowledge.”

RECOMMENDATION SL. NO. 19

4.28 The Committee note that there has been a declining trend of youth joining Armed Forces. The Committee observe that the service conditions of the Armed forces are not such as to attract best human. As a result thereof, a substantial number of Pilots, Doctors, Technicians, Scientists in Armed Forces and from other Defence Organisations are leaving as they are in big demand outside the Services.

4.29 The Committee are of the view that in order to attract the talented and best youth to the Armed Forces and to retain the existing strength, there is an imperative need to approach the Sixth Central Pay Commission to make the salary structure, facilities and working Service conditions of the personnel of Armed Force Services more attractive vis-a-vis private sector which pay them handsomely. The Committee are also of the view that there is need to introduce pre-selection training by the Ministry of Defence for the youth which may include lodging, boarding and transport etc. The aim of the training should be to attract youth to defence services and equip them for final selection.

4.30 The Committee are of the firm view that in order to increase quality of work and change mindset of the officers, it is an imperative that Senior Officer from the Armed Forces must be allowed to go to IITs and if necessary abroad frequently for higher Study/research and to get training in various science/technological working in the various field of operations to be undertaken by the Services to improve the entire capability of Defence.

4.31 As regards the recruitment of sailors, the Committee are of the considered view that youth belonging to the coastal areas must be

imparted pre-selection training with adequate facilities of lodging, boarding etc. so as to exploit their maximum ability, sustainability, tolerance of weather conditions which they possess inherently more than other non coastal candidates and encourage them to join Navy and Coast Guard Services, the Committee also recommend that for the purpose training should be imparted to the recruitees in their regional languages in order to make training purposeful and efficacious.

CHAPTER V

AIR FORCE

Out of the total (net) Defence budget of Rs. 96,000 crore in the Budget Estimates (BE) for 2007-08, Air Force shares 28.15 per cent i.e. Rs. 27021.74 crore as compared to 26.60 per cent i.e. Rs. 22874.01 crore of the total (net) budget of Rs. 86000 crore in the Revised Estimates (RE) for 2006-07. Out of total (net) allocation made to Air Force for the year 2007-08, Revenue expenditure (net) shares 37.72 per cent i.e. Rs.10193.01 crore, whereas Capital component (net) is 62.28 per cent i.e. Rs. 16828.73 crore.

MODERNISATION OF INDIAN AIR FORCE

Allocations and Expenditure of Air Force over the years

5.2 The overall budget (gross) projected and allocated to the Indian Air Force for the year 2007-08 is as follows :-

HEAD	SANCTIONED RE 06-07	PROJECTED BE 07-08	SANCTIONED BE 07-08
CAPITAL	13,006.50	16,802.59	16,828.73
REVENUE	10,117.81	11,508.13	10,430.36
TOTAL	23,124.31	28,310.72	27,259.09

5.3 The broad break-up under the Capital Head allocations during the year 2006-07 and 2007-08 against the projected demands of Air Force are as under :-

HEAD	SANCTIONED RE 06-07	PROJECTED BE 07-08	SANCTIONED <i>BE</i> 07-08
MODERNISATION	12,128.01	15,882.72	15,908.86
Land, Works & Spl. Projects	878.49	919.87	919.87
TOTAL	13,006.50	16,802.59	16,828.73

5.4 On being asked by the Committee to furnish details of the allocations vis-à-vis expenditure under the Capital Head and targets set out during the term of the Tenth Defence Five Year Plan, the Ministry submitted as under:-

(Rs. in Crores)

Fin. Year	BE	RE	Mid-term Appraisal(MA)	Actual Exp.	Variation (5-4)
1	2	3	4	5	6
2002-03	7502.01	5002.04	4999.75	5016.13	16.78
2003-04	7095.24	6110.67	5441.93	5455.33	13.40
2004-05	14802.13	15276.27	14820.84	14783.61	(-)37.23
2005-06	12804.15	12109.17	12559.53	12531.30	(-)28.23
2006-07	15006.50	13006.50	14766.50	7034.76 (upto 28.2.07)	
Total	57210.03	51504.65	52588.55	44821.13	

5.5. The broad targets of IAF during the 10th Plan, as furnished by the Ministry of Defence, have been as follows :

a) Increase the combat force strength of IAF to the strength authorized by the government. IAF had also planned induction of various force multipliers like Airborne Warning and Control Systems (AWACS), Unmanned Aerial Vehicles etc to ensure sustenance of combat edge due to reduced combat force Squadrons. Induction of trainers like Advanced Jet Trainers (AJT) was planned for dual purpose of providing comprehensive stage III training to fighter pilots of IAF to ensure smooth transition from basic aircraft to advanced fighter and utilization of these aircraft for Close Air Support (CAS) role in case of any future requirement.

The schemes of AJT, AWACS and UAVs have fructified. However, the strength of combat Squadrons is below the authorized level.

(b) Upgrade the present weapon platforms of IAF.

Several upgrade programmes were initiated during the 10th plan, such as Jaguar upgrade and MiG-21 upgrade. Many other upgrade proposals are currently being progressed such as upgrade of MiG-29, MI-17, helicopters etc.

(c) Improvement in armament and weapons.

The procurement of Prithvi missile system, MR SAM systems, additional igla (short range ground to air missiles) air to air and air to ground missile systems is in the pipeline.

(d) Improvement in Air Defence System.

To ensure gap free radar cover of the country, IAF initiated procurement of low medium and high level Radars. Contracts for Low Level Light Weight Radars (LLLWR), SRE, AWACS, INDRA PC II Radars, Central Acquisition Radars (CAR) etc. will concluded. Some of the major schemes like LLTR, additional Aerostats, additional LLLWR, Synthetic Aperture Radars (SAR) are also planned in the 11th Plan.”

RECOMMENDATION SL. NO. 20

5.6 The Committee note that the overall allocation to Air Force has been enhanced during 2007-08 by approximately Rs. 4000 Crore as compared to the revised estimates 2006-07 out of which major part of the additional allocation has gone to the Capital Head. The Committee also note the utilisation pattern of the allocations under Capital Head during the term of the Tenth Defence Plan (2002-07) and find that during 2006-07 only Rs. 7034.76 crore have been spent (upto February 2007) out of Rs. 13006.50 crore (RE) allocated for the year. The Committee observe that there has been a slow pace of utilisation of the allocations made to Air Force for acquisition and other modernisation projects during the year 2006-07. The Committee are seriously concerned about the gross under-utilisation of the available funds and feel that this may lead to tendency of the Ministry towards utilisation of funds in a hurry at the fag end of the financial year. The Committee therefore strongly recommend that the Ministry should take immediate steps in this direction and strive to utilise the entire funds allocated to the Air Force under Capital Head within the stipulated time period so that the ongoing modernisation projects are completed without any cost and time overrun. The Committee may be informed about the action taken by the Ministry in this regard.

5.7 The Committee note with concern that in spite of several ongoing projects for the upgradation of the available aircraft, air crashes are taking place due to technical defects, which put a question mark on modernization and upgradation programme of the Air Force. The Committee, therefore, desire that Government should analyse technical causes of the air crashes and take immediate corrective measures to check the loss of precious life and machines.

SHORTAGE OF MANPOWER

5.8 Excellent, dedicated and motivated manpower capable of shouldering responsibilities of national security is the need of the hour. When the Committee desired to know about the existing Force level of the Indian Air Force in terms of manpower and also the shortages being faced by them, the Ministry, in their written reply, submitted as under:-

“The force level in Air Force in terms of manpower during the 10th plan period was around 174,148. There was a shortage of 18,749 posts. The Government recently in October 2006 approved 12,676 additional posts including 1425 officers, 11,022 airmen, 197 Non-Commissioned Officers (NCs(E)) and 32 civilian posts. With this sanction, the total IAF cadre has increased to 186,824 personnel which includes 12,117 officers, 130,776 airmen, 10,701 NCs(E) and 32,107 civilians. This meets the required minimum level of personnel considering the force structure of the Air Force. These posts will be filled up in phased manner in subsequent years. Therefore, certain steps have been taken/proposed to address the shortages. These steps are elaborated as under :-

- (i) Proposals for Restructuring of select rank cadre based on Ajay Vikram Singh Committee (AVSC) recommendations are under consideration, which aims at enhancing the individual career aspirations by increasing the select ranks vacancies and reducing the rank/age profile, which could be seen as an additional factor for officers to continue in Service.
- (ii) A proposal to increase the Short Service Commission (SSC) cadre (upto 30% in flying branch and 40% in ground duty branches) is also under consideration as part of AVSC proposals. Considering the growing economy and improved market conditions it is felt that

SSC could present a more attractive option to the youth thereby increasing inductions.

- (ii) A proposal for 'Retention Bonus' for pilots and engineers is also under consideration. If approved, is likely to enhance induction as well as motivate the officers to continue in service.
- (iv) Besides the 'Retention Bonus' as proposed for pilots and engineers, basic enhancement of pay and allowances of defence personnel will go a long way in motivating the youth to join the Defence Forces. This should be favourably considered in the VI Pay Commission.
- (v) Presently, women are eligible for only Short Service Commission (SSC) in the Flying branch. In order to overcome the shortage, a proposal to revise the SSC scheme in Flying branch to make both men and women eligible for SSC is under consideration.

RECOMMENDATION SL. NO. 21

5.9 The Committee note that in the Air Force there was a shortage of 18,749 posts during the 10th Five Year Plan. However, in October 2006, the Government sanctioned 12,676 posts which include 1425 officers and 11,022 airmen, 197 non-commissioned officers and 32 civilian posts, thereby increasing the total Air Force cadre to 186,824 personnel which will meet the required minimum level of personnel considering the force structure of the Air Force. The Committee feel that by mere fulfilling the minimum requirement of the Air Force structure, the Service should not feel content, rather Government must strive to take immediate steps to increase the force level and fill up the shortage in the Air Force in a time-bound manner so that the country's security is not compromised in terms of shortage of manpower in Air Force. The Committee desire that combat force strength of IAF must be maintained at the authorised level for all times. The Committee may be apprised about the progress made in this regard.

5.10 The Committee further note that a proposal for 'Retention Bonus' for pilots and engineers is also under consideration and if the same is approved, it is likely to enhance induction as well as motivate the officers to continue in service. The Committee shortly desire that this should be done at the earliest and their pay scales etc. should be suitably revised so that they may not feel constaint to leave services. The Committee may also be informed of the action taken on the proposal to revise the SSC scheme in flying branch to make both men and women eligible for SSC in order to overcome the shortage.

PROCUREMENT AND UPGRADATION PLANS DURING 2007-08

5.11 During the examination of Demands for Grants, 2005-06 and 2006-07, the Committee expressed concern over the continuously depleting strength of squadrons and therefore stressed on the need to maintain the required number of squadrons by way of indigenisation and simplification of acquisition procedure. When asked about the present position of the squadrons in Air Force, it was submitted as under:-

“The force level in terms of aircraft, helicopters and squadron strength during Tenth Plan was not at the required levels. The major constraint was and is that the strength of combat Squadrons has steadily deteriorated and presently stands at 33 combat Squadrons against the government authorised levels of 39 ½ Squadrons.

As regards shortages of equipment etc, and modernisation, the shortages in the IAF have been identified and a time-bound procurement programme has been initiated. This is in the form of the revised 11th Plan document of IAF, which has been forwarded to MoD. This document gives the year-wise programme of planned contracts (carryover schemes of 10th plan and new schemes of the 11th plan. The long-term requirements have been projected in IAF LTPP 2002-17, which has also been forwarded to MoF. IAF is presently preparing its LTPP 2007-22 which is planned to be put up to DAC for approval by Oct 2009. Therefore, IAF has laid down time-bound targets to overcome the shortages in the IAF.”

5.12 Regarding measures planned to improve the combat Squadron strength of the Air Force, the Ministry of Defence furnished as under :-

- (a) Presently, some Squadrons of SU-30 have been contracted. Additional Squadrons are to be contracted , which will increase their strength by the end of 12th plan period.
- (b) LCA Sqns are planned to be inducted by 13th Plan period.
- (c) The Government have accorded Acceptance of Necessity (AON) for procurement of 126 Medium Multi-role Combat Aircraft (MMRCA) for which Request for Proposal (RFP) is under process.”

5.13 When asked by the Committee about the broad outlines of the objectives of the Eleventh Five Year Plan, the Ministry of Defence submitted a note as under :-

“The target of IAF in the 11th Plan is to enhance strategic reach, while maintaining combat potential despite dwindling numbers of combat aircraft by modernization of ageing fleets. The major thrust areas are:

- (a) Counter threat in short/medium term from the neighbouring countries.
- (b) Provide support for CI operations.
- (c) Be prepared for out of area contingencies.
- (d) Provide assistance in natural calamities/man made disasters.
- (e) Provide assistance to UN.
- (f) Maintain WWR for 30 days war at high intensity, followed by 30 days of normal combat.

For achieving these objectives, procurement of MMRCA and LCA is planned together with license produced SU-30 MKI aircraft from HAL in a compressed delivery schedule. Upgrades of various aircraft and systems are also included in the Plan. To provide sharper teeth to our weapon platforms, advanced weapons like UCAVs, various missile systems, etc. have been included. To increase the combat survivability of Fleet, induction of various EW systems has been proposed. To address the problem of inadequate radar cover, additional LLTRs, MPRs, LLLWRs and Aerostat systems have been proposed to be inducted. To ensure integration of all Air Defence radars with the numerous weapon systems (fighters, heptrs, UAVs/UCAVs, AWACS, Aerostats, etc), IACCS and the Operational Data Link are planned to be operationalised in the 11th plan period. Emphasis has also been laid on the modernization of ground infrastructure, comprising RANADs, development of airfields and ranges. To create the required deterrence levels and to achieve capabilities enshrined in the RM's Op Directive, appropriate modernization schemes have been planned in the 11th Plan”

5.14 On being asked by the Committee regarding procurement of multi-role combat aircraft and helicopters/UAVs during the current financial year, the Ministry furnished the following information :-

- (i) RFP for 126 Medium Multi-role Combat Aircraft is under process.
- (ii) As the RFP is yet to be issued, no proposals have been received. Evaluation on the competing aircraft will be carried out only after receiving proposals.
- (iii) The following Unmanned Aerial Vehicles and helicopters are planned to be procured in the 11th plan period :-
 - (a) Indigenously built UAVs (Rustom)
 - (b) Armed UAVs
 - (c) Advanced Light Helicopters (ALH) with glass cockpit and Shakti engine
 - (d) Armed ALH
 - (e) Attack helicopters
 - (f) MI-17 helicopters
 - (g) Heavy lift helicopters.
 - (h) Light Combat Helicopters.
 - (j) VVIP helicopters.
 - (g) Medium Lift Helicopters

“The contract for procurement of additional Su-30 MKI aircraft has been signed with Hindustan Aeronautics Limited (HAL) on 30.3.2007. HAL is already manufacturing these aircraft under ToT with the Original Equipment Manufacturer(OEM).

Government is considering procurement of C-130J aircraft for special operations for the Air Force. Air HQ indicated that the C-130J aircraft was the only aircraft available worldwide which met the operational requirement. M/s Lockheed Martin of the USA is the Original Equipment Manufacturer (OEM) of the aircraft. The aircraft could be procured only through the United States Government under their Foreign Military Sales(FMS) route. Accordingly, a Letter of Request(LOR) has been issued to the US Government in December, 2006.

Procurement of MMRCA and LCA is planned together with licence produced SU-30 MKI aircraft from HAL in a compressed delivery schedule. First Squadron of AWACS is planned to be inducted soon. Induction of another AWACS Squadron is planned in the beginning of 12th plan period. Induction of additional Flight Refuelling Aircraft (FRA) each is planned in the 11th and 12th plan periods. Government plan to bolster transport and helicopter force by inducting heavy lift transport aircraft,

medium lift transport aircraft, heavy lift helicopters, medium lift helicopters, light combat aircraft, and medium attack helicopter.

Upgrades of various aircraft like Mirage -2000, MIG-29, MIG-27, AN-32, Dornier, MI-17 helicopters and other weapon systems have also been planned. Induction of advanced weapon systems like UCAVs, PGMs and various air to air and air to ground missile systems are planned. To increase the combat survivability of fleet, induction of various Electronic Warfare systems are also planned. To have a gap free radar cover induction of LLTRs, MPRs, LLLWRs, and Aerostat systems is planned. To ensure integration of all our Air Defence radars with the numerous weapon systems (fighters, helicopters, UAVs/UCAVs, AWACS, Aerostats, etc), IACCS and the Operational Data Link are planned. Modernisation of ground infrastructure, comprising Radio and Navigational Aids (RANADs), development of airfields and ranges and improvement in training infrastructure, information technology (IT) and IT enabled services (ITES) are also planned.”

5.15 During oral evidence before the Committee, Defence Secretary further stressed on the ongoing modernization programme of Air Force as under :-

“There are three types of acquisition processes which are happening. We are on our path of procuring ‘x’ number of Sukhoi aircrafts. By compressing that, we have reduced the number of years by which we shall acquire the same. We are also acquiring a large number of the same aircraft. Then we are on the path of modernization of Jaguar and some of them have already been done. This has also increased our capabilities.”

5.16 Regarding replacement of the ageing aircraft, he further stated :-

“It will be done as the time comes. A couple of days ago, we retired MiG-23. It is not by emotions that we are doing it. MiG-25 was retired last year and Mig-23 was retired in this calendar year. Both have been retired in the financial year, 2006-07.

MiG-29 is still a frontline aircraft but they will get upgraded. Jaguars are getting upgraded. New capabilities are going to be acquired for Jaguars and for Sukhoi 30 MK-1, we have reduced the time period.”

RECOMMENDATION SL. NO. 22

5.17 The Committee note that against the Government authorised level of 39.5 squadrons, the present strength stands at 33 squadrons. The Committee are given to understand that the authorised level of squadrons is planned to be achieved under 12th and 13th Plan periods. The Committee feel that the induction plan of the Air Force under 12th and 13th Plan periods is ironical in view of the fact that despite the lapse of the entire plan period, Tenth Defence Plan could not be completed.

5.18 The Committee note that the Ministry is making efforts for the procurement of Sukhoi - 30 MKI aircraft and also considering the procurement of C-130J aircraft in order to boost up the capabilities of Indian Air Force. In line with this, procurement and induction of MMRCA, LCA, AWACS and Flight Refuelling Aircraft (FRA) are also planned during the 11th and 12th Plan periods. The Ministry also plans to undertake upgradation projects of Mirage - 2000, Jaguar, MiG – 29, MiG – 27, AN – 32, Dornier and MI – 17 and other weapon systems. In order to bolster its air strike capabilities, the Ministry is also in the process of acquiring 126 aircraft, the Request for Proposal (RFP) is likely to be issued shortly. The Committee express their deep concern on this stereotype reply being furnished by the Ministry for the last 2-3 years and the same has not been turned into reality so far, the Committee therefore, desire that the Ministry should strive hard to expedite the completion of procedure and technicalities in order to facilitate the acquisition of 126 proposed aircraft. The Committee also note that despite the repeated recommendation in the past for the acquisition of low level radars, sufficient number of low level radars have not yet been produced or procured resulting in inadequate surveillance of the Indian Peninsula.

5.19 The Committee feel that most of the aircraft in the inventory of Air Force are quite old and therefore require immediate replacement. The Committee also feel that the upgradation programme of the Air Force which is a continuous process is proceeding at a very slow pace. On the other hand, there has been under utilisation of the funds allocated for the purpose during the last financial year 2006-07. In view of this, the Committee strongly recommend that the Ministry should take immediate steps for the ongoing acquisition and upgradation programme by utilising the entire funds allocated for the current year. The Committee also desire that to address the needs of adequate surveillance, procurement of various types of radars should also be taken up on priority and the Committee should be kept apprised of the procurement made in this regard.

5.20 The Committee note that the long-term perspective plan of the Air Force (LTPP 2002-17) had been forwarded to the Ministry of Finance for approval and the Indian Air Force is in process to prepare, the LTPP 2007-22 which is planned to be put up for the approval of Defence Acquisition Council by October 2009. The Committee are very sad to note this progress of work on the preparation and finalisation of LTPP. The Committee are further constrained to note that the 11th Plan document of the Air Force which has been forwarded to the Ministry of Defence include several carried over schemes of the 10th Plan and also includes the new schemes of the 11th Plan. The Committee strongly feel that the present pace of finalisation and implementation of the schemes of the Air Force leave much to be desired. Therefore, the Committee desire that serious efforts need to be made to implement and realise the objectives set out in the plan document in a time-bound manner. The Committee desire to be apprised periodically about the progress made in regard to this implementation and achieving the target of authorised level of squadron strength.

AIRCRAASH & TRAINING

5.21 Over the years, aircrashes are taking place due to various technical reasons and otherwise. In response to a related query by the Committee, the Ministry submitted the details of aircrashes for the last few years as under :-

“During the last three financial years (2003-04, 2004-05 and 2005-06) and the current financial year so far, a total no. of 52 aircraft crashed. The main causes of these accidents were technical defect and human error (aircrew). Details of these accidents are enclosed as Annexure.

A continuous and multi-faceted effort is always underway in the Indian Air Force (IAF) to enhance and upgrade flight safety. Each aircraft accident is investigated by a Court of Inquiry and recommendations of the Court are implemented to prevent recurrence of accidents. Measures to enhance the quality of training to improve the skill levels, ability to exercise sound judgment and situational awareness of pilots are being pursued. Constant interactions with Original Equipment Manufactures (OEMs), both indigenous and foreign, are maintained to overcome the technical defects of aircraft. Besides, anti-bird measures are also undertaken.

An Expert Committee was constituted under the Chairmanship of Director General (Inspection & Safety) / Air Hqrs on 30.12.2004 to identify the root causes of aircraft accidents and to prepare a comprehensive action plan so as to reduce the losses to a minimum. The Expert Committee has made 222 recommendations. A Task Team has been constituted under the Chairmanship of Director General (Inspection & Safety) to oversee the implementation of the recommendations.”

Training programme for the pilots

5.22 When asked to furnish details of the training module available with the Air Force to train the pilots, the Ministry elaborated as under :-

1. Flying training in the IAF is broadly divided into three stages viz. Stages I-III. Details are as follow: -

Stage-I Training

2. This is the basic flying training. It is conducted at the Air Force Academy (AFA) on HPT-32 (Deepak) basic trainer aircraft. On completion of this stage, the trainee pilots are trifurcated into Fighter, Transport and Helicopter streams.

Stage-II Training

3. This is the 'advanced stage' of training conducted in Training Command.
 - (a) Fighter. Stage II (F) training is conducted at Hakimpet on HJT-16 (Kiran Mk 1/1A) aircraft.
 - (b) Transport. Stage II (T) training is conducted at the Fixed Wing Training Faculty (FWTF) in AF Station Yelahanka (Bangalore) on Dornier-228 aircraft.
 - (c) Helicopter. Stage II (H) training is conducted on Alouette-III (Chetak) aircraft at the Helicopter Training School (HTS) in AF Station Hakimpet.
4. On successful completion of Stage II training cadets are awarded 'Wings' and given a commission.

Stage III Training

5. After commissioning into the IAF, the trainee officers continue their training as follows : -
 - (a) Fighter. Stage III (F) training is conducted at AF Station Bidar on Kiran Mk IA aircraft.

- (b) Transport. Stage III (T) training is conducted at FWTF in AF Station Yelahanka, on An-32/Avro/Do-228.
- (c) Helicopter. Stage III (H) and RSP training on Chetak are carried out at HTS and on Mi-8 at 112 HU in AF Station Yelahanka.

Induction of Training Aircraft

6. A total of 66 Hawk Mk 132 AJT aircraft have been contracted. Out of these 24 aircraft will be delivered by BAE Systems, United Kingdom (U.K) in flyaway condition and the rest would be licence manufactured by Hindustan Aeronautics Limited. The delivery of Direct Supply aircraft will commence from September, 2007 in batches of four aircraft per month. The delivery of licence build aircraft will commence from March, 2008 in batches of 1-2 aircraft per month.

As per Direct Supply Contract, upto 75 IAF pilots are to be trained at the U.K., in 13 batches of 6 to 8 pilots each. All except one batch would consist of ab-initio pilots while one batch (Batch 12) would have Qualified Flying Instructors (QFI). Presently 8 batches have completed their training and 9th, 10th & 11th batches are undergoing training at Royal Air Force Valley, UK.”

RECOMMENDATION SL. NO. 23

5.23 The Committee note that during the last four years, 52 aircraft of the Indian Air Force have crashed, out of which 19 crashes are attributed to technical defect, 20 to human error, 1 to bird hit and 1 to miscellaneous reasons; 3 cases remained unresolved and 8 cases are still under investigation. The causes of air crashes raise two significant issues viz. upgradation programme of the Air Force for the ageing fleet is not at the desired pace and secondly, training facilities available to the Air Force Pilots are not well equipped. The Committee, therefore, feel that Government should make all out efforts to keep the upgradation programme of the Air Force on the track and at the faster pace and put efforts for the immediate replacement of the old aircraft by making sufficient funds available for the purpose.

5.24 The Committee, at the same time, also feel that since a large number of air accidents are also taking place due to human error, it reflects that the training methodology needs immediate improvement, correction and expansion. The Committee, therefore, earnestly desire that the training module being imparted to the Air Force pilots should be re-designed in such a manner that it matches the international standards. The Committee feel that the induction of Advanced Jet Trainer (Hawk) will go a long way in enhancing the training capabilities of the Air Force and therefore desire that its induction should be expedited in the right earnest. The Committee may be apprised of the action taken by the Ministry in this regard.

The Committee further desire that training should be imparted to the Air Force pilots in time to acclimatise them in different types of Aircraft being inducted by the Air Force from time to time.

ATTRITION OF PILOTS

5.25 It is being observed that pilots of the Indian Air Force are leaving the services for want of a better and attractive packages in the commercial aviation sector. When the Committee desired to have detailed information about the recent trend of exist of pilots from the Air Force, the Ministry submitted as under:-

“Exits are a natural phenomenon in a pyramidal structure such as the IAF. Provisions exist for officers of all branches to proceed on premature retirement as governed by Govt policy. The reduction in number of pilots granted premature retirement in the year 2005 (58) indicates that the exits are controlled as per Govt policy and keeping the operational requirement of the IAF. The main reason that is forcing IAF pilots to seek premature retirement is the vast difference in the salary between an IAF pilot and a civil commercial pilot. The difference, in some cases is as much as 10 times of what the IAF pilot gets as salary.

The increasing number of applications for premature retirement is directly proportional to increasing demand for trained pilots in civil/commercial aviation sector. Therefore, certain measures have been taken/proposed to address the shortage of pilots in IAF. These measures are elaborated in Annexure A.”

5.26 During oral evidence, Defence Secretary also recognised the shortage of pilots and observed as under :-

“As we have been telling on the last few occasions, planning is on the basis of capabilities that we want. Our capabilities are increasing. Accordingly, capabilities have a bearing on numbers. As far as pilots are concerned, there is shortage of pilots in India. The exigency of services within the armed forces does not allow easy retrenchment or easy release of pilots at the early stages. After completing the minimum number of years of service, which is required, then the pilots can also go. Normally, the pilots are not allowed to go without completing the minimum number of services.”

5.27 Elaborating further on the training programme for the Air Force pilot, a representative of the Ministry of Defence stated during presentation as under:-

“On an average we have about thirty pilots who are joining the Air Force every six months. We have two types of entries. One is through the NDA and the other is direct entry. Eighty per cent are from the National Defence Academy and about 20 per cent from the direct entry.

When our pilots are joining the Air Forces, as you have mentioned, recruitment is like this. It is the first time that they fly at the National Defence Academy. But the pilots who enter direct, who join the training establishment, they have never flown before. Some of them have never flown before. If a pilot has done some flying outside in a civil college, that is on his own. He may have done it through the NCC or something else. But we train these ab initio pilots who may have never flown in their life before. So, the pilot joins the NDA. That is one entry. Or he may have joined as a direct entry cadet.

What we have is that we have one-and-a-half-year's programme for the pilots who are joining through direct entry. As far as the pilots who are joining through the NDA are concerned, their training programme is for one year.

We bring them all together during the one-and-a-half year's period. They get their cadre and wings. Before they go to the operational squadron, they are sent for six months specialization or up to one year's specialization course. Here, the type of aircraft in which they fly is taken into account. So, at the moment, we are doing it on the MiG-21 which is at Tezput and in the western sector. Once the hawk AJT comes in, which is going to come in this year, we would give training. For that, we are training 75 pilots in the UK. When they come back here, these boys who have flown the hawk aircraft will then proceed to the front-line operational system. So, this is actually done in three stages. One is at the basic level. Then, there is the lead level. They fly in the aircraft to the operational squadron. We can provide you the break down.

What we have at present is that once a pilot joins the Air Force, he gets his wings. He becomes operational on a particular aircraft. Let us take the example of the Jaguar aircraft. He gets operationalised to it. He will stay in the squadron for at least three to four years to specialize and to improve his skills at that point of time. If the Service feels that he needs to

move to another aircraft, for example, the SU-30, then he will get posted to a SU-30 squadron. He will have to be there for three to four months period and he will be getting training on the new type of aircraft, the new SU-30 aircraft. Therefore, he gets his operational status and then stays there. Apart from this, we also have specialized courses. We have the Instructors Course. We have the Qualifying Flight Instructors Course which the pilot gets at the stage of 8 to 10 years of service. Then, we have Fighter Combat Leaders Course. These are in service courses, flying courses. With this qualification, a pilot continues to improve his skill levels and he is accommodated in the service.”

RECOMMENDATION SL. NO. 24

5.28 The Committee note the alarming trend of attrition of pilots from the Air Force who are joining the commercial aviation sector for the sake of attractive perks and packages. The Committee are disturbed to note that the increasing number of applications from the Air Force pilots for premature retirement is directly proportional to the increasing demand for trained pilots in civil/commercial aviation sector. The Committee feel that this trend will disturb the operational requirements of the Air Force and therefore immediate steps are required to be taken to contain this trend. The Committee, therefore, strongly desire that efforts must be made urgently in order to revise the pay structure of the Air Force pilots so as to make up the existing vast difference in the salary of an Air Force pilot and a commercial pilot and differences likely to arise in future. In addition to this, strong measures should also be taken to devise a mechanism by which Air Force pilots may not leave the services after training and induction into the Air Force. They should be made to sign an agreement before their induction to serve for a minimum prescribed years in the Air Force.

5.29 The Committee understand HAL Nasik has all the facilities of production, repair, overhauling of MiG series aircraft to train the pilots, however, they do not have any training college. In this context, the Committee are of the view that this infrastructure could be utilized to open a new pilot training college so that number of trained pilots can be increased. The Committee also desire that HAL Nasik may explore possibilities to tie up with other reputed pilot training institutions to make the training programme more effective.

CHAPTER VI

DEFENCE RESEARCH & DEVELOPMENT ORGANIZATION

Defence Research and Development Organisation (DRDO) was formed in 1958 with an objective to build up capability to make improvements in the existing weapon systems and to other imported equipment. Later on, in 70s, it was involved in development of armaments and ammunitions. During 80s, thrust was given to major programmes like, development of guided missiles, electronic warfare systems, aircraft, communication systems, etc. These programmes gave a new impetus to multiple design and technology centres resulting in production of weapon systems during 90s. The Department of Defence Research and Development came into existence in 1980. Now, the DRDO has emerged as one of the premier scientific and technological organisation in the country with a mission to design, develop and lead to production of state-of-the-art weapon systems, platforms and allied equipment. It also provides combat support for meeting the current requirements of the Armed Forces. The Organisation is fully dedicated towards progressive enhancement of self-reliance in defence systems, in state-of-the-art technologies, and R&D infrastructure and capability of the country. It has vision to promote the corporate strength and to make the country independent of foreign technologies in critical spheres

6.2 In the presentation before the Committee, the Ministry gave the following information:

“This year total budget of Research and Development Organisation is Rs. 5887.22 crore which is 6.13 percent of the total budget of the Ministry of Defence, which stands at Rs. 96,000 crore.

The total allocation (Revenue Expenditure) made to Research & Development Organisation in Budget Estimate 2006-07 was Rs. 3020.08 crore which was increased to Rs. 3030.72 crore at Revised Estimate stage. The allocation in Budget Estimate 2007-08 has been increased to Rs. 3202.47 crore, recording an increase of approximately Rs. 172 crore over the Revised Budget Estimate of 2006-07.

On Capital Account the allocation in Budget Estimate 2006-07 was Rs. 2445.65 crore which remained same at the Revised Estimate stage. The allocation in Budget Estimate 2007-08 has been increased to Rs. 2700.75 crore, recording an increase of approximately Rs. 255 crore.”

6.3 During the presentation before the Committee, the Ministry of Defence submitted the following information on R&D vs. Defence expenditure :-

Year(s)	(Rs. in crores)		
	R&D Expenditure	Defence Expenditure	R&D Expenditure (% age of Defence Expenditure)
1997-98	1951.39	35277.99	5.53
1998-99	2292.45	39897.58	5.75
1999-00	2824.42	47070.63	6.00
2000-01	3342.34	49622.04	6.74
2001-02	3119.80	54265.73	5.75
2002-03	3008.11	55661.83	5.40
2003-04	3443.18	60065.80	5.73
2004-05	3715.27	75855.92	4.90
2005-06	5279.02	80548.98	6.55
2006-07 (RE)	5457.37		
	(net)	86000.00	6.35
2007-08 (BE)	5887.22		
	(net)	96000.00	6.13

Revenue and Capital

	(Rs. in crores)		
	BE 2006-07	RE 2006-07	BE 2007-08
Revenue (Gross)	3020.08	3030.72	3202.47
Receipts (-)	12.00	19.00	16.00
Revenue (Net)	3008.08	3011.72	3186.47
Capital	2445.65	2445.65	2700.75
Total (Gross)	5465.73	5476.37	5903.22
Total (Net)	5453.73	5457.37	5887.22

6.4 During the oral evidence on providing training and incentives to the scientists, representative of the Ministry of Defence (DRDO) has stated as under:-

“On the human resource front, as you are aware that the Institute of Armament Technology is now a deemed university called Defence Institute of Advanced Technology. Over the last two years, we have a management board, the Vice Chancellor, Dr. Ramachandra Rao who has just retired, he and his team has done excellent job of turning around that place into an excellent institution where apart from running special course for the Armed Forces and for the scientists, whether they are recruited directly from the campuses of the National Institutes of Technology or through the examination which we conduct annually and we recruit about 400 to 500 scientists. So they get transferred to that institution and undergo pre-training of about four months then they are allotted to different laboratories there. This course is very well received. I met the students even recently and they are very happy with the kind of introduction we have given to them about the broad spectrum of activities going on in the Defence arena in the development within the DRDO and in the industry. Apart from this the Institution will be running several post-graduate courses in my areas both for DRDO as well as for Armed Forces. Hopefully, from next year we should be able to admit engineers from private sector also into the M.Tech course provided the candidates are well qualified with the academic background.

The University has now provided provision for different laboratories. They have made their own independent assessment. They have permitted quite a few laboratory scientists to register for Ph.D. for the work being done in the laboratory. This will enhance the Human Resource Development potential of the DRDO progressively.

Our main expense is towards the Human Resource Development and some amount of cost in training and some software that we may do and a little bit of infrastructure that we will create associated with the test and evaluation in different working centres there. On the classification of Capital and Revenue, the details will be given. But it is not similar to the other Services because our revenue is by the definition of the term, not that all the money is for spares. It is not that kind of revenue but substantial part is spent towards projects.”

6.5 The Committee desired to know about the details of Defence R&D budget in respect of neighbouring and developed countries during the last five years, the Ministry in a note furnished to the Committee submitted the following :-

Countries	Budget	Years				
		2000	2001	2002	2003	2004
India	Defence	11956	12513	12294	14336	16904
	R&D	737 (6.17)	697 (5.57)	676 (5.50)	760 (5.30)	823 (4.87)
USA	Defence	322309	324908	364819	414400	455304
	R&D	43415 (13.47)	44934 (13.83)	N. A.	52753 (12.73)	64653 (14.04)
UK	Defence	40725	41777	44068	51082	47401
	R&D	4861 (11.88)	5105 (12.22)	N. A.	N. A.	N. A.
Pakistan	Defence	2920	3125	3358	3602	3685
	R&D	N.A.	N.A.	N.A.	N.A.	N.A.
China	Defence	22200	26100	30700	33100	35400
	R&D	China's R&D Budget is around 15% of Defence Budget according to some rough estimates.				

Note: Figures in parenthesis are percentage of Defence Budget. Defence Budget of all the countries except India are in accordance with details available in SIPRI year book.

Allocation made to the Defence R&D are utilized for approved / sanctioned projects, programmes and schemes. Annual allocations made to Defence R&D are normally utilized in full for the approved projects. Minor portion of allocations at times remains un-utilised due to slippages in delivery commitments by foreign suppliers and other reasons beyond control”.

RECOMMENDATION SL. NO. 25

6.6 The Committee take a serious note of the fact that the percentage expenditure on R&D which was 6.55 and 6.35 per cent of Defence expenditure in 2005-06 and 2006-07 respectively has come down to 6.13 per cent in 2007-08. The Committee note that developed country like USA is spending 14.4 per cent budget on its Defence R&D. Even the neighbouring country like China is spending around 15 per cent of its Defence budget. The Committee feel that in order to make the country self-reliant in Defence production, it is absolutely necessary to increase expenditure on Defence R&D at least to ten per cent of total Defence expenditure.

6.7 The Committee during the course of examination of subject DRDO had observed that the proposals of various incentives/facilities to be given to the scientist were still pending with the Government. The Committee are of the firm view that scientists who are fully committed to the research work assigned to them and show results, must be encouraged by the Government by providing optimal, congenial and healthy atmosphere. The Committee desire that the Government should extend royalty to the scientists for the original R&D work done by them and any product developed thereon. The Committee desire that a board of permanent nature consisting of Distinguished Scientists should be created to provide accelerated promotion to the scientists on the basis of their performance and outcome in their respective field. The Government may be the owner of that patent and the scientists who have done the research work can be paid a major share in royalty received on that patent. It has been brought to the notice of the Committee that Departmental Promotion Committee (DPC) meeting are not held on regular basis resulting in denial of promotion to a large number of scientists. The Committee desire that DPCs meetings should be held regularly every year and update the cadre by promotional recruitment. This will work as an incentive to the scientists

and other relevant staff as the case may be. This will go a long way in boosting the moral of scientists in DRDO. The Committee also desire that Ministry should make all out efforts to fill up all vacancies in Services, Defence PSUs, Ordinance Factories and particularly DRDO in a time bound manner. The Committee hope that these positive steps, if taken by the Government, will immensely help to encourage our scientists to work with full devotion and commitment and show the results. The Committee may be apprised of the action taken in this regard.

6.8 The Committee are given to understand that the Ministry of Defence/DRDO are not inclined to accept the recommendation of the committee in their earlier reports that R&D work of medical, life and other allied sciences should be entrusted to the concerned organisation relating to these subjects and the DRDO should concentrate on the fundamental and critical defence research work. The Committee therefore strongly reiterate their earlier recommendation and also further desire the Ministry of Defence to consider the matter and appoint an expert committee to go into the matter in detail. In this regard, the Ministry may also see the practice being followed by the developed countries of the world.

CHAPTER VII

SPECIAL FACILITIES FOR WAR DISABLED VETERANS

The Defence Service Personnel who are released from service and granted pension are treated as normal ex-servicemen. The disabled ex-servicemen are those who are released from service after sustaining the disability and are granted disability pension.

7.2 During the oral evidence before the Committee, representatives of Disabled War Veterans expressed their views through a memorandum, details of which are as follows :-

“Currently, the attitude of the concerned authorities in the Government leaves a lot to be desired. Disabled War Veterans have to literally fight for each and every measure which can ameliorate their living conditions after being invalided out, released or retired from the armed forces. They have to struggle to get what should be rightfully granted to them as a recognition of their contribution to the defence of the motherland, shedding blood without caring for their life or limbs. Often, they are forced to go to the court to get justice from the Government. Currently, at least half a dozen cases filed by Disabled War Veterans (DIWAVE) against the Govt. are pending.

There is no better way to attract suitable talent to the armed forces than for the Govt. to ensure that it really cares for those who shed their blood for the nation. In specific terms, the following measures could be considered-

- (a) The Government should consider sympathetically to enhance monetary benefits at uniform rates irrespective of the State to which an individual belongs to those who get bravery awards or get injured in military action,
- (b) Higher rates of disability pension, to be made payable from the date of injury (with retrospective effect) and without limiting it to basic pay of the rank and also, provision of monthly disability allowance to those retained in service, despite their disability.

- (c) Better quality prosthesis and other assisting devices to the disabled.
- (d) Realistic rates of Attendance Allowance to cover the emoluments of the attendant for severely disabled.
- (e) Allotment of land/housing at concessional rates.
- (f) Reservation of seats in colleges and institutions of higher learning for wards of the war disabled.
- (g) Assured re-employment in civilian capacity, commensurate to qualifications, experience and rank to those who are employable in civil jobs despite their disability.
- (h) A separate identity card be issued to all war disabled or alternatively the ex-servicemen card issued be of different colour indicating the specific nature of disability.
- (i) The ECHS card issued should be distinctive for war disabled.
- (j) Replacement of prosthesis be allowed from outlets of the disabled choice on requirement and frequency of two-three years.
- (k) Treatment in military hospitals on priority.
- (l) For officers admission in VIP/Senior officers wards and for PBOR's in JCO wards.
- (m) Free medical treatment.

7.3 The Ministry were asked about the cases relating to pension of disabled Ex-servicemen pending before the courts, they supplied the following information:

“(a) The details of pension cases pending in various High Courts are as under:-

(i)	Air Force	227
(ii)	Navy	<u>71</u>
	Total	<u>298</u>

(b) In so far as Army is concerned, they are not maintaining any data regarding different types of pension related cases. They have, however, a total number of 3230 cases relating to pensionary matters pending before various High Courts.”

7.4 In reply to a question about the facilities given to War Disabled, the Ministry supplied the following information:

“(i)**Employment for Dependents:** There are provisions for employment of the BSM dependents under the existing Govt. Orders. The widows/dependents of the service personnel are classified into two different categories on the basis of type of death/disability of the service personnel:-

- (a) Death/disability (over 50% & unfit for the civil employment) in war or peace time but attributable to military service.
- (b) Death in peace time but not attributable to military service.

Upto two dependents of the first category are eligible for employment assistance under Priority – II (a). One dependent of the second category is eligible for compassionate appointment.

For registration under Priority-II (a) Category, a certificate from CDA Allahabad is to be attached certifying that the death/disability has been accepted attributable to military service. This would be done by the Record Office of the soldier. The form is to be filled by the widow/parents of the deceased/disabled soldier and given to the Record Office/Zila Sainik Board who would verify the details and send it for further action to Sub Regional Employment Officer, Central Employment Exchange, Dte Gne Employment & Training (DGE&T), Ministry of Labour, 14/11, Jam Nagar House, New Delhi-110011. However, the number of vacancies

arising under Priority-II (A) are negligible and most of the applicants become overage over a period of time and do not get the requisite assistance.

For compassionate appointment, the dependent has to approach the Records Office of the deceased or the Personnel Dte at Army HQrs.

(ii) Financial Assistance by Kendriya Sainik Board

(a) **Health Care:-** Direct payment of upto 90% of stipulated amount paid to Personnel Below Officer's Rank through KSB for listed specialized treatment.

(b) **Disabilities:** Disabled ESM are provided special medical care and trained to become self reliant. The care and rehabilitation is undertaken in specialized institutions supported by KSB. These are:-

- (i) Queen Mary's Technical Institute, Pune.
 - (ii) Paraplegic Centres at Kirkee and Mohali.
 - (iii) St. Dunstan's After Care Centre, Dehradun.
 - (iv) Cheshire Homes at Delhi, Dehradun, Lucknow, Vellore and Thiruvananthapuram.
- (c) Supply of Motorised Tricycles to physically disabled.
- (d) Tool Kit, ESM Techniques.
- (e) Reimbursement of Interest by way of subsidy on loans taken from bank for construction of house.
- (f) Marriage Grant for Daughter – Rs. 8000/-.
- (g) Medical Grant – Rs. 15,000/-.
- (h) House repairs – Rs. 10,000/-.
- (i) Education Grant – Rs. 300/- pm upto Std XII for max three children.
- (j) Monthly Financial Grant – Rs. 1000/- pm for two years to financially destitute ESM.

(iii) Self Employment

- (a) **Tipper Scheme:** One tipper sponsored to ESM Coal Transport Company with assured monthly remuneration of Rs. 3,000/- pm for five yrs initial investment of Rs. 55,000/- refunded after five yrs annual cost of Tipper borne by the applicant.
- (b) **Oil Product Agency:** Directorate General of Rehabilitation issues eligibility certificate to disabled ESM for LPG Distributorship/Superior Kerosene Oil Distributorship/ Petrol & diesel Retail Outlets against 8% Defence Quota.”

7.5 The Committee desired to know the number of disabled in Officer’s category and Jawan’s category, the Ministry supplied the following information.

“As per the details disability/war injury persons are being drawn by under mention personnel.

(a) **Officers**

War injury pension	-	267
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(b) **PBOR**

Disability Pension	-	2,74,558
War Injury Pension	-	<u>4,000</u>
		<u>2,78,825”</u>

7.6 During the oral evidence before the Committee, representative of the Ministry of Finance on Plans/Schemes to allocate specific funds for upliftment and to extend more and more facilities to disabled war veterans, stated as under:-

“As far as disabled war victims, etc. we have no scheme as proposed by the Ministry of Defence to the best of my knowledge. We do not have any scheme or proposal that has been received by us so far. We can check up and let the hon. Committee know on this account.”

RECOMMENDATION SL. NO. 26

7.7 The Committee are unhappy to note that the Disabled War Veterans have to literally fight for each and every measure which can ameliorate their living conditions after being invalided out from the Armed Forces. Often they are forced to go to the court to get justice. Presently 3528 cases are pending in various High Courts relating to their pensions alone. The Committee feel that it is the duty of the nation to look after welfare of the soldiers who have lost their limbs for no fault of their own while protecting and serving the country. Thus when admitted or visiting military hospitals for treatment, they should be given the highest consideration of officers being admitted in the senior officers/VIP wards and other ranks being admitted in the JCO wards. The need for a special Identity card identifying the war disabled is also necessary so that they can get preferential treatment in various services like Railways, Roadways, Airlines etc. The Committee desire that all out efforts should be made to make life easy for the disabled veterans. The Committee also desire that a special window should be opened in all the Military hospitals for War Disabled Veterans and adequate representation in various boards/organisation of the Ministry of Defence may also be given to them.

7.8 The Committee also note that Prosthesis are not a one time fitting. These need to be replaced/refitted as and when necessary, as each and every part has a life. This involves, at an average, a refitting every two to three years. Artificial Limb Centre (ALC), which provides limbs to the disabled soldiers, is lagging far behind in its modernization and research. The limbs provided by ALC, besides being extremely heavy and obsolete, take considerably long time in making or refitting them.

7.9 The Committee note that there are other manufacturers of artificial limbs, who make water proof, light and cheap alternative to those

manufactured by ALC. The Committee, therefore, recommend that the Ministry should explore the possibility of technical collaboration of ALC with other National or International Companies to manufacture light and strong prosthesis or otherwise the Ministry may take initiative to have public-private collaboration or may enter into contract with the private manufacturers as the case may be to ease their problems.

7.10 The Committee recommend that Ministry should go into the details to know the causes of increasing number of pension cases in the court and find possible solution by relaxing the pensionary rules/interpreting them flexibly to extend necessary pensionary benefits to these disabled war veterans. The Ministry should also simplify procedure/rules in extending pensionary, gratuity and other benefits to the war disabled. The Committee desire that instead of taking average salary for determining the pension, last pay drawn should be taken into consideration while determining the amount of pension in case of War Disabled Veterans and adequate representation in various boards/organisations of the Ministry of Defence may also be given to them.

7.11 The Committee are surprised to note that Ministry of Defence have not chalked out any scheme nor demanded funds in order to extend financial and other help to the War disabled veterans. The Committee, therefore, strongly recommend the Ministry of Defence to set up special fund under civil head in consultation with the Ministry of Finance with an aim to provide infrastructures, liberal financial and other required support to the War disabled veterans. The Committee also desire that in each command there must be one office for Disabled War Veterans in order to ease and addressed their problems in right direction. The Committee are of the considered view that this act of the Government will facilitate the disabled war veterans to solve their problems themselves and would have

possible impact on the young generation encouraging them to join the Armed Forces.

7.12 The Committee desire that the Ministry should create a separate cell to deal with the grievances of the War disabled persons and chalk out a policy to help the War Disabled Veterans and their dependent family members in an efficacious way and implement it in a time bound manner. In this regard, the Committee further desire that war disabled soldiers and officers should be treated at par.

7.13 The Committee note that a meagre sum of Rs. 8,000/- is given as Marriage Grant for Daughter, Rs. 15,000/- for Medical Grant, Rs. 10,000/- for House repairs, Rs. 300/- pm upto Std XII for three children and Rs. 1000/- pm for two years to financially destitute ESM monthly. The Committee feel that these grants do not serve any purpose, therefore, the Committee strongly desire that keeping in view the rising cost of living, these grants should be suitably enhanced and the Committee may be informed of the progress made by the Ministry in this regard.

CHAPTER VIII

WELFARE OF EX-SERVICEMEN

The Department of Ex-servicemen (ESM) Welfare formulates various policies for the welfare and resettlement of ESM in the country. The Department has two Divisions, Resettlement and Pension Division and is assisted by two Inter Services Organisations, Directorate General of Resettlement (DGR) and Kendriya Sainik Board (KSB). While the KSB, which is headed by Raksha Mantri as an ex-officio President of the Board, lays down general policies for the welfare of ESM and their dependents and also for administration of welfare funds, the office of Directorate General of Resettlement implements various policies/schemes/programmes of the Government. The Directorate General of Resettlement has five Director Resettlement Zones (DRZs) in five Army Commands. The KSB/Directorate General of Resettlement are also assisted in their task by various Rajya Sainik Boards (RSBs)/Zila Sainik Boards which are under the administrative control of respective State Governments. The Government of India bears 50% of the expenditure incurred on the organization of RSBs while the remaining 50% expenditure is borne by the respective State Governments, since the welfare and resettlement of ESM is the joint responsibility of the Central Government as well as the State Governments.

8.2 During oral evidence, on the welfare of Ex-Servicemen, the representative of Ministry of Defence (Army) stated as under :-

“.....The welfare aspect are few fold. Welfare of the serving soldiers, welfare of the families of the soldiers, welfare of the children of the soldiers – these three are taken in hand at the time when they are in service.our ex-servicemen people are increasing. One of the major tasks was that a High Level Committee of Ex-Servicemen was set up in Eighties. They had recommended for one rank one pension. That task was completed last year. It was especially for the PBORs, because that is the place where larger numbers of our ex-servicemen are. We have succeeded in doing that. We are also putting in a larger number of

structures or things for ex-servicemen's welfare. But we do not feel that we have reached a kind of complete satisfaction because it is an unending process. The number of ex-servicemen is increasing and the opportunities are decreasing especially in the Government sector. So, we have started finding out opportunities in the private sector. We have talked with the private sector organizations like ASSOCHAM , FICCI, CII and they have also started understanding the immense possibilities of employing ex-servicemen because of their discipline, because of their training while they are here in the services and because they are extremely good human resources. Human resource is a very crucial part, which is in the overall input to output conversion."

8.3 On the question whether the budget for the welfare is need based or permanently fixed, the representatives of Ministry of Defence stated as under :-

"But at no stage, the budget has been the constraint. If there are greater schemes, which are required, I am confident that we shall be able to do it, if not this year, may be next year."

8.4 In the Action Taken Reply on the recommendation of the Committee on providing full pensionary benefits, the Ministry submitted the following information:-

"The issue of removal of 33 years of condition and/or enhancement of weightage to the extent of making Armed Forces personnel eligible for full pension admissible for 33 years qualifying service was considered in detail by the Government. Considering all relevant factors including financial implications and repercussions elsewhere, a conscious view was taken to enhance the weightage in the case of Sepoy, Naik and Havildar to 10, 8 and 6 years respectively subject to maximum qualifying service of 30 years. However, if a person is getting pension for more than 30 years with the weightage of 5 years, he will continue to get that. It has not been found feasible to grant benefit for 33 years qualifying service to the Personnel below Officer's Rank (PBOR) irrespective of length of actual qualifying service rendered."

RECOMMENDATION SL. NO. 27

8.5 The Committee are surprised to note that despite the recommendation of the high level committee of Ex-Servicemen which was set up in eighties, to provide one rank one pension to Ex-Servicemen and reiterating this recommendation again and again by this Committee, long standing demand of Ex-servicemen has not been implemented by the Ministry so far. Therefore, the Committee recommend once again, to implement one rank one pension at the earliest to attract the talented and best youths to join the Armed Forces. The Committee, however, are happy to note that the Ministry have initiated steps in providing job opportunities to Ex-servicemen in private sector in coordination with Associated Chambers of Commerce and Industry (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII) and hope that the Ministry will keep their sprit up. The Committee should be informed about the exact implementation status of jobs provided in the private sector.

8.6 The Committee note that the issue of removal of 33 years of condition and/or enhancement of weightage to the extent of making Armed Forces personnel eligible for full pension admissible for 33 years qualifying service has been considered by the Government. However, the Committee do not agree with the view of the Ministry that it was not found feasible to grant benefit for 33 years qualifying service to the Personnel below Officer's Rank (PBOR). The Committee again reiterate their earlier recommendation to provide full pensionary benefits to the Armed Forces personnel without insisting on 33 years qualifying service conditionality, keeping in view the fact that they are forced to go out of service to keep the fighting forces young.

8.7 The Committee also desire that in the cases where Armed Forces personnel died in young age while in service or injured and invalidated out from the service should also be suitably compensated by giving relaxation in years of Service rendered by them.

CHAPTER IX

CIVIL ESTIMATES OF THE MINISTRY OF DEFENCE

The requirement for the Civil Expenditure of the Ministry of Defence and Defence Pensions are provided in separate Demands for Grants. These are Demand No. 20 – Ministry of Defence (Civil) and Demand No. 21 – Defence Pensions.

Demand No. 20

9.2 The provisions in BE and RE of 2006-2007 and BE 2007-2008 under Demand No. 20 are given below:

Rs. in crore

	BE 2006-07	RE 2006-07	BE 2007-08	%age increase (BE to BE)	%age increase (RE to BE)
Ministry of Defence					
Coast Guard	1075.00	836.45	1150.00	6.98	37.49
JAKLI	321.79	343.66	334.43	3.93	-2.69
MoD Sectt.	68.52	73.28	67.74	-1.14	-7.56
DAD	580.72	570.17	645.04	11.08	13.13
DEO	69.56	68.15	70.03	0.68	2.76
CSD	5382.40	4964.56	5377.65	-0.09	8.32
Others	1.85	70.78	1.94	4.86	(-)97.26
Gross Total	7499.84	6927.05	7646.83	1.96	10.39
Less CSD Sale Rept	5600.00	5200	5600.00	0.00	7.69
Net Total	1899.84	1727.05	2046.83	7.74	18.52

Coast Guard Organisation

9.3 The Coast Guard is responsible for:

- (i) ensuring the safety and protection of artificial islands, offshore terminals, installations and other structures and devices in maritime zones;
- (ii) providing protection to fishermen including assisting them at sea while in distress;
- (iii) taking such measures as are necessary to preserve and protect the maritime environment and to prevent and control marine pollution;
- (iv) assisting customs and other authorities in anti-smuggling operations;
- (v) enforcing the provisions of such enactments as are for the time being in force in the maritime zones; and
- (vi) such other matters, including measures for the safety of life and property at sea and collection of scientific data, as may be prescribed.

Objectives of XI Plan

- 1. Development of additional coast guard aviation assets and ground support facilities
- 2. Use of automated systems
- 3. Additional avenues for outsourcing
- 4. Development of infrastructure and facilities at all coast guard stations
- 5. Augment repair/maintenance facilities
- 6. Develop coast guard training facilities
- 7. Increase surface as well as aerial surveillance capability
- 8. Network centric operations

The BE&RE for 2006-07 and BE 2007-08 for Coast Guard Organisation under capital head is as under:

(Rs. in crore)

<u>2006-07</u>		<u>2007-08</u>
BE	RE	BE
1075.00	836.45	1150.00

9.4 The Budget Estimates under capital head of the Coast Guard Organisation for the year has been drastically reduced from Rs. 1075.00 crore to Rs. 836.45 crore. On the query of the Committee regarding the reasons for decrease the allocation and the efforts being taken by the Ministry to contain the smuggling and arms transport in the Coastlines of the country, the Ministry of Defence in their written replies stated as under:

“The Budget Estimate under capital head of the Coast Guard for the year 2006-07 has been reduced from Rs. 1075.00 crore to Rs. 836.45 crore due to the following reasons:

- (i) The ongoing scheme of construction of pollution control vessel (PCV) at M/s ABG, Surat, Gujarat received a setback due to floods in the year 2006. As a result Rs.100 crore (approximately) could not be utilized towards this scheme.
- (ii) With an objective to discipline the capital acquisition procedure of Coast Guard as per Defence Procurement Procedure (2005), their Annual Acquisition Plan (APP) has been brought under the purview of Defence Procurement Board (DPB). The Annual Acquisition Plan for the year 2006-07 of Coast Guard alongwith other three Defence services is coordinated by Headquarters Integrated Defence Staff (IDS) / Ministry of Defence. As the new procedure for approval of Annual Acquisition Plan was not envisaged at the time of Budget Estimate (BE) formulation, it resulted in non-fructification of some of the new schemes under capital acquisition during the year 2006-07.
- (iii) The security and surveillance apparatus in India’s territorial waters and exclusive economic zone has been enhanced substantially over the years. The improvement of such an apparatus, based on felt need is an ongoing process. Such measures are regularly updated

by the Indian Coast Guard in coordination with other concerned agencies.

9.5 On being asked about the sanctioned and force level of the Indian Coast Guard and the present force level to carry out regular security and surveillance of the maritime zones of India, the representative of Ministry of Defence during the oral evidence has stated that the assessed requirement for Coast Guard is of 154 ships, 93 Boats/crafts and 105 Aircraft. Against this the present force level is 42 ships, 18 Boats/crafts and 45 Aircrafts. They also projected the capability gap exists in the following :

- (i) Surface surveillance by day and night;
- (ii) Shallow Water Operations; and
- (iii) Aerial surveillance by day and night.

The representative of the Ministry of Defence further stated:

“Coast Guard Plans to enhance the surveillance capability by the end of XI Plan augmenting the force levels with a judicious mix of small/big ships and aircraft.”

Manpower

9.6 During the presentation by the representative of Ministry of Defence stated the following:

- (i) Minimum inescapable requirement of 2456 personnel projected in June 2006.
- (ii) Since then only 11% sanctions received for shore Units

9.7 During oral evidence, they further stated:

“The Indian Coast Guard has a daunting task of keeping a huge coastline of 7,516 Kms. And an Exclusive Economic Zone of 2,013 million sq.mtr. under constant surveillance. We are lean and efficient with a small force level of ships and aircraft manned by a mere 6,076 service personnel including 853 civilian, making us perhaps the smallest force in the country. In recent years, global insecurities have predominantly stemmed from traditional threats. These threats have largely manifested in the maritime domain in such an emerging environment, the Indian Coast Guard has geared itself to take on challenges by planning of balanced growth of its fleet and ships and aircraft together with its show-based infrastructure and manpower.”

9.8 On being asked by the Committee regarding the coordination between the Coast Guard and the Navy, the representative of the Ministry of Defence stated as under:

“As far as far as coordination between the Coast Guard and the Navy is concerned, the Navy is not involved in the budgeting process of the Coast Guard at the moment. I would like to begin from the setting up of the Coast Guard. As was brought out in the presentation, it was set up as per the Coast Guard Act of 1978. Here, I would like to state that some of the aspects on how the Coast Guard should operate are embodied in the Act itself. Article 14(2) of the Coast Guard Act highlights Coast Guard roles i.e. ensuring safety and providing protection to artificial islands, offshore installations, etc. providing protection to fisherman, taking measures necessary to preserve and protect maritime requirements and enforcement of the provisions of enactment of laws. By and large, you will see that the operative term as far as Coast Guard is concerned is safety and protection. Where the Navy comes in is with respect to security and that is where some of the other rulings which have been embodied in Government documents come in. Section 14(3) of the Coast Guard Act states that the Coast Guard shall perform its functions in accordance with and subject to such rules as may be prescribed by the Government and that such rules may in particular need provisions for ensuring that the Coast Guard functions in close liaison with other union agencies, institutions and authorities. During precautionary and war stages, the Coast guard will operate under operational control of the Indian Navy. The Coast Guard units will formally operate under the Naval operational control and the specific operational control authorities from the Coast Guard will also be nominated by naval Headquarters for performing designated tasks/conduct of operations. The administrative control will

continue to rest with CG authorities. They will operate with Naval Forces and execute tasks as ordered and comply with sailing and other orders issued from time to time by the Naval authorities. This is as far as war is concerned. After the Kargil episode, the Group of Ministers had also addressed this issue and among the recommendations that were made by them at that point of time for the general operations of the Coast Guard and Navy, was that during joint operations in peace time, the command of the tactical situations should at all times remain with the Navy and compatibility between Coast Guard and navy in terms of equipment, training and weapons should be ensured.

The facilities and infrastructure which are available with the Navy, are being made available to the Coast Guard. In fact, the complete training of the Coast Guard is carried out by Navy and Navy establishments except for sea training. Infrastructure-wise, where the Navy has naval stations, it allows the Coast Guard use of Naval own infrastructure, jetties etc. In naval air stations we have provided space for buildings hangars etc. This is the extent to which the Navy is coordinating with the Coast Guard. However, the Coast Guard plans are not being vetted by the Navy.”

RECOMMENDATION SL. NO. 28

9.9 The Committee are concerned to note that there are serious shortages in the force level of Coast Guard. Against the assessed requirement of 154 ships, 93 boats and 105 aircraft, the present force level is only 42 ships, 18 boats and 45 aircrafts. The Committee also note that there is inadequate surveillance capabilities of Coast Guard in various fields. Pertaining to the manpower of coast guard, the Committee note that keeping in view the daunting task of coast guard in peace and war situation to protect the huge coast line and exclusive economic zone the present level of manpower i.e. 6,016 service personnel and 853 civilian, seems to be inadequate. The Committee are concerned to note that there is huge reduction in the budgetary allocation from BE to RE 2006-07. Therefore, the Committee earnestly recommend that the surveillance capability and manpower of the coast Guard should be enhanced as per the assessment and the Committee desire the Ministry to utilise the increased allocation in BE 2007-08 and if required they may seek additional funds at the Revised Estimates stage.

9.10 The Committee also recommend that Navy should impart institutional training to Coast Guard Personnel in order to increase safety and aerial surveillance. This will also facilitate effective coordination between the two organisations.

DEFENCE ESTATES ORGANISATION

9.11 The main function of Defence Estates Organisation are administration of Cantonment Boards, management of Defence lands both inside & outside the Cantonments, requisition and hiring of immovable properties for Defence purposes, etc.

9.12 The BE, RE for the year 2006-07 and BE 2007-08 for Defence Estates Organisation is as under:

(Rs. in crore)			
<u>2006-07</u>		<u>2007-08</u>	
BE	RE	BE	
63.47	62.01	63.23	

9.13 Regarding the restructuring of the Department of Defence Estates, the representative of the Ministry of Defence during the oral evidence stated:

“As far as the restructuring of the Department is concerned we had formulated a detailed proposal and it was sent to the Ministry. The Ministry had approved it and it now needs the approval of the Ministry of Finance before we go to the Cabinet. Right now, the process is on.”

9.14 On the question of specific provision in the budget for the rehabilitation and resettlement, the representative of the Ministry of Defence stated during the oral evidence as under:

“There is no separate budget provision as such under the budgetary arrangements. But the fact remains that whenever there is any acquisition proposal, we get it done through the State Government and the State authorities give us a package which includes, apart from the cost of acquisition under the Act and the rehabilitation package and that package invariably is approved by the Government. For example, in the case of a Naval Project we have paid about Rs. 10 crore towards rehabilitation which was asked for by the State Government, apart from the cost of land acquisition that is statutorily payable under the Land Acquisition Act. So,

we do consider and in the past in major acquisition cases, we have given rehabilitation grants whenever it been asked for.”

9.15 When asked about possibilities of getting matters sorted outside the court of law, the representative of the Ministry of Defence stated:

“Under the existing Land Acquisition Act, there is a provision for consent award where the parties and the Government agree to decide the quantum of compensation so that in future there is no scope for going in for litigation. This we have done in Andhra Pradesh in a project of the Navy.”

RECOMMENDATION SL. NO. 29

9.16 The Committee note that the restructuring of Department of Defence Estate Organisation has been approved by the Ministry of Defence and the approval of Ministry of Finance and Cabinet is yet to be obtained. Therefore, the Committee desire that the Ministry should take up the matter with the Ministry of Finance and resolve the queries at the earliest, so as to get the approval of the Ministry of Finance, without further loss of time.

9.17 The Committee observe that there is no separate budgetary provision for paying compensation, rehabilitation and resettlement in case of land acquisition. In this connection, the Committee desire that the Ministry of Defence should make correct assessment of the land to be acquired, the compensation to be paid and the pending cases, where they have to pay compensation and project the amount for this purpose under a separate budgetary head. This will facilitate early settlement of rehabilitation cases and redress the grievances of the affected persons at the earliest.

9.18 The Committee note with concern that a large number of cases are pending in various courts regarding compensation paid to the persons whose land was acquired by the Government for Defence purposes and the aggrieved people are not getting compensation in time. Therefore, the Committee strongly desire that the Ministry of Defence should take initiative to settle the cases outside the court through reconciliation / negotiation.

**New Delhi
20 April, 2007
30 Chaitra, 1929 (Saka)**

**BALASAHEB VIKHE PATIL
Chairman
Standing Committee on Defence.**

ANNEXURE - I**Vide Para No. 5.21****INDIAN AIR FORCE**

Sl No	Date	Aircraft	Heli-copter	Cause of the accident	Fatal (Aircrew/ Service pers.)	Fatal /injured (Civilian)	Compensati on paid (in Rs.)
1	4.4.03	MiG-23	-	Technical Defect	-	7/-	38,50,000
2	7.4.03	MiG-21	-	Technical Defect	-	-/7	7,10,000
3	4.6.03	MiG-21	-	Human Error (Aircrew)	1	-/-	5,00,000
4	18.6.03	HPT-32	-	Technical Defect	-	-/-	-
5	7.7.03	MiG-23	-	Technical Defect	-	-/-	-
6	14.7.03	MiG-21	-	Human Error (Aircrew)	2	-/-	12,50,000
7	22.7.03	Jaguar	-	Human Error (Aircrew)	-	-/-	-
8	31.7.03	-	Chetak	Technical Defect	2	-/-	10,00,000
9	6.11.03	Kiran MK II	-	Unresolved	2	-/-	10,00,000
10	28.11.03	MiG-21	-	Human Error (Aircrew)	-	-/-	-
11	4.12.03	MiG-29	-	Technical Defect	-	-/-	-
12	7.2.04	MiG-23	-	Human Error (Aircrew)	1	-/-	5,00,000
13	20.2.04	MiG-21	-	Technical Defect	-	5/17	28,00,000
14	26.2.04	Jaguar	-	Technical Defect	1	-/-	7,50,000
15	4.3.04	-	MI-17	Human Error	-	-/-	-

				(Aircrew)			
16	2.4.04	Jaguar	-	Human Error (Aircrew)	2	-/-	10,00,000
17	2.4.04						
18	22.4.04	-	Cheetah	Human Error (Aircrew)	1	-/-	5,00,000
19	28.4.04	MiG-27	-	Technical Defect	1	-/-	5,50,000
20	7.5.04	Jaguar	-	Technical Defect	-	-/-	-
21	19.5.04	MiG-27	-	Human Error (Aircrew)	1	-/-	5,00,000
22	26.7.04	-	MI-17 IV	Human Error (Aircrew)	1	-/-	5,50,000
23	23.9.04	Mirage-2000	-	Human Error (Servicing)	-	-/-	-
24	12.10.04	Mirage-2000	-	Unresolved	-	-/-	-
25	1.11.04	MiG-21	-	Human Error (Servicing)	-	-/-	-
26	5.11.04	MiG-27	-	Technical Defect	-	-/-	-
27	9.11.04	Mirage-2000	-	Human Error (Aircrew)	1	-/-	5,00,000
28	30.12.04	-	Cheetah	Human Error (Aircrew)	-	-/-	-
29	4.1.05	MiG-21	---	Human Error (Servicing)	-	-/-	-
30	1.2.05	----	Chetak	Unresolved	-	-/-	-
31	4.3.05	HPT 32	----	Human Error (Aircrew)	1	-/-	2,50,000
32	8.3.05	MiG-21	----	Human Error (Aircrew)	1	1/6	15,30,000
33	11.5.05	Jaguar	----	Technical Defect	1	-/-	5,00,000
34	22.5.05	----	MI-8	Technical Defect	1	-/-	5,00,000
35	7.10.05	Jaguar	----	Technical Defect	-	-/-	-
36	19.10.05	---	Cheetah	Technical Defect	-	-/-	-
37	26.10.05	MiG-21	--	Bird Hit	1	-/-	5,00,000
38	13.12.05	MiG-21	-----	Technical	-	-/-	-

				Defect			
39	19.12.05	Canberra	----	Technical Defect	2	-/-	10,00,000
40	27.12.05	Kiran MK1	----	Technical Defect	-	-/-	-
41	17.1.06	MiG-21	----	MISC	-	-/-	-
42	18.3.06	Kiran MK II	-	Human Error (Aircrew)	2	-/-	10,00,000
43	21.3.06	MiG-21	-	Human Error (Aircrew)	2	-/-	10,00,000
44	8.6.06	MiG-29	-	Technical Defect	-	-/-	-
45	18.9.06	MiG-21 Bison	-	Under Investigation	-	-/-	Under Investigation
46	28.9.06	MiG-29	-	Under Investigation	-	-/-	-
47	19.10.06	MiG-27	-	Under Investigation	-	-/-	-
48	21.11.06	MiG-29	-	Under Investigation	-	-/-	Under Investigation
49	18-1-07	Jaguar	-	Under Investigation	-	-/-	Under Investigation
50	24-1-07	Mirage-2000	-	Under Investigation	-	-/-	Under Investigation
51	2-2-07	--	ALH	Under Investigation	-	-/-	Under Investigation
52	1-3-07	MiG-21 FL	-	Under Investigation	-	-/-	Under Investigation

Full forms of the abbreviations used in the Report

AWACS	-	Airborne Warning and Control System
UAV	-	Unmanned Aerial Vehicle
MRSAM	-	Medium Range Surface to Air Missile
LLLWR	-	Low Level Light Weight Radar
SRE	-	Surveillance Radar Element
CAR	-	Central Acquisition Radar
LLTR	-	Low Level Transportable Radar
SAR	-	Synthetic Aperture Radar
LTPP	-	Long Term Perspective Plan
MoD	-	Ministry of Defence
MoF	-	Ministry of Finance
DAC	-	Defence Acquisition Council
LCA	-	Light Combat Aircraft
AoN	-	Acceptance of Necessity
RFP	-	Request for Proposal
CI	-	Counter Insurgency
UCAVs	-	Unmanned Combat Air Vehicles
WWR	-	War Waging Reserve
EW	-	Electronic Warfare
MPR	-	Medium Power Radars
OP	-	Operation
LoR	-	Letter of Request
HAL	-	Hindustan Aeronautics Limited
ITES	-	IT Enabled Services
GRSE	-	Garden Reach Shipbuilders & Engineers Ltd.
EEZ	-	Exclusive Economic Zone
LOI	-	Letter of Intent

**MINUTES OF TWENTY-THIRD SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2006-2007)**

The Committee sat on Tuesday the 13 March 2007 from 1500 to 1700 hrs in Committee Room No. 'D', Parliament House Annexe, New Delhi.

PRESENT

Smt. Viplove Thakur - Acting Chairperson

MEMBERS

LOK SABHA

2. Shri Milind Deora
3. Shri Shrinivas Patil
4. Shri Manvendra Singh

RAJYA SABHA

5. Smt. N.P. Durga
6. Smt. Viplove Thakur

SECRETARIAT

1. Shri P.K. Bhandari - Joint Secretary
2. Shri Gopal Singh - Director
3. Shri D.R. Shekhar - Deputy Secretary – II
4. Smt. J.M. Sinha - Under Secretary

WITNESSES

REPRESENTATIVES OF MINISTRY OF DEFENCE

1. Shri Shekhar Dutt - Defence Secretary
2. Shri S. Banerjee - DG (ACQ)
3. Dr. (Mrs.) Rekha Bhargava - Special Secretary (B)
4. Shri A.K. Jain - Special Secretary (J)

5.	Shri C.M. Bachhawat	-	JS&AM (MS)
6.	Shri K.P. Singh	-	Secretary (DP)
7.	Shri P.K. Rastogi	-	AS (DP)
8.	Shri Ranjan Chatterjee	-	JS (HAL)
9.	Shri V. Somasundaran	-	JS (OF)
10.	Shri Alok Perti	-	JS (SY)
11.	Shri Sudipta Ghosh	-	DGOF
12.	Lt. Gen. Rakesh Puri	-	DGQA
13.	Dr. M. Natarajan	-	SA to RM
14.	Shri N. Sitaram	-	CCR&D (ECS) & DS
15.	Shri S.C. Narang	-	CCR&D (R&M)
16.	Shri G. Elangovan	-	Director ADE
17.	Shri Rajwant B. Singh	-	Director P&C
18.	Shri V.K. Misra	-	Secretary (Def. Fin.)
19.	Shri S.N. Mishra	-	Addl FA (M)
20.	Shri Amit Cowshish	-	Addl FA (A)
21.	Shri P.K. Jena	-	Addl. FA (J)
22.	Smt. Anuradha Mitra	-	Addl. FA (AM)
23.	Shri Mukesh Sinha	-	Director (Fin/Budget)
24.	Lt. Gen. H.S. Lidder	-	CISC
25.	V. Adml. Nirmal Verma	-	VCNS
26.	Lt. Gen Z.U. Shah	-	DCOAS (P&S)
27.	Air Mshl. N.A.K. Browne	-	DCAS
28.	Air Mshl. A.V. Vaidya	-	DCIDS (PP&FP)
29.	Maj. Gen. Daljit Singh	-	ACIDS (FP)
30.	Maj. Gen. Vickas Kapur	-	ADG FP
31.	Maj. Gen. A.K. Mehra	-	ADG WE
32.	AVM N. Vijaya Kumar	-	ACAS (FP)
33.	AVM N.V. Tyagi	-	ACAS (Plans)
34.	R. Adml. Anil Chopra	-	ACNS (P&P)
35.	Brig. D.K. Jammal	-	DDG FP (A)
36.	Cmde. M.K. Anand	-	DACIDS (Budget)
37.	Cmde. S. Samaddar	-	PDNP

2. In the absence of Hon'ble Chairman, the Committee chose Smt. Viplove Thakur, M.P. to act as chairperson for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha. The Chairperson, then, welcomed the Members of the Committee as well as the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to the direction 58 of the directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the sitting.

3. The Committee then put forth certain important queries on reduction of Rs. 3,000 crore from the BE to RE during the year 2006-07 in the capital outlay and its effect on capital acquisition status of Long Term Integrated Perspective Plan and Eleventh Defence Plan, the targets fixed and achievements made during the Tenth Defence Five Year Plan and the projections made by Ministry of Defence for Eleventh Five Year Plan for modernisation, new technological infusion in the Services and R&D organisations etc. to achieve self-reliance in Defence sector.

4. Through a power point presentation, the representatives of the Ministry of Defence briefed the Committee on Defence Budget (2007-08) in general and on the Demands for Grants related to Army in particular. The representatives of the Ministry then clarified the queries raised by the Members one by one on certain issues, the Ministry assured the Committee to furnish information later on.

5. A verbatim record of proceedings was kept.

The Committee then adjourned.

MINUTES OF TWENTY-FOURTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2006-2007)

The Committee sat on Thursday the 22 March 2007 from 1100 to 1450 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil - Chairman

MEMBERS

LOK SABHA

7. Dr. K.S. Manoj
8. Shri Arjun Charan Sethi
9. Shri Mahadeorao Shiwankar

RAJYA SABHA

10. Smt. N.P. Durga
11. Smt. Viplove Thakur

SECRETARIAT

1. Shri P.K. Bhandari - Joint Secretary
2. Shri Gopal Singh - Director
3. Shri D.R. Shekhar - Deputy Secretary – II
4. Smt. J.M. Sinha - Under Secretary

WITNESSES

REPRESENTATIVES OF MINISTRY OF DEFENCE

1.	Shri Shekhar Dutt	-	Defence Secretary
2.	Shri S. Banerjee	-	DG (ACQ)
3.	Dr. M. Natarajan	-	SA to RM
4.	Shri V.K. Misra	-	Secretary (Def. Fin.)
5.	Dr. (Mrs.) Rekha Bhargava	-	Special Secretary (B)
6.	Shri A.K. Jain	-	Special Secretary (J)
7.	Dr. Prahlada	-	CCR&D (SI)
8.	Shri S.C. Narang	-	CCR&D (R&M)
9.	Shri G. Elangovan	-	Director ADE
10.	Shri P.K. Rastogi	-	AS (DP)
11.	Shri Rajiv Takru	-	JS & AM (LS)
12.	Shri V. Somasundaran	-	JS (OF)
13.	Shri Sharad Ghodke	-	OSD (P)
14.	Lt. Gen. Rakesh Puri	-	DGQA
15.	Lt. Gen. H.S. Lidder	-	CISC
16.	Lt. Gen Z.U. Shah	-	DCOAS (P&S)
17.	Air Mshl. A.V. Vaidya	-	DCIDS (PP&FP)
18.	Air Mshl. N.A.K. Browne	-	DCAS
19.	Maj. Gen. Daljit Singh	-	ACIDS (FP)
20.	Maj. Gen. Vickas Kapur	-	ADG (FP)
21.	Maj. Gen. A.K. Mehra	-	ADG (WE)
22.	Shri S.K. Sharma	-	AS &AM (Air)
23.	Shri Ranjan Chatterjee	-	JS (HAL)
24.	Shri Bimal Julka	-	JS (G/Air)
25.	AVM N. Vijaya Kumar	-	ACAS (FP)
26.	AVM N.V. Tyagi	-	ACAS (Plans)
27.	Shri Ashok K. Baweja	-	Chairman, HAL
28.	Smt. Anuradha Mitra	-	Adl. FA (AM)
29.	Shri Amit Cowshish	-	Addl FA (A)
30.	Shri S.N. Mishra	-	Addl FA (M)
31.	Ms. Vandana Srivastava	-	FM (Air)
32.	Shri Mukesh Sinha	-	Director (Fin/Budget)
33.	Cmde M.K. Anand	-	DACIDS (Budget)
34.	Col. S.M. Singh	-	Director (Budget)

2. At the outset, Hon'ble Chairman welcomed the Members and representatives of Ministry of Defence to this sitting of the Committee. The Chairman then requested the Representatives of the Ministry to brief the Committee on the Demands for Grants (2007-08) relating to Army and drew their attention to the Direction 58 of the Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the sitting.

3. The Committee then inter-alia putforth certain important queries i.e. the shortfall of Rs. 275 crore from the projected amount of Rs. 7212.20 crore by the Army and its likely impact on modernization and high-tech plans, future plans of Army to reprioritise their schemes/projects for the Eleventh Five Year Plan, effective steps to be taken by Army to send officers of technical background to DRDO on deputation, shortage of manpower and equipment in Army etc.

4. Through a power point presentation, the representatives of the Ministry of Defence briefed the Committee on Defence Budget (2007-08) relating to Army. The representatives of the Ministry then clarified the queries raised by the Members one by one. As desired by the Committee, the Ministry assured the Committee to furnish written replies on some issues later on.

The Committee then adjourned for lunch.

5. Hon'ble Chairman welcomed the representatives of the Ministry of Defence to the post lunch sitting of the Committee and requested them to brief the Committee on the Demands for Grants (2007-08) relating to Air Force and drew their attention to the Direction 58 of the Directions by the

Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the sitting.

6. The Committee then asked the representatives to clarify on some aspects relating to shortfall of Rs. 2233 crore (Revenue) and Rs. 13096 crore (Capital) budget of Air Force, future plans of Air Force to meet the shortage, procurement plans under Capital Head for the Air Force during the year 2007-08, the progress being made in the establishment of Aerospace Command and difficulties being faced by the Ministry in setting up of this command.

7. Through a power point presentation, the representatives of the Ministry of Defence briefed the Committee on Defence Budget (2007-08) relating to Air Force. The representatives of the Ministry then clarified the queries raised by the Members one by one. As desired by the Committee, on certain issues, the Ministry assured the Committee to furnish written information later on.

8. The copy of verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF TWENTY-FIFTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2006-2007)

The Committee sat on Friday the 23 March 2007 from 1100 to 1430 hrs in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil - Chairman

MEMBERS

LOK SABHA

12. Shri Santosh Kumar Gangwar
13. Shri Suresh Kalmadi
14. Dr. K.S. Manoj
15. Shri Shriniwas Patil
16. Shri Arjun Charan Sethi
17. Shri Mahadeorao Shiwankar
18. Shri Manvendra Singh
19. Shri Rajesh Verma

RAJYA SABHA

20. Smt. Viplove Thakur

SECRETARIAT

1. Shri P.K. Bhandari - Joint Secretary
2. Shri Gopal Singh - Director
3. Shri D.R. Shekhar - Deputy Secretary
4. Smt. J.M. Sinha - Under Secretary

WITNESSES

REPRESENTATIVES OF MINISTRY OF DEFENCE

1.	Shri Shekhar Dutt	-	Defence Secretary
2.	Dr. M. Natarajan	-	SA to RM
3.	Shri V.K. Misra	-	Secretary (Def. Fin.)
4.	Dr. (Mrs.) Rekha Bhargava	-	Special Secretary (B)
5.	Shri A.K. Jain	-	Special Secretary (J)
6.	Shri P.K. Rastogi	-	AS (DP)
7.	Shri Anand Misra	-	JS (C&W)
8.	Shri Alok Perti	-	JS (SY)
9.	Shri Binoy Kumar	-	JS (Navy)
10.	Shri Sudipta Ghosh	-	DGOF
11.	Shri S.K. Sharma	-	Additional DG/AV
12.	Shri V. Somasundaran	-	JS (OF)
13.	Shri T. Ramachandru	-	JS (S)
14.	Shri B. Saha	-	Secretary, OFB
15.	Shri Sharad Ghodke	-	OSD (P)
16.	Dr. Prahlada	-	CCR&D (SI)
17.	Shri S.C. Narang	-	CCR&D (R&M)
18.	Shri G. Elangovan	-	Director ADE
19.	Shri P.K. Jena	-	Addl. FA (J)
20.	Shri Rajwant B. Singh	-	Director P&C
21.	Shri B.K. Anand	-	Director BF & A
22.	Dr. Arvind Bharti	-	Addl. Dir., P&C
23.	Lt. Gen. Rakesh Puri	-	DGQA
24.	Col S.K. Kalra	-	Jt. Dir.
25.	Shri C.R. Mohapatra	-	DGDE
26.	Shri Ashok Harnal	-	Addl. DGDE
27.	Shri Ajay Kumar Sharma	-	Dy. DGDE
28.	Shri Amit Cowshish	-	Addl FA (A)
29.	Shri Mukesh Sinha	-	Dir. (Fin/Budget)
30.	V. Adml. Nirmal Verma	-	VCNS
31.	V. Adml. D.S.P. Varma	-	COM
32.	Rear Adml Anil Chopra	-	ACNS (P&P)
33.	Cmde S Samaddar	-	PDNP
34.	Cdr P Chowdhary	-	JDNP
35.	Lt. Gen. H.S. Lidder	-	CISC
36.	Lt. Gen Z.U. Shah	-	DCOAS (P&S)
37.	Lt. Gen. S.S. Dhillon	-	MGO
38.	Air Mshl.Gautam Nayyar	-	AOM
39.	Maj. Gen. Daljit Singh	-	ACIDS (FP)
40.	Cmde M.K. Anand	-	DACIDS (Budget)
41.	Col. S.M. Singh	-	Director (Budget)

2. At the outset, Hon'ble Chairman welcomed the Members and representatives of Ministry of Defence to this sitting of the Committee. The Chairman then requested the Representatives of the Ministry to brief the Committee on the Demands for Grants (2007-08) relating to Navy, Ordnance Factory Board, DRDO, DGDE, DGQA and drew their attention to the Direction 58 of the Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the sitting.

3. Through a power point presentation, the representatives of the Ministry of Defence briefed the Committee on Defence Budget (2007-08) relating to Navy. The Committee then inter-alia putforth certain important queries i.e. physical and financial targets fixed by the Navy during the Tenth Plan and achievements thereof, projected demand of Navy during the year 2007-08 and funds allocated by the Ministry of Finance/ Ministry of Defence for acquisition of capital items, the projection of the Navy/Ministry for Eleventh Plan, the present shortages of manpower and equipment in Navy, surveillance capability of the Indian Navy in a specified areas of the country, the status of construction of Air Defence Ship, procurement of USS Trenton. The representatives of the Ministry answered the queries one by one.

4. Then the representatives of the Ministry through a power point presentation briefed the Committee on the budgetary allocation of DRDO. The Members then raised some queries namely, view point of DRDO on Brahmos, percentage of DRDOs budget for indigenisation and procurement from outside, providing assistance to private sector for undertaking fundamental research, etc. The representatives of the Ministry then clarified the points one by one.

5. Then the representatives of the Ministry of Defence, through a power point presentation briefed the Committee on Ordnance Factory Board. The Committee raised some important queries like specific steps taken on restructuring/grouping

of ordnance factories, modernization and converting OFs into a corporate organization and status of annual Balance Sheet etc. The representatives of the Ministry then clarified those points one by one.

6. Then the representatives gave presentation on DGQA. The Committee then inter-alia raised some important queries i.e responsibility fixed on the production organisation due to wrong certification in the last three years, increasing/decreasing of work load of DGQA and the area where it was increased, mechanism or methodologies adopted to decrease the workload after self-certification system and information on major items tested, rejected, finally approved by DGQA and the item were finally consumed by the three Armed Forces since last three years. The representatives of the Ministry clarified the issues one by one.

7. Then the representatives gave presentation on DGDE. The Committee putforth certain important queries like number of court cases settled outside the court and given justice to land owners and earmarking of a separate budget for resettlement and rehabilitation in case of acquisition of land for defence purpose. The representatives of the Ministry gave clarification on those issues one by one.

8. As desired by the Committee, the Ministry assured the Committee to furnish written replies on some of the issues raised in all these presentation later on.

9. The copy of verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF TWENTY- SIXTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2006-2007)

The Committee sat on Friday, the 30th March 2007 from 1500 to 1630 hrs. in 'Main' Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Santosh Kumar Gangwar
3. Shri Ramesh C. Jigajinagi
4. Shri Suresh Kalmadi
5. Dr. K.S. Manoj
6. Shri Rajendrasinh Ghanshyamsinh Rana (Raju Rana)
7. Dr. H.T. Sangliana
8. Shri Rajesh Verma

RAJYA SABHA

9. Shri Jai Prakash Aggarwal
10. Shri Abu Asim Azmi
11. Shri R.K. Dhawan
12. Smt. N.P. Durga
13. Shri S.P.M. Syed Khan
14. Shri K.B. Shanappa
15. Smt. Viplove Thakur

SECRETARIAT

- | | | | |
|----|-------------------|---|---------------------|
| 1. | Shri Gopal Singh | - | Director |
| 2. | Shri D.R. Shekhar | - | Deputy Secretary-II |
| 3. | Smt. J.M. Sinha | - | Under Secretary |

WITNESS

REPRESENTATIVES OF MINISTRY OF FINANCE

1. Dr. Sanjiv Misra - Secretary
2. Ms. Rita Menon - Additional Secretary
3. Ms. L.M. Vas - Joint Secretary (Budget)
4. Ms. Meena Agarwal - Joint Secretary (Per)
5. Shri Manoj Pandey - Director (E.II-A)
6. Shri P.R. Das - Additional Budget Officer

2. At the outset, Hon'ble Chairman welcomed the representatives of the Ministry of Finance to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the sitting of the Committee.

3. The Committee then took evidence of the representatives of Ministry of Finance to seek clarifications on certain issues on Demands for Grants of the Ministry of Defence for the year 2007-08.

4. During the oral evidence, the representatives of the Ministry of Finance highlighted the following points:

- (i) The provisions of the defence expenditure was made by the Ministry of Finance on a consolidated basis. As far as allocations between various Services and towards the Capital expenditure were concerned, that was left entirely to the Ministry of Defence.
- (ii) Under utilization of allocated resources by the Ministry of Defence during 9th & 10th Plan.
- (iii) Slow pace of expenditure by the Ministry of Defence upto February, 2007 i.e. 71 percent in the revenue expenditure and only 54 percent in the Capital expenditure. The Ministry of Finance cut the allocation of Ministry

of Defence at RE Stage after carefully examination and due consultation with the Ministry of Defence after deserving the pace of expenditure and capacity to absorb the remaining amount, the contractual liabilities and the agreement to be finalized for procurement etc. The Ministry of Finance assured the Committee that they had been fully sensitised to the needs and requirements of the Ministry of Defence and if needed additional requirement would be not in future.

- (iv) Providing a certain percentage of GDP to Defence expenditure is a debatable issue and at this stage, it was not desirable.
- (v) Creation of Defence Modernization Fund.
- (vi) Status of 11th Plan.
- (vii) Time taken by the Ministry of Finance for clearance of proposal.
- (viii) Separate Pay Commission for Armed Forces etc.

5. The Chairman and Members raised certain queries which were answered by the representatives of the Ministry of Finance one by one. On certain issues, the Ministry assured the Committee to furnish written replies later on.

The witnesses then withdrew

6. The verbatim record of the proceedings was kept.

The Committee then adjourned.

**MINUTES OF TWENTY- SEVENTH SITTING OF THE STANDING COMMITTEE
ON DEFENCE (2006-2007)**

The Committee sat on Thursday, the 12th April 2007 from 1100 to 1400 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Balasaheb Vikhe Patil – Chairman

MEMBERS

LOK SABHA

2. Shri Milind Deora
3. Shri Santosh Kumar Gangwar
4. Shri Suresh Kalmadi
5. Dr. K.S. Manoj
6. Ms. Ingrid Mcleod
7. Shri Asaduddin Owaisi
8. Shri Shriniwas Patil
9. Shri Rajendrasinh Ghanshyamsinh Rana (Raju Rana)
10. Dr. H. T. Sangliana
11. Shri Arjun Charan Sethi

RAJYA SABHA

12. Shri Abu Asim Azmi
13. Smt. Shobhana Bhartia
14. Shri R.K. Dhawan
15. Smt. N.P. Durga
16. Shri S.P.M. Syed Khan
17. Shri K.B. Shanappa

SECRETARIAT

- | | | | |
|----|--------------------|---|---------------------|
| 1. | Shri P.K. Bhandari | - | Joint Secretary |
| 2. | Shri Gopal Singh | - | Director |
| 3. | Shri D.R. Shekhar | - | Deputy Secretary-II |
| 4. | Smt. J.M. Sinha | - | Under Secretary |

WITNESS

REPRESENTATIVES OF MINISTRY OF DEFENCE

1. Shri K.P. Singh, Secretary(DP)
2. Shri S. Banerjee, DG(Acq)
3. V. Adml. Nirmal Verma, VCNS
4. V. Adml. R.F. Contractor, DG, CG
5. Shri P.K. Rastogi, Addl. Secy (DP)
6. Shri G. Elangovan, CCR&D(R&M)
7. Shri Alok Perti, JS(SY)
8. Shri C.M. Bachhawat, JS&AM(MS)
9. Shri Binoy Kumar, JS(Navy)
10. Shri Amit Cowshish, Addl FA (A)
11. IG SPS Basra, DDG
12. Rear Adml Anil Chopra, ACNS (P&P)
13. Cmde R. Bhushan, Dir. (NRD)
14. Shri I.P. Singh, Dir. (Fin/R&D)
15. Dr. Ajai Kumar, Dir. (N-I)
16. Shri V.K. Tiwari, Dir(N-II)
17. Shri Mukesh Sinha, Director (Fin/Budget)
18. Cmde S. Samaddar, PDNP
19. DIG KPS Raghuvanshi, Principal Dir. (P&P)
20. DIG VSR Murthy, TM
21. Col SM Singh, Dir.(Budget)
22. Cdr. P. Chowdhary, JDNP
23. Comdt V. Vajpayee, Dir. (Ship Acq.)
24. Comdt (JG) Sanjiv Trikha, Dy. Dir. (Ship Acq.)
25. Dy Comdt Ashish Mehrotra, ADC to DG

NON OFFICIAL EXPERTS

Disabled War Veterans (India) Regd.

1. Capt. N.K. Mahajan
2. Col. H.N. Handa
3. Capt. T.R. Taneja
4. Maj. R.L. Grover

All India Ex-Services Welfare Association (Regd.)

5. Lt. Col. Inderjit Singh (Retd.)
6. Brig. Bhagwan Singh

2. At the outset, Hon'ble Chairman welcomed the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the sitting of the Committee.

3. The representatives of the Ministry of Defence briefed the members of the Committee on Demands for Grants (2007-08) of the Ministry of Defence relating to the Coast Guard through slide presentation. The representatives of the Ministry apprised the Committee about the budgetary allocation and expenditure, Force level, manpower, important achievements of Tenth Plan and objectives of Eleventh Plan of Indian Coast Guard.

4. The Members raised certain queries which were responded to by the representatives of Ministry of Defence one by one.

The witnesses then withdrew

5. The Chairman then welcomed the representatives of Disabled War Veterans (India) Regd. and invited their attention to Direction 58 of Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the Committee.

6. The representatives of Disabled War Veterans (India) Regd. suggested the following points before the Committee:

- (i) Special Identity Cards should be given to the War Veterans.
- (ii) Publicity regarding privileges and facilities to the War Veterans should be given through Newspapers, televisions and Radio.
- (iii) In the Army/Command hospitals, one room should be provided to open an office of the Disabled War Veterans organisation so that they could help the disabled war veterans for their treatment and mitigate their problems.
- (iv) Railways free travel passes should be given to the war disabled persons.
- (v) Resettlement should be made as right of the war disabled.

(vi) There should be a separate cell in the Controller Defence Accounts Pensions for the disabled war veterans.

7. Answering a query of the Committee regarding shortage of officers in the forces, they stated that this was happened due to less pay and allowances and reducing respect of the soldiers particularly post war treatment of the soldiers.

The Witnesses then withdrew.

8. The Chairman then welcomed the representatives of All India Ex-Services Welfare Association (Regd.) and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha regarding maintaining confidentiality of the deliberations of the Committee.

9. The representatives of All India Ex-Services Welfare Association (Regd.) suggested the following points before the Committee:

- (i) Medicare Policy for the entire country's Ex-Servicemen;
- (ii) Special Pension for people who die while in Service;
- (iii) Some ex-servicemen on retirement from the Army earn one or two more pensions from civil departments. When the ex-serviceman passes away, the families i.e. wife gets only one pension and not all the family pensions of her husband. Earlier she was given only civil pension, but recently she has been given the option to choose one of the two pensions. The pensions earned by her husband from his past services must be passed on to his family faithfully and not be taken away by a dictate of a Bureaucrat. This matter should be rectified immediately and all families of double pensioners be allowed pension of her husband's past earnings.

- (iv) Measures to make forces attractive to join the Army;
- (v) To set up an Ex-Servicemen Resettlement Commission.

The Witnesses then withdrew.

- 10. The verbatim record of the proceedings was kept.

The Committee then adjourned.

MINUTES OF TWENTY-EIGHTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2006-2007)

The Committee sat on Friday, the 20th April 2007 from 1100 to 1140 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri. Balasaheb Vikhe Patil – Chairman

Members

Lok Sabha

2. Shri Milind Deora
3. Shri Santosh Kumar Gangwar
4. Shri Suresh Kalmadi
5. Dr. K.S. Manoj
6. Shri Shriniwas Patil
7. Shri Rajendrasinh Ghanshyamsinh Rana (Raju Rana)
8. Dr. H.T. Sangliana
9. Prof. Mahadeorao Shiwankar

Rajya Sabha

10. Dr. Farooq Abdullah
11. Shri Jai Parkash Aggarwal
12. Smt. Shobhana Bhartia
13. Shri R.K. Dhawan
14. Smt. N.P. Durga
15. Shri S.P.M. Syed Khan
16. Shri K.B. Shanappa
17. Smt. Viplove Thakur

Secretariat

1. Shri P.K. Bhandari - Joint Secretary
2. Shri Gopal Singh - Director
3. Shri D.R. Shekhar - Deputy Secretary – II
4. Smt. J.M. Sinha - Under Secretary

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting of the Committee. The Committee, thereafter, took up the Draft Report on Demands for Grants of the Ministry of Defence for the year 2007-08 for consideration and after deliberation, adopted the same with some minor additions/modifications as suggested by the Members.

3. The Committee then authorised the Hon'ble Chairman to finalise the report and present the same to both the Houses of Parliament.

4. ** ** **

The Committee then adjourned.

*Not related to the subject.