

STANDING COMMITTEE ON DEFENCE (2009-2010)

FIFTEENTH LOK SABHA

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2009-2010)

FIRST REPORT



LOK SABHA SECRETARIAT NEW DELHI

December, 2009/Agrahayana, 1931 (Saka)

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STANDING COMMITTEE ON DEFENCE (2009-2010)

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Presented to Lok Sabha on 16 December, 2009 Laid in Rajya Sabha on 16 December, 2009



LOK SABHA SECRETARIAT NEW DELHI

December, 2009/Agrahayana, 1931 (Saka)

C.O.D No. 111

Price : Rs. 125.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Thirteenth Edition) and printed by National Printers, New Delhi-110028.

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2009-2010)

Shri Satpal Maharaj - Chairman

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Lok Sabha

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- 3. Shri Kamal Kishor 'Commando'
- 4. Shri H.D. Devegowda
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- 31. Shri Sanjay Raut

Secretariat

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Smt. Sudesh Luthra – Director
Shri N.S. Hooda – Additional Director
Smt. J.M. Sinha – Under Secretary

INTRODUCTION

I, the Chairman of the Standing Committee on Defence (2009-2010), having been authorised by the Committee to submit the report on their behalf, present this first report on 'Demands for Grants (2009-2010)' of the Ministry of Defence.

2. The Standing Committee on Defence 2009-2010 was constituted on 31 August, 2009. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha is to consider Demands for Grants of the concerned Ministry/ Department and make a report on the same to the House.

3. The Demands for Grants were laid in Lok Sabha on 7 July, 2009. This year being election year, the Demands have already been passed by the Parliament without the same being referred to the concerned Departmentally Related Standing Committee after suspension of Rule 331G of the Rules of procedure and conduct of Business in Lok Sabha. However, as per the ruling of the Chair, in Lok Sabha the Demands have been referred to the Standing Committee for examination and report. In the aforesaid background, the Committee considered the Demands for Grants and took evidence of the representatives of the Ministry of Defence on 27, 28 and 29 October 2009.

4. The report was considered and adopted by the Committee at their sitting held on 11 December 2009. Minutes of the related sittings are given in appendix to the Report.

5. The Committee wish to express their thanks to the officers of the Ministry of Defence for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants.

6. For facility of reference and convenience, the recommendations/ observations of the Committee have been printed in bold letters in Part-II of the report.

New Delhi; 15 December, 2009 24 Agrahayana, 1931 (Saka) SATPAL MAHARAJ, Chairman, Standing Committee on Defence.

CHAPTER I

PART-I

REPORT

Introductory

The principal task of the Ministry is to frame policy directions on defence and security related matters and communicate them for implementation to the Service Headquarters, Inter-Service Organisations, Projection Establishments and Research & Development Organisations. It is required to ensure effective implementation of the Government's policy directions and the execution of approved programmes within the allocated resources.

1.2 The Demands for Grants of the Ministry of Defence are contained in Eight Demands.

1.3 The budgetary requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, JAKLI etc. and Defence pensions are provided 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. The budgetary requirements of the Border Roads Organisation are being provided by the Ministry of Road Transport and Highways.

1.4 The budgetary requirements for the Defence Services commonly known as Defence Budget are included in the following six Demands for Grants of the Ministry of Defence presented to Lok Sabha:—

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. 1.5 The 'running' or 'operating' expenditure of the three Services and other Departments/Wings *viz.* DRDO, DGOF, DGQA, NCC, DGAQA and Directorate of Standardisation, are provided under the above five Demands (22 to 26), which cater to the Requirement of Revenue expenditure, while the sixth, *viz.* Capital Outlay on Defence Services, caters to requirement of the expenditure incurred on building or acquiring durable assets for all Services and Departments other than those covered by the Demands for Grants of Ministry of Defence (Civil). The Demand No. 22 (Defence Services – Army) caters to the Revenue Expenditure of Army, NCC, Sainik Schools and DGQA and Demand No. 23 (Defence Services – Navy) caters to Navy and Joint Staff.

1.6 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.

1.7 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 that 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.

1.8 Approval of Parliament is taken for the 'Gross expenditure provision under different Demands for Grants. Receipts and Recoveries, which include items like sale proceeds of surplus/obsolete stores, receipts on account of services rendered to State Government/other Ministries, etc. and other miscellaneous items are deducted from the gross expenditure to arrive at the net expenditure on Defence Services. What is commonly referred to as the Defence Budget is the net expenditure thus arrived at for the six Demands, *viz.* Demand Nos. 22 to 27.

IMPLEMENTATION STATUS OF THE RECOMMENDATIONS CONTAINED IN THE TWENTY NINTH REPORT ON DEMANDS FOR GRANTS (2009-2010) OF THE MINISTRY OF DEFENCE

1.9 The 29th Report of the Standing Committee on Defence on "Demands for Grants of the Ministry of Defence for the year 2008-09" was presented to Lok Sabha and laid in Rajya Sabha on 16 April, 2008.

1.10 The 35th Report on Action Taken on the observations/ recommendations contained in 29th Report was presented to Parliament on 24 February, 2009. The report contained 46 observations/ recommendations. Out of these 46 recommendations, 25 recommendations of the Committee were accepted by the Government. These pertained to the following issues:—

- (i) Application of criteria for security classification
- (ii) Curbing of Wasteful Expenditure
- (iii) Armed Forces Tribunal
- (iv) Force Level of Coast Guard
- (v) Monitoring of disbursement of money for rehabilitation by Defence Estate Officer
- (vi) Lateral entry of Service Personnel in Para-Military Forces
- (vii) Registration of retiring servicemen at DGR
- (viii) Reservation for wards of Ex-servicemen in Educational Institutions
 - (ix) Revival and Rejuvenation of Entrepreneurial Schemes
 - (x) Ex-servicemen Contributory Health Scheme (ECHS)
 - (xi) Revamping the ECHS
- (xii) Supply of Defective Sleeping Bags
- (xiii) Increase the number of Self-Certification firms
- (xiv) National Cadet Corps (NCC)
- (xv) Poor Quality of Uniform
- (xvi) Maritime Surveillance of Indian Navy
- (xvii) Authorized and Existing Force Level of Navy
- (xviii) Stealth Frigate Project (P-17) and Destroyer (P-15A) Project
- (xix) Upgradation of training curriculum and infrastructure
- (xx) Acquisition of Medium Multi-Role Combat Aircraft
- (xxi) Modernisation of Air-Fields

- (xxii) Funding for DRDO
- (xxiii) Light Combat Aircraft
- (xxiv) Arjun Tanks
- (xxv) Sixth Pay Commission Recommendations

1.11 In view of the reasons put forth by the Government, the Committee did not desire to pursue Action Taken Replies in respect of 07 recommendations which include the following:—

- (i) Creation of Non-Lapsable Defence Modernisation Fund
- (ii) Liberalised Leave Policy
- (iii) Uniformity in Disbursement of Cash Grants to Gallantry Award Winners
- (iv) One Sainik School in each State
- (v) Shortages of manpower
- (vi) Providing 100% grant to R&D activities in selected private sector units
- (vii) Restructuring of DRDO

1.12 The Committee did not accept the replies furnished by the Government in the following 14 recommendations on which the Committee have given their comments in the report:—

- (i) Outcome Budget
- (ii) Under utilization of allocation
- (iii) 11th Defence Five Year Plan
- (iv) Extent of Indigenisation in Defence Acquisition
- (v) Provision in DPP relating to transfer of upgraded technology
- (vi) Separate fund under Civil Budget of MOD for providing scholarship to the wards of Armed Forces Personnel
- (vii) Critical Review of the working of Sainik Schools
- (viii) Funding pattern of Sainik Schools
 - (ix) Construction of Admiral Gorshkov and ADS

- (x) Lack of authority and power of the Unified command
- (xi) Induction of Armed Forces personnel
- (xii) Depleting Strength of Squadrons in Indian Air Force
- (xiii) Ordnance Factories
- (xiv) Light weight Systems for soldiers

1.13 The Minister's statement on the status of implementation of recommendations under Direction 73-A of Directions by the Speaker, Lok Sabha was made in Parliament on 16.04.2008.

CHAPTER II

GENERAL DEFENCE BUDGET

Grant No. 20 - Civil Expenditure of the Ministry of Defence

The provisions in BE & RE during 2008-09 and BE 2009-10 under Demand No. 20 are given below. Major components of gross Revenue expenditure in Revised Estimates 2008-09 are CSD (Rs. 649.02 crores), Defence Accounts Department (Rs. 738.34 crores), Coast Guard Organisation-CGO (Rs. 518.79 crores), MOD Secretariat (Rs. 138.34 crores), Defence Estates Organisation (DEO) (Rs. 77.49 crores), Jammu & Kashmir Light Infantry (J&K LI) (Rs. 419.93 crores) and Armed Forces Tribunal (AFT) (Rs. 26.09 crores), etc. In the Capital outlay of Rs. 804.98 crores in the Revised Estimates 2008-09 the major allocations are for the Capital Outlay on other fiscal services-customs (Rs. 700.00 crore), housing and office buildings (Rs. 102.98 crores) and Miscellaneous Loans for URC (Unit Run Canteens) by CSD (Rs. 2.00 crores), etc.

	BE 2008-09	RE 2008-09	BE 2009-10
Gross Revenue	7757.21	8363.46	9896.17
Capital	1006.68	804.98	1473.83
Gross Expenditure	8763.89	9168.44	11370.00
Receipts (CSD) (-)	6393.07	6780.00	8200.00
Net Expenditure	2370.82	2388.44	3170.00

(Rs. in crores)

Grant No. 21 Defence Pensions

2.2 Defence Pensions, under Ministry of Defence, provides for pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three services *viz*. Army, Navy and Air Force and also employees of Ordnance Factories etc. It covers payment of service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc.

2.3 The position of budgetary allocation under this Head is as under:-

(Rs. in crores)

BE 2008-2009	RE 2008-09	BE 2009-2010
15564.00	20233.20	21790.00

2.4 As informed by the Ministry of Defence, the requirement of additional amount of Rs. 4669.20 crores in RE 2008-09 over BE 2008-09 is due to implementation of recommendations of the Sixth Central Pay Commission and increase in number of pensioners during 2008-09. Increase in BE 2009-10 to RE 2008-09 is Rs. 1556.80 crores, which is mainly due to the intended payment of 2nd instalment of arrears of pension as a result of Sixth Pay Commission's recommendations and due to normal growth in number of pensioners and pensionary benefits during 2008-09 and 2009-10.

DEFENCE SERVICES ESTIMATES

2.5 The Demand-wise position of allocation in the Budget Estimates and Revised Estimates for the year 2008-09 and Budget Estimates of 2009-2010 is as under:—

(Rs. in crores)

Sl. No.	Demand	BE 2008-09	RE 2008-09	BE 2009-10
1.	Army (Revenue expenditure of Army, NCC and DGQA)	37678.25	49877.91	60270.83
2.	Navy (Revenue expenditure of Navy and Joint Staff)	7503.05	8116.05	8404.11
3.	Air Force (Revenue expenditure of Air Force)	11288.86	12633.25	14911.10
4.	Defence Ordnance Factories (Revenue expenditure of Ordnance Factories)	1109.99	2825.75	2496.95
5.	Research & Development (Revenue expenditure of R&D)	3413.59	3874.78	4787.67
6.	Capital Outlay on Defence Services (Capital expenditure of all Services/Departments)	48007.00	41000.00	54824.00
	Total (Gross)	109000.74	118327.74	145694.66
	Receipt/Recoveries	3400.74	3727.74	3991.66
	Total (Net)	105600.00	114600.00	141703.00

2.6 The Revenue and Capital Budget from the year 2001-02 to 2009-10 is as under:—

Year	Revenue	Capital	Total	Recoveries
2001-02	38058.82	16206.91	54265.73	
2002-03	40708.98	14952.85	55661.83	316.97
2003-04	43203.19	16862.61	60065.80	276.41
2004-05	43862.13	31993.79	75855.92	282.01
2005-06	48211.11	32337.87	80548.98	281.26
2006-07	51668.84	33825.80	85494.64	286.94
2007-08	54218.61	37461.67	91680.28	274.95
2008-09	73304.80	40918.48	114223.28	315.54
2009-10	86879.00	54824.00	141703.00	334.72

(Rs. in crores)

Broad Category-wise spread of Defence Budget

2.7 The broad categories of Revenue and Capital Budget during the years 2008-09 and 2009-10 are as under:—

Revenue	BE 08-09	RE 08-09	BE 09-10	BE 08-09	RE 08-09	BE 09-10
Pay & allowances	26588	41196	52876	46.16 (25.18)	55.97 (35.95)	60.86 (37.31)
Stores & Equipment	19940	20489	21479	34.62 (18.88)	27.84 (17.88)	24.72 (15.16)
Transportation	2190	2160	2400	3.80 (2.07)	2.93 (1.88)	2.76 (1.69)
Misc. charges	3047	3227	3423	5.29 (2.89)	4.38 (2.82)	3.94 (2.42)
Revenue Works	5829	6529	6701	10.12 (5.52)	8.87 (5.70)	7.71 (4.73)
Total Revenue	57593	73600	86879	100 (54.45)	100 (64.22)	100 (61.31)
Capital	48007	41000	54824	100 (45.46)	100 (35.78)	100 (38.69)
Total Defence	105600	114600	141703			

Figures in brackets are with reference to the total Defence Budget.

2.8 As indicated in the General Defence Budget, the provision for Defence Services under Demand Nos. 22 to 27 for 2008-09 in the Budget Estimates (BE) was Rs. 1,09,000.79 crores (Gross) and Rs. 1,05,600.00 crores (Net). The Revised Estimates (RE) have been provided as Rs. 1,18,327.74 crores (Gross) and Rs. 1,14,600.00 crores (Net). In the net, the RE for 2008-09 shows an increase of Rs. 9,000.00 crores over the (BE) 2008-09. The actual expenditure during 2008-09 was Rs. 1,14,223.28 crore

i.e. 99.67%. In the Capital Outlay there is a reduction of Rs. 7007.00 crore which has come down from Rs. 48,007 crore at the (BE) stage to Rs. 41,000 crore at the (RE) stage. The net Revenue Budget for BE 2008-09 was Rs. 57, 593 crore, which has been increased by RS. 16,007 crore to bring RE 2008-09 at Rs. 73,600 crore. The increase in Revenue budget is mainly to cater to the additional requirement on account of Pay and Allowances of Services/Departments for implementation of the Sixth Central Pay Commission's recommendations, and hike in the prices of petroleum products etc. Out of the RE of Rs. 1,14,600.00 crores, while that for Capital Expenditure is Rs. 41,000.00 crores.

2.9 The BE for 2009-10 work out to Rs. 1,45,694.66 crore (Gross) and Rs. 1,41,703.00 crore (Net). There was an enhancement of Rs. 9,000 crore at RE stage during the year 2008-09. In comparison to RE (2008-09) and BE (2009-10), the enhancement in allocation for the total Defence Budget is Rs. 27103 crore. Expenditure till September, 2009, the first six months of the year 2009-10 is Rs. 58940.03 crores *i.e.* Rs. 41.59 per cent.

2.10 While elaborating on the details of Capital and Revenue allocation during the year 2009-10, the representatives of the Ministry of Defence during oral evidence stated:—

"Out of the total budgetary allocation of Rs. 141703 crore during 2009-10, the revenue allocation is Rs. 86,879 crore as against the actual expenditure of Rs. 73,006 crore last year. The Capital allocation is Rs. 54,824 crore as against an actual spending of Rs. 41,000 crore last year. Growth in revenue allocation during the year 2009-10, is 50.85 percent over 2008-09 and 18.04 percent over RE 2008-09. This growth is largely because of the impact of the Sixth Pay Commission. The growth of capital allocation is 4.20 percent of RE 2008-09. The overall growth is 34.19 percent over the BE 2008-09 and 23.6 percent over RE 2008-09."

2.11 The major components of the net Capital expenditure of Rs. 41,000 crores are Land — Rs. 52.75 crores, Works – Rs. 4439.04 crores (incl. MAP—Rs. 925.82 crores), Aircraft – Rs. 13,424.76 crores, Heavy and Medium Vehicles – Rs. 1308.29 crores (incl. DGOF issues – Rs. 662.29 crores), Other Equipment – Rs. 12,937.80 crores (incl. DGOF issues – Rs. 1570.25 crores), Naval Fleet – Rs. 4002.28 crores, Machinery and Equipment for Ordnance Factories – Rs. 41.59 crores, R&D – Rs. 2654.68 crores and other items – Rs. 2019.69 crores.

2.12 A comparison of the Service/Department-wise allocation and utilization from 2007-08 to 2009-10 is given below:—

(<i>Rs</i> .	in	crores)
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Service/ Deptt.	Final Grant 2007-08	Actual Utilisation 2007-08	RE 2008-09	Actual Utilisation 2008-09	BE 2009-10	%age of Total Budget
Army	45753.98	45803.35	49877.91	57676.91	76117.23	53.71 %
Navy	15953.17	15885.41	8116.05	17248.01	20604.02	14.54 %
Air Force	23889.81	23593.95	12633.25	29271.06	34432.26	24.30 %
DGOF	87.09	(-)38.89	1502.18	1834.91	1505.45	1.06 %
R&D	6256.81	6104.54	3874.78	7699.05	8481.54	5.99 %
DGQA	355.57	331.92	515.57	493.34	562.50	0.40 %
Total	92296.43	91680.28	118327.74	114223.28	141703.00	100.00 %

Note: Net Revenue plus Capital provision has been shown here.

Growth of Defence Expenditure

2.13 The following table shows Defence expenditure as a percentage share of the total Central Government expenditure as well as a percentage of GDP:—

Year	Def. Exp. as %age of Central Govt. Expdr.	Def. Exp. as %age of GDP
(1)	(2)	(3)
1988-89	17.81	3.16
1989-90	15.52	2.97
1990-91	14.65	2.71
1991-92	14.67	2.50
1992-93	14.34	2.34
1993-94	15.40	2.52
1994-95	14.46	2.29
1995-96	15.06	2.25
1996-97	14.68	2.14
1997-98	15.20	2.31
1998-99	14.28	2.28
1999-2000	15.79	2.41
2000-2001	15.24	2.36
2001-2002	14.97	2.38
2002-2003	13.44	2.27
2003-2004	12.74	2.18

(1)	(2)	(3)
2004-2005	15.24	2.41
2005-2006	15.91	2.25
2006-2007	14.64	2.07
2007-2008	12.86	1.94 (Q)
2008-2009 (RE)	12.72	2.15*
2009-2010 (BE)	13.88	2.42*

Q - Quick Estimates

*Projected by CSO.

2.14 The data furnished by the Ministry with regard to growth of Defence expenditure *vis-a-vis* economic parameters indicates that Defence expenditure as percentage of Central Government expenditure as well as percentage of GDP which was highest as 17.81 percent and 3.16 percent in 1988-89 respectively has gradually declined to 13.88 and 2.42 percent respectively during the year 2009-10 with the slight increasing/decreasing variation in different years.

2.15 When asked to furnish the comparative data of different countries in terms of share of Central Government expenditure as well as Defence expenditure in terms of GDP, the Ministry in its written reply stated as under:—

"The comparative data of different countries in terms of share of Central Government expenditure *vis-à-vis* Defence expenditure based on primary sources is not available with the Ministry of Defence. However, comparative data with respect to GDP of various countries as per Military Balance 2007** is as follows:—

S. No.	Country	% of GDP		
		Year 2004	Year 2005	
1.	India	3.0	2.7	
2.	US	3.9	3.9	
3.	UK	2.3	2.3	
4.	Pakistan	3.5	3.6	
5.	China	3.7	2.0	
6.	Russia	4.2	3.7	
7.	Israel	8.3	7.9	
8.	Sri Lanka	2.6	2.3	
9.	Indonesia	3.0	2.9	
10.	Malaysia	1.9	1.9	

** Military Balance 2007, the International Institute of Strategic Studies, London."

2.16 When asked for the comments of the Ministry on the declining trend of GDP *vis-à-vis* defence preparedness of the country to face challenges from various fronts, the Ministry in its written reply has stated:—

"The co-relation of Defence expenditure with GDP is just an indexation. Other than that it has no bearing on Defence preparedness or ability to safeguard the interest of the country. It is also not a fact that the GDP share of Defence expenditure is only going down. The GDP share of Defence expenditure has, in fact, been fluctuating between a low of 2.07% in 2006-07 and a high of 2.42% in 2009-10. Only in 2007-08, Defence expenditure was 1.94% of the GDP. Despite this fluctuation, the allocation for defence in absolute terms has been growing steadily, registering an increase of 185% between 2000-01 (Rs. 49,622 crores) and 2009-10 (BE) (Rs. 1,41,703 crores). Thus, there is a consistent and regular increase in the budgetary allocation, commensurate with the requirement of the defence Services and the ability of the Government to meet it."

2.17 When asked to comment on the non-availability of comprehensive data for different countries in terms of share of Central Government expenditure *vis-a-vis* Defence expenditure as well as the recent data with regard to growth of defence expenditure *vis-à-vis* GDP, the Ministry of Defence in its written reply stated:—

"Generally, data on defence expenditure is compiled by various non-governmental organizations and institutions. Because of the enormity of the efforts and the difficulties involved in gathering such data, the information for the current or the preceding year is generally not available even in the publications brought out by these organizations and institutions. Non-availability of such data is not an inhibiting factor in so far as the process of budgeting is concerned."

2.18 Further examination of this issue has revealed that the data pertaining to Defence Expenditure as percentage share of GDP of various countries for the year 2008-09 is available on the World Bank website *i.e.* data.finder.worldbank.org.

Outcome Budget

2.19 While examining Demands for Grants for the year 2008-09, the Committee had observed that the Ministries which are exempted from preparing Outcome Budget are required to carry out the exercise

of preparing Outcome Budget for internal use and voluntarily deciding to place it in public domain fully or partially. The Committee had accordingly, expected that the same would be presented by the Ministry of Defence to Parliament every year in terms of the Ministry of Finance guidelines. In response to the above observations and recommendation of the Committee the Ministry in its Action Taken Replies had stated:—

"Ministry of Finance has exempted all the eight Demands for Grant presented by the Ministry of Defence to the Parliament from the scope of Outcome Budget after careful consideration. Preparation of Outcome Budget presupposes quantification and measurability of outcomes, which may not be possible in the case of defence expenditure. Preparation of Outcome Budget in respect of the entire defence expenditure also entails the possibility of disclosure of sensitive information through the statements required to be prepared as a part of the exercise. Therefore, while reiterating our view that it would not be possible to prepare Outcome Budget to cover the entire defence related expenditure, efforts are being made to identify the areas and organizations funded from defence budget which could prepare Outcome Budget on a limited scale. This may take some time. As of now, it may also not be possible to present the Outcome Budget, prepared on a limited scale, to the Parliament as it would take some time before the proposed system stabilizes."

2.20 In response to this, the Committee in their 35th Action Taken Report had commented as under:—

"The Committee had specifically urged the Ministry of Defence to prepare Outcome Budget and expected that the same would be presented to Parliament every year in terms of the guidelines of the Ministry of Finance issued in December, 2006. The Committee are however, constrained to observe that even after lapse of two years of issuance of guidelines, the Ministry of Defence are still in the process of identifying the areas and organisations funded from Defence Budget, which could prepare Outcome Budget on a limited scale and that it would take some time before the system stabilizes. While expressing their serious displeasure over the delay in taking concrete action in this regard, the Committee hope that the Ministry of Defence will at least now take efficacious steps to complete the process of identifying the areas and organisations for which the Outcome Budget can be prepared and make earnest efforts to present the same to the Parliament at least from the year 2009-10 onwards."

2.21 When enquired about the present status of preparation of Outcome Budget, the Ministry in its written reply has stated:—

"As per Ministry of Finance, Department of Expenditure, Office Memorandum No.2(1)/Pers/E-Coord/0B/2005 dated 12th December 2006, it is not mandatory to prepare Outcome Budget in respect of Demands/Appropriations listed in Annexure I to the said O.M. All the eight Demands presented by the Ministry of Defence to the Parliament are included in the said list."

2.22 On the issue of identifying the areas and organisations for preparing Outcome Budget the Ministry in its written reply stated:

"The Ministry of Defence had identified the areas and organizations which were advised to attempt and prepare Outcome Budget for 2008-09. Those organizations prepared the Outcome Budgets which, however, were considered to be inadequate. Further course of action is under consideration."

2.23 Stating the reasons for inadequacy for preparing Outcome Budget, the Ministry of Defence in its written reply submitted as under:—

"For the preparation of an Outcome Budget, it is necessary that the outcomes should be clearly identifiable and quantifiable so that the outcomes, as distinct from outputs, could be measured with reference to the pre-determined outcomes. It is also necessary that risk factors be identified in achieving the outcomes. The concept being new, there is also lack of conceptual clarity as regards the methodology to be followed for preparation of the Outcome Budget, as also evaluation of the outcomes. Inadequacy in the outcome budget prepared by the organizations, which had been advised to prepare the outcome budget, mostly relate to identification and quantification of the outcomes in measurable terms, which greatly restricts the utility of the Outcome Budgets. It has been decided to renew the efforts to have a more meaningful outcome budget in respect of a few identified organizations in 2010-11."

2.24 The Defence Expenditure Review Committee in its report related to curbing of wasteful expenditure has also suggested for preparation of Outcome Budget. The recommendations of the said Committee are as under:—

"The proposed new Demand for Grant should be entirely outcome oriented. However, even those service-specific organizations and establishments, such as workshops, repair organizations, naval dockyards and depots, which will remain within the Demand for Grant of the Service concerned, should immediately be brought under the regimen of outcome budgeting. Efforts have been made by some of the identified organizations to prepare outcome budget for the year 2008-09. A workshop should be conducted at the Institute for Defence Studies and Analyses to discuss these documents by bringing together experts and those dealing with the subject in the Ministry of Defence and the Services Headquarters. Outcome orientation would not be possible unless the procedures are rationalized and there is need-based full delegation of powers. While the procedural aspect has been recently taken care of in the Defence Procurement Manual 2009, there is a need to review the existing delegation of financial and even administrative powers. The feasibility of delegating full powers to the organizations and establishments, which must adopt outcome budgeting should be considered."

Projection/Allocation of funds for Services

2.25 The estimation of Budget is carried out initially by the Financial Planning Directorates of the three Services and the organizations of R&D and DGOF based on the inputs they obtain from the lower units/formations/establishments. Subsequently, the projections of the Services Financial Planning Directorates and Departments are examined by the respective Integrated Finance within the Ministry of Defence, after which the complete Defence projection is examined and assessed by the Budget Division of the Ministry of Defence. The final estimation carried out by the Budget Division is projected to the Ministry of Finance for allocation with the due approval of Defence Secretary and the Raksha Mantri.

2.26 The projections made by the three Services (both Revenue and Capital)and the allocations(net) made during the last three years are indicated as follows:—

(Rs. in	crores)
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Year	Projection by Service			Budg	getary Allo	ocation
	Army* Navy Air Force		Army*	Navy	Air Force	
2007-08	49809.00	18387.80	28073.38	45316.54	17529.44	27021.74
2008-09	54862.22	20166.39	34812.78	49228.23	19506.77	30126.98
2009-10	83284.84	21352.59	37242.01	76117.23	20604.02	34432.26

* Does not include budget outlay of DGQA.

2.27 When asked to furnish the projected outlay of the Ministry of Defence and the figures arrived at by the Ministry of Finance, the Ministry in its written reply stated:—

"The budgetary allocation of the Ministry of Defence and the figures arrived at by the Ministry of Finance are as follows:—

(Rs. in crores)

Projections by MOD for 2009-10	Approved by Min of Finance BE 2009-10	Difference
154156.42	141703.00	12,453.42 (Approx. 8% of the projection)"

2.28 Stating the areas where compromises have been made or likely to be made by the reduced budgetary allocations, the Ministry of Defence in its written replies submitted:—

"The problem of reduced budgetary allocations is mainly confined to revenue budget. After making provision for pay and allowances, as also other obligatory expenses, the balance allocation is so distributed under various budget heads as to keep the overall allocation within the ceiling. It is difficult to pin point specific areas which get affected in the process but "Stores is one such budget head which does get affected by it. The major weapon systems, equipments and platforms are procured out of the Capital budget, under which there has generally been no problem of funds."

2.29 During the course of evidence held to examine action taken notes on 29th Report of the Committee on DFG 2008-09, the Defence Secretary had informed that there were some differences in the amount that they had projected and in the figures that they had arrived at. The gap was around 10 per cent.

2.30 When asked whether the aforesaid differences between the Ministry of Defence and Finance have been sorted out, the Ministry in its written reply stated:

"Resolution of differences between the Ministry of Defence and the Ministry of Finance is a pre-budget activity. With the passage of the budget, the allocation has become final. However, additional requirement, if any, will be projected at the RE stage." 2.31 When enquired about the details of the additional allocation sought by the three Services and the Outcome thereof, the Ministry of Defence in its written reply stated:—

"The additional allocation is sought by the three Services at the RE stage and, if approved by the Ministry of Finance, the additionalties are subsequently allocated to the Services. For the financial year 2009-10, the RE stage has not been reached."

Shortfall in overall utilization of funds

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

Year	BE	RE	Actuals	Shortfall (RE-Actual)
2002-03	65000.00	56000.00	55661.83	338.17
2003-04	65300.00	60300.00	60065.85	234.15
2004-05	77000.00	77000.00	75855.92	1144.08
2005-06	83000.00	81700.00	80548.98	1151.02
2006-07	89000.00	86000.00	85494.64	505.36
2007-08	96000.00	92500.00	-	3500
2008-09	105600.00	114600.00	-	+9000

(Rs. In crore)

2.33 Figures in the above table show that budgeted allocation has been revised downwards at RE stage every year, except during the years 2004-05 and 2008-09. The year 2008-09 showed an increase of Rs. 9000 crore over BE 2008-09. However, in the Capital Outlay, there is a reduction of Rs. 7007 crore which has come down from Rs. 48,007 crore at BE to Rs. 41,000 crore at RE stage. The increase was mainly on the revenue side to cater to the additional requirement on account of Pay & Allowances of Services/Departments for implementation of Sixth Pay Commission's recommendation. With the said reduction, the percentage share of Capital expenditure of total Defence Budget was reduced from 45.46% (BE 2008-09) to 35.78% (RE 2008-09).

2.34 When asked to state the reasons for the said reduction and the details of service-wise Projects/Schemes which suffered due to the said reductions, the Ministry of Defence in its written reply stated:—

"The allocation was reduced by the Ministry of Finance at the RE stage keeping in view the progress of expenditure till that point

of time and the likely expenditure during the remaining period of the year, as assessed by them after discussion with the Ministry of Defence. No Project/Scheme suffered due to the said reduction."

2.35 During deposition before the Committee, the representative of the Ministry, stated:-

"...... It is because of the slippages in delivery schedules due to certain contracts not getting finalised. So, this reduction is basically on account of the schemes not getting through."

2.36 The Defence Secretary added:-

"Basically, the neighbourhood in which we operate, it is necessary that the Defence Forces get the equipment that they require, so that they remain operationally prepared. Every year, the Ministry of Defence has been saying that if you want to acquire, we must try to give you funds that you require so that we are able to modernise the Armed Forces at the earliest. Last year, though the allocation was Rs. 37,000 crore, it came down to Rs. 30,000 crore because some cases could not be processed. This year, they have allocated us Rs. 40,000 crore. We are hopeful that we will be able to achieve this target. Reduction in target would have meant that we were perhaps not been able to process some of the major cases. Our efforts have been that the capital to revenue ratio should improve, that is to say that we should spend more on the capital side. This year, of course, the capital to revenue ratio has slightly come down because of the impact of the Sixth Pay Commission. But if you see the direct thrust of the past few years' budgets, what we are trying is that the capital expenditure should increase, and the necessary modernisation of all the three wings of the Armed Forces should move. That is why, the Government felt that despite different competing requirements, which are there, the Defence requirement for modernisation should not be cut down."

2.37 There is an increase of Rs. 13,279 crore if the Budget Estimates with regard to Capital Expenditure (Net) of 2009-10 are compared to Revised Estimate (2008-09). However, if the percentage share of capital expenditure is compared with the total Defence Budget, the said enhancement is just 2.91 per cent. And if said percentage of BE 2009-10 is compared to BE 2008-09, there is actual reduction of 6.77%. When asked to comment on this aforesaid observation, the Ministry of Defence in its written reply stated:—

"The ratio of Revenue and Capital expenditure has got skewed because of heavy increase in Revenue expenditure last year and this year on account of implementation of the Sixth Pay Commission recommendations. However, the Capital allocation in 2009-10 has witnessed an increase of 14.20% with reference to BE 2008-09 and 33.72% with reference to RE 2008-09 under the Capital segment of the Defence budget."

Capital outlay

2.38 The Capital outlay provides for Land, Construction works, Married Accommodations Project and for Capital Acquisition, etc. The BE during the year 2009-10 is as under:—

(Rs in crores)

Revenue (Net)		86879.00
Capital		54824.00
Land & Works of 3 Services & Joint Staff	4509.02	
Married Accommodation Project	1979.65	
DGOF issues	3262.88	
DRDO, DGOF and other Defence Departments	4704.73	
Capital Acquisition		
Committed Liabilities New Schemes	40367.72	
Total Revenue + Capital (Net)		1,41,703

2.39 Regarding the percentage share of capital acquisition Budget for Modernisation, in Capital Budget during the last three years, the Ministry of Defence in its written reply stated:—

"The Capital acquisition budget is a part of the Capital budget. It accounts for the major chunk of Capital expenditure. Almost 75 to 80% of allocation under Capital is earmarked for Capital acquisition expenditure. The details of the share during the last 3 years is as follows:—

Sl. No.	Year (BE)	Capital Budget (BE)	Capital Acquisition Budget (BE)	%age share of Capital Budget
1.	2007-08	41922.00	32826.80	78.30
2.	2008-09	48007.00	37482.77	78.08
3.	2009-10	54824.00	40367.72	73.63"

2.40 The Capital Acquisition Budget during the year 2009-10 has declined from 78.08 per cent during the previous year to 73.63 per cent during the current year. Stating the reasons for reduction of percentage share of Capital Acquisition Budget to the capital budget during the year 2009-10, the Ministry of Defence in its supplementary written replies stated:—

"The allocation under the capital acquisition segment of the capital budget has been made on the basis of the recommendation made by the services, which in turn, is based on their assessment of the likely cash outgo on account of the committed liabilities and the new schemes likely to get sanctioned during the year. As both these factors vary from year to year, the allocation made in different years also varies, resulting in varying proportion of allocation for capital acquisition *vis-à-vis* the total capital allocation."

2.41 The details of expenditure under Capital acquisition pertaining to committed liabilities and the new schemes in the Revised Estimates 2008-09 are as follows:—

(Rs. in crores)

Year	Capital Acquisition	Committed Liabilities	Exp. on account of New Schemes
2008-09	30000.42 (Actual) against BE of 37482.77 crore	17846.57	12153.85
2009-10	40367.72 (BE)	21248.98 (Projected)	19118.74 (Projected)

2.42 When asked to furnish the quarterly percentage expenditure of budgetary allocations incurred under the Capital Acquisition during the financial year 2008-09, the Ministry of Defence, in its written information, stated:—

"The quarterly percentage on budgetary allocation (Modified Appropriation figures) incurred under the Capital acquisition during the financial year 2008-09 are as follows:—

(Rs. in crores)

	Expenditure	%age of expenditure
Ist Quarter	1514.56	5.05
2nd Quarter	5116.25	17.05
3rd Quarter	12481.63	41.61
4th Quarter	30000.42*	100.00″

*The Modified Appropriation figures for the year 2008-09 for Capital acquisition budget was Rs. 30000.40 crores as against the BE figures of Rs. 37482.77 crores.

2.43 When asked to furnish a statement with regard to projects of Army, Navy and Air Force concluded, at pre-CNC stage, CNC stage and post-CNC stage during the last financial year (2008-09), the Ministry of Defence in its written information stated:—

"Details of cases of Army, Navy and Air Force which have been concluded, at Pre-CNC stage, CNC stage and Post-CNC stage during the FY 2008-09 are as follow:—

IHQ of MoD (Army) Cases

	1.	Schemes in Pre Cost Negotiation Stage			
		(a) GS Evaluation in progress	14		
		(b) Trials in progress			
		(c) Technical Evaluation in progress			
	2.	Schemes in Cost Negotiation Stage			
ſ	3.	Schemes in Post Cost Negotiation Stage			
		(a) Supply Order/Contract Awaiting Signature			
		(b) Competent Financial Authority (CFA)-Approval awaited			
	4.	Contracts concluded (FY 2008-2009) 4			

IHQ of MoD (Navy) Cases

1.	Contract Signed	20
2.	Cost Negotiation concluded and MoF/CFA-Approval Awaited	10
3.	Trials Stage	04
4.	Technical evaluation in progress	16
5.	Request for Proposal (RFP) Issued	30
6.	RFP to be issued	60

IHQ of MoD (AF) Cases

1.	Projects Concluded	52		
2.	Pre Cost Negotiation Stage			
	(a) Field evaluation in progress	08		
	(b) Letter of Acceptance Stage	02		
	(c) Technical evaluation in progress	16		
	(d) RFP Stage	04		
	(e) Acceptance of Necessity Granted, below RFP	27		
3.	CNG Stage	05		
4.	Post-CNC, CFA-Approval Awaited	09″		

2.44 The allocation made to meet the expenditure pertaining to committed liabilities and the new schemes/projects during 2008-09 is as under:—

(Rs. in crores)

	Army	Navy	Air Force	Joint Staff	Total
Committed Liabilities	2962.11	8609.00	12185.81	174.14	23904.06
New Schemes	4645.56	2719.59	6095.61	117.95	13578.71
Total	7607.67	11328.59	18281.42	292.09	37482.77

2.45 When asked to furnish the break up of capital acquisition made from indigenous sources and Capital goods imported during the last three years (service-wise), the Ministry of Defence in its written information stated:—

"The existing Financial Information System does not lend itself to compilation of the desired information. However, based on the information as regards payments made in Foreign Exchange and Indian Rupees, which would include expenditure on procurement and related activities, the position is as follows:—

(Rs. in crores)

Year	Indigenous	Ex-import	Total
2006-07	21359.16	5541.28	26900.44
2007-08	17741.57	10161.85	27903.42
2008-09	19797.30	10203.12	30000.42"

2.46 In this regard, when asked to state the difficulties being faced in maintenance of such data, the Ministry of Defence in its supplementary written replies stated:—

"Information regarding expenditure incurred out of defence budget is captured through a computerized system which receives inputs from the paying agencies all over the country, who classify the expenditure under various code-heads while feeding the data. This system does not have a provision for making a distinction between the procurements made from indigenous sources and from abroad. There is also a difficulty in categorization of suppliers as indigenous and foreign, particularly in view of the fact that a sizeable proportion of procurement takes place through the Ordnance Factories and Defence Public Sector Undertakings, which are indigenous sources but have to depend on import for manufacturing the finished products."

Procurement Policy (DPP)

2.47 The Committee in their earlier reports have repeatedly emphasized on the need for achieving self-reliance in defence production and desired to strengthen R&D in Defence sector on sharing basis with private sector. The Ministry while elaborating on the steps being taken in this regard stated as under:—

"The following steps have been taken for achieving self-reliance in Defence Production and to strengthen R&D in Defence Sector on sharing basis with private sector:—

- MAKE by Industry: As per Defence Procurement Procedure (DPP)-2008, the sharing of cost between MoD and Industry would normally be in the ratio of MoD (80%) and the Industry (20%).
- (ii) MAKE by DRDO: DRDO has proposed shared development cost in the ratio of DRDO (70%), Industry (20%) and Services (10%). This has been accepted in principle by the Defence Acquisition Council (DAC). In this regard, draft DRDO Make Procedure (DMP-2009) has been prepared which is under discussions."

2.48 When asked, whether the Ministry of Defence have identified the Private industries under 'Rakshya Udyog Ratna category, the Ministry of Defence in its written reply stated:—

"The report on selection of private industries as RURs is under examination."

2.49 When asked to explain for such delay and progress made so far in this regard, the Ministry of Defence in its written reply stated:—

"The matter is of a complex nature and therefore it is taking time to arrive at a decision. The participation of the private sector in defence manufacture is being expanded gradually. However, the proposed policy of listing out some particular companies and limiting the participation to them is open to question."

2.50 The Comptroller and Auditor General of India in its reports number CA 17 and 18 of 2008-09 has pointed out the following procedural delay in acquisition of equipment for the services due to which their modernisation programme hampered and the Government had to pay a huge some of Budgetary allocation:—

"Imported surveillance equipments worth Rs. 46.69 crore could not be put to effective operational use for one and half years due to procedural delay in the procurement of associated equipment by Director General Ordnance Services."

(Paragraph 2.6)

"The objective of inducting an aircraft carrier in time to fill the gap in Indian Navy has not been achieved. The cost of acquisition has more than doubled to USD 1.82 billion (Rs. 7,207 crore) in four years. At best, Indian Navy would be acquiring, belatedly, a second hand ship with a limited life span by paying significantly more than what it would have paid for new ship."

(Paragraph 2.1)

"Despite Indian Navy s depleting force level, Ministry took nine years to conclude a contract for the construction of six submarines. The inordinate delay led to enormous increase in the project cost to the extent of Rs. 2,838 crore. The procurement procedure lacked transparency and the submarine design had not proven its efficacy in any other navy worldwide. Technical evaluation conducted for the `Y class submarine including the missile to be fitted on-board was not comprehensive and was biased in favour of the vendor. Contractual provisions have resulted in undue financial advantage to the vendor to the minimum extent of Euro 58.20 million (Rs. 349 crore) besides other unquantifiable benefits."

(Paragraph 2.2)

"Five radars imported at a cost of Rs. 24.88 crore could not be installed for more than three to five years after their acquisition. In the process the radars have not only lost 50 percent of their life but also remained unavailable for operational purpose."

(Paragraph 4.1)

"The Navy failed to persuade a foreign firm to replace unsuitable items supplies. As a result, the expenditure of Rs. 385 crore on their import was yet to yield any operational benefit to the Navy."

(Paragraph 4.7)

"Despite almost a decade in developmental effort and spending Rs. 27.88 crore, DRDO has been unable to provide a radar as per the requirements of Navy. It closed the original project and initiated another `Staff Project with the same goals and new funding. Resultantly, the main aim of providing maritime radar for helicopter `A remains unfulfilled."

(Paragraph 6.1)

Offset clause in Defence Procurement Policy

2.51 An "Offset" is a mechanism to partially compensate for, or partially 'offset', the significant outflow of the purchasing country s resources in large purchases of foreign goods and services. This is done by mandating the foreign supplier to (i) invest a minimum proportion of the contract value in manufacturing and/or R&D facilities in the purchasing country, and/or (ii) buy back goods and services of that value from the purchasing country.

2.52 'Offset Clause' has been included in the Defence Procurement Policy to facilitate the growth of domestic Defence Industry and to counterbalance the huge expenditure being incurred on account of import of defence equipments from foreign suppliers. As per DPP-2008, offsets are applicable to all capital acquisitions categorised as 'Buy (Global), *i.e.* outright purchase from foreign/Indian vendor, or 'Buy and Make with Transfer of Technology, *i.e.* purchase from foreign vendor followed by Licenced Production, where the estimated cost of acquisition proposal is Rs.300 Crores or more. A uniform offset of 30% of the estimated cost of the acquisition in 'Buy (Global) category acquisitions and 30% of the foreign exchange component in 'Buy and Make category acquisitions is a minimum required value of the offset.

2.53 Explaining about the status of implementation of the offset clause, the Ministry of Defence in its written reply stated:—

"The offset clause is being implemented in all capital acquisition cases of value Rs. 300 crore or above as per defence offset policy in vogue."

2.54 Elaborating on the benefits accrued by the introduction of defence offset clause, Ministry of Defence in its written reply stated:-

"So far, ten offset contracts have been signed at an estimated value of Rs. 8909.80 crores and there are certain offset cases, which are being examined/negotiated at various stages. The Indian Industry has been benefited by getting orders from these offset contracts. Both the public sector as well as private sector has been the beneficiaries of the introduction of the Offset Policy."

2.55 The Comptroller and Auditor General in its report number CA 18 of 2008-09 has pointed out the denial of Offset benefit of Rs. 2711 crore in acquisition of an aircraft. The observation reads as under:—

"In placing the order for the acquisition of 40 aircraft `M costing Rs. 9,036.84 crore, Ministry/IAF failed to go in for the offset clause as stipulated in the DPP. This led to the denial of corresponding benefit, amounting to RS. 2,711 crore, to Indian defence industry. The objective of urgent acquisition has also not been achieved."

(Paragraph 2.7)

Defence Planning

2.56 The Group of Ministers in their report on review of National Security had made the following observations/recommendations on Defence Planning:—

"In the past, the individual Services have prepared their long term perspective plans. However, with the induction of the CDS and other related structures, there would be a need to prepare a holistic and integrated defence perspective plan for 15-20 years through a rigorous process of Inter-Service and Intra-Service prioritization. The Five Year Defence Plans by the Services should be prepared on the basis of the LTDPP. These are to be followed up by analysis and preparations of the Joint Services Plan by the VCDS, which may be finalised through consultation between the CDS and the Defence Secretary. The defence planning process incorporating the long term defence plan, 5 year plan and annual budget should be revised at the earliest."

(Paragraph 6.46)

"The Ministry of Defence and the CDS maybe directed to ensure timely completion of the LTDPP and five yearly/annual defence plans, apart from introducing all suggested measures to bring about efficiency in defence expenditure. The Ministry of Finance while deciding on annual budgets must keep in view the requirements of defence plans."

(Paragraph 6.47)

"To ensure the effectiveness of the planning exercise, the Defence Minister s directive should be issued at least 12 months before the commencement of the next Five Year Plan. This will form the conceptual basis for the Defence Plan. The Ministry of Finance should give a firm indication of the availability of financial resources, for a period of 5 years, at least 6 months before the commencement of the ensuring Five Year Plan."

(Paragraph 6.48)

"Optimal utilisation of resources cannot be achieved unless greater emphasis and attention is given to the process of budget formulation and implementation, including forecasting, monitoring and control. In this context, it is felt that capital schemes in Service Headquarters budgets should be included only if reasonable assurances of contract conclusion and some payment within the financial year exist. Similarly, only those capital schemes should be included in the Service Headquarters Priority Procurement Plan and annual budget, where there is adequate evidence that technical and commercial evaluation, leading to contracting and initial payment, can be completed in the relevant financial year. There is also a need for rigorous prioritisation and the order of charge on the budget being established with reference to the plan objectives. The monitoring of Inter-Service and Intra-Service prioritisation of capital schemes by the VCDS/CDS needs to be institutionalised for ensuring time bound action and the best value for money."

(Paragraph 6.51)

2.57 When asked to explain the specific reasons for so much delay in finalisation of Long Term Integrated Perspective Plan (LTIPP) for the period 2007-2022, the Ministry of Defence in its written reply stated:—

"LTIPP 2002-17 exists. This vision document has five action sections in the form of Defence Five Years Plan. Based on these action documents, the Annual Acquisition Plan for Capital procurement is culled. Currently, the recast 11th Defence Five Year Plan (2007-12) is in place and ratified by DAC. The next five year plan (2012-17) is also in place."

Post the DAC meeting of Jun 2006, it was decided to evolve fresh LTIPP covering the period 2012–27. A five stage process towards formulation of LTIPP is in advance stage. Preparation of LTIPP is

a pioneering effort and involves seeking and incorporating comments from a host of agencies involved. The scope of these documents calls for a deliberate effort and any attempt to rush these documents is likely to prove counterproductive."

2.58 When asked to explain the reasons for delay in finalization of Eleventh Five year plan projections, the Ministry of Defence in its written reply stated:—

"The Eleventh Plan projections were finalized by the Ministry of Defence and sent to the Ministry of Finance in July 2006 but due to the difference between the projections and the amount indicated by the Ministry of Finance, the matter remained unresolved and subsequently because of implementation of the Sixth Pay Commission, a need was felt to review the projections. Accordingly, Ministry of Finance was approached and based on revised growth rates, both under Capital and Revenue indicated by the Ministry of Finance in March 2009, projections for the remaining part of the Plan period are being reviewed."

2.59 In regard to the projections for the remaining period of five year plan, the Ministry of Defence in its written reply explained as under:—

"Earnest efforts are being made to finalize the revised projections for the balance period of the 11th Plan. This has, however, not affected major projects and programmes, which are basically funded from the Capital budget, under which adequate funds are available."

2.60 While examining Demands for Grants for the year 2005-06, the Committee were informed that LTIPP for 2007-2022 period was being revised. The Ministry in the recent document furnished to the Committee has stated that LTIPP is still under consideration.

Zero Based Budgeting (ZBB)

2.61 The GoM in their report on 'Review of National Security system', Chapter VI related to Management of Defence had recommended that Defence plan should be on zero-based budgeting approach and all on-going schemes may be examined on the same concept in a time-bound manner.

2.62 When asked to furnish the details about the necessary reforms carried out by the Ministry of Defence in the light of the aforesaid

recommendation of GoM, the Ministry of Defence in its written reply has stated:-

"Zero Based Budgeting (ZBB) is basically a tool for financial planning. In traditional incremental budgeting, only the increase over the previous year s budget and actual expenditure is required to be justified whereas in ZBB every activity and function is required to be comprehensively reviewed and requirement of funds worked out starting from the Zero-base, which may eventually result in increase or decrease over the previous years budget. Being a part of the Union Budget, the instructions issued by the Ministry of Finance are followed while preparing the Defence budget. The complexity and the size of the Defence Services does not permit every function and activity to be subjected to a Zero-based comprehensive examination every year in the context of budget formulation. However, the underlying principle of ZBB is followed while preparing the five year and annual acquisition procurement plans."

Curbing of Wasteful Expenditure

2.63 In their 29th report on Demands for Grants 2008-09, the Committee had recommended that action should be taken to curb avoidable duplication of expenditure and quantify the savings so made to assess the outcome exercise as per the areas identified by the Headquarter Integrated Defence.

2.64 During the examination of Action Taken replies on the recommendations and observations of the Committee contained in their 29th Report (14th Lok Sabha) on DFG (2008-09), the Committee were informed during the course of evidence held on 4 February, 2009 that the Ministry of Defence have constituted a Committee headed by an ex-Secretary to look into all the aspects relating to curbing of wasteful expenditure. The aforesaid Committee was supposed to submit the report within four months.

2.65 Explaining about the status of implementation of the Committees recommendation to curb the wasteful expenditure, the Ministry of Defence in its written reply stated:—

"A Defence Expenditure Review Committee (DERC) was set up to comprehensively review all aspects of defence expenditure. The Committee has submitted its Report to the Ministry of Defence, which is under examination in the Ministry of Defence." 2.66 When asked about the probable time period by which the recommendations of the Committee will be implemented after its examination by the Ministry of Defence, the Ministry in its supplementary written replies stated:—

".....Various officers in the Ministry of Defence have been assigned the responsibility of looking into various aspects of the report and draw up implementation schedule. Whereas it is difficult to lay down a deadline for implementation of the acceptable recommendations, efforts are being made to implement them in the shortest possible time."

Indian National Defence University (INDU)

2.67 During examination of the subject 'Status of Unified Command during 14th Lok Sabha the Ministry of Defence stated as under:—

"Land has been finally identified for this in Haryana, in Rewari District, on one of the National Highways close to Delhi. A Cabinet Note has been prepared and is pending approval. We are also setting up a Committee of Experts to decide on what the components of this National Defence University should be. So, we are now awaiting Cabinet clearance for the proposal for the land as well as setting it up. So, I think that we have made much progress now. I think it will take about three years to set it up. We hope to get Cabinet approval within a month or so.

2.68 When enquired about the present status of acquisition of land for setting up INDU, the Ministry of Defence in its written reply stated as under:—

"A Note for CCS was submitted to the Cabinet Secretariat for setting up of the infrastructure for INDU and acquisition of 200 acres of land for the establishment of the main INDU campus. The Cabinet Secretariat returned the Note for CCS with the request that requisite inter-ministerial consultations may be carried out in the first instance amongst others with the Ministry of Human Resource Development, Ministry of Home Affairs, Department of Expenditure etc. and the matter, may thereafter be placed before the Cabinet and not the CCS.

In pursuance of the directions of the Cabinet Secretariat, a draft Cabinet Note was sent to Ministry of Human Resource Development, Ministry of Home Affairs, and Department of Expenditure for comments/concurrence." 2.69 The Ministry has further added:-

"Comments/suggestions of the aforesaid Ministries/Departments have been received. The case is in progress for submission to Cabinet after incorporating the suggestions. After receipt of the "inprinciple" approval of the Cabinet, action will be taken for acquisition of land and preparation of detailed project report with regard to the optimal structure of the proposed University. Simultaneous action will be taken to prepare legislation for instituting INDU vide an Act of Parliament."

CHAPTER III

ARMY

Primary role of Army is to preserve national interests and safeguard sovereignty and territorial integrity against external threats. As its secondary role Army has to assist government agencies to cope with "Proxy War" and other internal threats and provide aid to civil authority. It also undertakes UN peacekeeping operations and render military assistance, including disaster relief to friendly countries.

3.2 During the year 2009-10, out of total defence budget allocation of Rs. 1,41,703.00 crore, Army s share constitutes 53.72 per cent *i.e.* Rs. 76,117 crore as compared to 46.15 per cent i.e. Rs. 48739 crore out of the total Budget Estimates (BE) of Rs. 1,05,600 crore during the previous year. Out of total allocation made to Army for the year 2009-10, Revenue expenditure constitutes 76.32 per cent *i.e.* Rs. 58,097.29 crore, whereas Capital component is 23.68 per cent *i.e.* Rs. 18,019.94 crore.

3.3 When enquired about the plan of the Ministry to utilize the outlay provided during 2009-10, the Committee have been apprised as under:—

"More than 63% of Army s total revenue budget will get utilized on account of pay & allowances. The second longest chunk in Army's budget is the "Stores" budget which accounts for approx. 20% of Army s total budget. The concerned Directorates in the Service HQrs. are responsible for procurement of Stores and utilization of the allocated budget. The balance allocation on transportation, revenue works and other expenditure includes committed expenditure on unit grants, maintenance of buildings, temporary/ permanent duty moves, etc. Expenditure is continuously monitored both by the Service HQrs. and the Ministry of Defence. As regards the allocation under the Capital heads, the available funds are utilized as per the Annual Acquisition Plan and Annual Works Programme, etc., and the Ministry of Defence." 3.4 The projections made by the Army Headquarters, allocation made at BE 2009-10 and the percentage of allocation to projections are as under:—

(Rs.	in	crores)
(10).	111	

	Projection by Army HQrs*	Allocation during BE 09-10	%age of allocation to projection
Revenue	61704.07	58097.29	94.15
Capital	21580.77	18019.94	83.50
Total	83284.84	76117.23	91.39

*Excluding DGQA.

Modernisation of Army

3.5 The Army has a vision to develop itself into an optimally equipped, modernised and operationally ready force, capable of meeting challenges across the spectrum of conflict with focus on 'Two Front Conventional Capability'.

3.6 In reply to a question on the required capability, the Ministry submitted:—

"The technology level required by the Army is being addressed by the various modernisation schemes in accordance with the 15 year Long Term Perspective Plan. The 11th Five Year Plan is currently under implementation. The modernisation programmes, apart from acquisition of newer generation weapon systems and equipment, also include upgradation of selected existing systems. This ensures that major weapon systems in the arsenal of the army are held in accordance with well thought out and deliberate plan. It is imperative for the Indian Armed Forces to grow in order to face new challenges to India's security and modernise to safeguard our national interest. Existing capabilities are under constant improvement through force re-structuring, modernisation and accretions. Improvements are required in terms of infrastructure development, modernisation of weapons and equipment and certain accretions to meet the envisaged challenges."

3.7 When asked about the review conducted for modernisation of Army in regard to required force level, gestation period and operational life period of equipment, the Ministry in the written reply submitted to the Committee as under:—

"Modernisation is a complex and dynamic process impacted by operational challenges, emerging technologies and budgetary support. Review of modernisation of Indian Army is a periodic institutionalised exercise which is conducted regularly, wherein force levels, gestation periods as well as life time support of equipment are assessed against the capabilities desired. The resultant output form the basis for formulation of the Long Term Perspective Plans (covering 15 years period). Service Capital Acquisition Plans (5 year plans) and Annual Acquisition Plans. Presently, the process of formulating the Long Term Perspective Plan 2012 is in progress. A study on the 'Transformation of the Indian Army' to meet the emerging challenges is also ongoing under a study group headed by GOC-in-C Eastern Command."

3.8 Additional measures taken by the Ministry for modernisation of Mechanised Forces as informed to the Committee are as under:-

- "(a) Request for information for light tank track and wheeled in keeping with enhancing the scope of employment of mechanised forces in future conflict is placed on website for seeking inputs from vendors.
- (b) Preliminary Service Qualitative Requirement for Future Main Battle Tank is being finalised."

3.9 The Ministry furnished the following information on short term and long term plan in regard to modernisation of artillery wing of the Army: -

"Modernisation of Artillery has been undertaken in consonance with Long Term Perspective Plan of the Indian Army. It encompasses mediumisation of guns and qualitative improvement in the fields of surveillance, target acquisition and degradation. The Arty modernisation covers the 11th, 12th, 13th and 14th Plans. In the current plan, the aim is to procure modern medium guns, Ultra Light Howitzers, Tracked and Wheeled Self-Propelled guns, Multiple Barrel Long Range Rocket Systems, Cruise Missiles and Surveillance Systems. In the subsequent plans, we are planning to upgrade and indigenise these systems as also to increase the quantum to enhance our tactical, operational and strategic capabilities."

3.10 When enquired about the authorised and existing number of guns, missiles and rocket systems, the Ministry in a written reply submitted as under:—

"Army is presently authorised 216 regiments which comprise of 180 Field and Medium Regiments, 25 Light Regiments, 10 Rocket Regiments and one Cruise Missile Regiment. All these units are existing except two rocket Regiments which are in the process of raising. Out of these, superior firepower units with enhanced range currently comprise of only three Multiple Rocket Launching Regiments and one Cruise Missile Regiment."

3.11 On number and type of guns, missiles and rockets produced indigenously and imported during the last three years, the following information was made available to the Committee:—

- "1. Equipment imported in the last three years:-
 - (a) Guns: Nil.
 - (b) Missiles: Nil (Being procured through a Joint Venture).
 - (c) **Rocket:** Three regiments of Multiple Rocket Launching System each having 12 Launchers.
- 2. Equipment procured indigenously in the last three years:-
 - (a) Guns: Nil.
 - (b) **Missiles:** Through joint venture, a Cruise Missile Regiment comprising of four launchers has been raised.
 - (c) **Rockets:** Two units are under raising with systems manufactured by OFB, BEML and the private industry."

Shortage of Officers in Army

3.12 At present, the sanctioned strength of officers in Army is 46, 614. Against this, the present strength is 35,131 showing a shortage of 11,483 officers. With regard to the steps being initiated by it to bridge the gap between the required strength and existing number of officers, the Ministry in a written note elaborated as below:—

"Ministry of Defence have been continuously taking steps to address the issue of shortages of officers by way of motivating serving officers to continue in service and attracting talented youth to join Armed Forces, through improvements in service conditions, besides other measures. A multi pronged approach has been adopted for addressing the entire gamut of issues involved, towards implementation of recommendations of A V Singh Committee Report (Phase I). All officers including Short Service Commission Officers are now eligible for substantive promotion to the rank of Captain, Major and Lieutenant Colonel after 2, 6 and 13 years of reckonable service respectively. A total of 750 posts of Lieutenant Colonels have been upgraded to Colonel's rank. The tenure of SSC officers has also been extended from 10 years to 14 years. A total of 1896 additional posts in the ranks of Colonel, Brigadier, Major General and Lieutenant General and their equivalents in the other two Services have been upgraded towards implementation of A V Singh Committee (Phase II). The implementation of the recommendations of the Sixth Central Pay Commission with substantial improvements in the pay structure of officers of Armed Forces will also go a long way in making service in the Armed Forces more attractive which will contribute towards reduction in shortages. Further, the Armed Forces have undertaken sustained image projection and publicity campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career in the Armed Forces. Candidate-friendly recruitment procedures to attract more number of candidates and a focused publicity drive in various institutions to attract potential candidates have been undertaken. Awareness campaigns, participation in career fairs and exhibitions, advertisements in print and electronic media, counselling and motivational talks in schools, colleges and NCC camps are also some of the other measures in this direction. In addition, the commitment and bravery of the Armed Forces is consistently projected through the electronic and print media."

Bullet Proof Jackets

3.13 A ballistic vest, bulletproof vest or bullet-resistant vest is an item of protective clothing that helps to absorb the impact from firearm-fired projectiles and shrapnel from explosions, and is worn on the torso. Soft vests are made from many layers of woven or laminated fibers and can be capable of protecting the wearer from small caliber handgun and shotgun projectiles, and small fragments from explosives such as hand grenades. Metal or ceramic plates can be used with a soft vest, providing additional protection from rifle rounds, and metallic components or tightly-woven fiber layers can give soft armor resistance to stab and slash attacks from a knife. Modern body armor may combine a ballistic vest with other items of protective clothing, such as a helmet. Vests intended for police and military use may also include ballistic shoulder and side protection armor components, and bomb disposal officers wear heavy armor and helmets with face visors and spine protection.

3.14 When enquired whether any survey has been carried out to know the average weight of bullet proof jacket, the Ministry in a written reply stated as under:—

"The total battle load carried by a soldier is dictated by the type of operation undertaken. The same has been kept in mind while equipping the soldier with bullet proof jacket, personal weapon and communication equipment. In this regard GSQR for Bullet Proof Jackets has also been revised by the AHQ on 28.5.2009. As per the new GSQR, BPJ has been designed in such a way that it will assist in adjustment of its weight by detachment and attachment of certain parts as per situation and requirement of the operation."

3.15 In reply to another question on the General Staff Qualitative Requirement (GSQR) for BPJs supplied to Army, the Ministry informed as under:—

"The last supplies were made in 2006 based on GSQR No. 1095. It has since been revised by GSQR No. 1293 dated 28.05.2009. It has been revised in such a way that BPJs are of modular nature and provide different levels of protection when used in various configurations as dictated by the mission profile. It is convenient and comfortable to wear and designed in such a way that it should not impede the movement of the wearer in carrying out various operational duties in the field. The comparison between the GSQR No. 1095 and GSQR No. 1293 is as follows:—

Parameters	GSQR No. 1095 for BPJ	GSQR No. 1293 dated 28.5.2009 for BPJ
Special Design Features		(i) Modular as per mission profile(ii) Increased areas of protection and quick release system.
Area of Protection		
(a) Soft Armour Plate (SAP)	5000 sq. cms. (Front, Rear, Side, Groin and Collar)	5500 sq. cms. (Front, Sides, Rear, Groin, Neck, Collar and Upper Arm)
(b) Hard Armour Plate (HAP)	1500 sq. cms. (Front and Rear)	3395 sq. cms. (Front, Sides, Rear, Groin and Throat)
Protection Level	NIJ Level-III	NIJ Level-III
Weight (Large)	6.62 Kgs.	11.5 Kgs. (Maximum)
Weight (Small)	5.5 Kgs.	10.5 Kgs. (Maximum)"

3.16 In this connection during the oral evidence, a representative of Ministry of Defence submitted as under:—

"On the BP jackets, there has been a number of issues regarding the technical quality parameters. There were instances where, for example, in the sides, the bullet could hit the jawan because the earlier specifications were such that these areas were not getting covered. Consequently, an exercise was undertaken in the Headquarters to see whether the qualitative parameters can be revised. This exercise has since been completed. In fact, a modular structure for the jacket has been arrived at where certain additions can be made if required to the jacket. These requirements have been finalized fairly recently and now the procurement process would again start."

3.17 In reply to the Supplementary Question regarding procurement of BPJs, the Ministry submitted the following information:—

"The authorization of Bullet Proof Jacket (BPJs) to the Army is 3,53,765 while the deficiency is 1,86,138. The approval of DAC has been obtained on 19.10.2009 for procurement of 1,86,138 BPJs in the 11th Army Plan. The BPJs will be procured as 'Buy Indian' from sources producing indigenously. The indicative unit cost is Rs. 50,000 (Fifty thousand only). The new BPJs will be modular and hence the weight will vary based on operational requirement of wearing all the protection attachments. The modular BPJ provides different levels of protection when used on various configurations. It provides additional protection to groin, neck and sides. It will sustain/withstand in front of bullets fired by small arms used by terrorists. The Hard Armour Plate (HAP) in conjuction with Soft Armour Plate (SAP) should withstand six rounds of Ammunition (7.62 x 39mm mildsteel core) fired single shot, impacting at a maximum distance of 51mm from the edges with minimum interse shot distance of 51mm (Fair Shot). It should arrest splinters/fragments caused by bullet hit within the system.

The BPJs of same specification are being produced by Indian Private Sector and hence the DAC has categorized this as "Buy Indian". The Request for Proposal (RFP) is under preparation and will be floated to Indian vendors."

Stipend for National Defence Academy (NDA) cadets

3.18 The Ministry was asked about the salary/stipend given to cadets during training in National Defence Academy, Indian Military Academy, Officers Training Academy and Naval Academy etc. and whether these cadets are considered as being on the job training, the Ministry in its written reply submitted as under:-

"NDA:

The NDA Cadets are not given any salary/stipends during their training in NDA. The NDA Cadets are not considered as being on the job training.

IMA:

The details are as under:

- (i) All Gentlemen Cadets (GCs) except, University Entry Scheme (UES) GCs Rs. 21,000/- p.m.
- (ii) UES (GCs) Rs. 31,320/- p.m.

OTA:

All the OTA GCs are given a stipend to the tune of Rs. 21,000/p.m. The cadets are not considered as being on the job training.

Naval Academy:

Cadets at Naval Academy do not get any stipend. These cadets are not considered as being on the job training."

3.19 On the issue of the increase in salary/allowances/stipend of the trainee cadets in the current year's budget, the Ministry in its written reply submitted as under:—

"NDA:

This Question is not applicable to NDA since NDA Cadets are not given any salary/stipend.

IMA:

The increase in BE 2009-10 related to stipend of cadets is on account of the revision of the rates of stipend by the Sixth Pay Commission.

OTA:

The increase in BE 2009-10 related to stipend of cadets is on account of the revision of the rates of stipend by the Sixth Pay Commission.

Naval Academy:

The fixed stipend rate @ Rs. 8000/- per month was admissible to cadets during last year of training. The rate of stipend has been increased to Rs 21000 per month *w.e.f.* 1.1.2006 post implementation of Sixth CPC report. The stipend is converted to pay for all purposes

on grant of commission and revised rates of pay *viz.* pay in PB, GP, MSP and DA etc. are paid in arrears."

Sainik Schools

3.20 Sainik Schools were established in 1961 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. Sainik Schools admit boys in Classes-VI & IX on the basis of an all India entrance examination. Class-XI boys are admitted on the basis of their board results. 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 22 Sainik Schools in the country and NCC is compulsory upto Class-XII. 67% of seats are reserved for boys of the State where the school is located. The balance 33% is kept for outside State quota. 25% seats in these schools are reserved for children of service personnel including ex-servicemen. 15% of seats are reserved for SC and 7.5% for ST.

3.21 The entire capital expenditure on land and buildings is met by the respective State Governments. The State Governments also award scholarships on merit-cum-means basis. These are financially self-sustaining institutions and all expenditure on establishment, training and pension are met out of fee collected from the students.

3.22 On the latest development about the steps taken by the Ministry after the review carried out by Raksha Rajya Mantri on 24.03.2008 for betterment of Sainik Schools and their infrastructural development, the Ministry submitted in its written replies as under:—

"I. Formation of Study Group:

In pursuance of the decisions taken during Review meeting chaired by Hon ble Raksha Rajya Mantri (RRM), a Study Group under the Chairmanship of JS (Training) has been formed with members from the three service Headquarters of the level of Major General/ Brigadier, academician and others. Final Report of the Study Group is under preparation for submission. The terms of reference of the Study Group are as under:—

- (i) To recommend the QR criteria for selection and posting of Service Officers to Sainik Schools.
- (ii) To recommend proportionate share of officers from Army, Navy and Air Force.
- (iii) To suggest measures for the improvement of service conditions of Sainik Schools staff *vis-à-vis* RIMC and Military Schools.
- (iv) To recommend an action plan for the upgradation of skills of the academic and administrative staff of Sainik Schools indicating the infrastructural requirements in this regard.

II. Action on the part of State Governments:

Letters have been sent to Chief Ministers for revision of scholarship slabs/rates and signing of Memorandum of Agreement (MoA) indicating the responsibilities on the part of State Governments towards the Sainik Schools. So far, MoA have been signed by State Governments in respect of six Sainik Schools. The Chief Ministers have been requested again during the year 2009 for signing of MoA in respect of the remaining Schools.

III. MPLAD Fund:

Parliament Members have been requested both in 2008 and 2009 to contribute funds from their MPLAD fund for infrastructural improvement in Sainik Schools. Six members have generously contributed an amount of Rs. 78.5 lakhs for various improvement projects of Sainik Schools.

IV. Training:

Every year centralized in-service training is organised at one of the Sainik Schools for the benefit of all academic staff for a period of 21 days. In addition to this, different categories of administrative staff are given specialized training at a central place in their areas of work. In service training is being imparted to teaching and administrative staff of Sainik Schools in association with various professional bodies like National University of Educational Planning and Administration (NUEPA), National Council of Educational Research and Training (NCERT) and similar State run bodies. In keeping with the specific aim of these schools, Service Selection Board (SSB) oriented training is also being provided using professional resource personnel. It has recently been decided to detail Principals of Sainik Schools to empowerment programmes conducted by CBSE in collaboration with Indian Institutes of Management and NUEPA.

This year, training for all Quarter Masters and Account Clerks was conducted at Sainik School, Kapurthala. Similar training has been carried out for administrative staff like Mess Manager, Catering Asstt., Office Superintendent, Accountant etc. All newly posted officers are also put through orientation programme for a week at a common place. This year, officers' training was organised at Sainik School, Ghorakhal. 121 teachers also participated in teachers' training at Sainik School, Nagrota.

V. Positive outcome/Result:

Academic results of the Sainik Schools for Class X Board have been 99.69 per cent during the year 2007, 99.70 per cent during the year 2008 and 99.77 per cent during the year 2009. During these years, pass percentage in Class XII Board has been 91.51, 92.43 and 95.16 respectively. The National Defence Academy (NDA) intake from Sainik Schools has gone up from 102 in 2003 to 207 in 2009, the record highest in the history of Sainik Schools. This reflects an increase of more than 100 per cent. During the year 2009, out of total authorized strength of 691 cadets of NDA course, the intake of Sainik Schools' cadets has been 207. This constitutes approximately 30% share of Sainik Schools cadets in NDA intake. Apart from this, Sainik Schools' cadets have joined the armed forces through the Technical Entry Scheme, Armed Forces Medical College, Pune (10 cadets), Indian Military Academy(52 cadets), Officers Training Academy (03 cadets), Air Force Academy (03 cadets) and Naval Academy (04 cadets) as direct entries."

3.23 The Committee in their 29th and 35th Reports had recommended that the issues related to working of Sainik Schools should be gone into by a High Level Committee and funding for Sainik Schools should be made by the Central Government. During oral evidence on the outcome of above recommendations, the Defence Secretary stated as under:-

"The recommendation may have been made. But it is under consideration and the final view has not been taken on that. The current system on Sainik School says that it is an MoU signed between the Central Government and the State Government and the current dispensation is that any State which wants a Sainik School to be opened, then they have to offer a certain area of land; they have to provide the infrastructure for it and also bear cost of the maintenance..... a study group has been constituted to go into the recommendation and see how it can be implemented."

National Cadet Corps (NCC)

3.24 National Cadet Corps is a Tri-Services Organisation comprising the Army, Navy and Air Force, engaged in grooming the youth— **"The Leaders of Tomorrow** — into disciplined and patriotic citizens. The motto of NCC is 'Unity and Discipline'. The genesis of the NCC can be traced back to the First World War when the Britishers created the University Corps as the second line of defence and to have a large pool of trained youth available for employment into the Armed Forces.

3.25 After independence, the present day NCC under the Ministry of Defence came into existence on 16 April, 1948. NCC was formally inaugurated on 15 July 1948 as soon as the schools and colleges reopened after summer vacation.

3.26 The total sanctioned strength of NCC cadets is about 13 Lakhs. The wing-wise distribution of the cadet strength is as under:—

(a)	Army Wing	—	822858
(b)	Air Wing	_	56111
(c)	Naval Wing	_	56941
(d)	Girls Wing	_	285719
	Total	_	1221629

3.27 The NCC's presence extends to **606 districts** of the country covering **8454 schools** and **5377 colleges**.

3.28 While elaborating on the status of allocation and utilisation of outlay for central procurement of retention clothing etc., the Ministry elaborated as under:—

"A Budget allocation of Rs. 62 crore was made in the financial year 2008-09 for central procurement of retention clothing, life cycle items and tentage with accessories. In addition, an allocation of Rs. 12 crore was made for local purchase of clothing items. Thus,

a total allocation of Rs. 74 crore was made in BE 2008-09 for purchase of clothing items. Due to emergent requirement, an additional amount of Rs. 10 crore was projected at RE stage for local purchase. Thereby the overall fund allocation during the year 2008-09 was Rs. 84 crore.

As against these allocations, procurements for the following items valued as under were made:—

Sl.No	Item	Funds allotted (In Rs. crore)	Funds utilized (In Rs. crore)
(i)	Retention clothing items	40.96	10.65
(ii)	Life cycle clothing items	14.54	8.35
(iii)	Tentage and accessories	6.50	0.00
(iv)	Local purchase of clothing	22.00	22.00
	Total	84.00	41.00

There has been a curtailment of training period of Senior Division cadets from 3 to 2 years from the training year 2007-08 resulting in an increase in the requirement of clothing for NCC cadets. In the financial year 2008-09, it was expected that clothing for 90,000 cadets would be required additionally. Hence, projections made for BE were not reduced at RE stage. However, because of the following reasons, expenditure could not be made:

- (i) Supply orders for the retention items like shoe leather, Boot Ankle and Shoe canvas which were on DGS&D rate contracts were placed. However, Supply Orders for other retention clothing items could not be processed due to changeover from procedure of Central procurement to Rate Contract system and delay in finalization of Rate Contracts.
- (ii) Supply Orders for a few life cycle items and tentage with accessories could not be placed due to non-acceptance of counter offered Rates by the vendors".

Welfare of Ex-Servicemen

3.29 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 three attached offices, *viz.* Directorate General of Resettlement (DGR) Kendriya Sainik Board (KSB), Organisation of Ex-Servicemen Contributory Health Scheme (ECHS).

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. ECHS provides health care to the ESM and their dependents. At present about 10.2 lakh ESM are members of ECHS.

One Rank One Pension (OROP)

3.30 'One rank one pension' implies that uniform pension be paid to the Armed Forces personnel retiring in the same rank with the same length of service irrespective of their date of retirement and any future enhancement in the rates of pension to be automatically passed on to the past pensioners.

3.31 In his Budget speech (2009), Finance Minister referred to the Committee headed by Cabinet Secretary on OROP, which submitted its report on 30.6.09. This Committee made recommendations to substantially improve the pension of pre 1.1.2006 PBOR, which have been accepted by the Government.

3.32 On the issue of benefits being provided to the Officers, the Ministry in a written reply furnished as under:—

"The Committee has not recommended OROP itself, but its various recommendations on the improvement of pensions of PBORs/ Officers have been accepted by Government and are in the process of implementation."

3.33 On the issue of average hike of pension of the jawans after the implementation of proposals by stipulated date *i.e.* 1.7.2009, the Ministry in its written reply stated as under:—

"The Committee has not laid down any specific date for implementation of its recommendations. Some of the recommendations are to be implemented prospectively *w.e.f.* 1.7.2009, whereas some of them are to be made effective *w.e.f.* 1.1.2006. The average hike will be known only after recommendations have been fully implemented."

Educational facilities to the wards of Ex-Servicemen

3.34 With regard to the number of technical institutions earmarked or run by Armed Forces for the wards of serving and retired defence personnel, the following information was furnished by the Ministry:—

"INDIAN NAVY

Naval Institute of Technology

- 1. Indian Navy has an institute named Naval Institute of Technology at Mumbai offering the following courses:—
 - (a) Diploma course in Computer Science.
 - (b) B.Sc. degree in Hotel Management.
- 2. The Institute had sufficient vacancies to meet the requirement of number of applicants. The criterion for admission to Institute was Maharashtra State Entrance Test. However, the admissions have been stopped with effect from academic year 2009-10 as the existence of Institute on Government land has been objected to by audit. The institute would be closed in 2011 when all current students complete their courses.

Naval Maritime Academy, Mumbai

- 3. The Indian Navy conducts 1 year pre-sea training course for award of diploma in Nautical Science. This is followed by one and half year Distance Learning Programme for award of Advance Diploma in Nautical Science. The Course is approved and affiliated to Indian Maritime University.
- 4. The Institute has 40 vacancies of which 50% are reserved for wards of serving/retired Naval and Coast Guard personnel. The vacancies are commensurate with number of applicants. The criterion for admission is All India Entrance Exam conducted by Indian Maritime University.

INDIAN ARMY

Technical Institutions

1. Army Welfare Education Society (AWES), a registered Society under the Societies Registration Act XXI of 1860 with Registrar of Societies, Delhi, is running 13 professional colleges throughout the country for the wards of serving Army personnel, eligible ex-Army personnel and war widows/ widows of the Army as a welfare measure. AWES and its professional colleges do not receive any financial aid from MoD or Central State Governments. No public funds are utilized in AWES or its professional colleges. The professional colleges being run under the agies of AWES come in the category of Unaided Private Professional Colleges.

2. Infrastructures for the AWES professional colleges is created through welfare funds of the Army which are regimental funds and not public funds. AWES professional colleges are required to be financially self sustained for meeting the revenue expenditure of the college from fee collection from the students. Financial assistance to meet the revenue expenditure is also given to the colleges from the welfare funds of the Army on case to case basis whenever required. However, the vacancies in AWES professional institutions are limited and may not be commensurate with the demand for the seats.

Scholarship

- 3. AWES is also awarding scholarship to the wards of serving Army personnel from welfare funds of the Army for classes from IX to PG level of education subject to the 25 years of age of the beneficiaries.
- 4. Cut off percentages of marks of various classes and categories of personnel i.e., Officers, Junior Commissioned Officers (JCOs) and other Ranks (ORs) are decided in the Annual General Meeting (AGM) of Education Scholarship Scheme for Serving Army Personnel, Separately for all classes and categories of personnel. The cut off percentages of marks for the academic year 2008-09 for various classes and categories of personnel are given below:

Class	Officers	JCOs	ORs
IX-X	89	87	72
XI-XII	89	86	72
BA, B. Sc. (Incl. Hons.) Part I, II & III	72	70	55
PG, Engg. Med. and IT	72	70	55

5. A sum approximately Rs. 1.4 crores is spent every year for the award of scholarship from welfare funds of the Army. The annual rate of scholarship is given below:—

Classes IX to Xll	Rs. 1200
Graduation	Rs. 1800
PG Classes and Professional Courses	Rs. 5000
Indian Air Force	Nil."

3.35 The Committee in their 29th and 35th Reports had recommended to create fund for award of scholarship to the wards of army personnel under Civil Budget of the Ministry of Defence, when asked about the status of implementation of recommendations, the Ministry stated as under:—

"Recommendations of the Committee have been noted and the comments of concerned agencies are sought to further consider the matter."

3.36 On the issue of providing exclusive reservation to the wards of Ex-servicemen in education institutions, the Ministry submitted following:—

"The issue of exclusive reservation for wards of Ex-servicemen in professional colleges/institutions under the Government of India has been taken up at the highest level with the Ministry of Human Resource Development since April, 2007 followed by several reminders. The matter is again being taken up at the highest level."

Pension to war-widows and disabled soldiers

3.37 In the Budget Speech (2009-10), it was mentioned by the Finance Minister that certain pension benefits being extended for war-widows and other disabled pensioners are also being liberalized. In this context, the Committee desired to know the existing benefits being provided to war-widows and other disabled pensioners. On this the Ministry in its written reply submitted as under:—

"Existing benefits to war widows:-

- (1) Liberalized family pension @ reckonable emoluments last drawn by the deceased.
- (2) Ex-gratia of Rs. 20 lakhs.
- (3) Death-cum-retirement gratuity.

Existing benefits to disabled pensioners:-

Pre 01.01.06 cases

- (a) As per Sixth Central Pay Commission, the Armed Forces personnel retired/discharged/invalided out from service with disability attributable to or aggravated by service, disability element for 100% disability on account of invalidment/ retirement/discharge is Rs. 5880. Where the disability of a pensioner is less than 100%, the amount shall be proportionately reduced as per degree of disability accepted and for the period notified in the PPO.
- (b) In case of Armed Forces personnel invalided out/retired/ discharged from service and in receipt of war injury element of war injury pension, the revised rates of war injury element for 100% disability is Rs. 11,760. Where the disability of a pensioner is less than 100%, the amount shall be proportionately reduced as per the degree of disability accepted and for the period notified in PPO.

Post 01.01.06 cases

- A. On Invalidment
 - (a) (i) Service Element: Service element will be allowed at the rate of 50% of the reckonable emoluments last drawn at the time of getting disability.
 - (ii) Disability Element: The Armed Forces personnel retired/discharged/invalided out, disability element for 100% disability shall be 30% of emoluments last drawn subject to minimum of Rs. 3100 p.m. for 100% disability to be reduced proportionately as per percentage of disability accepted.
 - (b) (i) Service Element: Service Element equal to Retiring/ Service Pension on the basis of the last pay drawn.
 - (ii) War Injury Element: War injury element for 100% disability shall be the reckonable emoluments last drawn by the disabled personnel. For disability less than 100%, it will be proportionately reduced.
- B. On retention in Service-Following options are available-
 - (i) To draw lump sum compensation in lieu of War Injury Element forgoing war injury element at the time of subsequent retirement provided the disability is 20% or

more for life. The rates for calculating the lump sum compensation shall be 60% of reckonable emoluments last drawn subject to a minimum of Rs. 6200 p.m. for 100% disability. For disability of less than 100%, the war injury element shall be proportionately reduced.

- (ii) To draw war injury element on subsequent retirement on a monthly basis at the rate of 60% of reckonable emoluments last drawn, subject to a minimum of Rs. 6200 p.m. for 100% disability.
- C. For both cases pre or post retires 1.1.2006, Constant Attendance Allowance, where payable, shall continue to be admissible at a uniform rate of Rs. 3000 p.m. irrespective of the rank. Further, this rate is to be increased by 25% every time the dearness allowance payable on revised Pay Band goes up by 50%.
- D. Commutation value of pension.
- E. Retirement gratuity subject to maximum of Rs. 10 lakhs."

3.38 When enquired about the additional benefits being provided to war widows and disabled pensioners, the Ministry submitted the following information:—

- "(i) Broad banding of disability/war injury pension for pre 1.1.1996 disability /war injury pensioners —Prior to 5th CPC, disability pension was granted based on actual percentage of disability. As per 5th CPC recommendations, disability percentage was broad banded into three slabs for post 1.1.1996 cases, according to which percentage of disability less than 50% will be rounded off to 50%, between 50% and 75% to 75% and between 76% to 100% to 100%. The Committee has recommended to extend this benefit to pre 1.1.1996 cases also.
- (ii) Removal of cap on war injury element of pension in cases of disabled pensioners belonging to category — War disabled get service element of pension and a separate war injury element. Service element is calculated by counting service upto date of normal retirement in the rank. War injury element is equal to reckonable emoluments last drawn for 100% disablement. However, a stipulation has been made that the aggregate of service element and war injury element cannot exceed last pay drawn. In effect, in all cases war injury element is being restricted to 50% of emoluments, therefore, denying the full benefit of war injury element. The Committee has

recommended to remove the cap in all cases of category E disability pensioners which included cases of disability arising as a result of enemy action in international war, border skirmishes, accidental explosion of mines, extremist acts, etc."

3.39 The Ministry was asked about maintenance of data regarding war widows and disabled pensioners, the Ministry in its written reply submitted as under:—

"Ministry has not maintained any data of war widows and disabled soldiers."

3.40 The Ministry was asked about maintenance of computerized data regarding Ex-Servicemen at district/state/HQ level and about number of ESM who have been given Government/PSU jobs, Self-employed and living on pension alone, the Ministry supplied the following information:—

"We have started the process of computerization at RSB/State HQ and ZSB/Dist. HQ level. Funds for the same have also been released to all the State Govt. and completion of computerization is likely to take some time. Once the system is in place computerized data at state and Dist. Level would be available. However, information about number of ESM who have been given Govt./PSU jobs, Self-employment and living on pension alone are as under:—

Sl. No.	Ex-servicemen category	Employed from Jan 2008 to Dec 2008	Employed from Jan 2009 to June 2009
1.	Central Government Sector	4675	4258
2.	State Government Sector	3501	1455
3.	Self - employment	2470	Not available
4.	Living on pension alone	Not available	Not available
	Total	10646	5713"

Lateral Induction for Ex-Servicemen

3.41 The Sixth Pay Commission has recognized the need for lateral induction of Ex-Servicemen into Central Para Military Forces (CPMFs) and other Central Police Organizations (CPOs). The Fifth Pay Commission had also recommended increase in percentage of posts reserved for retired service personnel in Group 'C' and 'D' in CPOs to 25 per cent by lateral transfer. The Fifth Pay Commission had also suggested setting up a joint recruitment board comprising representatives of CPOs and Defence Forces

Headquarters that would jointly select officers/men who would render 7 years service in Defence Forces to be followed by lateral shift to CPOs.

3.42 Regarding the lateral transfer scheme, the Sixth Pay Commission had suggested:—

"This scheme will not only make available sufficient number of trained manpower for CPOs as well as defence civilian organizations but will also curtail the pension bill of the Government significantly. It is estimated that the Government spends nearly Rs.100 crore per annum on recruitment and training of personnel for CPOs and defence civilian organizations. This expenditure will be completely saved. Further the Government will have to pay pension to the retiring Defence Forces personnel only after 30/33 years of service as against 17 years of service at present. This will result in a further saving of Rs. 700 crore per year. These savings will grow cumulatively for a period of 13 years. Therefore, at the end of 13 years the annual savings on this account will be to the tune of Rs. 7800 crore at constant price index. The Government will also not have to provide for special measures and find means of providing rehabilitation of ex-Defence Forces personnel. This will have other side benefits because the trained manpower of the Defence Forces will be engaged in a life time employment and no subversive elements will be able to misguide them for anti social activities."

3.43 On the latest position regarding the lateral induction of Ex-Servicemen, the Ministry in its written replies submitted as under:—

"The issue is under consideration in consultation with Ministry of Home Affairs."

CHAPTER IV

ORDNANCE FACTORIES

Ordnance Factories are an integrated base for indigenous production of defence equipment and ammunition and form the backbone of the country's defence production. Defence production is a highly specialised sector full of complexities and challenges, where products have to be safe, reliable, consistent and capable of operating under varying terrains as well as climates and in extreme conditions. Accordingly, the technologies applied, which cover a wide spectrum of engineering, metallurgy, chemical, textile, leather, optical technologies etc. have to ensure high quality and productivity, apart from meeting the primary objective of self-reliance. Ordnance Factories also fulfil certain requirements of Paramilitary and Police Forces for arms, ammunition, clothing and equipment. Ordnance Factories endeavour to enhance their capacity utilization not only by securing orders from the defence forces but also through sustained efforts in diversification to non-defence customers and exports. However, priority of the Ordnance Factories is indigenous production of defence products only.

4.2 They produce a wide range of arms and ammunitions for the Infantry, Artillery, Air Defence Artillery and Armoured Corps of the Army. Ordnance Factories produce ammunition for Navy and Air Force and have taken up indigenous development of naval armaments. The factories produce military transport vehicles, infantry combat vehicles, armoured vehicles, optical and opto-electronic instruments, summer and winter uniforms, parachutes, miscellaneous leather goods and general stores.

4.3 Indian Ordnance Factories Organisation has completed 200 years of its existence. The Ordnance Factories Organisation is a fine blend of old and state-of-the-art factories, with the first Ordnance Factory established in 1801 at Cossipore, near Kolkata, and the 40th factory being set up at Nalanda, Bihar. The 40 Ordnance Factories are geographically distributed all over the country at 25 different locations. The emphasis has shifted from production of basic, intermediate inputs to production of finished stores by outsourcing intermediate sub-assemblies from the private sector. 4.4 The Ministry was asked about the private sector participation (Indian/Foreign) by Ordnance Factories, the Ministry in its written replies submitted the following:—

"KAVACH MOD II with M/s. Kirloskar & M/s. Sameer – 4 Nos. (Rs. 10 cr.) has been developed and planned to be issued during 2010-11."

4.5 On Foreign Exchange Earnings through exports, the Ministry submitted the following information:—

"Foreign Exchange Earnings (physically received)

2007-08-Rs. 22.83 cr. (excludes earning in Indian Rupees for supplies to Nepal)

2008-09—Rs. 31.99 cr. (exludes earning in Indian Rupees for supplies to Nepal)

Steps have been taken to increase exports by making the procedure customer friendly, and by reducing the response time through electronic transmission of technical data and brochures, provisions of e-mailable and printable product CD and continuous production promotions in Military Technology magazines etc. OFB has been participating in various international defence exhibitions and has also linked up with an international generic website."

4.6 On the issue of modernisation, the Ministry submitted as under:—

"Modernisation of infrastructure of Ordnance Factories is a continuing process, keeping in view the physical condition of existing facility, technological advancement in production process, changing need of customers, automation, safety needs, environmental obligations, need for higher quality etc.

The details of expenditure for last five years is given below:-(*Rs. in crore*)

Year	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 plan- ned)
Expenditure on Modernisation	252.17	251.24	252.13	237.50	276.31	300.00"

4.7 During oral evidence, the Secretary, Defence Production deposed before the Committee as under:—

"On productivity.... over the years, the quantity of production etc. has been going up, though it depends on the orders of the Army. They are not authorised to sell anywhere else. If they do not get orders from the Army, naturally the production will be less. But last year, the total orders from the Army was for about Rs. 6,400 crore and they supplied products worth about Rs. 6,100 crore. On some other items they took an additional allocation of Rs. 587 crore. They touched about Rs. 6,700 crore last year. Export to foreign countries and sale to private sector is very limited. The basic supply is to supply to the Indian Army."

CHAPTER V

NAVY, JOINT STAFF AND COAST GUARD

With 7517 KMs of coastline and over two million square Kms of exclusive economic zone that India has to defend, the Indian Navy has immense onus on its shoulders with regard to the security of the nation and providing safety to offshore economic establishments.

5.2 Demand No. 23 of Defence Services Estimates covers budgetary allocation for Navy and Joint Staff. For the financial year 2009-10, the details with regard to projections of Outlay by Naval Headquarters and the allocations (net) made during 2009-10 are as follows:—

(Rs. in crores)

	Projection by Naval HQrs	Allocation during BE 09-10	%age of allocation to projection
Revenue	8843.91	8322.11	94.10
Capital	12508.68	12281.91	98.19
Total	21352.59	20604.02	96.49

Under Utilization of outlay

5.3 The percentage of actual utilization of outlay during previous three years *i.e.* 2006-07, 2007-08 and 2008-09 is given below:—

(Rs. in crores)

Year	BE	RE	Actual	Percentage utilization
2006-07	16141.03	15794.37	16198.16	102.56
2007-08	17529.44	16036.38	15885.41	99.06
2008-09	19506.77	17312.77	17248.01	99.63
2009-10	20604.02			

5.4 It can be observed from the above data that during the last two years, the allocations provided at RE stage are lesser than the Budget Estimates. There is marginal under-spending as compared to Revised Estimates allocations during the years 2007-08 and 2008-09.

The percentage share of Naval Budget

5.5 The percentage share of Navy Budget (both Revenue and Capital) to the total Defence Budget during the last three years is as follows:—

(Rs. in crores)

	2007-08		2008-09		2009-10	
	Amount	% of Naval budget	Amount	% of Naval budget	Amount	% of Naval budget
Revenue	6968.25	(12.89%)	7421.19	(12.89%)	8322.11	(9.58%)
Capital	10561.19	(25.19%)	12085.58	(25.17%)	12281.91	(22.40%)
Total	17529.44	(18.26%)	19056.77	(15.11%)	20604.02	(14.54%)

5.6 A comparison of the Service-wise allocation for the Budget Estimates 2009-10 is given below:—

(Rs. in crores)

Service	BE 2009-10	%age of Total Budget
Army	76117.23	53.71 %
Navy	20604.02	14.54 %
Air Force	34432.26	24.30 %

Manpower shortage

5.7 The Committee have been informed that there is a shortage of 1512 officers in Navy. During the course of oral evidence, the Committee have been apprised that Navy has moved towards technicalization of the manpower. Now, all the sailors would be 12th class pass for induction while the officers eligibility criteria is B.Tech. While elaborating about the initiatives being taken by Navy to address the problem of shortage of manpower in Navy, the Ministry submitted as under:—

"The Navy has initiated steps like increased publicity and candidate friendly recruitment procedures to attract more number of candidates. In addition to general publicity, the Navy is also carrying out focussed publicity drive in various institutions to attract potential candidates. Motivation drive is also conducted in various colleges/institutions in order to widen the scope of target population. In addition, following steps have been taken to improve induction of officers:—

- (a) Additional Services Selection Board (SSB) at Diamond Harbour: To augment the interviewing capacity provided by existing SSBs, the MoD has approved setting up of one additional SSB at Diamond Harbour. The facility is expected to be operational by 2012.
- (b) **Image Projection Campaign:** The Navy is rejuvenating recruitment publicity efforts through Image Projection Campaigns, including use of job portal on internet, Campaigns on Electronic Media (TV Advertisement), advertisements in popular Magazines and publicity through Hoardings/Bus Panels through DAVP.
- (c) Introduction of New Entry Schemes for specific induction of Officers: To overcome shortages in the specialized fields of Naval Architecture, Pilots, Observers, Logistics and Submarines, dedicated and specific entries have been introduced.
- (d) **New Naval Academy at Ezhimala:** A new Naval Academy has been constructed at Ezhimala, Kerala for the training of officers and has started functioning *w.e.f.* 2009. The new academy is offering additional capacity for the *ab initio* training of officers.
- (e) Terms and Conditions of Service: The Ajay Vikram Singh Committee (AVSC) Report, aimed at reducing the age profile of officers in the Armed Forces and increasing cadre mobility, has translated into enhanced career prospects and better progression for the officer cadre.
- (f) **Sixth Central Pay Commission:** The new pay scales given by Sixth Pay Commission shall also help in attracting more officers.
- (g) **Enhancement of Recruitment Infrastructure:** Efforts are in hand to enhance the recruitment and training infrastructure."

Sailors

5.8 As far as sailors are concerned, no shortage of applicants is being experienced. In addition to the regular recruitment, special recruitment drives in the form of open rallies, are also being conducted. Recruitment centres have been activated at places like Dwarka, Jamnagar, Karwar, Goa, Kochi, Tuticorin, Coimbatore, Chennai, Visakhapatnam, Chilka, Kolkata and Port Blair, to supplement existing 17 Recruitment Centres. The intake is being regulated to maintain the Borne Strength to remain within the Sanctioned Strength. The activities, being undertaken at present, in connection with recruitment publicity, are as follows:—

- (a) The Navy is carrying out focussed motivation publicity in various schools and colleges where lectures are organised by teams of naval officers.
- (b) Special publicity stalls/counselling centres are being set up at various Exhibitions/Career Job Fairs in the country.
- (c) The Navy celebrates the first week of December every year as the Navy Week. This opportunity is taken to develop a connection with the population of our country. As part of the celebrations, the following activities are undertaken:—
 - (i) Ships and establishments are opened to general public to give them an insight of the life in the Navy.
 - (ii) Visits of school/college students are organised on board naval ships to educate them on the career opportunities.
 - (iii) Visits by naval ships are organised in small and medium ports of the country to facilitate visit by the local population who normally do not get this opportunity.
 - (iv) Medical Camps are organised at remote locations to make the Navy conspicuous and popular.
 - (v) Navy Melas are organised to increase popularity of the service.
- (d) Publicity material like Calendar, dairies, pamphlets, posters and blowups etc, are being distributed to approximately 8000 Schools/Colleges, Sainik Schools, local institutions by respective Commands and NCC units.
- (e) The Navy Aerobatic Team, "Sagar Pawan", consisting of naval aircraft is being deputed to various stations to enthuse the youth take up Navy as a profession.
- (f) A multimedia "CD on career opportunities in the Indian Navy has been distributed to 2000 schools/ colleges/NCC units all over India.
- (g) 'Tri-Service Image Projection Campaigns' were launched at Alleppy, Pondicherry, Kohima, Shillong and Thiruvanthapuram to spread awareness amongst the youth.

(h) Vigorous efforts are in hand to spread awareness amongst youth on the career options in the Navy. The Navy has set up Regional Career Counselling Offices (Navy) [RCCO(N)] at New Delhi, Mumbai, Kolkata, Visakhapatnam and Kochi from existing manpower resources to undertake Motivation lectures and coordinate recruitment related activities."

Modernisation of Indian Navy

5.9 The Ministry in action taken replies to the recommendations/ observations contained in the 29th Report (14th Lok Sabha) of the Committee had stated:—

"At present, there are a number of ships including submarines that are under construction at various Indian as well as foreign shipyards to cater for the shortfall and ships planned for de-commissioning. Action has also been initiated for undertaking new ship/submarine building schemes/projects to achieve the necessary capabilities."

5.10 When asked to furnish the present status of the construction/ procurement of new ships and submarines for Indian Navy, the Ministry in its written reply stated as under:—

"The modernization of the Indian Navy with a view to providing it with the state of the art platforms, weapons and equipment is an ongoing process. At present, the following categories of ships are under various stages of construction/procurement:—

- (a) Anti Submarine Warfare (ASW) Corvettes. Construction work commenced in June, 2005. The ships are scheduled for delivery from 2012 to 2015.
- (b) Series construction of Water Jet FACs. Four ships have since been commissioned and the balance are likely to be inducted in 2010-11.
- (c) P-17 Frigates. These ships are expected to be inducted between 2009-11.
- (d) P-15A Destroyers. These ships are expected to be inducted from 2011-2014.
- (e) Scorpene (P-75) Submarines. First of the six submarines is contractually scheduled to be inducted in 2012 and one annually thereafter till 2017.

- (f) Naval Offshore Patrol Vessels. These ships are planned for induction 2010-2011.
- (g) Survey Vessels. These ships are expected to be inducted in 2010-2014.
- (h) 1135.6 Follow on Frigates. These ships, under construction in Russia are planned for induction commencing 2011-12.
- (i) Tankers. Tankers under construction in Italy are scheduled for delivery in 2010-2011."

Authorised and Existing Force Level of Navy

5.11 When asked about the authorized and existing force level of Navy in terms of Defence Civil Ship such as aircraft carrier, cruisers, destroyers, frigates, mine-weepers, survey ships store carrier, tankers, submarines and the steps taken to match with the authorized force level, the Ministry of Defence in a written reply have stated:—

"Through the ECC Report of 1964, the Government of India accorded approval for Force Level of the Navy. The force level then envisaged was 138 ships and submarines. On 25 March 2003, the Defence Acquisition Council had directed that the Navy should not let the Force Level fall below 140 ships. In pursuance of this directive, Long Term Perspective Plan document, titled Maritime Capability Perspective Plan 2005 - 2022, was drawn up by Naval Headquarters outlining the desired force levels for the Indian Navy in the long term. The existing and envisaged force levels of ships/ submarines are 130 and 162 respectively. The shortfall in the force level is being partially mitigated by extending the life of suitable platforms through a Mid Life Upgrade (MLU). Formal sanction for MLU of 23 ships and one submarine has since been obtained and the same are in various stages of upgrade. The operational life span of a ship is dependent upon the Staff Requirements formulated. These vary from different types of ships. Normally, these are between 15 to 35 yrs. The de-induction schedule is reviewed at Naval Headquarters based upon a variety of factors, important among them are, requirement of force levels, material state of ship, time for induction of replacement platform, and mid life upgrades/ Service life extension programmes that have been approved during the life cycle. The ships are de-inducted only after these factors are duly analysed and approved by the competent authority in the Ministry of Defence. A detailed plan for induction of ships has been outlined in the MCPP (2005-2022). Presently, there are a number

of ships/submarines that are under construction at various Indian/ Foreign shipyards. In addition, a number of proposals for acquisition of ships/submarines are at various stages of processing as per the Defence Procurement Procedure (DPP) 2008."

Construction of Air Defence Ship

5.12 In one of the earlier reports and during examination of Demands for Grants of the previous years, the Committee had observed that there was a need for minimum three aircraft carriers-one each for the Eastern and Western Coast and the third one to address the maintenance/repair needs of the other two carriers. The existing and the only aircraft carrier, INS Virat was to be decommissioned in 2008. However, owing to delay in acquisition of Ex-Admiral Gorshkov, the functioning of the INS Virat has been extended till 2012. It has been reported by the Ministry that the Navy's Maritime Capability Perspective Plan caters for induction of third aircraft carrier during the XIII Plan period. The Committee in their earlier reports on Demands for Grants and corresponding Action Taken Reports have been recommending for early completion of construction of Air Craft Carrier at Cochin Shipyard Limited (CSL). Pertaining to the present status of construction of Aircraft Carrier at CSL, the Ministry of Defence submitted as under:-

" The status is as follows:

- (a) 9400T of hull structure fabrication has been completed.
- (b) Hull, Engineering Systems and Aviation Facilities Complex (AFC) design has been forwarded to shipyard. Electrical and Weapon Systems design has also progressed as per agreed schedule.
- (c) Ordering of Engineering and Hull equipment has been completed to the extent of 70%. Balance items are at various stages of procurement.
- (d) Electrical, weapon and AFC equipment are also being progressed for ordering as per agreed schedule.
- (e) Funds as per the planned expenditure are being made available to the shipyard.

The ship is scheduled for launch in December 2010 and is expected to be delivered in December 2014".

5.13 The budgetary allocations made and expenditure incurred during the last three years for construction of Air Defence Ship as furnished by the Ministry is as under:—

"Budgetary allocation for the Aircraft Carrier project at CSL *vis-à-vis* expenditure incurred during the last three financial years is as follows:—

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(Ks.	ın	crores)

Financial Year	Budgetary Allocation [Revised Estimates (RE)]	Expenditure Incurred (Rs. in Crs.)	
2006-07	520.00	520.56	
2007-08	476.00	476.59	
2008-09	431.00	531.00	

5.14 When asked to furnish the original estimated cost and the final cost of construction, when it is ready for Naval use, the Ministry stated:—

"Government sanction was accorded for the Aircraft Carrier project at CSL in November 2002 at a cost of Rs. 3261 crore, exclusive of taxes and duties. It was then envisaged that construction would commence in January 2004 and completion in December 2010. The sanction envisages that these figures may need subsequent revision as the design gets developed and the "Form & Fit" of the vessel gets defined, Indigenous Aircraft Carrier (IAC) being first ship of this size being designed and built in the country. This sanction would require revision and would be taken up on ordering of all major equipment and receipt of cost of yard effort from the shipyard for balance of the ship upto delivery. The revised cost estimates would be worked out upon ordering of all major equipment and receipt of cost details of yard efforts as envisaged in the original Government sanction."

#### Admiral Gorshkov

5.15 During examination of Demands for Grants for the previous years, the Committee had been informed that after refitting, Admiral Gorshkov would be procured from Russia by the end of 2008. The original cost of Admiral Gorshkov was Rs. 4,882 crore. It has been stated that Russian side has reportedly indicated revision in time and cost due to 'Growth of Work' and that the matter is being examined. The Committee in their 29th Report (14th Lok Sabha) had recommended for the complete

examination of the modifications in the deal of Admiral Gorshkov with Russian Government. Regarding the steps taken by the Ministry so far, the Ministry has stated as under:—

"Two Technical Evaluation Committees, one in March 2008 and the second in June 2009, were constituted to assess the technical reasonableness of the additional works on Project 11430. The teams have visited the ship and had detailed deliberations with the ship's designers and the Shipyard. On completion of extensive deliberations and rationalisation, the scope of additional works has been verified. Negotiations are going on for the project cost as per government approval."

5.16 In reply to Parliamentary question on the escalated cost of Admiral Gorshkov, it has been stated that the Russian side had submitted a revised Master Schedule indicating delay and increase in prices for repair and re-equipping of aircraft carrier ex–Admiral Gorshkov. The Government have agreed to conduct negotiations for finalising a revised repair, and re-equipping contract. In this context, when asked to state the details of revised master schedule, the Ministry has stated as under:

"As per the revised Master Schedule submitted by the Russian side, Harbour trials of the ship are scheduled to commence by March 2011. This would be followed by sea trials including aviation trials. The delivery acceptance of the ship is scheduled to complete in December, 2012. The Russian side, in November, 2007, had submitted a list of Additional Works which indicated an increasing Project cost by 1202 Million USD. Later, the Russian side, in Feb. 2009, indicted an additional cost of 773 MUSD, over and above the earlier Projected Additionalities of November, 2007. The increase in scope of work has been verified by two technical teams and the finally agreed upon list of modifications shall add significant value to the ship by way of performance/life. In total, the Russian side has projected an over all cost of 2948.60 Million USD for the Project. These prices are presently being negotiated by the Contract Negotiation Committee. In addition to the additional time required for carrying out the additional works, a detailed trials programme has been agreed upon to prove the combat capabilities of the ship and its aircraft. This has added to the time required. The ship is a first-of-class and such trials are considered essential."

5.17 The Ministry of Defence in their action taken reply on 29th Report have had stated that the matter relating to in-built provision for automatic transfer of upgraded technology without the liability of additional royalty payment can be taken up with Russian side in due course. Regarding the steps taken in this regard, the Ministry in its written reply stated:—

"The issue regarding incorporation of a provision in the revised agreement in connection with the ex-Admiral Gorshkov Project for automatic transfer of upgraded technology without liability of additional royalty payment, wherever applicable, will be taken up with the Russian side during the negotiations.

### Joint Staff

5.18 Allocation for Joint Staff is covered under Major Head Navy and Sub-Head Joint Staff. Commencing from 2002-03, provision under this head is being made for meeting expenditure on HQ Integrated Defence Staff and associated structure except that chargeable to Capital, which is provided for under Major Head 4076—Capital Outlay on Defence Services.

5.19 The details with regard to Budgetary provision for Joint Staff for the years 2007-08,2008-09 and 2009-10 are given below:—

(Rs. in crores)

Allocation for	2007-08	2008-09		2009-10
Joint Staff	Actuals	BE	RE	BE
	497.26	489.03	669.03	619.55

5.20 The details of achievements made by the Joint Staff is as under:—

- (i) Setting up of Joint Committees
- (ii) Formulation of Joint Doctrines
- (iii) Defence Space Vision 2020
- (iv) Formulation of LTIPP (2002-2017)
- (v) Procurement Procedure Refinement of DPP-2006
- (vi) Synchronization of Services 11th Defence Plan with the DRDO Plan-Forwarded to DRDO in May 2007
- (vii) Joint Intelligence Assessment Shared with JIC and Three Services
- (viii) Joint Exercises and Seminars (Multinational & Tri-Service)
  - (ix) Review of Syllabi at Tri-Service Institutes

- (x) Setting up of Board of Officers for Armed Forces Training Institutes
- (xi) Establishment of INDU
- (xii) Disaster Management Handled by HQ IDS and Coordinated by Disaster Crisis Management Group (DCMG)
- (xiii) Establishment of Centre for Joint Warfare Studies (CENJOWS)-August, 2007
- (xiv) Purple Pages (November 2006, February 2007, November 2007) Fourth Edition Under Preparation
- (xv) Studies Under Progress.

# COAST GUARD

# **Roles and Functions**

5.21 The Indian Coast Guard is mandated to protect by such measures as it thinks fit the maritime and other national interests of India in the maritime zones of India. Section 14 of Coast Guard Act, 1978 specifies the duties and functions of the services, which are as under:—

- (a) Safety and protection of artificial islands and offshore terminals, installations and devices.
- (b) Protection and assistance to fishermen at sea while in distress.
- (c) Preservation and protection of marine environment.
- (d) Prevention and control of marine pollution.
- (e) Assistance to customs and other authorities in anti-smuggling operations.
- (f) Enforcement of enactments being in force in the maritime zones.

# Force Level

5.22 The Coast Guard long term plan envisages a force of 172 ships (including 18 Hovercraft), 187 Boats, 105 aircraft and 85 non-commissioned craft by 2022 by graduated procurement with proportionate corresponding infrastructure development and augmentation of the trained manpower. The Committee have also been informed that in the near future Coast Guard is in the process of acquiring 20 fast patrol vehicles, 41 interceptor boats, 12 coastal surveillance Dornier aircraft and seven off-shore patrol vehicles in addition to 46 coastal radars, spanning twelve coastal stations across the country.

# Coastal surveillance

5.23 Coastal surveillance forms an integral part of coastal security and is currently being carried out by the Indian Navy and the Coast Guard utilizing their seaborne and airborne assets and radars associated with the Vessel and Air Traffic Management Systems (VATMS) fitted in some major ports and the western Offshore Development (ODA).

5.24 In order to augment surveillance capabilities, the measures adopted by Navy as informed to the Committee in a written note are as under:—

"Upgradation of force level

Government constantly review the security environment and accordingly decide to induct appropriate equipment including short and long range maritime reconnaissance aircraft for the navy for adequate defence preparedness. Reconnaissance aircraft are required for maritime surveillance. The following categories of maritime surveillance aircraft are in operation:

- (a) Turbine Islander
- (b) Dornier
- (c) TU 142M
- (d) IL 38
- (e) Heron UAVs
- (f) Search UAVs

A Contract for acquisition of P-81 LRMRASW aircraft from M/s Boeing Integrated Defence Systems was signed on 01 January, 2009( this would be inducted by 2012 as informed during evidence meeting); Process for procurement is also underway for Medium Range Maritime Reconnaissance Aircraft and Unmanned Air Vehicles.

In order to meet requirement of Coastal surveillance, the following system has been implemented:—

Division and coordination among state agencies:

(a) Indian Navy has overall responsibility for maritime security: The Navy has established Joint Operations Centres at Mumbai, Vishakapatnam, Kochi and Port Blair for coastal security.

- (b) Indian Coast Guard (ICG): Has additional responsibility for Coastal security within territorial waters including areas to be patrolled by coastal police. Implementation of the Coastal Radar Chain project having a total of 46 radar stations, to be set up along the coast on the mainland and island territories is also being undertaken by the ICG.
- (c) State Marine Police: A total of 73 Coastal Marine Police Stations are being set up by all the coastal states under the Coastal Security Scheme of the Ministry of Home Affairs. The Marine Police would be responsible for conduct of surveillance in their respective area of jurisdiction in conjunction with the Coast Guard. However, it has been informed, during the oral evidence, that only the State of Tamil Nadu has done valuable work into this direction. It is desired that other Coastal States may also take into this recourse.
- (d) Port Authorities: Responsible for surveillance of water-bodies lying inside their respective jurisdiction.
- (e) Director-General Lighthouses and Lightships: Responsible for setting up Automatic Identification System Chain along the coastline.
- (f) Director-General Shipping (Ministry of Shipping): Installation of the Long Range Identification and Tracking system for tracking merchant vessels at sea and also fitment of suitable AIS transponders on all vessels below 300 tons.
- (g) Ministry of Petroleum and Natural Gas: Responsible for installation of VATMS for all ODAs and procurement of 23 Immediate Support Vessels for offshore surveillance/ security.

# Initiatives for improvisation of co-ordination mechanism

- (a) Directives issued by the Cabinet Committee on Security (CCS) for early establishment of the Coastal Security Scheme of Ministry of Home Affairs (MHA), installation of Coastal Radar and Automatic Identification System (AIS) Chains, installation of VATMS on all offshore areas.
- (b) Sanction of 80 Fast Interceptor Craft (FICs) with induction of 1000 men in respect of the Navy.

- (c) Sanction of 12 additional stations, 60 vessels, 42 aircrafts and 1934 personnel in respect of the Coast Guard.
- (d) Directives for registration of all vessels under a uniform system and issue of identity cards to all fishermen.
- (e) Implementation of Coastal radar Chain project having a total of 46 radar stations, to be set up along the coast on the mainland and island territories is also being undertaken by the Coast Guard."

5.25 When the attention of the Ministry was drawn towards post Mumbai attack scenario in the context of preparedness of Navy for surveillance of coastal areas, the Secretary apprised the Committee as under:—

"We have a coast line of 7,500 kms. and we have ships and aircraft surveillance can also be done. But now after the new directives have come, the coastal security suddenly has been given more attention and more vessels are being acquired to plug the loopholes that exist. As a Navy, we are doing everything possible now and we have been given the mandate to induct 1,000 men which will protect the sea frontiers, 80 fast crafts have been sanctioned to Coast Goard, they have been sanctioned 2,000 men, 46 aircrafts and a large number of vessels. There is another complex problem. There are 6-7 agencies involved in the coastal security. DG (Shipping) ensures that all ships and vessels carry AIC identification system to be carried on each boat transponder so that you can make out. Then, all ports are also being modernised for vessel and air transport management system."

5.26 The Secretary further added:-

"Mumbai is our commercial centre. What I want to assure the august Committee that we have taken it as a top priority and in fact, the Coastal Guard is being strengthened, the manpower has been sanctioned, the interceptor boats have been sanctioned, aircraft surveillance boats have been sanctioned and regularly meetings are being taken at the level of Cabinet Secretary. The RM is also taking meetings in coordination with MHA, Ministry of Defence and other agencies. This is realized that this is a very important area where we must act with speed and determination". 5.27 While elaborating on the steps taken by the Tamil Nadu Government in this regard, the Secretary further stated as under:—

"Tamil Nadu has done good work on establishing maritime police stations. They are working in close coordination with our Navy and Coast Guard and recently they conducted an exercise also to see that along the Tamil Nadu coast if there is an attack what would be the situation."

# CHAPTER VI

## AIR FORCE

The Indian Air Force (IAF), having completed more than six decades of dedicated service to the nation, is a modern, technology-intensive force distinguished by its commitment to excellence and professionalism.

6.2 The major thrust areas of the Indian Air Force as stated by the Ministry are as follows:—

- (a) Sustaining combat Force levels.
- (b) Upgradation and modernization of combat and support squadrons.
- (c) Increased surveillance and automation of Air Defence (AWACS, AEROSTATS & RADARS).
- (d) Precision guided munitions (PGMs), UAVs & EW systems.
- (e) Replacement of vintage SAM systems.
- (f) Enhancement of strategic reach (FRAs, Buddy Refueling Pods).
- (g) Development of network centric operations capability.
- (h) Modernization of airfields & infrastructures.
- (i) Focus on training, simulators and development of HR

6.3 During the course of deliberations, the Committee were informed about the major new acquisition in pipeline for Indian Air Force during the financial year 2009-10, major schemes of Eleventh Plan and major acquisition contracts signed during the year 2008-09 and 2009-10, the details in this regard are as under:—

Major New Acquisition in pipeline during the financial year 2009-10

- (i) Mirage-2000 upgrade
- (ii) Six Addl. FRA
- (iii) Addl. HAWK AJT
- (iv) Intermediate Jet Trainer (IJT)

- (v) VVIP HEPTR
- (vi) DARIN-III upgrade
- (vii) Survey TT, COMJAM SIGINT AC
- (viii) MAFI-I
- (ix) GSAT-7A
- (x) Three UAV Schemes

# Major Schemes of 11th Plan

- (i) LCA
- (ii) SSM MSL SYSTEM (BRAHMOS)
- (iii) Heavy Lift Helicopter (HLH)
- (iv) Additional Aerostat
- (v) Mountain Radars
- (vi) Akash
- (vii) Survey and TT AC
- (viii) Additional EMBRA ER VVIP AC
- (ix) Additional AU
- (x) LLQRM
- (xi) LDPs

## Major Acquisition Contracts Signed

2008-09

- (i) SU-30 Block IV
- (ii) MR SAM
- (iii) MLH
- (iv) Akash
- (v) LLQRM (SPYDER)
- (vi) HAROP
- (vii) EO/IR Camera

## 2009-10

- (i) Rohini Radar
- (ii) LLTR
- (iii) V/UHF Static Equipment

6.4 The projections made by Air Headquarter and the allocations (net) made during 2009-10 are as follows:—

(Rs. in crores)

	Projections by Air HQrs	Allocation during BE 09-10	Shortfall	%age of allocation to projection
Revenue	15215.92	14318.18	807.74	94.10
Capital	22026.09	20114.08	1912.01	91.32
Total	37242.01	34432.26	2809.75	92.46

6.5 The percentage of Air Force budget to total Defence budget during the last three years is as follows:—

Year	Defence Budget		Air Force		% share of Defence Budget				
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
2007-08	54078	41922	96000	10193.01	16828.73	27021.74	18.85	40.14	28.15
2008-09	57593	48007	105600	10855.56	19271.42	30126.98	18.85	40.14	28.53
2009-10	86879	54824	141703	14318.18	20114.08	34432.26	16.48	36.69	24.30

6.6 The aforesaid data indicates that during the year 2009-10, the Ministry was allocated 92.46 percent of the proposed allocation. When asked about the effect of the reduced allocation on the various proposed projects, the Ministry in its written reply stated:

"While allocation made to the Air Force was less than the amounts projected, in absolute terms there was an increase Rs. 3,462.62 crore under revenue and Rs. 842.66 crores under the capital budget. Air Headquarters does not envisage any adverse impact of this on various projects at this stage, as steps have been taken to manage the expenditure within the allocated/budgeted amount."

6.7 The analysis of data further reveals that the percentage share of Air Force to the total Defence allocation for revenue sector has decreased from 18.85% during 2008-09 to 16.48% during 2009-10. Similarly for capital

sector, the percentage share has declined from 28.53% to 24.03%. On this the Ministry has commented:

"Ministry of Finance indicates budgetary ceilings every year separately under revenue and capital segments of the defence budget. The sum total of allocations made under various Demands for Grant comprising Defence Services Estimates must conform to the ceilings so indicated. The projections made by the services and departments and the ceilings indicated by the Ministry of Finance differ from year to year, resulting in variation in the allocations made under revenue and capital segments to the services and the departments, including Air Force."

# Squadron Strength for Indian Air Force

6.8 The Ministry has informed that Indian Air Force needs 42 fighter squadrons for achieving strategic balance on both the fronts *viz*. China and Pakistan. A total of 35 Squadrons are planned upto the 12th plan *i.e.* by 2017. As an interim measure four pronged strategy has been proposed which include upgradation and life extension of the existing fleet, inductions of Force multipliers and additional combat and squadrons.

# Modernisation of airfields

6.9 In a written reply to a query regarding time frame for modernisation of airfields, the Ministry of Defence stated as under:-

"The proposal for Modernisation of Airfield Infrastructure (MAFI) project Phase-I has been progressed. The proposal is presently at the stage of commercial negotiations. No expenditure has been incurred on the MAFI project Phase- I so far. However budgetary allocation of Rs. 180 crore (provisional) has been made during 2009-10 which would be released if the proposal is finalised and the contract signed within the current financial year. MAFI Phase-I project is expected to be executed in 42 months from the date of signing of contract. Commencement of Phase-II of MAFI project will be dovetailed with the completion of the Phase-I of the project. On completion of Modernization of Airfield Infrastructure (MAFI) Phase-I & II, all the 51 airfields will have airfield lighting system to facilitate night landing. MAFI Phase-I is at CNC stage in which modernization of 30 airfields is being undertaken. Government reviews the requirement of developing of Advance Landing Grounds (ALGs)/ Airfields from time to time. Accordingly, a decision has been taken to develop ALGs in Arunachal Pradesh and J&K. Necessary steps have been initiated in this direction".

 $6.10~{\rm Out}$  of 51 operational air bases, eight airfields do not have electrical airfield lighting facilities. The Ministry while elaborating further stated as under:—

"Out of 51 operational IAF air bases, eight airfields do not have electrical airfield lighting facilities as no regular night operations are undertaken from those air bases. However, out of these 8 airbases, four air bases are provided with solar powered/ portable airfield lighting system. The remaining airfields are being activated as appropriate notice by mobilizing the required resources from nearby airbases. On completion of Modernisation of Airfield Infrastructure (MAFI) Phase-I & II, all the 59 airfields will have airfield lighting system to facilitate night landing. MAFI Phase-I is at CNC stage in which modernisation of 30 airfields is being undertaken."

6.11 A representative of Air Force added as under:-

"In the case of the North East, as you have specifically brought out, where the air fields are presently there, the air force is happy with that. The time taken to reach, for any reason, the border is very short".

# Operational clearance for Light Combat Aircraft (LCA)-Tejas

6.12 Tejas LCA project was sanctioned in the year 1983 with original cost of Rs. 560 crore. The first phase was completed on 31 March 2004. The likely date of completion of IInd phase was 31 December 2008. Now the project is further spilled over to 31 December 2012 with additional fund reserves of Rs. 2475.78 crores.

6.13 When asked for the reasons of the spill over of the second phase, the Ministry in the written note submitted as under:—

"The need for extension of Probable Date of Completion (PDC) for LCA FSED Phase-II was due to:

- (a) Complexity of system design and very high safety standards lead to extensive testing to ensure flight safety.
- (b) Incorporating the configuration changes (for example R60 Close Combat Missile (CCM) was replaced by R73E CCM which required design modifications).
- (c) Due to non-availability of indigenous 'Kaveri Engine' design changes were carried out to accommodate GE404 engine of USA.

- (d) Change in the development strategy of Radar and associated changes on the aircraft.
- (e) Major development activity of Avionics was undertaken in order to make aircraft contemporary, which took time but yielded results (for example development of obsolescence free open architecture avionics system).
- (f) US sanctions imposed in 1998 also led to delay in importing certain items and developing alternative equipment, since vendors had to restart.

The need for revision of FSED Phase-II fund sanction was mainly due:—

- (a) To neutralize the effect of inflation/delivery point cost against the sanctioned level at 2001 and the increase in manpower cost of HAL.
- (b) To meet the programme management expenditure due to extended time line till December 2012.
- (c) To maintain and operate 10-15 aircraft for four years upto 2012.
- (d) To maintain and upgrade the design, development and test facilities upto 2012.
- (e) To complete the activities which were not costed in the original estimates.

Cost Revision Committee after careful consideration of the projections made and taking in account the increase in the cost of materials, manpower, additional activities to complete IOC & FOC, maintenance of facilities, etc., recommended additional sanction of Rs. 2475.78 crore (FE Rs. 581.92 crore) against projected estimates of Rs. 2925.09 crore (FE Rs. 762 crore)."

6.14 Secretary, Defence Research during the course of evidence further added:--

"I agree with that. It was started in 1983. I mentioned that the roll out took place in 2000. After the roll out, when we started the flight evaluation of the aircraft, it went from the flight evaluation of the proto type to the commencement of the Initial Operational Clearance. It took five or six years." 6.15 When enquired whether Indian Air Force had shot down the offer of the Defence Research and Development Organisation to coproduce and co-develop the engine for Tejas operational requirement, the Defence Secretary, clarified the position by supplementing as under:—

"As you have rightly said, Tejas programme has got considerably delayed and everybody knows about it. Now, the Kaveri engine was also running into a serious problem. Now, there are two options. As LCA's aero structure and everything is going on, but the thrust that was required by the Air Force for carrying the pay load and the weapon systems was more than what the Kaveri was able to generate, either we would have to persist with the Kaveri or import an engine so that at least the LCA programme could go on and while they could go parallel. So, it is in that sense the Air Force recommended and now that option is also being explored. What I explained is the correct position. We did not want the programme to be halted. So, we tried to look both the options. If an engine can be selected which can be fitted into the LCA, then we will try to go for that".

# Acquisition of Radars for Air Force

6.16 The Ministry of Defence has been processing proposal for acquisition of Low Level Transportable and Weight Radars to improve surveillance of air space. In regard to the outcome of the said proposal, the Ministry in its written reply stated as under:—

"Contract for Low Level Transportable Radars (LLTRs) has been signed on 29 July, 2009. Contract for Low Level Light Weight Radars (LLLWRs) was signed on 4 January, 2009."

6.17 During oral evidence, a representative of the Indian Air Force stated:—

"The next is the upgradation and modernisation of combat support squadrons. Xxx The support is very important in any action of very fast and rapid movement of Air Force for which we have acquired air to air refuelling; we have acquired AWACS and other such allied equipment to ensure modernised technology that is always included into any inductions that we are doing in our Air Force. Then we come to increased surveillance and automation of air defence system. We have the aero staff ground based balloon system which gives us the look capability of 400 kilometres into on ground territories. We are enhancing these capabilities with other futuristic radars and hopefully by the year 2020, we might have radars which can look into as much as 2000 kilometres".

# Trainer aircraft for Indian Air Force

6.18 On the issue of replacement of indigenous Multirole 14 Seater Saras Light Trpt. By Dornier aircraft, the Ministry in its written reply stated:—

"A study was conducted on the suitability of the proposed acquisition of SARAS aircraft based on data supplied by National Aerospace Laboratory (NAL). The study team compared all the aspects of the Dornier aircraft and the SARAS aircraft under development. The estimated performance of SARAS aircraft was found better than that of the Dornier aircraft. Additionally, SARAS aircraft employs the latest technologies that would enhance its operational utility and maintainability while effectively addressing obsolescence issues. A case for procurement of SARAS aircraft was moved by the IAF in February 2002 to meet its requirement of light communication and training roles."

6.19 When asked about the date of project clearance by the IAF, the manufacturing cost, the date of its manufacture and plan of action for induction, the Ministry in its written reply stated as under:—

"The Letter of Interest for procurement of SARAS aircraft was issued by IAF to NAL on 15 February 2002. An Integrated Project Monitoring Team (IPMT) has been formed by Air Headquarters to monitor the development of the project. The cost of the project *viz.* for 15 aircraft has been estimated at Rs.777.04 crore. The aircraft is still in the development stage."

# Accidents of aircraft of Indian Air Force

6.20 Regarding the accident data of Indian Air Force for the last five years along with the basic reasons identified for such accidents, the Ministry submitted as under:—

"During the last five years, 68 Category-I accidents have taken place involving IAF aircraft. Each aircraft accident is investigated by a Court of Inquiry. Accidents are attributable to a multiplicity of factors. The main causes for accidents in the IAF can be broadly categorized into those caused by Bird Hit, Technical Defect, Human Error, Human Error (Aircrew), Human Error (Servicing), Human Error (Support Services), Hindustan Aeronautical Limited, Tyre Burst, Miscellaneous & Armament.

6.21 When enquired about the percentage of accidents due to technical defects, human failure as well as bird hit and the remedial action taken/proposed to be taken thereof the Ministry stated as under:—

**"Percentage of Accidents** The percentage of accidents due to Technical Defects, Human Failure and Bird Hit for the last five years (F.Y. 2004-05 to 2008-09) and current F.Y. (01 April 09 till 30 September 09) is [27.94 + 36.76] = 64.7%

**Remedial Actions** Every aircraft accident in the IAF is followed by an investigation by a Court of Inquiry and institution of remedial measures based on the recommendations. Apart from these actions following measures have been initiated/taken as an immediate measure to check the rising trend of accidents:—

A multi disciplinary study team has been formed to analyse accidents due to Technical Defects and Human Error (Servicing) and to recommend measures to arrest accidents/incidents due to these two factors. Further, as an ongoing process, a mechanism has been instituted at the Directorate of Flight Safety for close monitoring of accidents, identification of cause/failure, emerging trend and to arrive at long and short term measures to check the trend. As a long term measure, the following comprehensive actions have been implemented by the IAF:—

- (a) **Training** Implementation of focused and realistic training of aircrew with additional emphasis on the critical aspects of mission from the point of the human factors, environmental factors and the equipment.
- (b) **Operating Environment** Improvement in operating environment to reduce work load and improve situational awareness of aircrew and also provisioning of adequate number of hand held GPS sets to all units.
- (c) Operational Risk Management (ORM) Employment of Operational Risk Management (ORM) techniques for mission planning which aids in the task of mission planning through predefined parameters which make decision making in respect of launching missions more objective.

- (d) **Crew Resource Management** Conducting of workshops on Crew Resource Management to train the aircrew to function as an effective team.
- (e) **Aviation Psychology** Introduction of Aviation Psychology course for aircrew as one of the means to curb Human Error accidents.
- (f) Enhancement of Awareness Enhancing the awareness on human factors and error-prone situations amongst aircrew through dissemination of information on past accidents voluntary error reporting by personnel and improving the standard and content of the "Magazine Flight Safety".
- (g) Human Factor Analysis and Classification System (HFACS) Institution of Human Factor Analysis and Classification System (HFACS) during accident investigation to understand root cause of human error and use it in prevention of similar accidents.
- (h) Anti Bird Measures Revamping of anti bird measures in keeping with the local conditions has been done. In addition, a study by the Ornithology Cell and close monitoring of bird activities, apart from implementation of Solid Waste Management projects at airfields etc has been taken up.
- (i) **Analytical Studies** Carrying out analytical studies to identify critical vulnerabilities of aircraft and equipment.
- (j) **Quality Audit** Joint Quality Audit of aircraft production/ overhaul at HAL divisions/IAF bases, as and when necessary.
- (k) **Inspection** Joint inspection by IAF/HAL team of IAF bases and HAL Divisions to identify weak areas in fuel and hydraulic discipline.
- Interaction with OEM/OH Agencies Close interaction with Foreign OEM/OH (Original Equipment Manufacturer/ Overhaul) agencies for product support and accident investigation.
- (m) Sharing of Flight Safety Information Introduction of Flight Safety information sharing between IAF/HAL/CEMILAC/ DGAQA, for better and faster failure of trend analysis and speedy implementation of remedial measures.

# Shortage of Officers in Indian Air Force

6.22 In regard to the statistics about the shortage of manpower at the level of officers, airmen, non-commissioned officers and civilian posts and the steps taken to increase the manpower strength of Indian Air Force, the Ministry stated as under:—

"The total Establishment/ Strength and shortage of officers, Airmen, Non-Combatants (Enrolled) & Civilians in IAF, as on 1.9.2009, is as follows:—

	Establishment	Strength	Deficiency
Officers	12116	10732	1384
Airmen	1,30,990	1,23,022	7,968
Non Combatants (Enrolled)	10,545	10,379	166
Civilians	29,000 (approx)	21,000 (approx)	8,000 (approx).

# Measures Undertaken by IAF to Attract Talented Youth to join as officers

Concerted efforts have been undertaken by the IAF to carry out a proactive publicity campaign in order to reach the target group across the country. Efforts undertaken are varied and are spread over the whole year. Various measures undertaken are as follows:—

- (a) Participation in Career Fairs and Exhibitions to enhance one-to-one interaction.
- (b) Fast track Selection on the lines of campus placement was conducted with special emphasis on Technical and Met branches. This has been successful in reducing the shortages in these streams.
- (c) University Entry Scheme: Reintroduction of University Entry Scheme for Aeronautical Engineering branch, that offers a lump sum amount equivalent to 12 months basic pay of a Flying Officer for PC scheme and six months basic pay for SSC scheme (at VI CPC levels) on Commissioning after successful completion of training.
- (d) Advertisements in Print and Electronic media including Recruitment and Career related articles.
- (e) Motivational lectures in schools/colleges.

- (f) Distribution of creative and eye catching publicity material/promotional material for distribution to target group.
- (g) Catchy display of advertisements for recruitment of officers in various branches namely Flying, Technical and Ground Duties.
- (h) Visuals/Signage at vantage points all over the country in phased manner at strategic locations.
- (i) Establishment of Publicity Cells at Command HQ and all Air Force Stations.
- 2. Only women were eligible for Short Service Commission (SSC) in the Flying branch till 2007. In order to increase inductions, IAF has revised the SSC scheme in flying branch to make both men and women eligible for SSC.
- 3. The overall induction of Personnel Below Officers Rank (PBOR) has already been increased to 7200 per year over the past few years in order to fill up the deficiencies in the manning and also to absorb additional posts sanctioned by Min of Def. During 2009 IAF has already inducted 7290 recruits. The deficiency in the PBOR is likely to be made good by the year 2012.
- 4. The shortage of civilian staff in the IAF has been due to the following reasons:—
  - (a) Complete ban on civilian recruitment since 1984.
  - (b) Introduction of optimization of direct recruitment scheme by Government since 2001.

As per the scheme, each administrative Ministry was to work out Annual Direct Recruitment Plan (ADRPs), wherein only 1/3rd of vacancies occurring in a year, subject to a further ceiling of 1% of the total establishment, were allowed to be filled up and the remaining 2/3rd abolished.

Now, in pursuance of the VI CPC recommendations the ban on direct recruitment has been lifted *w.e.f* 01 April 2009 and therefore, vacancies becoming available after 01 April 2009 can be filled up. Detailed instructions have been issued to Commands/ Units *vide* letter dated 22 June 2009 for intimation of vacancies to Air Hqrs. for its timely projection for clearance by Air HQ."

#### CHAPTER VII

## DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION

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 equipments. 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, communications systems, etc. These programmes give a new impetus to multiple design and technology centres resulting in production of weapon system 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-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 selfreliance 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.

7.2 The vision of DRDO is to make India prosperous by establishing world-class science and technology base and provide our Defence Services decisive edge by equipping them with internationally competitive systems and solutions.

7.3 The mission of DRDO is as under:-

- (a) To design, develop and lead to production of state-of-the-art sensors, weapon systems, platforms and allied equipment for our Defence Services.
- (b) To provide technological solutions to the Services to optimise combat effectiveness and to promote well-being of the troops.
- (c) To develop infrastructure and committed quality manpower and build strong indigenous technology base.

7.4 The strategy adopted by DRDO is as under:-

- (i) Highest Priority for development of Strategic Systems.
- (ii) Indigenous Development of Cutting Edge Technology in Partnership with Academia & Industry.
- (iii) Joint Venture with Foreign Partners for Major Weapon Platforms/Systems.
- (iv) Joint Efforts with National Labs & University Research Centres for promoting basic Research in S&T.
- (v) Stake holding Partnership with Industry & Users.

## **Expenditure on Research and Development**

7.5 Total Defence Budget, Defence R&D Budget and Defence R&D Budget as percentage of Defence Budget for three years is given below:—

Year	Defence Budget (Rs. In Cr)	Defence R&D Budget (Rs. In Cr)	Defence R&D Budget as %age of Def. Budget
2006-07	85495 (Actual)	5456.36 (MA)	6.38%
2007-08	91680 (RE)	6256.81 (MA)	6.82 %
2008-09	114600 (RE)	7737.64 (MA)	6.75 %
2009-10	141703 (BE)	8481.54 (BE)	5.98%

(MA = Modified Appropriation)

(RE = Revised Estimate)

7.6 When asked about the reasons for decline in percentage of allocation on research and development to the total defence Budget during the current year, the Ministry in its written reply stated as under:—

"Defence R&D budget has increased in absolute terms by 42% for the financial year 2008-09 w.r.t. financial year 2006-07, whereas the total Defence Budget has increased by 33.26% during the same period. Ministry of Finance (MoF) & Ministry of Defence (MoD) have always allocated additional funds, whenever required by Department of Defence R&D."

7.7 When asked about the implementation of major recommendations of the Independent Review Committee on

restructuring of DRDO, the Ministry of Defence in a written reply furnished as under:-

"The Committee constituted by the Government (headed by Defence Secretary) has started its deliberations. The Committee is examining the responses and suggestions by various stake holders on the recommendations of Rama Rao Committee."

7.8 The Secretary, Defence Research submitted during oral evidence before the Committee as under:—

"The Rama Rao Committee report has been submitted. The recommendations are with respect to how the DRDO should be organized internally to meet the requirements of the system. They are basically with respect to how to cluster the laboratories, empower the laboratories for efficient development of the technology. This is the basic theme on which the Rama Rao Committee dwelt with - how the industry and DRDO should interact. Now, the Raksha Mantri has asked the Defence Secretary to have a meeting with different stakeholders. One of the issues is how to monitor the research work that is being done in DRDO. That is a higher management under the Chairmanship of Raksha Mantri. There are a set of recommendations. The second part is the internal reorganization of DRDO. The third is how to interact with the industry. Now, the RM has constituted a Committee under my Chairmanship which has already had one or two meetings. We are taking the views of every stakeholder. We are inviting their views, then it will be submitted to RM and then a view will be taken on it."

# Light Weight Systems

7.9 When asked about the details of the projects, date of initiation of the project, expenditure projected, allocation made and expenditure incurred thereon and the time schedule for the completion of the project, the Ministry of Defence submitted in a written reply as under:—

"The proposal for undertaking a development project was submitted by DRDO to Army in Feb. 2007 for their endorsement. However, Army has requested DRDO not to undertake any development activity on the project till their proposal is approved by MoD. The COAS has approved the modernization programme in Feb. 2009 to be implemented in a phased manner. The case is being taken up by the Army through IDS."

## PART II

## OBSERVATIONS/RECOMMENDATIONS

#### Overview

During Budget Estimates 2009-10, the Ministry of Defence have been allocated Rs. 1,41,703 crores (net) for Defence Services and Departments comprising Rs. 86879.00 crores under Revenue and Rs. 54824.00 crores under Capital Outlay. The demands were laid in Lok Sabha on 7 July, 2009. The Demands have already been passed by the Parliament. This year being the election year, the budget was presented to Parliament on 7 July, 2009 and Demands were passed without the same being referred to the concerned Departmentally Related Standing Committees after suspension of Rule 331G of the Rules of procedure and Conduct of Business in Lok Sabha. However, as per the ruling of the Chair in Lok Sabha, the Demands have been referred to the Standing Committee for examination and report.

In the aforesaid background, the Committee in this report have *inter-alia* analysed the position of outlay and expenditure in the context of examination of Demands for Grants (2009-10).

# 2. Growth in Defence Budget

The Committee note that the Defence outlay (BE) for the year 2009-10, is of Rs. 141703 crore against the projections of Rs. 154156.42 crore thus leaving a gap of Rs. 12453.42 crore between the projections and Budget Estimates. If the BE of the current year is compared to the RE of the previous year *i.e.* 2008-09, the increase is to the tune of Rs. 27503 crore. Looking at the defence expenditure in absolute term, the data provided by the Ministry indicates that it has increased from Rs. 35278 crore during the year 1997-98 to Rs. 141703 crore during the year 2009-10. With regard to the position of defence expenditure as percentage of Central Government expenditure, it was 17.81 per cent during the year 1988-89. It has gradually declined over the years and the lowest is 12.72 per cent in the year 2008-09. For the year 2009-10, it has slightly been increased to 13.88 per cent. In terms of defence expenditure as percentage of GDP, it was highest during the year 1988-89 and then declined over the years. It was lowest as 1.94 per cent during the year 2007-08 and subsequently increased to 2.15 per cent during the year 2008-09 and 2.42 per cent during the current year. The Ministry feel that the co-relation of defence expenditure with GDP is just an indexation and has no bearing on defence preparedness. The Ministry further seem to be contended with the growth of the defence budget in absolute terms. The Committee strongly feel that while comparing the data of different years, the rate of inflation also need to be taken into account. More so, the defence budget as percentage of the overall Government spending and GDP are the true indicators of the growth of the defence budget. The recent Mumbai attack has given an entirely new dimension to the security scenario and defence preparedness. There are big challenges before the country and the declining share of defence as percentage of GDP as well as total Government expenditure are a matter of concern. The Committee strongly recommend that adequate outlay should be provided for the defence sector.

The Committee during the course of examination of the Demands for Grants had desired to be apprised about the comparative data of different countries in terms of their defence expenditure as percentage of Government expenditure as well as percentage of GDP share. In this regard, the Ministry has furnished the data for the year 2004-05 and 2005-06. When asked to comment on the non-availability of the latest data, the Ministry has apprised that generally data on defence expenditure is compiled by various NGOs and institutions. Because of the enormity of efforts and the difficulties involved in gathering the data, the information for the current or the preceding year is generally not available even in the publications brought out by these organizations. The Committee's further examination of the issue has revealed that the data for the year 2008-09 is available on the World Bank website data *finder.worldbank.org*. The Committee are concerned to note that the Ministry was unable to provide the information particularly when the same was available on the internet. This explains the casual attitude of the Ministry in furnishing the desired information to the Committee. Even otherwise also, the Ministry being unaware of the various parameters of the defence allocations in other countries is not appreciated by the Committee. The Committee would like the Ministry to have the system of maintaining updated information about the day to day happenings in the world about the defence preparedness in different countries.

# 3. Revenue Outlay

The Defence outlay BE for the year 2009-10 amounting to Rs. 141703 crore comprises of Rs. 86879 crore as revenue expenditure and Rs. 54824 crore as capital outlay. Defence expenditure is entirely the Non-Plan expenditure. The percentage wise distribution of the revenue budget during the year 2009-10 is 60.86 per cent for pay and allowances, 24.72 per cent for stores and equipment, 2.76 per cent for transportation, 3.94 per cent for Misc. charges and 7.71 per cent for revenue works. The revenue expenditure has grown from Rs. 38058.82 crore during the year 2001-02 to Rs. 86879 crore during the year 2009-10. During the year 2008-09, BE was Rs. 57593 crore which was enhanced by Rs. 16007 crore at the RE stage. The BE 2009-10 in this regard is Rs. 13279 crore and Rs. 29286 crore higher if compared to RE and BE of the previous year respectively. As informed by the Secretary during the course of oral evidence the growth in revenue allocation during the current year is 50.85 per cent over BE and 18.04 per cent of RE of the previous year. The revenue allocation has increased due to the implementation of the Sixth Pay Commission's recommendations.

While appreciating the fact that the welfare of the armed personnel is of paramount importance and the implementation of the Sixth Pay Commission's recommendations is the step in the right direction, the Committee feel that there is an urgent need to curb the avoidable wasteful expenditure. The Committee have consistently been raising this issue in their earlier reports. In pursuance thereof, the Ministry had constituted a Defence Expenditure Review Committee to comprehensively review all aspects of defence expenditure. This Committee has submitted its report. On the issue of implementation of the recommendation of the said Committee, the Committee have been informed that various officers in the Ministry have been assigned the responsibility of looking into various aspects of the report. The Committee strongly recommend that the recommendations of the Committee should be implemented within a stipulated time frame so that the duplication of expenditure can be avoided and revenue expenditure is contained. The Committee should be kept apprised about the status of implementation in this regard.

# 4. Capital Outlay

The Capital outlay during the Budget Estimates stage in the year 2008-09 was for Rs. 48007 crore which was Rs. 6085 crore more than BE of 2007-08. The outlay of Rs. 48007 crore during the year 2008-09 was however reduced to Rs. 41000 crore thus amounting to the reduction of Rs. 7007 crore at RE stage. During the year 2009-10, the outlay provided at BE stage is Rs. 54824 crore which is Rs. 13824 crore more if compared to RE of the previous year. Said increase comes to Rs. 6817 crore if the current year's BE is compared to the BE of the previous year. Although in absolute terms, capital outlay during the current year has been enhanced by 14.20 per cent if compared to BE and 33.72 per cent if compared to the RE of the previous year, the revenue

capital ratio that was 55:45 during BE 2008-09, stage has come to 61:39 at BE 2009-10 stage. With regard to the cut of Rs. 7007 crore at RE stage, the Committee are concerned to note that the outlay was reduced keeping in view the pace of expenditure at that time. The representative during the course of oral evidence has acknowledged that there were slippages in delivery schedules due to certain contracts not getting finalized. The Committee are seriously concerned to note the incapacity of the Ministry to utilize the outlay provided under the Capital section which is primarily for the modernization of the Services. The Committee feel that apparently there are problems in execution of projects due to procedural bottlenecks. Therefore, the various shortcomings need to be identified and the corrective actions taken, so that the trend to reduce the outlay at RE stage does not repeat during the current year due to the inefficiency of the Ministry. The Committee would also like to recommend that the capital revenue ratio should be corrected so that more allocation is provided on the capital side. While recommending for higher outlay under the capital side, certainly the Committee expect the Ministry to increase the capacity to utilize the outlay since this is the area where no compromises can be made. The desired action on the suggested line should be taken and the Committee be apprised accordingly.

## 5. Capital Acquisition Expenditure

The Capital outlay of the Ministry comprises Land and Works of three services, Married Accommodation Project, DGOF, DRDO and other Defence Departments as well as Defence acquisitions. Almost 75 to 80 per cent of the capital outlay is for capital acquisition expenditure. The percentage share of defence acquisition of the capital outlay was 78.30 per cent during the year 2007-08, which declined to 78.08 per cent during 2008-09. During the current year, the percentage share has further declined to 73.63 percent. The information furnished by the Ministry further reveal that the expenditure on committed liabilities is more than the new schemes. The Committee are concerned to note that the findings of C&AG as per its report numbers CA 17 and 18 of 2008-09, according to which due to procedural delays in acquisition of various equipments and associates spares, many surveillance equipments could not be put to effective operational use and led to enormous increase in the project cost. Some of the areas pointed out by C&AG are, (i) the objective of inducting an aircraft carrier in time to fill the gap in Indian Navy could not be achieved and the cost of acquisition has been more than doubled at Rs. 7,207 crore in four years, (ii) the Ministry took nine years to conclude a contract for the construction of six submarines. The inordinate delay led to enormous increase in the project cost to the

extent of Rs. 2,838 crore, (iii) five radars imported at a cost Rs. 24.88 crore could not be installed for more than three to five years after their acquisition and in the process, the radars have not only lost 50 per cent of their life but also remained unavailable for operational purpose and (iv) despite almost a decade in developmental effort and spending Rs. 27.88 crore, DRDO has not been able to provide a radar as per the requirement of the army. Even when the Ministry has introduced Procurement Policy since 2002 and the policy is being updated periodically, the aforesaid findings indicate that still a lot needs to be done to streamline the procurement procedures. The Committee strongly recommend the Ministry to take all the desired actions to streamline the procurement procedures. Besides, the declining trend of percentage allocation for acquisition out of the capital outlay should be reversed. More and more outlay need to be provided for the new projects.

## 6. Outcome Budget

The Committee in their 29th and 35th Reports (Fourteenth Lok Sabha) had recommended that the Ministry should identify the areas and organizations for which the Outcome Budget could be prepared and present the same to Parliament at least from the year 2009-10 onwards. The Ministry however could not present the same in the Budget Session of the current year. During the course of the examination of Demands for Grants of the current year, the Committee have been informed that the areas and organizations for preparation of Outcome Budget were identified. Although these organizations prepared the Outcome Budget, the same was considered inadequate. The concept being new, there was lack of conceptual clarity with regard to the methodology to be followed for the preparation of the Outcome Budget. The Committee further note that the Defence Expenditure Review Committee set up to study the issue of curbing wasteful expenditure has also recommended that the proposed Demands for the year 2009-10 should be entirely outcome oriented and a workshop may be conducted to finalise the methodology. Even then, the Ministry could not present the Outcome Budget during the year 2009-10. The Committee are unhappy to note the casual attitude of the Ministry in the matter. The Committee feel that the matter should not be delayed further. To begin with the Outcome Budget for the selected activities viz Ordnance Factories, PSUs, Naval Dockyards and depots and some other selected establishments as decided may be prepared on a pilot basis followed by the comprehensive Outcome Budget. The Committee hope that the Outcome Budget of the Ministry would be presented to Parliament for the year 2010-11.

## 7. Indigenization of Defence Equipment

The Committee observe that till date, the Ministry is spending a great deal of their budgetary allocation for import of defence equipments and there are procedural delays in their acquisition. The Committee are concerned to note that the Ministry is not maintaining data with regard to break up of Capital acquisition made from indigenous sources and from abroad. The difficulty is also being experienced in categorization of suppliers, indigenous and Foreign in view of the fact that a sizeable proportion of procurement takes place through the Ordnance Factories and DPSUs, which are indigenous sources, but have to depend on imports for manufacturing the finished product. Further, the Ministry is yet to identify the private industries as Rakshya Udyog Ratna under 'make category' of DPP.

In view of the above, the Committee firmly believe that achieving self reliance in defence equipment is a distant dream. The production agencies are still dependant on foreign countries for spare parts and also for manufacturing the finished products. This clearly reflects the weaknesses in our research and development processes.

The Committee therefore, strongly recommend that besides strengthening DRDO laboratories, the R&D in all the defence production agencies has to be strengthened and adequate budgetary allocation should be made to them for this purpose. The Committee further urge the Ministry to complete the task of identifying private industries having expertise under Raksha Udyog Ratnas (RUR) in order to permit them to share the responsibilities of indigenization and selfreliance in Defence production.

8. Early Finalization of Long Term Integrated Perspective Planning (LTIPP)

The Committee note that GoMs in its report, on 'Review of National Security system', had recommended that the Five Year Defence Plan by the Services should be prepared on the basis of Long Term Integrated Defence Perspective Plan and the defence planning process incorporating the long term defence plan, five year plan and annual budget should be revised at the earliest. The Committee are constrained to observe that the Ministry is now in the process of evolving a fresh LTIPP covering the period 2012-27 on the basis of recast of 11th plan (2007-12) which is yet to get its final clearance. The Committee are further distressed to note that instead of adhering to the recommendation of GoMs report for timely completion of the task in a time bound manner, the Ministry is apprehensive that since the scope of report calls for deliberative efforts, and any attempt to rush these recommendations may prove counter productive. This clearly reflects the callous attitude of the Ministry to complete that task of preparing LTIPP.

The Committee deplore the lackadaisical attitude of the Ministry/ Service Headquarters and recommend that the Ministry should take necessary steps for the early finalization of LTIPP.

#### 9. 11th Defence Five Year Plan

Although the 11th Defence Five Year Plan has commenced from April, 2007 and the year 2009-10 being the third year of the plan period, the Committee are perturbed to find that the plan size is yet to be approved by the Ministry of Finance. Although the Ministry of Defence are carrying out the programmes for modernization without any fund constraints, however, budgetary exercise on annual basis is strictly against the spirit of GoM s report on Reforming National Security System.

The Committee deplore the adhocism in the defence planning process. This approach of the Ministry has an adverse impact on the modernization programme of the Armed Forces as optimal utilization of resources cannot be achieved unless greater emphasis and attention is given to the process of budget formulation and implementation including forecasting, monitoring and control of defence planning processes. Therefore, the Committee recommend that the Ministry of Defence should make concerted efforts to finalise the 11th Plan at the earliest without any further loss of time. The defence of the country cannot be left to the ad hoc policy planning and accountability should be fixed for such a casual attitude towards the defence preparedness of the country keeping in view the neighbourhood around us.

#### 10. Implementations of Offset Clause

The Committee observe that as per the Defence Procurement Policy(DPP) the 'Offset' Clause is being implemented in all Capital acquisition cases of the value of Rs. 300 crore or above. However, the Committee are distressed to note the observation of CAG in its report No. CA 18, 2008-09 that in placing the order for the acquisition of 40 aircraft 'M', costing Rs. 9,036.84 crore, Ministry/IAF failed to go in for the Offset Clause as stipulated in the DPP. This led to the denial of corresponding benefit amounting to Rs. 2,711 crore to Indian Defence Industry and the objective of urgent acquisition has also not been achieved. In view of the above loss of benefit to Indian Defence Industry, the Committee recommend that the Ministry should ensure that the DPP provisions are strictly implemented in all capital acquisition cases.

## 11. Zero Based Budgeting

The Committee observe that the Ministry of Defence does not follow the Zero Based Budgeting as a tool for financial planning because of complexity and the size of Defence Services. However, the underlying principle of ZBB is followed while preparing the five year and annual acquisition procurement plans. The Committee are perturbed to find that the 11th Five Year Plan of the Ministry is yet to be finalized, though half of the plan period is already over. Therefore, the Committee recommend that for all ongoing schemes, Ministry of Defence should follow the principle of Zero Based Budgeting in time bound manner in the management of defence, as recommended by Group of Ministers. By following Zero Based Budgeting the Ministry will be able to comprehensively review its requirement of funds for different ongoing schemes and other activities.

## 12. Indian National Defence University (INDU)

Since 2004-05, the Committee in their Reports on Demands for Grants and corresponding Action Taken Reports have been recommending for early setting up of Indian National Defence University (INDU). However, they are astonished to note that even after identification of land in Haryana for setting up the University, the matter is still under consultation with the concerned Ministries. Deploring the slow pace in setting up of such an important institution, the Committee recommend that the Ministry should take action in this regard at the earliest.

## 13. Modernisation of Army

The Committee find that the outlay provided at BE stage for Army for the year 2009-10 is Rs. 76117.23 crore which includes Rs. 58097.29 crore as revenue and Rs. 18019.94 crore as capital outlay. The projections in this regard were for Rs. 83284.84 crore which comprised of Rs. 61704.07 crore for revenue and Rs. 21580.77 crore for capital. For the Revenue Section, the percentage of allocations against projections is 94.15 per cent, whereas for the Capital Section it is 83.50 per cent. The Committee find that during the year 2008-09, outlay amounting to Rs. 49228.23 crore was provided. During the Revised Estimates stage the outlay was increased to Rs. 59058.57 crore. The actual expenditure was Rs. 57667.91 crore. Thus, during the previous

year, Rs. 1381.66 crore remained unspent. There is enhancement of Rs. 17058.66 crore, if the BE of 2009-10 is compared to RE of the previous year. The enhancement is primarily to meet the impact of the Sixth Pay Commission's recommendations. The average revenue capital ratio of the total Defence Budget during the Eleventh Plan is 74:26 against 64:36 during the Tenth Plan. In the case of Army for the year 2009-10, the revenue capital ratio is 76:24. The Committee note that for the capital expenditure of the Army, the ratio during the current year is even lesser than the overall average percentage provided for the Defence Budget. From the information provided by the Ministry, the Committee note that in the current plan, the aim is to procure modern medium guns, Ultra Light Howitzers, Tracked and Wheeled Self Propelled guns, Multiple Barrel Long Range Rocket Systems, Cruise Missiles and Surveillance Systems. The Committee are of the firm view that, the country cannot afford compromises with regard to modernization programme of the Army. As such there is an urgent need to provide adequate outlay under the Capital Section. The revenue and capital ratio for the Army should be corrected so that capital outlay at any cost is not lesser than the overall capital average of the total Defence Budget so as to enable the Ministry to implement the modernisation plan efficiently.

## 14. Shortage of officers in Army

From the data provided by the Ministry, the Committee note that present strength of Army officers is 35131 against the sanctioned strength of 46614. Thus, there is a shortage of 11483 officers which is approximately 24 per cent of the sanctioned strength. The Committee find that a lot of initiatives are being taken by the Ministry to attract talented youth to join Armed Forces. As recommended by A.V. Singh Committee report, all officers including Short Service Commission officers are now eligible for substantive promotion to the rank of Captain, Major and Lt. Colonel after 2,6 and 13 years of service respectively. Besides a total of 754 posts of Lt. Colonel have been upgraded to Colonel rank. In addition, the tenure of SSC officers has also been extended from 10 years to 14 years. With regard to creating awareness among the youth, a lot of initiatives are being undertaken by the Ministry as informed during the course of examination of Demands for Grants. The Committee note that all the aforesaid initiatives being taken by the Ministry are in the right direction and should be continued. The Committee feel that with substantial improvement in pay and structure of officers of armed forces after implementation of Sixth Pay Commission recommendations, army would certainly be a favoured career option for the youth. Besides, the Committee also feel that there is an urgent need to undertake survey

to find out the inhibitions of the youth to join the Armed Forces. Once the reasons for not joining the Armed Forces are known, the corrective action can be taken to make the Armed Forces as an attractive option for the talented youth. The action on the suggested lines should be taken and the Committee be informed accordingly.

# 15. Bullet Proof Jackets

From the data made available by the Ministry, the Committee note that the authorization of Bullet Proof Jackets (BPJs) is 3,53,765, while the deficiency is 1,86,138 units. The Ministry has also stated that the approval of Defence Acquisition Council (DAC) has been obtained on 19.10.2009 for purchase of 1,86,138 BPJs during the Eleventh Plan. The BPJs will be procured as 'Buy Indian' from sources producing indigenously at the cost of Rs. 50,000 per unit. The Committee are surprised to note the fact that a deficiency of 1,86,138 BPJs still exists, which is risking the life of as many soldiers. The Committee desire that such important life saving items should be purchased through fast track procedures and quality control should strictly be observed so that precious life of trained soldiers may not be lost for lack of BPJs.

The Committee also note that as per the latest General Staff Qualitative Requirement (GSQR), the weight of BPJs ranges from 10.5 Kg to 11.5 Kg, which seems to very heavy as the soldier has to carry this weight in addition to the regular items, which will affect his agility and mobility in war like situations as well as during counter insurgency operations in unfriendly terrains and mountainous regions etc. Therefore, the Committee desire that the Government should try to procure light weight BPJs from Indian/International market. The Committee also desire that other likewise items which are essential to save a solidier s life, should be identified and procured without any further loss of time.

## 16. Stipend to National Defence Academy cadets

The Committee note that the NDA cadets are not given any salary/ stipend during their training at NDA. The stipend is an amount given to a trainee to enable him to meet his daily needs. The Committee feel that there is an urgent need to consider stipend of the trainees of NDA particularly in view of the shortage of officers in the services. The provision of stipend would not only help the trainee to take care of their day to day needs but would also attract youngsters to join NDA which would ultimately help in solving the problem of shortage of officers in the three services. The Committee further note that induction of officers in three services is done through competitive examination. After the recruitment, the candidates join the different institutes like IMA, OTA and Naval Academy for getting training in the respective field. Though the stipend is given in IMA, OTA and Naval Academy, the period of training, is not considered as being on the job training. The Committee note that in respect of Civil Servants who also come through competitive examination, the period of training is considered on the job training. The Committee note that the training given by these institutes is very tough, risky and life threatening. As such at par with Civil Servants, the period of training in all the Armed forces institutes should be considered as on the job training. All these measures would go a long way in solving the problem of shortage of officers in the services.

## 17. Sainik Schools

During the course of deliberations, the Committee was informed that as per MoU signed between the Central Government and the State Governments, any state which wants a Sainik School to be opened, has to offer a certain area of land and provide the infrastructure for it and also bear the cost of maintenance grant. In this context, the Committee while noting that the administration of Sainik Schools was ailing from variety of maladies had strongly recommended in their 29th report(14th Lok Sabha) that entire funding of all Sainik Schools should be made by the Central Government on the pattern of Kendriva Vidvalavas/Navodava Vidvalavas. In this context, the Secretary during the course of deliberations has informed that the recommendation of the Committee is under consideration and a final view is yet to be taken on that. The Committee again emphasize that Sainik Schools have played an important role as a recruiting and training ground for future leaders of Defence Forces. As such there is an urgent need to address the problems being faced in the administration of Sainik Schools without any further delay. The Committee reiterate that the decision on the recommendations of the Committee should be taken without any further delay and the Committee be apprised accordingly.

## 18. National Cadet Corps (NCC)

During the year 2008-09, Rs. 74 crore were provided at BE stage for Central procurement of retention clothing, life cycle items and tentage with accessories. Due to emergent requirements, an additional requirement of Rs. 10 crore were projected at RE stage. As such, Rs. 84 crore were available during the year 2008-09 for the aforesaid items. The utilization status as informed to the Committee is just Rs. 41 crore thus leaving Rs. 43 crore as unspent. The Committee have

further been apprised that reduction in training period from 3 to 2 years from the training year 2007-08 resulted in an increase in the requirement of clothing for approx. 90,000 cadets. As such the projections were retained at RE stage and additional allocation of Rs. 12 crore were also provided for local purchase. The Committee are unhappy to note that even when the amount was increased at RE stage, the Ministry failed to utilize the outlay effectively, the reason being non processing of orders for retention clothing items due to change over from the procedure of Central Government to rate contract system and also due to delay in finalization of rate contracts. Another reason given for under utilization of outlay is non acceptance of counter offered rates by the vendors with regard to a few life cycle items and tentage with accessories. The Committee conclude that due to certain procedural problems, the Ministry failed to utilize the allocated amount. Not only that, the additional intake of NCC cadets have been deprived of the uniforms and other clothing items. All these explains inefficiency on the part of the Ministry with regard to an important issue. While expressing unhappiness over the way the Ministry has acted, the Committee would like to emphasize that the remaining retention clothing items should be purchased without any further delay.

## 19. One Rank One Pension (OROP)

The Committee note that the Ex-Servicemen are demanding OROP for a long time which is being denied by the Government due to one pretext or the other. This year, Finance Minister in his Budget Speech mentioned about a Committee headed by Cabinet Secretary on the issue, which submitted its report on 30.06.2009. This Committee made recommendations to substantially improve the pensionary benefits of pre 1.1.2006 Personnel Below Officers Rank (PBOR) which have also been accepted by the Government. The Ministry has further clarified that the said Committee has not recommended OROP formula. As regards the status of implementation of the recommendations made by the Committee, the Ministry has informed that two of the recommendations stand implemented with the issuance of letter on 30.10.2009 with regard to OROP. The Committee would like to recommend that all recommendations made by the aforesaid committee should be implemented expeditiously. Besides, the Committee may like to emphasize that OROP is the long over due demand of the ex-servicemen, even after implementation of recommendations of the Sixth Pay Commission, the demand of OROP still persists.

The Committee have repeatedly been recommending to accept the aforesaid demand of Ex-servicemen in their reports. In this regard, the Committee again emphasize that the Government should consider the issue of One Rank One Pension afresh in case of officers as well as PBORs, so that the Officers and PBORs who have served the nation with a pride, lead a dignified retired life.

# 20. Educational facilities to wards of Ex-servicemen

The Committee note with deep concern that admission to the Naval Institute of Technology, Mumbai has been stopped with effect from academic year 2009-10 as the existence of Institute on Government land has been objected to by audit. The institute would be closed in 2011 when all current students complete their courses. The Committee are constrained to note the decision of the Ministry to close such an important Institute. The Ministry should coordinate with the respective State Government, so that suitable land is provided to shift the Naval Institute of Technology. Alternatively the Navy should consider allocating their own land at suitable location for setting up of the Institution. The action on the desired lines should be taken and the Committee be apprised accordingly.

The Committee also note that the Personnel Below Officers Ranks (PBORs) cannot afford the full fee for their wards for training at technical institutions of repute, run by armed forces or other institutions. In this regard the Ministry should consider bearing the cost of said course for the wards of PBORs, so that no child is deprived of the higher education due to financial constraints.

The Committee also reiterate their earlier recommendation to create a separate fund for award of scholarships to the wards of army personnel under Civil Budget of the Ministry of Defence and exclusive reservation for wards of war widows/Ex-servicemen in professional colleges/institutions under the Government of India or recognized by the State or Central Government.

The Committee also desire that sufficient funds should be provided to Army Welfare Education Society (AWES) for opening up of more professional colleges so that the long standing demand of wards of Ex-servicemen, war-widows etc. for admission to professional courses can be met and Army personnel especially the war widows become self dependant. The Committee also feel that there should be proportionate distribution of scholarships by AWES, so that more and more wards of PBORs/Ex-servicemen/war-widows can be benefitted. The Committee also like that the fee of children of Ex-Servicemen/ PBORs/war widows should be reimbursed, if they are not benefited by any type of scholarship/financial aid.

# 21. Pension to war-widows and disabled soldiers

The Committee are unhappy to note that the Ministry has not maintained any data with regard to widows of the soldiers who had laid down their lives and disabled pensioners, who had lost their limbs to safeguard the nation, even though certain benefits are being provided to them. The Committee desire that the Government should seriously look into this aspect and maintain a centralized data of these categories. Besides, there is an urgent need to disseminate the information about the benefits being given to the war widows and disabled pensioners particularly when they are the most vulnerable and there may be a possibility that the benefits announced may not trickle down to them due to lack of access to information. The Committee are of the opinion that to update the data regarding war widows and disabled pensioners, the Ministry can take the help of respective Regimental Centres and Pension Payment Order (PPO) records.

The Committee further note that various benefits are being provided to pre 1.1.2006 and post 1.1.2006 cases of disabled pensioners. However, in calculating pension of disabled pensioners, there is an element of disparity between the two. While the pre 1.1.2006 retirees are getting a fixed amount, the post 1.1.2006 retirees are getting it @ 30 per cent of emoluments last drawn. The Committee, therefore, would like to recommend that the pre 1.1.2006 retirees may also be given disability pension at the revised rates as recommended by the Sixth Pay Commission and accepted by the Government of India.

The Committee are also of the opinion that for the purposes of disability pension & other related benefits, any type of injury sustained in performance of duty by any military personnel may be treated at par with war injury.

# 22. Lateral induction of Ex-servicemen

The Committee in their earlier reports had observed that lateral induction of Ex-servicemen in Central Para Military Forces which will not only provide the employment opportunities to retiring armed forces personnel, but would also keep the army young and also Central and State Governments will be benefitted by trained and disciplined manpower. However, despite the recommendation of the Committee for recognizing the need for lateral induction of Ex-servicemen in Central Para Military Forces/Central Police Organisations, Public Sector Banks and other Undertakings, the Government have not felt the need for any action on the issue. In its latest reply, the Ministry has stated that the issue is still under consideration and consultations are on with Ministry of Home Affairs. The Committee reiterate their earlier recommendation for lateral induction of Ex-servicemen into Central Para Military Forces/Central Police Organisations and State Police Forces, Public Sector Banks and PSUs in State and Centre and desire that the issue should be decided at the earliest without any further loss of time. The Committee also desire that the Government should take all the initiatives to ensure that each and every armed forces personnel, who retire at younger age get suitable re-employment in the Government/private sector.

# 23. Modernisation of Ordnance Factories

The Committee note that main consumer of Ordnance Factories products is the army and as stated by the Secretary, Defence Production, the Ordnance Factories are not authorised to sell their production anywhere else. But in reply to a question regarding exports, the Ministry of Defence has stated that steps have been taken to increase exports by making the procedure customer friendly, and by reducing the response time through electronic transmission of technical data and brochures, provisions of e-mailable and printable product, Compact Disc and continuous production promotions in Military Technology magazines etc. Ordnance Factory Board has been participating in various international defence exhibitions and is also linked up with an international generic website. The Committee find that there is contradictions in the statement made by the Secretary and the information provided in the written note. The Committee would like the Ministry to clarify the position in this regard. Besides, the Committee would also like that all the desired initiatives should be taken so that production capabilities of Ordnance Factories are utilized to the optimum.

The Committee also note that the budget of Rs. 300 crore has been allocated for the modernisation of Ordnance Factories during the year 2009-10. The Committee feel that Ordnance Factories are highly capital intensive units and a budget of Rs. 300 crore is not sufficient to modernize 39 Ordnance Factories. Therefore, the Committee desire that the Ministry should substantially increase the allocation, so that Ordnance Factories can be modernized and upgraded into vibrant and efficient organisation and become capable of producing world class products economically for supply to Indian Armed Forces and to the world market and can earn foreign exchange too.

The Committee note from the information provided by the Ministry that there is only one instance of participation by private sector with Ordnance Factories. The Committee are of the view that Ordnance Factories should involve private sector in Research and Development also for joint development and manufacturing of products so that fresh ideas and better management techniques can be learnt from them to produce state of the art products. The private sector participation can be a boon due to better reach of private sector to market Ordnance Factory products internationally.

# 24. Budgetary Allocation for Navy

The Committee note that Indian Navy along with Coast Guard and other agencies is responsible for safety and security of 7517 Kms. of coastline and 2.02 million Sq. Kms. of exclusive economic zone. Budgetary allocations to Navy during the year 2009-10 are Rs. 20604.02 crore which is comprised of Rs. 8322.11 crore under the Revenue Section and Rs. 12281.91 crore under the Capital Section. There is gap between the projected outlay and the allocations provided for the year 2009-10. Under the Revenue Section, the outlay provided is Rs. 521.80 crore lesser than the projections. Further, under the capital head, such gap is of Rs. 226.77 crore. With regard to the percentage of naval budget under Revenue and Capital section, the Committee note that the share of Navy is declining over the years. Under the Revenue Section during the year 2007-08 and 2008-09, the share of Navy was 12.89 per cent which has declined to 9.58 per cent during the year 2009-10. Further under the Capital Section, the said share was 25.19 per cent during the year 2007-08 which declined to 25.17 per cent during 2008-09 and in 2009-10 it has further, been decreased to 22.40 per cent. In respect of percentage of total budget, Navy has the lowest allocation which is 14.54 per cent of the total budget. The aforesaid analysis indicates that adequate emphasis is not being given to the Navy of providing substantial budgetary allocation.

Another disturbing trend noticed by the Committee while analyzing the data is that even the reduced allocations are not being effectively utilized by the Navy. The allocations provided at BE stage are lesser than the projections. Whatever is being allocated is further reduced at RE stage and the actuals are also not cent per cent of RE. During the year 2008-09, BE was for Rs. 19506.77 crore which was reduced by Rs. 2194 crore at RE stage. Even the reduced allocation could not be fully utilized and there was under-spending of Rs. 64.76 crore. During the year 2007-08, such under-spending as compared to RE was Rs. 1150.94 crore. The Committee conclude from the aforesaid scenario that there are serious problems in execution of various projects. The Committee observe that after the recent Mumbai terrorist attacks, the questions are being raised about the effective surveillance on the coastal line. Besides, there are challenges of providing adequate infrastructure and force level for the coastal lines surveillance. In view of this, there is an urgent need to provide adequate outlay in this regard. While recommending for enhancing the outlay for Navy, the Committee would also like that the Ministry has to review the position with regard to utilization of outlay and take corrective actions to increase the capacity so that the outlay is effectively utilized.

## 25. Shortage of manpower

The Committee have been informed that there is a shortage of 1512 officers in Indian Navy and various initiatives are being taken for making good the shortage of officers. Such initiatives include vigorous recruitment drive and image projection campaigns. While noting that these steps are in the right direction, the Committee emphasize that Indian Navy should be projected as better career option to the adventurous youth of the country. Besides the recruitment and training facilities for officers/sailors in Navy and Coast Guard should be integrated so that the training infrastructure available with them is optimally utilized.

## 26. Modernization of Indian Navy

The Committee note that Defence Acquisition Council on 25.3.2003 had directed that the Navy should not let the force level fall below 140 ships. In this regard, the existing force level of ships is 130 only. To fulfil the gap of the required and the existing strength, the Committee have been informed that the shortfall is being partially mitigated by extending the life of suitable platform through a Mid Life Upgrade (MLU). In this regard formal sanction for MLU of 23 ships and one submarine has been obtained and the ships are in various stages of upgradation. The Committee have also been informed that a detailed plan for induction of ships has been outlined in the MCPP (2005-2022). Besides, there are a number of ships/submarines that are under construction in various Indian/foreign shipyards. In addition, a number of proposals for acquisition of ships/submarines are at various stages of processing as per the Defence Procurement Procedure (DPP) 2008. The Committee take note of the shortage of the ships and submarines seriously and would like to recommend that all efforts should be made to expedite the acquisition/construction of the ships/ submarines so that at least the existing fleet of ships/submarines do not fall below the minimum required level.

#### 27. Construction of Air Defence Ship

The Committee in the earlier reports had strongly been emphasizing on meeting the need of minimum three aircraft carriers, one each for the Eastern and Western coast and the third one to address the maintenance/repair needs of the other two carriers. With regard to existing position, the country has only one aircraft carrier INS Viraat that too was to be decommissioned in 2008. However, since the acquisition of Ex-Admiral Gorshkov was being delayed and the other aircraft carrier was under construction at Cochin Shipyard Ltd., the functioning of the INS Viraat has been extended till 2012. Keeping in view the security scenario in the country, the Committee note that the existing state of affairs is of serious concern. The Committee again strongly recommend that the completion of construction of aircraft carrier at Cochin Shipyard Ltd. should be completed expeditiously by providing all the required allocations. Besides, the issue related to Ex-Admiral Gorshkov project for automatic transfer of upgraded technology without liability of additional royalty payment, wherever applicable, should be settled with the Russian side during the negotiations so that the delivery acceptance of the ship is not further delayed beyond the scheduled date *i.e.* December, 2012.

#### 28. Joint Staff

The Committee during the course of examination of Demands for Grants have been apprised about the details of the achievements made by the Joint Staff which includes Setting up of Joint Committees, Formulation of Joint Doctrines, Defence Space Vision 2020, Formulation of LTIPP (2002-2017), Synchronization of Services 11th Defence Plan with the DRDO, Plan-Forwarded to DRDO in May 2007, Joint Intelligence Assessment - Shared with JIC and Three Services, and Establishment of INDU. With regard to the allocation of outlay for the Joint Staff, the Committee note that during the year 2008-09, Rs. 489.03 crore were allocated at BE stage. The allocation was enhanced to Rs. 669.03 crore at RE stage. However, during the year 2009-10 the allocation provided is Rs. 619.55 crore which is Rs. 49.48 crore lesser than the RE of the previous year. The Committee would like to know the reasons for the reduction in the allocation of the Joint Staff. Besides, the Committee would also like that keeping in view the tasks undertaken by the Joint Staff, adequate allocations should be provided to it.

#### 29. Maritime Surveillance of Navy

The Committee take note of the various initiatives being taken by the Government for the effective surveillance of the coastline particularly after the recent terrorist attack at Mumbai. The Secretary during the course of deliberations has apprised the Committee that a mandate has been given to induct 1000 men who will protect the sea frontier. Besides 80 fast aircrafts have been sanctioned to Coast Guard. Coast Guards have also been sanctioned 2000 men, 46 aircrafts and a large number of vessels. To expedite the induction of the proposed boats and interceptor boats etc., the regular meetings are being taken at the level of Cabinet Secretary. The issue is being addressed at the highest level and Raksha Mantri is also taking the issue in coordination with Ministry of Home Affairs and Defence and other agencies. The Committee appreciate all these initiatives being taken and strongly recommend that all the proposed boats and interceptor boats, ships etc. should be expeditiously made available to the Navy and Coast Guard for the effective surveillance of the coastline. The Committee should be kept apprised about the follow up action in this regard.

The Committee further note that since various Ministries/State Governments and agencies are involved in the task of surveillance of coastline, there is an urgent need for proper coordination. The Ministry should take the appropriate action for proper coordination and apprise the Committee accordingly.

During the course of deliberations, the Committee have been apprised that the State of Tamil Nadu has done a good work on establishing maritime Police Stations which are working in close coordination with Navy and Coast Guard. Recently an exercise was undertaken along the Tamil Nadu Coast to see what would be the situation if there was an attack similar to recent Mumbai terrorist attack. While appreciating the efforts made by the Tamil Nadu State, the Committee feel that the other States having coastline should replicate the initiatives taken by Tamil Nadu. The Ministry has to play a proactive role in motivating these State Governments. Concrete action on the suggested lines should be taken and the Committee apprised accordingly.

#### 30. Budgetary allocations for Air Force

The Committee note that the allocations for the Air Force at the BE stage during the year 2009-10 are Rs. 34432.26 crore which comprises Rs. 20114.08 crore as the capital outlay and Rs. 14318.18 crore as the revenue outlay. The aforesaid allocation is against the projections of Rs. 37242.01 crore (Rs. 22026.09 crore under the Capital Section and Rs. 15215.92 crore under the Revenue Section). Thus the gap between the projections and allocations made at BE stage is Rs. 2809.75 crore (Rs. 1912.01 crore under the Capital Section and Rs. 897.74 crore under

the Revenue Section). As regards the percentage share of Air Force out of the total Defence budget, the Committee note that during the year 2009-10, the percentage share has declined from 28.53 per cent to 24.30 per cent as compared to the previous year. During the course of examination of Demands for Grants, the Committee have been apprised that various new acquisitions which include Mirage-2000 upgrade 3UAV Schemes Intermediate Jet Trainer etc. are in pipeline during the year 2009-10. Besides, many major acquisition contracts like Akash, Rohini Radar and SU-30 Block IV etc. have been signed during the years 2008-09 and 2009-10. In view of the acquisition plans and the acquisition contract signed, the Committee recommend that adequate allocation should be provided to Air Force so that the various projects do not suffer for want of allocations.

## 31. Squadron strength for Indian Air Force

The Committee note that Indian Air Force needs 42 fighter squadrons for achieving strategic balance on both the fronts viz. China and Pakistan. In this regard only 35 squadrons out of the required strength of 42 have so far been planned to be raised and that too upto 12th Plan *i.e.* by 2017. The Committee have been informed that as an interim measure, four pronged strategy has been proposed which includes upgradation and life extension of the existing fleet, inductions of force multipliers and additional combat and squadrons. From the data made available to the Committee with regard to accidents of aircraft of Indian Air Force, the Committee find that 68 category 1 accidents have taken place during the last five years. The percentage of accidents due to technical defects, human failure and bird hit are 27.94 and 36.76 per cent respectively. In view of the position of accidents of air force aircraft, the Committee strongly feel that the strategy of life extension of existing fleet need a relook. Life extension of fighter aircraft should not go beyond a certain years and not more than one life extension be recommended.

It is needless to point out that depleted strength of squadrons in Air Force is a matter of serious concern from the point of view of national security. As per the planning of Air Force, 35 squadrons are to be raised by 2017. Keeping in view the aforesaid position, the Committee feel that the required strength of 42 squadrons would take another decade. It is a matter of serious concern particularly in view of the prevailing situation around our borders. As such the Committee strongly recommend that all the steps should be taken so that the required strength of squadrons is available expeditiously and the required allocations should be provided.

### 32. Modernization of Air Fields

The Committee observe that modernization of 56 airfields is being undertaken in two Phases. Phase I is presently at the stage of commercial negotiations and is expected to be executed in 42 months from the date of signing of contract. Commencement of Phase II will be dovetailed with the completion of Phase I. The Committee further note that at present 8 airfields do not have electrical airfield lighting facilities as no regular night operations are undertaken from those airbases. On completion of modernization of airfields infrastructure as proposed to be taken under Phase I and II, all the airfields will have lighting system to facilitate the night landing. As Air Force requires airfields from strategic point of view, the Committee emphasize that commercial negotiations for Phase I and Phase II projects be completed expeditiously. The Committee should be kept apprised about the progress made in this regard.

# 33. Operational clearance for Light Combat Aircraft (LCA)-Tejas

The Committee note that Tejas LCA project was sanctioned in the year 1983 with the original cost of Rs. 560 crore. The first phase was completed on 31 March 2004. The likely date of completion of IInd phase was 31 December 2008. Now the project is further spilled over to 31 December 2012 with additional fund reserves of Rs. 2475.78 crore. Even when 26 years have gone by since the project was sanctioned, LCA is still to see the light of the day. Not only that, the engine for Tejas is also running into serious problems as informed by the Defence Secretary during the course of deliberations. The options of either to import an engine or persist with the Kaveri are being explored. This is a sorry state of affairs. As such the Committee strongly recommend that all the problems being faced with regard to Tejas should be sorted out expeditiously and it should be ensured that the Tejas is operational by the stipulated time frame and there is no further cost escalation.

#### 34. Acquisition of Radars for Air Force

The Committee have been informed that Contract for Low Level Transportable Radars (LLTRs) has been signed on 29 July, 2009. Besides Contract for Low Level Light Weight Radars (LLLWRs) was signed on 4 January, 2009. The Committee hope that these Radars would be made available expeditiously to the Air Force. The Committee should be kept apprised about the progress made in this regard.

The Committee further note that the Air Force has aero stats (ground based balloon system) which gives us the look capability of

400 kilometers into on ground territories. There are plans to enhance these capabilities with other futuristic radars and hopefully by the year 2020, Air Force might have radars which can look into as much as 2000 kilometres. The Committee strongly recommend that to increase the surveillance and automation of Air Defence system, the look capability need to be enhanced. As such all the initiatives should be taken to have the enhanced capability by the stipulated time frame of 2020.

## 35. Trainer aircraft for Indian Air Force

The Committee have been apprised that there are plans to replace indigenous Multirole 14 Seater Saras aircraft by Dornier aircraft. In this regard, a study was conducted on the suitability of the proposed acquisition of SARAS aircraft based on data supplied by National Aerospace Laboratory (NAL). Based on the study, a case for procurement of SARAS aircraft was moved by IAF in February, 2002. In this regard, the letter of interest for procurement of SARAS aircraft has already been issued by IAF to NAL on 15 February 2002. The Ministry have also informed that An Integrated Project Monitoring Team (IPMT) has been formed to monitor the development of the project and the cost of the project for 15 aircraft is estimated as Rs.777.04 crore. The aircraft is still in the development stage. The Committee recommend that the Air Force should take the desired action so that desired number of squadron aircrafts are raised expeditiously.

#### 36. Shortage of Officers in Indian Air Force

As per the data made available to the Committee, there is shortage of 1384 officers, 7968 airmen and 166 non combatants and 8000 civilians in the Air Force as compared to the sanctioned strength. The Air Force has taken concerted efforts to make good the shortage of officers and others. The steps initiated include participation in career fairs and exhibitions, advertisement, motivational lectures in school, colleges, fast track selection etc. The Committee note that these steps are in the right direction and need to be continued further.

## 37. Defence Research and Development Organisation (DRDO)

The Committee note that during the year 2009-10, Rs. 8481.54 crore have been made available for R&D against the allocations of Rs. 7737.64 crore during the previous year. Defence R&D Budget as percentage of Defence budget was 6.82 per cent during the year 2007-08 which declined to 6.75 per cent during the year 2008-09. The percentage has further declined to 5.98 per cent during the year 2009-10. The aforesaid trend of declining percentage of allocation for R&D is a matter of serious concern. The Committee strongly recommend that adequate allocation should be provided for R&D and the fund constraint should not be the handicap for taking up various R&D activities by DRDO.

The Committee have been apprised that a Committee headed by Defence Secretary has been constituted by the Government to examine the issue of restructuring of DRDO. At present the Committee is examining the responses and suggestions by various stakeholders on the recommendations of Rama Rao Committee. The Committee strongly recommend that the matter of restructuring of DRDO should be expeditiously finalized. The Committee should also be kept apprised about the follow up in this regard.

New Delhi; <u>11 December</u>, 2009 <u>20 Agrahayana</u>, 1931 (Saka) SATPAL MAHARAJ, Chairman, Standing Committee on Defence.

#### APPENDICES

# MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2009-10)

The Committee sat on Tuesday, the 27th October, 2009 from 1430 to 1700 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi.

## PRESENT

Shri Satpal Maharaj - Chairman

MEMBERS

#### Lok Sabha

- 2. Shri Harish Choudhary
- 3. Shri Kamal Kishor 'Commando'
- 4. Shri H.D. Devegowda
- 5. Dr. Sucharu Ranjan Haldar
- 6. Shri Kapil Muni Karwaria
- 7. Shri Arjun Ram Meghwal
- 8. Shri Asaduddin Owaisi
- 9. Shri A.T. Nana Patil
- 10. Shri Bhaskarrao Bapurao Patil
- 11. Shri Amarnath Pradhan
- 12. Shri M. Raja Mohan Reddy
- 13. Shri Baju Ban Riyan
- 14. Shri Kalyan Singh
- 15. Rajkumari Ratna Singh

#### Rajya Sabha

- 16. Shri R.K. Dhawan
- 17. Shri Mukut Mithi
- 18. Shri K.B. Shanappa
- 19. Shri T.K. Rangarajan
- 20. Shri M.V. Mysura Reddy
- 21. Shri Sanjay Raut

#### Secretariat

1.	Shri T.K. Mukherjee	—	Joint Secretary
2.	Smt. Sudesh Luthra	_	Director
3.	Shri N.S. Hooda	_	Additional Director
4.	Smt. Jyochnamayi Sinha	_	Under Secretary

### WITNESSES

### REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1.	Shri Pradeep Kumar	— I	Defence Secretary
<u> </u>		0	

2. Dr. V.K. Saraswat – Scientific Advisor to Raksha Mantri

- 3. Shri R.K. Singh - Secretary (DP)
- 4. Smt. Indu Liberhan *– Secretary (Def. Finance)*
- CCR&D (R&M) 5. Shri G. Elangovan
- 6. Shri S.K. Sharma - DG (Acq.)

- 7. Shri R.K. Mathur Addl. Secy.(M)
- 8. Shri Shekhar Agarwal Addl. Secy. (A)
- Shri S. Chandrasekaran FA (Acq.) 9.

#### REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

- 1. Air Mshl. S.C. Mukul - CISC
- 2. Lt. Gen. P.C. Bhardwaj - VCOAS
- 3. V Adm. D.K. Dewan - VCNS

4.	Air Mshl. PK Barbora	_	VCAS
5.	Lt. Gen. MS Dadwal	_	DCOAS(P&S)
6.	Lt. Gen. Baljeet Singh	_	DGWE
7.	AVM Ravi Kant Sharma	_	ACAS (Plans)
8.	R Adm. Girish Luthra	_	ACNS (P&P)
9.	R Adm. Anand Iyer	_	ADG (A), NCC

2. At the outset, the Chairman welcomed the members of the Committee and 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. The Chairman in his opening remarks stated that the Demands for Grants (2009-10), as the said year being the election year, were passed by the Parliament without being referred to the Departmentally related Standing Committees, after suspension of rule 331G of the Rules of Procedure and Conduct of Business of Lok Sabha. However, as per the ruling of the Chair in Lok Sabha, the Demands have been referred to the Standing Committees for examination and report and in this connection the representatives of the Ministry had been called for evidence at the sitting.

3. Thereafter, the representatives of the Ministry of Defence briefed the Committee and explained the various aspects pertaining to General Defence Budget (Civil), Defence Modernization and Procurement Policy, NCC and Sainik Schools in the context of examination of Demands for Grants (2009-10) with the help of power point presentation. The various issues deliberated during the sitting include, reasons for not preparing Outcome Budget, reduction of funds allocated to the Ministry at RE Stage, status of finalization of 11th plan proposal, steps initiated for curbing of wasteful expenditure, streamlining of Defence Procurement Policy and Procedure, status of Raksha Udyog Ratna and extent of Indigenization of Defence Production etc.

4. The representatives of the Ministry responded to the issues raised by the Hon'ble Chairman in his opening remarks and also to the queries raised by the members during the deliberations. As regards the points on which the representatives could not readily respond, the Committee desired the Ministry to furnish written information at the earliest.

5. Due to time constraint, the Committee decided to postpone the detailed deliberations on Army, Director General of Ordnance Factories

and DGQA in the context of examination of Demands for Grants (2009-10) as listed in the agenda to some other date.

6. The Committee then adjourned to meet on 28.10.09 at 1500 hrs.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.

## MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2009-10)

The Committee sat on Tuesday, the 28th October, 2009 from 1500 to 1800 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi

#### PRESENT

Shri Satpal Maharaj - Chairman

#### MEMBERS

#### Lok Sabha

- 2. Shri Harish Choudhary
- 3. Shri Kamal Kishor 'Commando'
- 4. Dr. Sucharu Ranjan Haldar
- 5. Shri Ramesh Jigajinagi
- 6. Shri Kapil Muni Karwaria
- 7. Shri Arjun Ram Meghwal
- 8. Shri Asaduddin Owaisi
- 9. Shri A.T. Nana Patil
- 10. Shri Amarnath Pradhan
- 11. Shri M. Raja Mohan Reddy
- 12. Shri Baju Ban Riyan
- 13. Shri Mahabali Singh
- 14. Rajkumari Ratna Singh

#### Rajya Sabha

- 15. Shri R.K. Dhawan
- 16. Shri Mukut Mithi
- 17. Shri Prakash Javadekar
- 18. Shri K.B. Shanappa

- 19. Shri T.K. Rangarajan
- 20. Shri M.V. Mysura Reddy
- 21. Shri Sanjay Raut

## Secretariat

1.	Shri T.K. Mukherjee	—	Joint Secretary
2.	Smt. Sudesh Luthra	—	Director
3.	Shri N.S. Hooda	_	Additional Director
4.	Smt. Jyochnamayi Sinha	_	Under Secretary

#### WITNESSES

## REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1.	Shri Pradeep Kumar –	-	Defence Secretary
2.	Dr. V.K. Saraswat –	_	SA to RM
3.	Shri R.K. Singh –	_	Secretary (Defence Production)
4.	Shrimati Indu Liberhan –	_	Secretary (Defence Finance)
5.	Shri G. Elangovan –	_	CCR & D (R & M)
6.	Shri Radha Krishna Mathur –	_	Additional Secretary (M)
7.	Shri Shekhar Agarwal –	_	Additional Secretary (A)
8.	Shri S. Chandrasekaran –	_	FA (Acquisition)

# REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

1	Air Marshal S.C. Mukul	_	CISC
1.	ini maisha b.c. maka		eibe
2.	Lieutenant General P.C. Bhardwaj	_	VCOAS
3.	Vice Admiral D.K. Dewan	_	Vice-Chief of Naval Staff
4.	Air Marshal P.K. Barbora	_	Vice-Chief of Air Staff
5.	Lieutenant General M.S. Dadwal	_	DCOAS (P&S)
6.	Lieutenant General Baljeet Singh	_	DGWE
7.	Air Vice Marshal Ravi Kant Sharma	ı —	ACAS (Plans)

2. At the outset, the Chairman welcomed the members of the Committee and 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. The Chairman initiated the discussion by asking the representatives of the Ministry the reasons for

reduced percentage of allocation to Navy and Air Force and how far it would affect the Defence preparedness of the country. Further, he requested the Ministry to inform whether the allocation provided for the research and development sector would be sufficient in view of the research work required in it.

3. Thereafter, the representatives of the Ministry of Defence through a power point presentation briefed the Committee on Defence Budget (2009-10) pertaining to Navy and Joint Staff, Air Force and Defence Research and Development Organisation. The Committee then held discussion on various issues, which included number of airfields covered by air surveillance; operational life span of all types of aircrafts including Tejas, LCA; induction of Akash Missile; use of Air Force helicopters for anti-naxal operations; replacement of Dornier aircraft by SARAS and Setting up of Integrated Air Command and Control System in respect of Indian Air Force.

4. As regards, the Indian Navy and Joint Staff, the Committee held discussion on issues relating to the shortage of naval officers, establishing maritime police stations and protection being given to merchants ships, procurement of medium range maritime reconnaissance aircraft from USA, induction of Barack and Arihant missiles, modernisation of public sector shipyards and delivery of Admiral Gorshkov.

5. Regarding Defence Research and Development Organisation, the Committee discussed about its restructuring, implementation of the recommendations of Rama Rao Committee, protection of personnel deployed at various stations from contagious diseases like swine flu and working of Arjun Tanks, etc.

6. The representatives of the Ministry responded to the queries raised by the members during the deliberations. As regards the points on which the representatives could not readily respond, the Committee desired the Ministry to furnish written information at the earliest.

7. The Committee then adjourned to meet again on 29.10.09 at 1500 hrs.

A verbatim record of the proceedings has been kept.

## MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2009-10)

The Committee sat on Thursday, the 29th October, 2009 from 1500 to 1650 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi.

## PRESENT

Shri Satpal Maharaj - Chairman

MEMBERS

#### Lok Sabha

- 2. Shri Harish Choudhary
- 3. Shri Kamal Kishor 'Commando'
- 4. Dr. Sucharu Ranjan Haldar
- 5. Shri Kapil Muni Karwaria
- 6. Shri Arjun Ram Meghwal
- 7. Shri A.T. Nana Patil
- 8. Shri Amarnath Pradhan
- 9. Shri Baju Ban Riyan
- 10. Shri Mahabali Singh
- 11. Rajkumari Ratna Singh

Rajya Sabha

- 12. Prof. P.J. Kurien
- 13. Shri Mukut Mithi
- 14. Shri Prakash Javadekar
- 15. Shri K.B. Shanappa
- 16. Shri T.K. Rangarajan
- 17. Shri Sanjay Raut

## Secretariat

1. Shri T.K. Mukherjee – *Joint Secretary* 

2. Smt. Sudesh Luthra — Director

- 3. Shri N.S. Hooda Additional Director
- 4. Smt. Jyochnamayi Sinha Under Secretary

### WITNESSES

## REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1.	Shri Pradeep Kumar	—	Defence Secretary
2.	Dr. V.K. Saraswat	—	SA to RM
3.	Smt. Neelam Nath	_	Secretary (ESM)
4.	Shri R.K. Singh	—	Secretary (DP)
5.	Smt. Indu Liberhan	—	Secretary (Def. Finance)
6.	Shri Ajoy Acharya	_	Addl. Secy.(DP)
7.	Shri G. Elangovan	—	CCR&D (R&M)
8.	Vice Adml. H.S. Malhi (Retd.)	_	CMD (MDL)
9.	Shri Ashwani Kumar Datt	_	CMD (BEL)
10.	Shri M. Narayana Rao	_	CMD (MIDHANI)
11.	Shri V.S. Krishnamurthy	—	Dir. (MIDHANI)
12.	Shri S. Anathasayanam	—	CMD (GSL)
13.	Shri V.R.S. Natarajan	—	CMD (BEML)
14.	R. Adm. K.C. Sekhar (Retd.)	—	CMD (GRS &E)
15.	Maj. Gen. Ravi Khetarpal (Retd.)	—	CMD (BDL)
16.	Smt. Saroj Vinayek	—	DGOF
17.	Shri Ravi Kant	—	Secretary/OFB
18.	Shri S. Chandrasekaran	—	FA (Acq.)
19.	Shri Amit Cowshish	—	JS & Addl. FA(A)

## REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

Air Marshal S.C. Mukul – CISC
V. Adm. D.K. Dewan – VCNS
Air Marshal P.K. Barbora – VCAS

4	Lt. Gen. M.S. Dadwal	_	DCOAS (P&S)
т.	Et. Gen. M.J. Dadwar		DC0/10 (100)
5.	Lt. Gen. Baljeet Singh	—	DGWE
6.	Lt. Gen. J.P. Singh	—	DCIDS
7.	Air Marshal N. Verma	—	DG Adm. (W&C)
8.	V. Adm. S.P.S. Cheema	—	CPS
9.	R. Adm. Girish Luthra	—	ACNS (P&P)
10.	A.V.M. Ravi Kant Sharma	_	ACAS (Plans)
11.	Maj. Gen. A. Srivastava	_	MD ECHS
12.	Maj. Gen. S.G. Chatterji	_	DGR

2. At the outset, the Chairman welcomed the members of the Committee and 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.

3. Thereafter, power point presentation was made by the representatives of the Ministry of Defence on Army, NCC, DGQA and Sainik Schools which remained in conclusive during the sitting of the Committee held on 27.09.09 and various aspects related to Ordnance Factories, Defence Public Sector Undertakings, Department of Ex-Servicemen and Defence Pensions. The members sought clarifications on the functioning of PSUs under Ministry of Defence various issues relating to Ordnance Factories like exporting of weapons, R&D and Corporatisation, increase in age of retirement of Army Personnel, increase in strength of NCC Cadets, reasons for not finding Army an attractive career by youth, deficiency in supply of Bullet Proof Jackets to Army and other issues relating to the subject and the representatives of the Ministry responded to the same. The representatives also assured the Committee to send written replies to some of the points raised by the members on which the information was not readily available.

4. The Chairman then thanked the members for giving their valuable time and suggestions to make the deliberations purposeful and the witnesses for appearing before the Committee and for furnishing information as desired by the Committee.

- 5. A verbatim record of the proceedings has been kept.
- 6. The witnesses, then withdrew.

The Committee then adjourned.

## MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2009-10)

The Committee sat on Friday, the 11th December, 2009 from 1500 to 1600 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

#### PRESENT

Shri Satpal Maharaj - Chairman

MEMBERS

#### Lok Sabha

- 2. Shri Kamal Kishor 'Commando'
- 3. Shri Varun Gandhi
- 4. Dr. Sucharu Ranjan Haldar
- 5. Shri Arjun Ram Meghwal
- 6. Dr. Prasanna Kumar Patasani
- 7. Shri A.T. Nana Patil
- 8. Shri Bhaskarrao Bapurao Patil
- 9. Shri Ijyaraj Singh
- 10. Rajkumari Ratna Singh

Rajya Sabha

- 11. Shri Mukut Mithi
- 12. Smt. Shobhana Bhartia

#### Secretariat

1.	Shri T. K. Mukherjee	—	Joint Secretary
2.	Smt. Sudesh Luthra	—	Director
3.	Shri N. S. Hooda	—	Additional Director

2. At the outset, the Hon ble Chairman welcomed the members to the sitting of the Committee. The Committee than took up for

consideration the draft Report on 'Demands for Grants (2009-10)' of the Ministry of Defence and adopted the same with a slight modification in respect of recommendations at Para No. 17 relating to Sainik School.

3. The Committee thereafter took up for consideration the draft action taken report on the observations/ recommendations made by the Committee in their Thirty-sixth Report (Fourteenth Lok Sabha) on "Status of implementation of Unified Command for Armed Forces". After deliberations the Committee adopted the report without any modification.

4. The Committee, then, authorised the Chairman to finalise the above Draft Reports in the light of the factual verifications made by the concerned Ministry and present the same to the House on a date convenient to him.

The Committee then adjourned.