

**15**

**STANDING COMMITTEE  
ON DEFENCE  
(2011-2012)  
FIFTEENTH LOK SABHA**

**MINISTRY OF DEFENCE**

**DEMANDS FOR GRANTS  
(2012-2013)**

**FIFTEENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 2012/Vaisakha, 1934 (Saka)*

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STANDING COMMITTEE ON DEFENCE  
(2011-2012)

(FIFTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS  
(2012-2013)

*Presented to Lok Sabha on 30.04.2012  
Laid in Rajya Sabha on 30.04.2012*



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 2012/Vaisakha, 1934 (Saka)*

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## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE (2011-2012) .....	(iii)
INTRODUCTION .....	(v)
REPORT	
PART I	
CHAPTER I General Defence Budget.....	1
CHAPTER II Army, NCC and Welfare of Ex-Servicemen.....	29
CHAPTER III Air Force .....	47
CHAPTER IV Navy, Joint Staff and Coast Guard .....	61
CHAPTER V Defence Research and Development Organisation ....	69
CHAPTER VI Defence Production.....	77
PART II	
Recommendations/Observations .....	85
APPENDICES	
Minutes of the sittings of the Committee held on 4.4.2012, 9.4.2012 and 20.4.2012.....	111

COMPOSITION OF THE STANDING COMMITTEE  
ON DEFENCE (2011-12)

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Kamal Kishor 'Commando'
3. Shri Harish Choudhary
4. Shri Varun Gandhi
5. Shri Sher Singh Ghubaya
6. Shri Ramesh Chandappa Jigajinagi
7. Shri Bhaskarrao Patil Khatgaonkar
8. Shri Ajay Kumar
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13. Shri C.R. Patil
14. Shri Amarnath Pradhan
15. Shri Kadir Rana
16. Shri Adhalrao Patil Shivaji
17. Shri Mahabali Singh
18. Rajkumari Ratna Singh
19. Shri Uday Singh
20. \*Vacant
21. #Shri Manish Tewari

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\* *Vice* Shri M. Rajamohan Reddy, ceased to be a Member of the Committee consequent to his resignation *w.e.f.* 28.02.2012.

# Nominated to the Committee *w.e.f.* 02.03.2012.

(iv)

*Rajya Sabha*

22. \*\*Vacant
23. Shri Naresh Gujral
24. Shri Avinash Rai Khanna
25. Prof. P.J. Kurien
26. Shri Mukut Mithi
27. Shri Mukhtar Abbas Naqvi
28. Shri T.K. Rangarajan
29. \*\*Vacant
30. Shri Birender Singh
31. Shri Ram Kripal Yadav

SECRETARIAT

- |                        |   |                            |
|------------------------|---|----------------------------|
| 1. Shri T.K. Mukherjee | — | <i>Joint Secretary</i>     |
| 2. Smt. Sudesh Luthra  | — | <i>Director</i>            |
| 3. Shri Sanjeev Sharma | — | <i>Additional Director</i> |
| 4. Shri Rahul Singh    | — | <i>Committee Officer</i>   |

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\*\*Shri Munquad Ali retired *w.e.f.* 24.2012 and Shri M.V. Mysura Reddy retired *w.e.f.* from 02.04.2012.

## INTRODUCTION

I, the Chairman of the Standing Committee on Defence (2011-2012), having been authorised by the Committee to submit the report on their behalf, present this Fifteenth report on 'Demands for Grants (2012-2013)' of the Ministry of Defence.

2. The Demands for Grants were laid in Lok Sabha on 26 March, 2012. The Committee took evidence of the representatives of the Ministry of Defence on 04 April, 2012 and 09 April, 2012. The Report was considered and adopted by the Committee at their sitting held on 20 April, 2012.

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

4. 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;  
26 April, 2012  

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06 Vaisakha, 1934 (Saka)

SATPAL MAHARAJ,  
Chairman,  
Standing Committee on Defence.

## REPORT

### CHAPTER I

#### GENERAL DEFENCE BUDGET

##### Introductory

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

1.2 The Budgetary allocations of the Ministry of Defence are contained under Eight Demands for Grants.

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, Jammu & Kashmir Light Infantry 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. These are not included in the overall defence allocation of Rs. 1,93,407.29 crore in Budget Estimate 2012-2013. The budgetary requirements of the Border Roads Organisation are being provided by the Ministry of Road Transport & 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 (including NCC, Sainik Schools & DGQA, Rashtriya Rifles, Military Farms and ECHS).

Demand No. 23, Defence Services — Navy (including Joint Staff)

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, includes All Services and Departments other than those covered by the Demands for Grants of Ministry of Defence (Civil).

1.5 The 'running' or 'operating' expenditure of the three Services and other Departments *viz.* DRDO, DGOE, 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).

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 other miscellaneous expenditure. The Capital expenditure includes expenditure on Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aeroengines, Dockyards, etc.

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

#### **Grant No. 20—Civil Expenditure of the Ministry of Defence**

1.8 Major components of Gross Revenue expenditure in Revised Estimates 2011-12 are CSD (Rs. 10363.64 crore), Defence Accounts Department (Rs. 984.67 crore), Coast Guard Organisation-CGO (Rs. 941.21 crore), MOD Secretariat (Rs. 118.19 crore), Defence Estates Organisation (DEO) (Rs. 171.32 crore), Jammu & Kashmir Light Infantry (J&K LI) (Rs. 755.60 crore) etc. In the Capital Outlay of Rs. 1669.25 crore in the Revised Estimates 2011-12, the major allocations are for the Capital Outlay on other fiscal services—customs Rs. 1600.00 crores, housing and office buildings Rs. 58.25 crore, PSUs (Rs. 8.00 crores)

and Miscellaneous Loans for URC by CSD Rs. 3.00 crore. The provisions in RE 2011-12 and BE 2012-13 under Demand No. 20 are given below:—

(Rs. in crore)

	BE 2011-12	RE 2011-12	BE 2012-13
Gross Revenue	11474.81	13403.59	14723.69
Capital	1682.00	1669.25	1874.55
Gross Expenditure	13156.81	15072.84	16598.24
Receipts (R) (CSD) (-)	9000.00	10800.00	10800.00
Net Expenditure	4156.81	4272.84	5798.24

#### Grant No. 21—Defence Pensions

1.9 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.

1.10 The position of budgetary allocation under this Head is as under:—

BE 2011-12	RE 2011-12	RE 2012-13
34000.00	34000.00	39000.00

1.11 As informed by the Ministry of Defence, The RE 2011-12 figures is kept at BE 2011-12 level *i.e.* Rs. 34000.00 crores. The requirement of additional amount Rs. 5000 crores in BE 2012-13 over RE 2011-12 is mainly due to normal growth in pensionary benefits and there is also increase in number of pensioners in respect of Commissioned Officers and Defence Civilians and anticipated provision for Dearness Relief.

#### Defence Services Estimates in Broader Perspective

1.12 Defence Budget Generally referred to the sum total of the net allocations is covered by the Defence Services Estimates. It is entirely non-plan expenditure. The following table indicates the total non-plan Central Government expenditure and defence expenditure during the year 2012-13.

(Rs. in crore)

Non-Plan Total Central Government Outlay			Defence Outlay		
Revenue	Capital	Total	Revenue	Capital	Total
865596.00	104304.00	969900.00	113828.66 (13.15%)	79578.63 (76.29%)	193407.29 (19.94%)

1.13 The table given below indicates the growth of Defence Expenditure since 1998-99 till 2011-12:

Year	Defence Expenditure	% increase on previous year
1999-2000	47071	17.98
2000-01	49622	5.42
2001-02	54266	9.36
2002-03	55662	2.57
2003-04	60066	7.91
2004-05	75856	26.29
2005-06	80549	6.19
2006-07	85495	6.14
2007-08	91680	7.23
2008-09	114223	24.59
2009-10	141781	24.13
2010-11	154117	8.70
2011-12 (RE)	170937	10.91
2012-13 (BE)	193407	13.15

1.14 From the above tables it is seen that the Budget Estimates for the year 2012-13 of the Ministry of Defence is of Rs. 1,93,407.29 crore which comprises Rs. 1,13,828.66 crore for Revenue items and Rs. 79,578.63 crore for Capital items. Although Defence expenditure is increasing in absolute terms over the years the percentage increase in Defence expenditure since 1999-2000 has not been consistent over the years. The Defence expenditure in percentage wise grew maximum during the year 2004-2005 *i.e.* 26.29% as compared to the previous

year followed by the growth of 2008-09 and 2009-10 whereby the percentage growth was 24.59% and 24.13% respectively. During the year 2010-11 the percentage growth declined to 8.70% as compared to the growth of 24.13% of the previous year. In the subsequent years although slight increase is there does not match to the level of 2008-09 and 2009-10. During the year 2011-12 the percentage increase is 10.91% and during the year 2012-13 the percentage increase is 13.15%.

1.15 The following table shows the details of Central Government Expenditure (CGE) and Defence Expenditure:—

Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp. % of CGE
1999-2000	47071	298084	15.79
2000-01	49622	325611	15.24
2001-02	54266	362453	14.97
2002-03	55662	414162	13.44
2003-04	60066	471368	12.74
2004-05	75856	497682	15.24
2005-06	80549	506123	15.91
2006-07	85495	583387	14.65
2007-08	91680	712732	12.86
2008-09	114223	883956	12.92
2009-10	141781	1024487	13.84
2010-11	154117	1197328	12.87
2011-12 (RE)	170937	1318720	12.96
2012-13 (BE)	193407	1490925	12.97

1.16 The table given below indicate Defence expenditure total GDP and defence expenditure as percentage of GDP:

(Rs. in crore)			
Year	Defence Expenditure	Total GDP	Def. Exp. % of GDP
1	2	3	4
1999-2000	47071	1952035	2.41
2000-01	49622	2102314	2.36

1	2	3	4
2001-02	54266	2278952	2.38
2002-03	55662	2454561	2.27
2003-04	60066	2754620	2.18
2004-05	75856	3242209	2.34
2005-06	80549	3692485	2.18
2006-07	85495	4294706	1.99
2007-08	91680	4987090	1.84
2008-09	114223	5630063	2.03
2009-10	141781	6457352(P)	2.20
2010-11	154117	7674148(Q)	2.01
2011-12 (RE)	170937	8912178(A)	1.92
2011-12 (BE)	193407	10159884*	1.90

P—Provisional Estimates, Q-Quick Estimates, A-Advance Estimates as per Economic Survey 2011-12.

\*—As per Union Budget at a glance 2012-13.

1.17 The Ministry supplied the data based on the inputs from SIPRI Yearbook: Armaments, Disarmament and International Security (OUP, 2011), the expenditure figures in absolute terms and as a percentage of GDP in respect of some of the developed and neighbouring countries are as under:—

Country	[In constant (2009) US \$ Million]		
	2010	2009	2008
US	687105	668604	618940
China	[114300]	[110100]	[92700]
France	61285	66869	62642
UK	57424	57907	55291
Russia	[52586]	[53330]	[50937]
Pakistan	5160	5039	4888

[ ] = SIPRI Estimate.

Military expenditure as a percentage of GDP in respect of these countries is as under:—

Country	2009	2008	2007
US	4.7	4.3	4.0
China	[2.2]	[2.0]	[2.1]
France	2.5	2.3	2.3
UK	2.7	2.5	2.3
Russia	[4.3]	[3.5]	[3.5]
Pakistan	2.8	2.8	3.0

[ ] = SIPRI Estimate.

1.18 From the table it may be seen that percentage of Defence Expenditure in comparison with the GDP is declining constantly for the last few years and this year it has come down to 1.90 percent while in other countries it is increasing constantly.

#### **The Projections made by the three Services, allocations made and expenditure incurred**

1.19 The information in regard to the projections made by the three services, allocations made and expenditure incurred from the year 2007-08 to 2011-12 and projections and allocations made during the year 2011-12 and 2012-13 are as under:—

Revenue		(Rs. in crores)				
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2007-08	Army	36267.29	33682.36	35385.52	33864.03	33873.58
	Navy	7614.02	6968.25	7095.25	7092.19	6950.25
	Air Force	11270.78	10193.01	11410.36	10354.26	10101.96
2008-09	Army	38500.96	35896.75	49018.36	47727.09	47053.81
	Navy	8077.24	7421.19	7793.51	8034.19	7790.76
	Air Force	13578.69	10855.56	12601.46	12199.95	12672.86
2009-10	Army	61704.07	58097.29	61040.41	57346.11	60424.80
	Navy	8843.91	8322.11	10111.37	9312.90	9345.78
	Air Force	15215.92	14318.18	15221.86	14681.83	14240.08

1	2	3	4	5	6	7
2010-11	Army	62234.60	56769.11	63917.31	59941.83	62383.61
	Navy	10723.76	9329.67	11147.73	9833.52	9979.02
	Air Force	17483.60	15210.73	15249.01	15003.55	14551.07
2011-12	Army	77350.49	63609.80	74252.98	70810.98	64148.89
	Navy	13658.47	10589.06	14450.48	12146.93	10216.42
	Air Force	20015.46	15927.95	16123.16	16137.38	14480.56
2012-13	Army	83861.62	77327.03			
	Navy	15835.71	12548.02			
	Air Force	19887.73	17705.81			

**Note:** Expenditure for 2011-12 is upto February 2012.

1.20 The above table depicts the gap in the projections, allocations and expenditure since 2007-08 and also the growth of allocations for the three Services. The allocations for the three Services are lesser than the projected amount in all the years and also the actual utilization is lesser than the amount allocated to them at RE stage except in regard to Army in 2007-08, Air Force in 2008-09 and Army and Navy during the year 2009-10 and 2010-11.

1.21 Details regarding the projections made, allocations made at BE & RE stage and the expenditure incurred during each year of Eleventh Plan for heads/organization other than the three Services are as under:—

REVENUE		(Rs. in crores)				
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2007-08	DGOF	-2.32	-356.49	-18.49	-66.49	-189.32
	R&D	3376.98	3186.47	3331.15	3196.06	3157.65
	DGQA	373.60	404.40	354.95	354.95	324.49
2008-09	DGOF	-348.09	-348.09	1334.63	1325.74	1482.78
	R&D	4186.59	3393.59	4051.33	3844.78	3839.89
	DGQA	374.00	374.00	460.15	468.25	464.70

1	2	3	4	5	6	7
2009-10	DGOF	1356.54	832.94	1230.12	2187.32	1735.30
	R&D	5055.97	4757.67	4761.70	4349.25	4321.40
	DGQA	585.35	550.81	597.25	562.59	601.36
2010-11	DGOF	282.98	246.19	247.34	150.13	-587.54
	R&D	6011.98	5230.42	5719.50	5230.42	5183.83
	DGQA	613.05	557.88	745.93	588.98	550.72
2011-12	DGOF	-710.00	-1176.75	-350.85	-356.59	755.14
	R&D	7243.17	5624.87	5636.01	5386.01	4510.37
	DGQA	747.55	641.75	702.25	668.29	601.20
2012-13	DGOF	-417.49	-535.09			
	R&D	6934.12	5995.56			
	DGQA	838.23	787.33			

**Note:** Expenditure for 2011-12 is upto February 2012.

**CAPITAL** (Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2007-08	DGOF	342.84	154.08	154.08	154.08	150.43
	R&D	3554.19	2700.75	2906.98	2700.75	2946.89
	DGQA	25.00	43.07	9.02	9.02	7.43
2008-09	DGOF	327.10	176.44	362.65	176.44	352.13
	R&D	4336.29	3092.76	3875.15	3092.76	3859.16
	DGQA	59.27	49.32	52.00	49.32	28.64
2009-10	DGOF	805.40	672.51	822.32	298.93	240.53
	R&D	4459.72	3723.87	5071.26	4165.56	4153.98
	DGQA	14.00	11.69	22.50	11.69	16.06
2010-11	DGOF	964.81	769.34	306.28	455.57	454.22
	R&D	5741.54	4578.30	5530.76	5129.01	4965.09
	DGQA	15.00	11.96	20.60	16.96	15.01



1	2	3	4	5	6	7
2011-12	DGOF	399.96	399.96	332.54	299.96	94.79
	R&D	7599.60	4628.30	5178.30	4628.30	3789.87
	DGQA	30.00	20.00	16.00	16.00	8.73
2012-13	DGOF	552.76	399.96			
	R&D	7528.54	4640.00			
	DGQA	25.00	20.00			

**Note:** Expenditure for 2011-12 is upto February 2012.

1.22 From the above table, it can be inferred that in respect of DGOF, Research and Development (R&D) and DGQA, the allocated amount is less than the amount projected in both Revenue and Capital Heads. The expenditure is higher than the allocations in the year 2007-08 & 2008-09 for R&D (under Capital), 2008-09 for DGOF and 2009-10 for DGQA. Barring them in all other Heads there is under spending.

1.23 When asked to state where compromises have been made or likely to be made due to the reduced budgetary allocation against the projections made by the three Services and other organisation/heads, the Ministry of Defence in their written replies stated:—

“Under the revenue segment, after providing for salary and other obligatory expenses the balance allocation is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. These areas are likely to be impacted by the reduced allocation. In so far as the capital segment is concerned, the acquisition of land and progress of capital works may get affected. The procurement plan for capital modernization schemes may also have to be reviewed and reprioritized.”

#### Defence Services Estimates

1.24 The Demand-wise position of allocations in the Budget Estimates and Revised Estimates for the year 2009-10 and Budget Estimates of 2010-11 is as under:

The Demand-wise position is as under:

		(Rs. in crore)		
Sl. No.	Demand	BE 2011-12	RE 2011-12	BE 2012-13
1	2	3	4	5
1.	Army (Revenue expenditure of Army, NCC and DGQA)	65985.05	73212.77	80025.82

1	2	3	4	5
2.	Navy (Revenue expenditure of Navy and Joint Staff)	10789.06	12346.93	12748.02
3.	Air Force (Revenue Expenditure of Air Force)	16520.87	16756.76	18325.19
4.	Defence Ordnance Factories (Revenue Expenditure of Ord. Factories)	795.88	1665.21	1801.68
5.	Research & Development (Revenue Expdr. of R&D)	5659.87	5421.01	6035.56
6.	Capital Outlay on Defence Services (Capital Expdr. of all Services/Deptts.)	69198.81	66143.81	79578.63
Total (Gross)		168949.54	175546.49	198514.90
Receipt/Recoveries		4534.05	4609.68	5107.61
Total (Net)		164415.49	170936.81	193407.29

1.25 A comparison of the Service/Department-wise allocations in RE 2011-2012 and BE 2012-13 is given below:—

Service/ Depatt.	RE 2011-12	%age of total Budget	BE 2012-13	%age of total Budget
Army	86816.67	50.79%	96564.83	49.93%
Navy	29606.01	17.32%	37314.44	19.29%
Air Force	43872.16	25.67%	48220.26	24.93%
DGOF	(-)56.63	(-)0.03%	(-)135.13	(-)0.07%
R&D	10014.31	5.85%	10635.56	5.50%
DGQA	684.29	0.40%	807.33	0.42%
Total	170936.81	100.00%	193407.29	100.00%

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

1.26 The BE 2012-13 reveals that Army's budget of Rs. 96564.83 crore account for 49.93 of the total defence budget. Out of this Revenue allocation is Rs. 77327.03 crore and Capital Allocation is Rs. 19237.80 crore.

Air Force got the next highest allocation *i.e.* Rs. 48220.26 crore which is 24.93 per cent of the total defence budget. Navy has got Rs. 37314.44 crore. This accounts for 19.29 per cent of the total defence budget. DRDO has been given 10635.56 crore, in percentage term it accounts 5.50 per cent. The major share for Army is because of the large scale provision under Revenue expenditure which is primarily driven by pay and allowance.

1.27 The following table source the distribution of Budget Estimates (BE) 2012-13:

	Revenue	%age	Capital	%age	Total (Rev+Cap)	%age (Total)
Army	77327.03	67.93	19237.80	24.17	96564.83	49.93
Navy	12548.02	11.02	24766.42	31.12	37314.44	19.29
A.F.	17705.81	15.55	30514.45	38.35	48220.26	24.93
DGOF	-535.09	-0.47	399.96	0.50	-135.13	-0.07
R&D	5995.56	5.27	4640.00	5.83	10635.56	5.50
DGQA	787.33	0.69	20.00	0.03	807.33	0.42
Total	113828.66	100.00	79578.63	100.00	193407.29	100.00

### Capital Outlay

1.28 The Capital Outlay provides allocation for Land and Construction Works of the three Services and for Capital Acquisitions etc.

1.29 The breakup of allocation during BE 2012-13 for Capital Outlay is as under:—

		(Rs. in crores)
		BE 2012-13
	Revenue (Net)	113828.66
	Capital	79578.63
1.	Land & works of three services (including Married Accommodation Projects)	7242.16
2.	DRDO, DGOF and other Defence Departments	6304.23
3.	Capital Acquisition (including DGOF supplies)	66032.24

1.30 The overall defence budget, allocation for capital expenditure, expenditure and percentage of capital budget to the total defence budget and percentage of actual expenditure is as under:—

**Overall Defence Budget**

FY	Defence Budget	Capital			
		Allocation	Percentage	Expenditure	Percentage
2009-10	141703.00	54824.00	38.69	51112.36	36.07
2010-11	147344.00	60000.00	40.72	62056.00	42.12
2011-12	164415.49	69198.81	42.09	55931.34	34.02
2012-13	193407.29	79578.63	41.15		

Note: 1. Percentage are with reference to total defence budget.

2. Expenditure for 2011-12 is upto February 2012.

**Expenditure position during various quarters of the Financial years**

1.31 The expenditure position in absolute and percentage term during the first, second, third and fourth quarter of financial years 2009-2010 and 2010-2011 and 2011-12 as furnished by the Ministry is as under:

(Rs. in crores)

		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
2009-10	141781.08	25678.22	58940.03	94331.69	141781.08
	(Actual net expenditure)	(18.11%)	(41.57%)	(66.53%)	(100%)
2010-11	154116.71	25541.71	62869.45	102503.95	154116.71
	(Actual net expenditure)	(16.57%)	(40.79%)	(66.51%)	(100%)
2011-12	170936.81	32030.69	73234.91	122436.82	150643.92*
	(RE)	(18.74%)	(42.84%)	(71.63%)	(88.13%)

\*Expenditure upto February 2012.

**Breakup of Committed liabilities and new Schemes**

1.32 The position regarding Service-wise allocation and expenditure on capital acquisition (with break-up of committed liabilities and new

schemes) as furnished by the Ministry of Defence is as under:—

Year	Service	BE	RE	Expenditure		
				New Schemes	Committed Liab.	Total
2007-08	Army	6937.20	6224.20	3245.81	3449.72	6695.53
	Navy	9980.74	8552.19	463.92	8102.71	8566.63
	Air Force	15908.86	13333.62	7287.39	5353.87	12641.26
	Total	32826.80	28110.01	10997.12	16906.30	27903.42
2008-09	Army	7607.67	5740.03	1644.18	3735.72	5379.90
	Navy	11593.68	8765.78	311.45	8648.08	8959.53
	Air Force	18281.42	16108.83	7292.51	8368.48	15660.99
	Total	37482.77	30614.64	9248.14	20752.28	30000.42
2009-10	Army	9821.07	6254.35	3780.85	4379.03	8159.88
	Navy	11732.01	11386.34	2574.19	10255.32	12829.51
	Air Force	18814.64	17506.19	5506.23	11931.38	17437.61
	Total	40367.72	35146.88	11861.27	26565.73	38427.00
2010-11	Army	8876.88	7433.23	3739.17	3478.62	7217.79
	Navy	11439.90	14439.90	5422.29	10865.13	16287.42
	Air Force	23482.43	22567.50	8116.64	14064.92	22181.56
	Total	43799.21	44440.63	17278.10	28408.67	45686.77
2011-12	Army	10740.02	4950.02	347.53	3380.03	3727.56
	Navy	13845.26	16425.51	899.54	14961.41	15860.95
	Air Force	28412.74	26033.92	8220.43	14653.74	22874.17
	Total	52998.02	47409.45	9467.50	32995.18	42462.68
2012-13	Army	13724.14				
	Navy	23775.10				
	Air Force	28533.00				
Total		66032.24				

Note: 1. Expenditure figures for 2011-12 is as of February, 2012.

2. Navy includes Joint Staff.

1.33 In so far as the three Services are concerned, the projected requirement for new schemes and committed liabilities was as under:—

(Rs. in crores)

	Projected requirement for Capital Modernisation Budget 2012-13		
	Committed Liabilities	New Schemes	Total
Army	5552.63	9855.21	15407.84
Navy	20390.89	6269.49	26660.38
Joint Staff	322.39	280.35	602.74
Air Force	24063.00	10102.00	34165.00
Total	50328.91	26507.05	76835.96

1.34 However, based on the actual allocation of funds by the Ministry of Finance and requirement for committed liabilities, including those likely to be deferred from the current financial year to 2012-13, the position of actual allocation is as under:—

(Rs. in crores)

	Capital Modernisation Budget 2012-13			
	Committed Liabilities	New Schemes	DGOF Supplies etc.	Total
Army	5552.63	2500.00	5671.51	13724.14
Navy	22531.89	720.82		23252.71
Joint Staff	322.39	200.00		522.39
Air Force	26433.00	2100.00		28533.00
Total	54839.91	5520.82	5671.51	66032.24

1.35 The above allocation for committed liabilities and new schemes may however undergo a change, based on achievement of project related milestones and consequent reprioritization of schemes.

1.36 In so far as Coast Guard is concerned, the allocation for committed liabilities and new schemes for modernisation under BE 2012-13 is as under:—

(Rs. in crores)

	Committed Liabilities	New Schemes	Total
Coast Guard	1220.00	420.00	1640.00

**Revenue, Capital Ratio**

1.37 A comparison of Revenue, Capital Ratio during 9th, 10th, 11th Plan and Annual Plan since 2007-08 is as under:—

	Revenue Ratio	Capital Ratio
IXth Defence Plan (Average)	74	26
Xth Defence Plan (Average)	64	36
BE 2007-08	56	44
BE 2008-09	55	45
BE 2009-10	61	39
BE 2010-11	59	41
BE 2011-12	58	42
XIth Defence Plan (Average)	58	42
BE 2012-13	59	41

**Controversial media report about the movement of troops**

1.38 Before the examination of Demands for Grants was taken for consideration, some Members of the Committee raised the issue of controversial reporting of Army exercises held in foggy weather during January, 2012 by a leading newspaper. Since the news-item assumed special significance, the Defence Secretary was asked to give clarification to the Committee on the first day prior to the commencement of the discussion on the Demands for Grants (2012-13). The Committee were not satisfied with the clarification and asked the Secretary to explain the detailed factual position in this regard at sitting scheduled to be held on the 9th of April, 2012. Accordingly, the Secretary while deposing before the Committee stated as under:

“Hon. Chairman and Respected Members, with regard to the newspaper report which appeared on 4th April, 2012, I would like to submit the following:

The Army maintains a high degree of preparedness against internal and external threats. Training is the bedrock of maintaining this operational preparedness. Mobilisation forms an important facet of training and is considered a critical performance parameter. These are carried out in routine manner by various formations and units. On January 16, 2012, one of the units/sub-units of 50 Independent

Para Brigade carried out mobilisation to practise mounting from an alternate airfield other than Agra during fogged out conditions and non-serviceability of Agra airfield due to operational reasons.

These issues had emerged during the various deliberations in the course of refinement of plans of 50 Independent Para Brigade. This column came to the location of 1 Unit at Gurgaon on January 17, 2012. Mobilisation practice was carried out under the aegis of 59 Independent Para Brigade.

33 Armoured Division was to carry out its exercise with troops in the month of March-April, 2012. As a precursor towards this exercise, a Mechanised Infantry Battalion was mobilised by the Formation Commander towards Bahadurgarh to validate its loading, movement and occupation of a harbour in poor visibility conditions on the night of 16-17 January, 2012. The Battalion reached a general area of Bahadurgarh in the morning hours of 17th January, 2012 and proceeded to occupy the harbour necessitated for dispersal as per Standard Operating Procedure.

Having validated their mobilisation drills, both the columns moved back subsequently. The feedback of both the training activities along with the lessons learnt was given to the respective Formation Commanders.

The movements were purely for training purposes aimed at refining the mobilisation drills and ensuring operational preparedness of the Army despite adverse weather conditions.

Sir, there is another issue as to whether the MoD's permission or intimation to MoD about such movement is required. I very emphatically say that it is not required.

To the best of my knowledge, there is no such Government order. The media report is based on wrong inferences, surmises and conjectures. It is, therefore, strongly dismissed....."

### **Celebrating 2012 as year of Veterans**

1.39 The Committee in their reports have recommended for enhancing financial assistance/pension for Veterans who retired pre-independence period and also recommended that facilities like Ex-Servicemen Contributory Health Scheme(ECHS), Canteen Stores Department (CSD) canteen admissible to other armed forces personnel should be given to them.



### **Outcome Budget of the Ministry**

1.40 The Committee have strongly been recommending the Ministry to prepare Outcome Budget of the Ministry. After continuous pursuance of the matter, the Ministry had initially agreed to attempt Outcome Budget in respect of selected organizations as communicated in the action taken replies to the Sixth Report of the Committee. When the issue was raised during the course of examination of Demands for Grants of the year 2011-12, the Ministry's response was not positive. The issue were pursued further in the 12th Report. With regard to the status of Outcome Budget, the Committee have now informed as under:—

“In compliance with the directions of the Standing Committee, the Ministry has taken action to ensure that the Outcome Budget documents for Identified organization for the year 2012-13 are ready in time. The same have been prepared by the concerned organisations. However, upon examination of the same, it was felt that the same need to be refined further, to be of the requisite standard. This is more of a teething issue than delaying tactics on the part of the Ministry.”

### **Finalization of Long Term Plans**

1.41 The Committee have consistently been raising serious concern over non-finalization of LTIPP, 2012-27 and of the 12th Plan. Even when the five years of 11th Plan have been over the long-term, the Long Term Plan could not be finalized by the Ministry. Similar was the case with the 10th Plan. With regard to the delay in finalization of 11th Plan, the Ministry has informed the delay was due to difference of opinion between the Ministry of Defence and Ministry of Finance on the plan size. With regard to the status of LTIPP, 2012-27 and the 12th Plan the Ministry in the written note furnished in the context of examination of Demands for Grants, 2012-13 stated as under:—

“The HQIDS have submitted a draft LTIPP, 2012-27 to the Ministry, with the approval of the Chief of Staff Committee. The document will be examined in the Ministry and placed before the Defence Acquisition Council (DAC).”

1.42 The Standing Committee was earlier informed that the Twelfth Defence Plan for the Services has been prepared and approved by the Chiefs of Staff Committee and shall be finalized on approval by the Defence Acquisition Council (DAC).

1.43 The Committee during the course of deliberation on Demands for Grants, 2012-13 at the sitting held on 4th April, 2012 have been apprised that the Long Term Plan LTIPP, 2012-27 and 12th Plan have been approved by DAC.

#### **Advance strategy of the Ministry for procurements**

1.44 The issue regarding delay in procurement was dealt in detail by the Committee during the course of deliberations on Demands for Grants, 2012-13. Some important suggestions emerged during the course of deliberations. On the suggestion of having data bank for the acquisitions of our services the Secretary during the course of deliberations informed as under:—

“In fact, some beginning has been made in the offices of the Technical Managers. They are collecting some sort of data but I will admit that we have not perfected in that. There is a scope for further improvement.”

1.45 The Secretary further acknowledged that aforesaid data bank would certainly help in acquisitions and we must progress in that. On the issue of identifying acquisitions under the MAKE category, the Secretary further elaborated:-

“Out of these 15 years LTIPP, we will cull out those case which are ‘MAKE’ and for that, we will start preparation from now itself. In the last two to three years, a few cases have been taken up like Tactical Communications System, Future Infantry Combat Vehicle, etc. But I agree that a number of such cases must now increase and it will come out of the 15 years long time perspective plan.”

1.46 On the aforesaid issue the Secretary further added:—

“It is not only public sector, we must involve private sector also in that. I would suggest that. For our 15 years LTIPP, which have not put up in the public domain so far, we have now decided to make an industry version and put it in the public domain. Simultaneously, an exercise has also been taken up to indentify the technologies on which PSUs and domestic private industries could consider working on. The cases indentified as ‘MAKE’ are mostly for this purpose. The 15 years LTIPP plan, which was never approved before, has already been approved by the Defence Acquisition Council and we certainly hope that our long term plan will come out in the public domain within six months. It will be the industry version only and not exactly how are going to proceed as this will disclose many of our future strategic plans.”

### **Black Listing of Companies**

1.47 The issue of black listing of some of the companies emerged during the course of deliberations of Demands for Grants 2012-13. On this issue, the Secretary during the course of deliberations informed the Committee that CBI had reported against these companies to them and show cause notice was served on them. The show cause was duly considered and then a normal legal order was passed. And action has been taken against the person that is that OFB Chairman, Shri Sudipto Ghosh. That action has already been taken. That is the part of the CBI case.

1.48 The Secretary further apprised that six companies have been black listed and all were related to this case only. The Secretary further informed that period of black listing of these companies is for 10 years. On the issue of procurement of L-70 gun replacement, the Secretary during the course of deliberations informed as under:—

“In fact, in case of L70 gun replacement, which is air defence gun for Army, there are four or five companies which make these guns as to my knowledge. But army says that the best gun is being made by M/s. Rheinmetall Air Defence (RAD), Zurich is also one of the companies black listed here. So, it is a difficult situation.”

1.49 On the issue of service condition with regard to Armed Forces officers joining private service after retirement, the Secretary apprised the Committee that earlier the aforesaid period was two years now it has been reduced to one year.

### **Acquisition/Defence Procurement Procedures**

1.50 At this stage the Committee asked from the Ministry why the delays take place specially when the representatives of Armed Forces also form the part of Defence Acquisition Council and Defence Acquisition Board. Explaining the entire procedure of acquisition in detail and the various stages involved, Defence Secretary stated as under:—

“One thing you would have appreciated here that over the last five to six years, — the first DPP was in 2005 — the entire process is an integrated exercise right from the very beginning. The first stage is the preparation of the statement of case. It is prepared by the Service headquarter. The Service headquarter reflects, what is to be procured, how much is to be procured and how it is to be procured. The first committee is the SCAPCC which is headed by

Deputy-Chief of the Integrated Defence Staff. There, the basic decision is taken as to how it is going to be bought – categorisation such as buy and make or buy Indian or buy global etc. and whether ToT is to be taken or not. So, I would say that at every stage it is an integrated system where the Service headquarters is an essential partner in taking all decisions. There is no doubt about it. As you have rightly said, DAC is headed by the Raksha Mantri. There are three Chiefs, Defence Secretary, Secretary (DP) SA to RM, everyone is there. So, final decision is taken there. Similarly, in the DPB, which is a lower body, chaired by me and three Vice Chiefs are there. In the Contract Negotiation Committee also all Service representatives are there. But there are certain stages where exclusively the jurisdiction is with the Service headquarters. Now, the first thing is floating of RFI. What types of equipment are available in the market; how many vendors are available; how many OEMs are available; and what type of specification would be really available, all this is done by the Service headquarters. After that, the General Staff Quantity Requirement (GSQR) in case of Army; in the case of Air Force – ASQR and in the case of Navy—NSQR role comes. This is exclusively done by the Service Headquarters in consultation with DGQA and some times with DRDO also.

Then third stage comes where the RFP is there. After the competent level approves that this procurement has to go ahead, then the RFP is drafted by the Service Headquarters. The RFP is finally approved by the Organisation under the DG (Acq.). Now what is DG (Acquisition)'s organisation. There is DG (Acq.). Unfortunately, the DG is on long leave. There is FA (Acq.). Then, we have three branches and each branch is headed by an Acquisition Manager who is either a Joint Secretary — may be from IAS or from other Service – and each Acquisition Manager is assisted by a Technical Manager who is a Major General rank officer and a Finance Manager who is from the finance side. So, this is the collegium of three persons which takes all the decisions. So, here also there is an integration.

Now when the RFP is floated, the RFP is drafted by the Service headquarters and it is approved by the DG (Acq.)'s Organisation. When the proposal comes, the first thing is technical evaluation of the proposal. This technical evaluation of proposal is exclusively done by the user service. There is a Committee which is under Deputy-Chief and the user service decides whether the proposal which has been received is technically compliant or not. So, this

is TEC. Thereafter, trials are conducted for equipment as accepted/ approved by TEC. They are also conducted exclusively by the Service headquarters. There are members from the DGQA and sometimes from DRDO also depending upon the requirement of the technology. Once the trial is evaluated, the report is also approved by the Service headquarter Deputy-Chief. Then, it comes to DG (Acq.) where it is examined by the Technical Manager who is also a Service Officer but a part of the DG (Acq.) and then it is approved by the DG (Acq.). After that, the CNC starts. The real job starts from the Contract Negotiation Committee which is headed by the JS and Acquisition Manager which is a part of the DG (Acq.). In this Committee also, there are representatives from the User Service, Technical Branch, Quality Assurance, Adviser (Cost), and finance.

Now what happens is that, at every stage, there are delays. The first is the formulation of GSQRs. There are cases where GSQRs have been formulated, reformulated, again formulated and it takes months. Then, comes framing of RFPs. Now, our procedure says that normally four weeks must be taken for formulation of RFP. I have got the figures of Army. I am sorry I am not having figures in respect of Air Force and Navy. It is just an analysis which we have to make. At an average which we have worked out, nine months have been taken for the formulation of RFP while it should not take more than four weeks. Then Technical Evaluation should take 12 weeks, *i.e.*, three months. I have worked it out. The average time taken at TEC is six months. Then average time taken in GS evaluation. As per procedure, it must be from 28 weeks to 54 weeks but at an average, it is not less than 18 months. There are cases where RFP have been issued but have been rejected. I have a figure from 1st September, 2010. As many as 41 RFPs of the Army were rejected and the reasons were — faulty GSQR, stringent GSQR, faulty vendor analysis which implies that we may have anticipated three vendors but only are responded or we may have short listed five vendors, but only two responded. Then these are maintenance and technology transfer issues, and other miscellaneous reasons. So, I would say that though it is an integrated procurement system, the delays are there and I cannot pinpoint exactly who is guilty or who is not guilty.”

### **Delegation of financial powers**

1.51 On the issue of delegation of financial power, on Capital side the Committee have been informed as under:—

“At present all the three service HQs have Rs. 50 crore. Now, the suggestion which you just referred because of the large number of cases is of the range of say may be Rs. 100 or Rs. 150 crore or

Rs. 200 crore, so probably delegation of powers may help. This is what our impression is and this is what was discussed in the meeting with the Raksha Mantri. So, this proposal we will consider and in case if it is needed, if Army agrees and if Army really feels that this will help, then we will consider it. Each case is of a very smaller amount like Rs. 100 crore to Rs. 200 crore in a large number of cases. Each case has to pass through a similar number of stages. So, if we anyhow reduce the stages, then probably it can be expedited.”

### **Management of Defence Land**

1.52 On the irregularities in involving defence land reported in 2011-12, the Ministry submitted the following details:-

#### **(a) Case of B.No. 8A, Lothian Road, Pune**

B.No. 8, Lothian Road comprising GLR Svy No. 249-A admeasuring area 0.968 acres is held on lease for initial period of 30 years w.e.f 1.8.1946 and renewable upto 90 years. The lease is valid upto 31.7.2036. The lease was granted for dwelling house and shops. The lease rights to the land were transferred by HOR to M/s. Kalpataru Builders, Mumbai. The Kalpataru builders applied for sanction to construct commercial/residential accommodation. Army authorities insisted on reservation of property on the basis of 56% for commercial purpose and 44% for residential purpose, with residential accommodation to be offered for married officers' accommodation.

Kalpataru Builders approached the High Court against the order of 44% reservation for Army Officers residential accommodation which was dismissed in 2009 and its appeal was also dismissed in Supreme Court in December 2006. In 2008 M/s. Kalpataru Builders filed writ petition for the 44% reservation in Mumbai High Court. At this point the then GOC-in-C Southern Command and later VCOAS Lt. Gen. Nobel Thamburaj, is alleged to have entered into an 'out of court settlement' with M/s. Kalpataru Builders.

A Court of Inquiry was ordered by Headquarters Southern Command to investigate the matter, following which COAS had directed administrative action against the then Major General Incharge of Administration, HQ Southern Command and President PCB. COAS had ordered that the matter may be handed over to CBI.

CBI has registered one case against a retired Army Officer in which Lt. Gen. (Retd.) N. Thamburaj has been named as an accused. The case is pending enquiry.

**(b) Srinagar – Case of Issue of NOC**

There have been reports and complaints about issue of No Objection Certificate (NOC) for effecting sales/purchase transactions of defence land at Srinagar Airport.

As per records available in DEO, Srinagar's Office, NOCs have been issued in respect of acquired land in 04 cases. These lands lie within the active IAF airfield. All four NOCs have been cancelled. 36 (Thirty Six) NOCs have been issued in respect of requisitioned land and one NOC has been issued in respect of hired land. These are in occupation of the Army.

No guideline/policy existed with regard to issue of NOC, such NOCs have been observed to be issued. These NOCs have been issued without consultation with Army or Air Force. One Defence Estates Officer and one Sub Divisional Officer (Grade-1) of Defence Estates have been suspended. The land in question is already in possession of Ministry of Defence.

The Ministry has referred the entire issue for investigation by the Central Bureau of Investigation (CBI) on 30.09.2011. Central Bureau of Investigation (CBI) has registered a Preliminary Enquiry regarding grabbing of defence land near a sensitive security zone in Srinagar. The enquiry is in final stage and out-come will be known on its finalization.

**(c) Jodhpur Case**

A sanction was accorded in 1976 by the Ministry for requisition of land measuring 645 acres in Village Jodhpur and Digari Viran (unsettled) including the area measuring 296.20 acres in Khasara No. 426 of village Jodhpur. It was acquired and transferred to Ministry of Defence in 1976. In 2001 MMHST represented against illegal occupation of land by the Local Military Authority, over and above 296.20 acres in Khasara No. 426.

A Joint Survey was conducted and based on the survey report, in 2007, an extent of 4.84 acres of land in Survey No. 426 of Jodhpur village has since been handed over to the Major Maharaj Hari Singh Charitable Trust, Jodhpur, on the basis of this land being identified to be excess land, being occupied by the Army. In this regard, certain questions have arisen which need to be addressed and settled through a detailed survey. A joint survey team consisting of a revenue official of Government of Rajasthan not below the rank of Additional Collector,

Additional Director General of Directorate General of Defence Estates, Additional Director General level officer of Quarter Master General of Army HQ and the local officer of Quarter Master General of Army and the local Military Authority of the Jodhpur has been constituted by the Ministry to enquire into the matter.

#### **Development of infrastructure near the borders**

#### **Infrastructure development by Chinese in PoK and intrusion by PLA in Indian Territory**

1.53 On the issue of Chinese troops entering into the Indian Territory, the Ministry elaborated as under:—

“Government is aware that China is undertaking infrastructure projects in Pakistan occupied Kashmir (PoK). Ministry of External Affairs have conveyed our concerns diplomatically to China about their activities in PoK and asked them to cease such activities.

On 25th August, 2011 at approximately 0845 hours, two PLA helicopters were observed descending close to LAC in the Chumar Sector and subsequently seen departing at 0905 hours. A joint patrol of the Army and ITBP launched in the area to ascertain facts reported that a few wind breakers made of loose stones had been damaged. Stones had been arranged to form a Chinese word in an area which is approximately 150 metres on the Indian side on LAC. A strong protest has been lodged with the Chinese side regarding the incident in a Flag Meeting with the PLA. The damaged wind breakers have been reconstructed.”

1.54 On the strategy to counter the infrastructure being built near the LAC & LoC, the Ministry has further added as under:—

“Government is closely watching all activities of our neighbours including China and reviews the threat perception regularly. Required measures have been initiated through development of infrastructure, including rail, roads and forward air fields as well as operational capabilities to achieve desired defence preparedness through accretion and modernization and deployment of forces to safeguard the sovereignty, territorial integrity and security of India.”

1.55 The Ministry in the written note further submitted as under:—

“China disputes the International Boundary between India and China. There is no commonly delineated Line of Actual Control (LAC) between the two countries. Both sides patrol upto their



respective perceptions of LAC. From time to time, on account of differences in the perception of LAC, situations have arisen on the ground that could have been avoided if we had a common perception of LAC. Effective border management is carried out through surveillance and regular patrolling by the forces to prevent transgressions working mechanism constituted by MEA recently.

The contemporary security threats facing India are varied, complex and entail the entire spectrum of conflict to include both conventional and unconventional warfare, including proxy war, terrorism and insurgencies. It ranges from 'traditional land centric threats' along our borders to asymmetric threats including proxy war."

1.56 The Ministry further apprised the Committee on the condition of roads, airfield, train links approaching the border roads from Indian side, the details of which are given as under:—

"As per the latest information, Border Roads Organization is working on 700 roads having length of 28,200 Km and maintaining 22,000 Kms of roads and 7 air fields which are usually maintained in good conditions. 73 roads project (which are critical and strategically important) have been planned for development along the India-China Border in a time-bound manner. Out of this 16 roads have already been completed. 38 roads are scheduled for completion by 2013 and 19 roads by 2016.

There are two airfields that can support full fledged air operations during day time *i.e.* Leh & Thoise. Kargil airfield can also support limited operations. Nyoma and DBO airfields are two Advanced Landing Grounds in the area that can only support limited operations by utility helicopters and AN-32 aircraft.

A total of 14 railway lines have been deemed as high priority lines and endorsed operationally for construction on strategic grounds. Out of these, 09 lines are to be constructed along the Northern Border on priority basis which includes 03 lines under Eastern Command."

1.57 On the financial provisions made in BE 2012-13 to construct the roads, bridges, etc. from Indian side, the Ministry submitted the following:—

"Works to the tune of Rs. 4985.26 crore (Rs. 1517.85 crore for Agency Works and Rs. 3467.41 crore for General Staff Works) have

been planned by Border Roads Organisation (BRO) in Annual Works Plan (AWP) 2012-13 and have been approved. Allocation of Rs. 3300 crore has been made for General Staff (GS) Works in 2012-13. Works have been planned for construction/upgradation/improvement of road and bridges in identified packages like ICBR (73 roads projects), General Staff Long Term Perspective Plan (Priority-I) (GS LTPP) 130 roads and GS LTPP-II 283 roads."

1.58 On the long term strategy evolved to safeguard our territorial interests and the sovereignty of the nation, the Ministry submitted as under:—

"The imperative of attaining and maintaining a decisive combat edge coupled with achieving a high level of operational preparedness by concurrent modernization and force structuring are important tenets for manifestation of our strategy.

The strategic imperatives of our strategy are embodied in the Raksha Mantri's "Operational Directives" which is reviewed from time to time. Our strategy is constantly refined keeping in view the changing security paradigm in our immediate and extended neighbourhood and the world at large. Steps, as deemed operationally imperative, for development of necessary capability are being vigorously pursued by modernization through acquisitions, restructuring, transformation and right optimization of our force structure to cater for assessed threats in the perceived security paradigm in our region. Critical elements like the 3rd dimensional offensive capability, night fighting capability, punitive and precision fire power, maneuverability, surveillance, air defence, operational logistics are developed/pursued/acquired in consonance with our long term perspective plans in order to attain the requisite operational capability and to maintain the Indian Army readiness to respond swiftly and effectively to safeguard our territorial interests and the sovereignty of the nation."

1.59 The Committee during the course of deliberations raised the issue of funding for strategic roads and required rail infrastructure on our borders. To this, the Secretary apprised that for upgrading rail infrastructure on our borders, Railways is not being provided any additional allocation by the Planning Commission. Railways can get the additional fund from Planning Commission. The total outlay of defence being Non-Plan, defence cannot be provided outlay from the Planning Commission. The Secretary acknowledged that some way out has to be found to address the issue.

1.60 He further informed that 413 General Staff roads have been identified for improvement under Long Term Perspective Plan. 160 Forest clearance cases on these roads are pending with various State Governments. In this review can be done with State Government.

1.61 On the issue of cases pending for forests and wild life clearances, the Ministry stated as under:—

“There are 12 Nos. of Forest/wild life cases pending for want of clearance from MoEF for construction of Indo-China Border Roads (ICBR) and 160 Nos. for other than ICBRs.

To resolve the issue, Forest and wild life clearance cases have been pursued with MoEF and State Government regularly and following steps have been taken:—

- (i) Regular monitoring meetings on quarterly basis are being organized at Ministry of Defence.
- (ii) An integrated and simplified format for application for seeking Forest clearance as well as wildlife clearance has been designed.
- (iii) A Single Window Clearance System was introduced by MoEF during Jun. 2010 and with this system the FC/WLC cases are being processed on a fast track basis.”

1.62 On the progress of construction of tunnels on Pakistan China borders for easy access, the Committee were informed through a written reply as under:—

- (i) One tunnel is under construction at Rohtang Pass on Manali-Sarchu-Leh road and completion date is Feb. 2015.
- (ii) Feasibility study and preparation of DPRs of three more tunnels at Zozila & Z-Morh and Razdhan pass in Jammu & Kashmir are under progress. The completion schedule will be finalised on completion of DPR.
- (iii) Approval-in-Principle has been accorded for carrying out feasibility study of two more tunnels at Khardungla and Sadhana Pass in Jammu & Kashmir and one tunnel at Theng in Sikkim.
- (iv) In addition to the above 7 tunnels, Army has endorsed construction of 11 more tunnels in Arunachal Pradesh, Sikkim and Jammu & Kashmir which will be taken up subsequently.

1.63 A provision of Rs. 150 Crore has been made for construction of Rohtang Tunnel in BE-2012-13. Similarly Rs. 46.58 Crore has been provisioned for on going feasibility study of tunnels.

## CHAPTER II

### ARMY, NCC AND WELFARE OF EX-SERVICEMEN

2.1 Primary role of Army is to preserve national interests and safeguard sovereignty and territorial integrity against external threats by deterrence or by waging war. As its secondary role Army has to assist Government agencies to cope with 'Proxy War' and other internal threats. It also provides aid to civil authorities and assists in disaster management when requisitioned. It also undertakes UN peacekeeping operations and renders military assistance. Army's vision for the future includes to be an optimally equipped, weaponised and responsive force, with the capability to operate effectively in a joint services environment in the entire spectrum of conflict, in a regional context.

#### **Budgetary Allocation**

2.2 Details regarding the proposed outlay, outlay earmarked at Budget Estimates, Revised Estimates, the expenditure met for the Eleventh Plan as a whole and for each year of the Eleventh Plan are as follows:—

(Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2007-08	Revenue	58900.35	54078.00	57558.74	54795.00	54218.61
	Capital	45040.12	41922.00	41951.27	37705.00	37461.67
	Total	103940.47	96000.00	99510.01	92500.00	91680.28
2008-09	Revenue	64369.39	57593.00	75259.44	73600.00	73304.80
	Capital	54407.16	48007.00	45943.16	41000.00	40918.48
	Total	118776.55	105600.00	121202.60	114600.00	114223.28
2009-10	Revenue	92761.76	86879.00	92962.71	88440.00	90668.72
	Capital	61394.66	54824.00	60691.78	47824.00	51112.36
	Total	154156.42	141703.00	153654.49	136264.00	141781.08

1	2	3	4	5	6	7
2010-11	Revenue	97349.97	87344.00	97026.82	90748.43	92060.71
	Capital	75243.73	60000.00	68197.78	60833.26	62056.00
	Total	172593.70	147344.00	165224.60	151581.69	154116.71
2011-12	Revenue	118305.14	95216.68	110814.03	104793.00	94712.58
	Capital	96709.94	69198.81	77932.74	66143.81	55931.34
	Total	215015.08	164415.49	188746.77	170936.81	150643.92
Total	Revenue	431686.61	381110.68	433621.74	412376.43	404965.42
	Capital	332795.61	273951.81	294716.73	253506.07	247479.85
	Total	764482.22	655062.49	728338.47	665882.50	652445.27

Note : Expenditure upto February, 2012 has been taken into account for the year 2011-12.

2.3 As per the data supplied by the Ministry, during 2012-13, the Army projected for Rs. 83861.62 crore under Revenue Head, however, it was allocated only Rs. 77327.03. Under the Capital Head Army projected for Rs. 28234.60 crore and it was allocated Rs. 19237.80 crore.

REVENUE (Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2007-08	Army	35796.31	33269.16	34843.87	33437.49	33377.82
	NCC	470.98	413.20	541.65	426.54	495.76
	DGQA	373.60	404.40	354.95	354.95	324.49
	DGOF	-2.32	-356.49	-18.49	-66.49	-189.32
2008-09	Army	37899.00	35431.65	48287.37	46881.49	46493.83
	NCC	601.96	465.10	730.99	845.60	559.98
	DGQA	374.00	374.00	460.15	468.25	464.70
	DGOF	-348.09	-348.09	1334.63	1325.74	1482.78
2009-10	Army	60805.46	57251.69	60102.24	56710.46	59688.65
	NCC	898.61	845.60	938.17	635.65	736.15
	DGQA	585.35	550.81	597.25	562.59	601.36
	DGOF	1356.54	832.94	1230.12	2187.32	1735.30

1	2	3	4	5	6	7
2010-11	Army	61152.32	55827.53	63020.08	59133.60	61678.32
	NCC	1082.28	941.58	897.23	808.23	705.29
	DGQA	613.05	557.88	745.93	588.98	550.72
	DGOF	282.98	246.19	247.34	150.13	-587.54
2011-12	Army	76267.27	62651.29	73360.00	69918.00	63474.17
	NCC	1083.22	958.51	892.98	892.98	674.72
	DGQA	747.55	614.75	702.25	668.29	601.20
	DGOF	-710.00	-1176.75	-350.85	-356.59	755.14
2012-13	Army	82554.73	76248.23			
	NCC	1306.89	1078.80			
	DGQA	838.23	787.33			
	DGOF	-417.49	-535.09			

Note : Expenditure for 2011-12 is upto February, 2012.

CAPITAL (Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2007-08	Army	13518.30	11621.02	11655.69	11548.07	11925.10
	NCC	23.41	13.16	20.16	20.16	4.67
	DGQA	25.00	43.07	9.02	9.02	7.43
	Ord. Fys.	342.84	154.08	154.08	154.08	150.43
2008-09	Army	16325.95	13307.82	13541.57	11304.18	10619.78
	NCC	35.31	23.66	21.66	27.30	3.32
	DGQA	59.27	49.32	52.00	49.32	28.64
	DGOF	327.10	176.44	362.65	176.44	352.13
2009-10	Army	21548.07	17992.64	17256.95	12804.98	14799.60
	NCC	32.70	27.30	27.80	10.70	3.60
	DGQA	14.00	11.69	22.50	11.69	16.06
	DGOF	805.40	672.51	822.32	298.93	240.53

1	2	3	4	5	6	7
2010-11	Army	21596.94	17222.05	19172.15	15635.76	15852.95
	NCC	36.10	28.79	5.40	5.40	3.13
	DGQA	15.00	11.96	20.60	16.96	15.01
	DGOF	964.81	769.34	306.28	455.57	454.22
2011-12	Army	25586.18	19185.19	20636.19	16000.19	11314.44
	NCC	25.50	25.50	5.50	5.50	2.56
	DGQA	30.00	20.00	16.00	16.00	8.73
	DGOF	399.96	399.96	332.54	299.96	94.79
2012-13	Army	28113.60	19187.80			
	NCC	121.00	50.00			
	DGQA	25.00	20.00			
	DGOF	552.76	399.96			

Note : Expenditure for 2011-12 is upto February, 2012.

2.4 On the areas where compromises have been made or likely to be made due to the reduced budgetary allocation against the projections made by the Army, the Ministry submitted as under:—

“Under the revenue segment, after providing for salary and other obligatory expenses the balance allocation is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. These areas are likely to be impacted by the reduced allocation.”

Reduction in Capital Head will affect land, works, aircraft, vehicles, medical equipment, military farms etc. and modernization schemes.

2.5 The projections for budgetary requirement, allocation and monitoring of expenditure against the same is being carried out on a consolidated basis, except in the case of Capital modernization segment in respect of the Services. The break-up of allocation (BE) and expenditure on account of committed liabilities and new schemes in so far as capital budget is concerned is as under:—

(Rs. in crores)

Year	Capital Modernisation				Other Than Modernisation		Total	
	Committed Liabilities		New Schemes					
	BE	Exp.	BE	Exp.				
1	2	3	4	5	6	7	8	9
2007-08	2306.84	3449.72	4630.36	3245.81	4696.98	5234.24	11634.18	11929.77

1	2	3	4	5	6	7	8	9
2008-09	3023.17	3735.72	4584.50	1644.18	5723.81	5243.20	13331.48	10623.10
2009-10	4540.00	4379.03	5281.07	3780.85	8198.87	6643.32	18019.94	14803.20
2010-11	3700.00	3478.62	5176.88	3739.17	8373.96	8638.29	17250.84	15856.08
2011-12	3998.78	3380.03	6741.24	347.53	8470.67	7589.44	19210.69	11317.00

Note: Expenditure for 2011-12 is as of February, 2012.

2.6 The projected requirement for new schemes and committed liabilities was as under:—

(Rs. in crores)

	Projected requirement for Capital Modernisation Budget 2012-13		
	Committed Liabilities	New Schemes	Total
Army	5552.63	9855.21	15407.84

2.7 However, based on the actual allocation of funds by the Ministry of Finance and requirement for committed liabilities, including those likely to be deferred from the current financial year to 2012-13, the position of actual allocation is as under:-

(Rs. in crores)

	Capital Modernisation Budget 2012-13			Total
	Committed Liabilities	New Schemes	DGOF Supplies etc.	
Army	5552.63	2500.00	5671.51	13724.14

2.8 Details of the ratio for Capital and Revenue outlay during each year of the Eleventh Plan as well as the proposed ratio during the first year of the Twelfth Plan in respect of the three Services are as follows:—

Year	Overall Defence budget		Army	
	Capital	Revenue	Capital	Revenue
2007-08	44	56	26	74
2008-09	45	55	27	73
2009-10	39	61	24	76
2010-11	41	59	23	77
2011-12	42	58	23	77
2012-13	41	59	20	80



## The critical shortages of armaments with Army

### Deficiency in strength of Army Aviation

2.9 On Army Aviation the Ministry has given the following information:—

“Army Aviation is a component of the Land Power. Army Aviation’s primary mission is to fight the land battle by undertaking combat operation and combat support operations. It operates within the framework of operational concepts of the Indian Army and provides aviation support to the field force commander in the Tactical Battle Area. The purpose of Army Aviation is to enhance ground mobility and exploit maneuver. Army Aviation achieves its battlefield leverage through a combination of mobility, speed and firepower. This in turn enhances the ability of the field force commander to apply the four fundamental principles of war—maneuver, mass, surprise and economy of effort. Army Aviation as a maneuver force is the third dimension centerpiece of the land forces.

The Sanctioned and existing manpower, machine and airfields of Army Aviation is as under:—

#### (a) Sanctioned and Existing Manpower

There are 8447 officers, JCOs and Other ranks in Army Aviation as against the sanctioned strength of 8531.

#### (b) Sanctioned and Existing Machines

Sl.No.	Category	Sanctioned	Existing
(i)	Cheetah	157	129
(ii)	Chetak	56	55
(iii)	Advance Light Helicopter (ALH)	125	49
(iv)	Advance Light Helicopter (Weapons Systems Integrated) (ALH-WSI)	60	—

(c) **Airfields.** There are a total of 21 bases of Army Aviation. Of these 7 are in Northern Command; 3 in Western Command; 1 in Central Command; 2 in Southern Command; 5 in Eastern Command and 3 in South western Command.”

2.10 During the deliberations, on the shortage of Advance Light Helicopter (ALH) and Advance Light Helicopter (Weapons Systems Integrated) (ALH-WSI), the representative of the Ministry submitted as under:—

“ALH is a developmental project undertaken by HAL. Presently, they have only been able to manufacture the basic ALH which have been inducted into the Service. ALH weapon system integrated is the next phase. These are the sanctioned strength. As the HAL is able to develop and field this into the Army they will be inducted. We are in the process of contracting for the weapon system. The missile trials are due in April and as soon as they are inducted, we will inform.”

Defence Secretary also added:-

“Earlier there was an indigenous missile which was being thought of but that could not get through. So we had to select from outside missile. That would be integrated in ALH and that is a developmental project.”

The representative further added:—

“When we take the approval of the Ministry, the sanctioned strength is spread over various plans. The target for the 11th Plan is almost complete. We are starting the raising of the new Squadrons for the 12th Plan. It is as per the approved Plan spread over a number of Plans.”

2.11 On the benefits which are to be accrued to Indian Army in particular and Armed Forces in general by strengthening and augmenting Army Aviation keeping in view the fact that Indian Air Force and Indian Navy have fully operational aviation wing, the Ministry clarified as under:—

“The Indian Army is seeking the ‘Induction of Combat Aviation Capability’ in view to reduce response time for better operational preparedness. The maneuver potential of these aerial platforms in support of the ground battle can be optimally exploited by the Army Aviation Pilots who understand the intricacies of the complex ground battle seeing the battle through the eyes of ground force commander. Army has proposed to acquire Attack Helicopters and Tactical Battle Support Helicopters. The matter is under consideration.”

On selection and training of the pilots of Army Aviation, the Ministry stated as under:—

*“Selection and Training.* The Officers from all arms of the Army who volunteer to become army pilots are required to undergo the Pilot Aptitude Battery Test (PABT). After passing the PABT test they undergo aviation medicals at special medical centers. A final merit list is prepared of all the officers who successfully clear PABT and aviation medicals by the Military Secretary’s Branch.

Based on the final merit the number of officers required to be trained as pilots are selected to commence flying training. They undergo 50 hours of basic flying training and 33 hours of advanced flying training. Upon completing these trainings pilots are awarded the coveted Army Aviation flying badge and made Army pilots.

*Promotion Avenues.* The promotion avenues for the Army Aviation officers are within the Army Aviation Corps and are within the rank structure. The promotion of the maintenance staff is governed by the policies formulated by the Military Secretary branch of the Army for the Corps of Electronics and Mechanical Engineers.

*Ranks Provided.* There are no special ranks provided to any pilot in Army Aviation as all of them are officers from Indian Army and use the same ranks as authorized to all officers of the Army *i.e.*, Captain, Major, Lieutenant Colonel, Colonel, Brigadier, Major General and Lieutenant General.”

#### **Upgradation of Bofors Guns**

2.12 When asked why the upgradation of Bofors Gun is taking such a long time when Ministry has already paid for the transfer of technology, the representative of the Ministry stated as under:—

“While many years have passed after the transfer of technology came, it was last year that I had a meeting with Shri R.K. Singh, the Home Secretary and the project has been given to the Ordnance Factory Board. The hon. Members will be happy to learn that the first trial of the upgraded 45 calibre – the actual Bofors is 39 calibre - was fired at Balasore last month and it was successful. We expect to induct these guns in a year and a half.”

#### **Critical shortage of Ammunition**

2.13 The Attention of the representatives of the Ministry of Defence was also drawn to the letter written by the Chief of the Army in regard to the shortage of ammunition. The Committee in this context

wanted to know how shortage of ammunition would affect the defence preparedness of the country. In this connection, the Vice-Chief of the Army during evidence stated:—

“There is another ammunition, AMK 339. Because we could not get through this route, for this 339, 16,000 rounds have been immediately imported and they have been made available to us. So, we can fire a different type of ammunition if that AFCF is not there. 66,000 rounds are at the CNC stage. So, actions have been taken to make up what we could not get through the DRDO route simultaneously. They were manufacturing AMK 340 and they are trying to expedite the mark II version of this ammunition.”

2.14 Explaining further, the Vice-Chief said:—

“That is because of the problems they have had with the blacklisting of IMI. Now, that whole contract with them has fallen through and, therefore, the other three alternate routes of Mark 339, 340 and 340A have been activated at a faster pace.

He also stated:

The total armour ammunition is about 67 per cent. In overall, it is about 40 per cent, which has been the holding. In other cases like the infantry ammunition we are all right, it is about 70 per cent; in the armour ammunition, we are at 40 per cent; in the artillery, the problem is with one item, that is the fuse, the electronic fuse.”

2.15 In this regard, the Secretary also informed the Committee that budget was not a problem and Ministry was attending to both the routes *i.e.* through OFB route and also through the direct procurement route.

“Yes. Budget is not a problem. We are attending to both the routes, through OFB route and also from the direct procurement route”.

2.16 When asked unequivocally to indicate a timeframe of achieving the 40(I) level, the Defence Secretary registered his inability in doing so by stating:—

“I have these cases, which are in my knowledge. There are problems with respect to the tank ammunition. The only thing I can say that these are expedited. As of now, it may not be possible to give the exact timeframe”.

### Shortage of Officers in Army

2.17 The Ministry in a written reply submitted that authorised strength of officers in Army, excluding AMC, ADC and MNS, is 47762. The shortage of officers in the Army is partly attributable to accretions from time to time, tough selection procedures, difficult service conditions coupled with perceived high degree of risk involved in service career.

2.18 On the gaps between the required and the existing manpower (Officers and PBOR) in Army and the initiatives taken during Eleventh Plan to bridge the gap, the Ministry submitted the following:—

“The gap between the authorised strength and the held strength as on 1.1.2012 in respect of Officers (excluding AMC, ADC and MNS), is 10526 (after including 1129 reemployed officers). In case of Other Ranks (ORs), there is no significant gap taking account of recruits under training.

Continuous steps have been taken to make service in Army more attractive. All officers including those in Short Service Commission (SSC) are now eligible to hold substantive rank of Captain, Major and Lieutenant Colonel after 2, 6 and 13 years of reckonable service respectively. The tenure of SSC officers has been increased from 10 years to 14 years. A total number of 750 posts of Lt. Colonel have been upgraded to Colonel towards implementation of AV Singh Committee Report (Phase-I). Further, 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 AV Singh Committee Report (Phase-II). Additional family accommodation through Married Accommodation Project (MAP), implementation of recommendations of the VI Central Pay Commission with improved pay structure etc. have also made the Services more attractive.

The Army have also undertaken sustained image projection and publicity campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career. Awareness campaigns, participation in career fairs and exhibitions, advertisements in print and electronic media, motivational lectures in schools, colleges are also some of the other measures in this direction.

The number of officers commissioned during 2009, 2010 & 2011 were 1373, 1488 & 1780 respectively. Thus, it may be seen that efforts have resulted in increased intake of officers.”

2.19 The Ministry has also stated that it has not maintained any data regarding shortages of officers in neighbouring countries as well as developed nations. And no such data is also available of the comparison of the level of amenities to officers of developed/developing nations with the same available to our officers.

### **Bullet Proof Jackets**

2.20 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.

2.21 The issue of the weight of Bullet Proof Jackets that the soldiers have to wear in field to this. The Ministry in their Action Taken had stated that the weight of the BPJ is incremental from less than 4 Kgs to a maximum of 11.5 Kgs based on level of threat. The Ministry had also inform that the soldier is not required to wear the BPJ at its maximum weight under low threat levels.

The Committee have consistently been raising the shortage of BPJ with the Army in the various reports.

2.22 On the issue of steps initiated to bridge the gap between the authorization and the existing numbers, the Ministry in the Action Taken note on first report on Demands for Grants (2009-10) furnished on 5 May, 2010 had submitted as under:—

“.....In May, 2009, Infantry Directorate formulated the revised General Staff Qualitative Requirements (GSQR) for BPJs. Based on revised GSQR, approval by the Defence Acquisition Council (DAC) has been obtained in October 2009 for procurement of quantity 3,53,765 BPJs with quantity 1,86,168 BPJs to be procured in the 11th Army Plan. Presently, vetting of Request for Proposal (RFP) is in progress. Same will be issued to Indian vendors shortly and the procurement is likely to fructify soon.”

2.23 The Committee reiterated their recommendation during Demands for Grants 2010-11 also. The Ministry during the course of examination of Demands for Grants 2012-13 submitted that the RFP for Bullet Proof Jacket was issued on 3rd March, 2011. However, due to problems envisaged during conduct of ballistic trials, the RFP was retracted on 9th December 2011. Suitable amendments are being made in the General Staff Qualitative Requirements (GSQR). Fresh RFP will be issued.

### **National Cadet Corps**

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

2.25 When the Ministry was asked to comment on the recommendation of the Consultative Committee on Defence which has urged the Government that participation in NCC by every youth for at least one year in their academic life be made compulsory so that discipline and societal values are absorbed by them, the Ministry in the written note submitted as under:—

“The issue was discussed and deliberated in the meeting of the Consultative Committee for the Ministry of Defence held on 8th June, 2011. It has, however, been decided to maintain the *status quo* for the following reasons:—

- (i) In consonance with the democratic ethos of the nation, NCC training is entirely a voluntary programme and it is upto the schools/colleges to opt for it. In the present circumstances, the NCC programme is not forced upon any institution.
- (ii) Additionally, the introduction of NCC would require the consent of the concerned State Government to bear their share of expenditure. The total expenditure for the entire student population of the country is likely to be about Rs. 33,000 Crore.”

2.26 On the strength of NCC Cadets in both junior and senior division and number of cadets who joined the Armed Forces, the

Ministry submitted the following information:—

Year	Junior Division Cadets	Senior Division Cadets	Total	Number of Cadets Inducted into Army
2008-09	785392	474064	1259456	2587
2009-10	776029	465298	1241327	3516
2010-11	771831	464507	1236338	4410
2011-12	Recruitment in progress. Data under compilation			

Navy			Air Force		
Year	Number of Cadets Inducted into Navy		Year	Number of Cadets Inducted into Air Force	
	Officers	PBORs		Officers	PBORs
			2009	02	571
2010	03	-	2010	01	557
2011	01	371	2011	Nil	557
2012 (for January batch only)	Data not available	-	2012 (till now)	-	89

2.27 The Ministry provided the following details on the increase of intake of NCC Cadets in Armed Forces:-

“To NCC ‘C’ Certificate holders, Government provides reservation in recruitment to the Armed Forces and a certain weightage of marks in para military organizations. 64 vacancies in IMA, Dehradun, 100 vacancies in Officers Training Academy (OTA), Chennai, 12 vacancies in Naval Academy, Ezhimala and 10 vacancies in Air Force Academy, Dundigal are reserved per year for NCC ‘C’ Certificate holders. Further for entry into OTA, Chennai, Naval Academy Ezhimala and Air Force Academy, Dundigal, NCC ‘C’ Certificate holders are exempt from the written examination.

2. Presently, there is no proposal under consideration of the Government to increase the intake of the NCC cadets to the Armed Forces.”



2.28 On the present sanctioned strength and the number of schools/ colleges inducted into NCC and those waitlisted institutions during the last three years, the Ministry supplied the following information:—

“Presently, the sanctioned NCC cadet strength is approximately 13.4 lakh cadets. Since the training curriculum for the cadets is two years, 50% of the total strength of the Corps join and leave every year. Therefore, approximately a strength of 6.5 to 6.8 lakh cadets are turned over every year.

Year	Number of Institutions		
	Dropped	Inducted	Waitlisted
2009	158	118	6108
2010	132	231	6339
2011	112	443	6782”

2.29 On the reason for low percentage of the NCC Cadets who land up as officers in the forces and incentives for the cadets, DG NCC, deposed before the Committee as under:—

“Let us look at the figures. 0.1 per cent is not the correct way to look at it because, approximately 60% of Cadets are in the junior wing and these do not go for Armed Forces except NDA. The second thing is that the girl cadets 26.5% do not go for Armed Forces, except a few. As far as motivation aspect is concerned, there is no lack of motivation. Approximately 5,000 cadets apply every six months for various academies, that is the OTA and the IMA, the Naval Academy and the Air Force Academy. The selection rate is not as high as it ought to be because of the high quality and the high standards which the SSB looks at. The intake which we are getting today is approximately 71 per cent from the rural areas and wealthier section of society most of them have not got that kind of quality which is needed to become an officer. The other issue which has to be looked at is how many are joining in as PBOR. Approximately 6,000 to 7,000 candidates are joining every year as PBOR. This is quite high. About 125 to 140 every year are joining various Military Academies which is fairly a good number if we do not look at it not in isolation. This is exclusively C certificate holders. As far as the A and B certificate holders are concerned, who appear in a normal open examination including NDA, if we look at those, it almost goes to 300 annually for joining the Armed Forces. That is fairly a large number. The other issue

is with respect to incentives which the hon. Member has asked for. As far as the Central Government is concerned, incentives are very well stipulated. As far as the OTA is concerned, fifty vacancies per course are exclusively earmarked for C certificate holders. The advantage lies in the fact that they do not have to appear in a written examination. They just go through the SSB. 32 vacancies per course are exclusively earmarked for the NCC C certificate holders in IMA and a separate merit list is prepared. Similarly in Air Force, we have ten per cent for each batch and in the Navy six vacancies for each course are earmarked. With respect to the PBORs if a person is a C certificate holder and is applying for general soldier, he does not have to appear for a written examination. He just goes through the physical test and medical and merit is drawn. That is why you find the numbers are fairly high. With respect to other cadres, like clerical cadre, bonus marks are provided. So, incentive with respect to the NCC C certificate and B certificate holders is very high. What needs to be institutionalised is the incentives which are given by the State Governments. There are two issues. One is the bonus marks which are given to the children to compensate them for various activities that they have attended and also earmarking of the reservation of vacancies in engineering and medical colleges.”

2.30 For example, in Andhra Pradesh 700-800 vacancies are exclusively earmarked for engineering colleges whereas in some States in North, there is no vacancy. In the State of Kerala, five to eight per cent bonus marks are added for graduate/post graduate courses in all educational institutions. Therefore, he gets higher in the merit because of these bonus points. In addition seats are reserved for Engineering/medical and other professional courses. What needs to be done exclusively is that institutionalisation is needed across the board that all the States give the same incentive to the NCC cadets who have got A, B or C certificates.

2.31 The next point is with respect to activities which you have mentioned. I must submit to you that activities are continuous maybe it is not visible and not seen because they are being held keeping in view the academic pressures or academic cycles. So, they are normally held on Saturdays and Sundays. Also, keeping in view that there is a semester system which is on, camps are being held in between the two semesters. Otherwise, if you look at our figures, it almost touching 1850 to 1900 camps every year which is fairly high and about 9 lakh cadets attend these camps.

### **Welfare of Ex-Servicemen**

2.32 The National Common Minimum Programme (NCMP), as adopted by the Government, envisaged setting up of a new Department of Ex-Servicemen Welfare in the Ministry of Defence. A new Department called "Department of Ex-Servicemen Welfare" was created on 22nd September, 2004. The main objective of creating a new Department of Ex-Servicemen Welfare is to give focused attention to the welfare programmes for ex-servicemen and their dependants including pensionary benefits, reemployment and rehabilitation. The Department has been allocated the following broad functions to look after:—

- (a) All aspects of re-settlement and welfare of ex-servicemen and their dependents, including liaison with State Governments.
- (b) Ex-Servicemen's Contributory Health Scheme.
- (c) Matters relating to the Directorate General of Resettlement and Kendriya Sainik Board.
- (d) Administration of—
  - (i) The Pension Regulations for the Army, 1961 (Part I and II),
  - (ii) The Pension Regulations for the Air Force, 1961 (Part I and II),
  - (iii) The Navy (Pension) Regulations, 1964, and
  - (iv) The Entitlement Rules to Casualty Pensionary Awards to the Armed Forces Personnel, 1982.

2.33 In order to maintain a youthful profile of the Armed Forces, approximately 60,000 service personnel are retired/released every year at a comparatively younger age. At the time of retirement, majority of service personnel are at an age where they have numerous unfinished family and other social responsibilities which necessitates taking up a second occupation. There are about 22 lakh Ex-servicemen (ESM) and about 5 lakh widows registered as on 30 May 2011. The ESM population is mainly concentrated in the States of Punjab, Uttar Pradesh, Uttarakhand, Haryana, Maharashtra, Kerala, Rajasthan and Tamil Nadu.

2.34 The Department of Ex-Servicemen Welfare in the Ministry of Defence is the apex wing of the Government in the Ministry of Defence to formulate various policies for the welfare and resettlement of ESM

in the country. The Department has two Divisions, Resettlement and Pension Division. The Department is assisted by three attached offices namely, Directorate General of Resettlement (DGR) and Kendriya Sainik Board (KSB) and Central Organisation, Ex-Servicemen Contributory Health Scheme(ECHS). Whereas 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 adopted by the Government. The Directorate General of resettlement has five Director Resettlement Zones (DRZs) in five Army Commands. ECHS takes care of the health and medical needs of Ex-Servicemen and their dependants.

2.35 The KSB/Directorate General of Resettlement are also assisted in their task by various Rajya Sainik Boards/Zila Sainik Boards which are under the administrative control of respective state governments. The Government of India bears 75% of the establishment expenses of RSB's/ZSB's in respect of 11 special category status and the welfare and resettlement of ESM is the joint responsibility of the Central Government as well as the State Governments.

2.36 The Director General of Resettlement (DGR) under the Department of Ex-servicemen Welfare looks after all matters connected with the re-settlement and welfare of exservicemen and their dependents.

#### **Lateral Induction of ESM in CPMF and State Police Forces**

2.37 The Sixth Pay Commission in their report 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.

2.38 The issue of lateral shift of Defence Forces personnel in CPOs was discussed by the Commission with officials from Ministry of Defence as well as Ministry of Home Affairs. Whereas the former were generally in favour and in fact welcomed the scheme, the Ministry of Home Affairs had expressed several reservations.

Regarding the lateral transfer scheme, the Sixth Pay Commission has 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.”

#### **On line Canteen and Credit Card Facilities for Ex-Servicemen**

2.39 As per the information available on the official website, the CSD has grown from a turnover of Rs. 48 lakhs in 1948 to over Rs. 2,700 crore in 1998-99—a growth of over 4500 times. Turnover per employee in 1998-99 was Rs. 122 lakhs; it serves 16 million people—5% of India’s population which can afford consumer items and durables; the CSD has a very low ratio of operating expenses to turnover—1.30%—perhaps the lowest in any organization in the country; with 34 Area Depots and 4500 Unit-Run-Canteens (URCs), the CSD serves the services in all the parts of the country—from Ladakh in the North, Tamil Nadu and Kerala in the South, Nagaland in the East, Rajasthan in the West and even Port Blair; it maintains an inventory of 3820 items that cover a wide range, from shoe laces to cars; it caters not just to the services personnel and their families but also to GREF, NCC Units at Group HQ level, TA units, CDA’s staff, Ordnance factories, Embarkation HQs, Civilians paid from Defence estimates and Para-military forces under operational/administrative control of the Army; it is the only department in the Ministry of Defence where defence civilians are actually serving in forward and high altitude areas, shoulder to shoulder with the combatant personnel of the Armed Forces.

## CHAPTER III

### AIR FORCE

3.1 The Committee have found that the role of Indian Air Force include air defence of the nation, conduct of operations based on operational directives and providing assistance to civil administration. In order to deal with the vast range of spectrum of conflict, Air Force needs to be prepared round the clock.

3.2 The Committee have been informed that IAF has significantly enhanced its force projection capabilities in emergent situations, both in offensive and Defensive operations with the continued induction of Su-30 MKI aircraft, three Airborne Warning and Control System (AWACS) aircraft and Strategic and Tactical airlift platforms for special missions through its new acquisitions. IAF under the ambit of C4ISR (Command, Control, Communication, Computer, Intelligence, Surveillance and Reconnaissance) is also enhancing its network centric capabilities that generate combat power by networking sensors, decision makers and weapons systems to achieve shared awareness, increased efficacy of command structure, higher tempo of operations and greater lethality.

#### Budget Outlay 2012-13

3.3 The Committee have learnt that for the current year i.e. 2012-13, an amount of Rs. 17705.81 crore has been allocated under Revenue Head and Rs. 30514.45 crore allocated under Capital head. The total amount of Rs. 48220.26 crore has been allocated for Air Force which constitutes 24.93 per cent of the total defence budget for the year 2012-13.

#### Modernization Budget

3.4 The Ministry has informed that the Modernization expenditure trend of Air Force during the entire period of Eleventh Plan is as under:—

(Rs. in crore)

Year	Capital Modernisation				Capital Other Than Modernisation		Total	
	Committed Liabilities		New Scheme		BE	Exp.	BE	Exp.
	BE	Exp.	BE	Exp.				
1	2	3	4	5	6	7	8	9
2007-08	7466.04	5353.87	8442.82	7287.39	919.87	850.73	16828.73	13491.99

1	2	3	4	5	6	7	8	9
2008-09	12185.81	8368.48	6095.61	7292.51	990.00	937.21	19271.42	16598.20
2009-10	8814.64	11931.38	10000.00	5506.23	1299.44	1113.17	20114.08	18550.78
2010-11	16293.33	14064.92	7189.10	8116.64	1769.29	1443.86	25251.72	23625.42
2011-12	26075.08	14653.74	2337.66	8220.43	1869.29	1300.26	30282.03	24171.43

Note:- Expenditure for 2011-12 is as of February 2012.

3.5 Also the data for Air Force against Revenue Head as made available to the Committee is as under:—

REVENUE		(Rs. in crore)				
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2007-08	Air Force	11270.78	10193.01	11410.36	10354.26	10101.96
2008-09	Air Force	13578.69	10855.56	12601.46	12199.95	12672.86
2009-10	Air Force	15215.92	14318.18	15221.86	14681.83	14240.08
2010-11	Air Force	17483.60	15210.73	15249.01	15003.55	14551.07
2011-12	Air Force	20015.46	15927.95	16123.16	16137.38	14480.56
2012-13	Air Force	19887.73	17705.81			

Note: Expenditure for 2011-12 is upto February, 2012.

3.6 From the data furnished by the Ministry it is evident that Air Force have been optimally utilizing the funds allocated under revenue head throughout the Eleventh Plan Period. The Committee had been informed during the oral evidence that the projected amount for Revenue Budget for the year 2012-13 was Rs. 20,507 crore while the allocated amount was Rs. 18,325 crore. The truncated amount as made available to the Air Force deficits a shortfall of Rs. 2,182 crore for the year 2012-13. In this regard, the representative of the Air Force informed the Committee that the shortfall in Revenue Budget would impact Air Force capabilities since legacy systems require more maintenance as they are old, result in shortfalls in training with which eventually operational preparedness would be compromised.

3.7 With regard to the Outlay against Capital Head for the Air Force as given by the Ministry is as under:—

CAPITAL		(Rs in crore)				
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2007-08	Air Force	16802.60	16828.73	16832.59	14328.73	13491.99
2008-09	Air Force	21234.09	19271.42	18044.01	17071.42	16598.20
2009-10	Air Force	22026.09	20114.08	25209.04	18636.55	18550.78
2010-11	Air Force	31667.56	25251.72	25271.72	24266.79	23625.42
2011-12	Air Force	36186.10	30282.03	30282.03	27734.78	24171.43
2012-13	Air Force	36950.52	30514.45			

Note: Expenditure for 2011-12 is upto February, 2012.

3.8 It can be inferred from the data furnished by the Ministry that the percentage share of allocations utilised under Capital head out of the total defence allocations of Air Force is on declining trend. As regards to the status of the percentage of allocations, it can be seen that it has declined from 18.42 (2011-12) per cent to 15.78 per cent during 2012-13. If the said percentage in terms of actual expenditure met is taken into consideration, the decline is more apparent which indicates further compressing of allocations for Capital Head. During 2009-10, the said percentage was 13.06 per cent, which increased to 16.03 per cent during 2010-11 and during 2011-12, it declined considerably to 14.70 per cent.

3.9 In regard to the Capital Budget Projection of Indian Air Force for the year 2012-13, it is seen that against a projection of Rs. 36,950 crore, an allocation of Rs. 30,514 crore was actually made which accounts for substantial shortfall to the tune of Rs. 6,436 crore.

3.10 The Committee were informed during evidence that the impact of shortfall in Capital Budget would be the slowdown of modernisation, delay in induction of important equipments and resultant asymmetry in capability with respect to threat perception.

3.11 Further, it has been observed from the information furnished by the Ministry that out of Rs. 28,533 crore allocated to Air Force for Capital Modernization Budget, substantial part of the allocation *i.e.* Rs. 26,433 crore have been allocated for committed liabilities thus leaving only Rs. 2100 crore which is lesser than 10 per cent of the allocations for new schemes.



3.12 Summarily, the Committee have found that percentage share of allocations utilised under Capital Head out of the total defence allocations of Air Force registers a declining trend.

### Shortage of Aircraft with the Air Force

3.13 As per the written information furnished by the Ministry, the Committee have found that the authorised and existing strength of trainer aircraft and simulators is as follows:—

- (a) **Trainer Aircraft.** The number of trainer aircraft required by IAF is determined on the basis of number of trainees to be trained and the quantum of flying to be given to each trainee at various stages of flying training. Thereafter, the numbers are arrived at after adding the Maintenance Reserves and Strike off wastage authorised by Government of India. IAF has requirement of 181 Basic Trainer Aircraft (BTA), 85 Intermediate Jet Trainer (IJT) and 106 Advanced Jet Trainer (AJT). The IAF today does not have a Basic Trainer aircraft as HPT-32 have been grounded after the fatal accident since 31 July 2009. Kiran aircraft are presently being used for training of pilots at Stage-I, fighter pilots at Stage-II and under-trainee flying instructors.

3.14 The existing strength of trainer aircraft is as follows:—

Aircraft	Year of Induction	No. of aircraft Inducted	Presently available	Replacement Plan
HPT 32	1984	140	114	BTA-75 (Global) 106 (Make)
Kiran	1973	234	81	IJT-12 LSPs (Mar 06) + 73 IJTs (Mar 10)
Hawks	2008	60	60	Contract for additional 40 aircraft signed on 23 Jul 2010. The ac will be inducted between July 2013 to March 2016.

3.15 The Committee understand that, as per the replies furnished by the Ministry, in the 46 per cent of the cases the cause behind accident of aircraft is Human Error (Aircrew). In regard to the existing strength of trainer aircraft and simulators the Committee have been informed that out of 434 HPT 32, Kiran and Hawks trainer aircrafts inducted, 255 are presently available.

3.16 The aforesaid scenario reveals critical deficiency of the trainer aircrafts. With regard to simulators, out of 46 simulators, 16 are not operational due to grounding or undergoing phasing out process which leaves the availability of just 30 simulators.

- (b) **Simulators.** The simulators are training aid for each type of aircraft. The procurement of simulators is thus linked to the main aircraft procurement and no separate authority is required.

3.17 There is no specific life span of simulators. The number of existing simulators as given to the Committee are as follows:—

Sl.No.	Aircraft	Simulators	Remarks
1.	KIRAN MK-IA	8 (4 x PPP)	
2.	KIRAN MK-II	(4 x CPT)	
3.	HAWK AJT	4 (1 x APTT) (1 x FTD) (2 x CPT)	
4.	MIRAGE 2000	1 x FBFMS	
5.	JAGUAR	2 x FBFMS	
6.	MiG-21 BISON	5 x APTT	
7.	Su-30 MKI	4 x FMS (1 x FBFMS) (1 x PTT)	
8.	MiG-27 Upgrade	2	
9.	Air Combat Simulator	1	Undergoing upgrade. PDC-Apr 12
10.	MKTS-4	5	(Obsolete) Phasing out under progress
11.	An-32 FTD	1	
12.	MiG-27 ML PTT	1	
13.	HPT-32	10	(Not used due to grounding of aircraft)
14.	DO-228 FTD	02	
	Total	46	

3.18 In regard, to the shortage of Basic Trainers, the Ministry has informed that IAF has requirement of 181 Basic Trainer Aircraft (BTA), 85 Intermediate Jet Trainer (IJT) and 106 Advanced Jet Trainer (AJT). The IAF today does not have a Basic Trainer aircraft as HPT-32 have been grounded after the fatal accident since 31 July, 2009. Kiran aircraft are presently being used for training of pilots at Stage-I, fighter pilots at Stage-II and under-trainee flying instructors.

In regard to the query on usual life span of an aircraft the Ministry, through a written note has informed as under:—

“Life span of an aircraft is defined in terms of ‘Total Technical Life (TTL)’. The normal technical life of MiG aircraft ranges from 15 to 40 years for different variants. The TTL for an aircraft may be extended after technical checks and upgrades. No aircraft is flown after expiry of its total technical life or extended technical life.”

In this regard, Ministry also intimated through a written note as under:—

“...The different variants of MiG-21s and MiG-27s are being phased out during the 12th and 13th Plan period and these are planned to be replaced with Su-30 MKI, Medium Multi Role Combat Aircraft (MMRCA), Light Combat Aircraft (LCA) and Fifth Generation Fighter Aircraft (FGFA)...”

### Obsolescence

3.19 The Committee have been supplied with the figures of obsolescence in IAF. As per the information, the details are given below:—

(a) The details in respect of fighter aircrafts is tabulated below:—

Type of Aircraft	Initial life	Present life	Remarks
1	2	3	4
T-69/69B (Trainer)	1800 Hrs./ Not Sp.	3600 Hrs./ 40 Yrs.	Three life extensions have been given to this aircraft
T-75 (BIS) & (BISON)	1800 Hrs./ Not Sp.	3400 Hrs./ 40 Yrs.	Five life extensions have been given to this aircraft

1	2	3	4
T-77 (BADAL)	1800 Hrs./ Not Sp.	3300 Hrs./ 42 Yrs.	Six life extensions have been given to this aircraft
T-96 (TRISHUL)	1800 Hrs./ Not Sp.	3400 Hrs./ 40 Yrs.	Three life extensions have been give to this aircraft
MiG-23 MF	1500 Hrs./ 15 Yrs.	2250 Hrs./ 30 Yrs.	The aircraft fleet has stopped flying
MiG-23 BN	1500 Hrs./ 15 Yrs.	2250 Hrs./ 30 Yrs.	The aircraft fleet has stopped flying
MiG-25	1500 Hrs./ 15 Yrs.	1500 Hrs./ 25 Yrs.	The aircraft fleet has stopped flying
MiG-27	1500 Hrs./ 25 Yrs.	1800 Hrs./ 30 Yrs.	One life extension given to this aircraft
MiG-29	2500 Hrs./ 20 Yrs.	2500 Hrs./ 30 Yrs.	One life extension given. Post upgrade the life will be 3500 hrs/40 yrs.

(b) The details with respect to helicopters is tabulated below:—

Type of Aircraft	Initial life	Present life	Remarks
Mi-25/35	20 Yrs.	30 Yrs.	One life extension given after last ROH abroad. All Heptrs
Mi-26	20 yrs.	29 yrs.	One life extension given by OEM after last ROH abroad. Two out of three heptrs
Mi-8	20 Yrs.	35 Yrs.	Life Extension given by IAF in steps of five years. All heptrs
Mi-17	20 Yrs.	30 Yrs.	Initial life was 20 Yrs. OEM has revised the TTL life to 30 Yrs through a Bulletin.

(c) Qty. 05 MKTS-4 simulators meant for MiG-21 aircraft have exhausted the lifespan and their phasing out is under progress. However these simulators have been replaced by Qty. 05 BISON APTTs from M/s. HAL in Dec., 09.

3.20 The details regarding Helicopters and simulators which have exhausted their lifespan as intimated given, by the Ministry over MIG-23MF, MIG-23BN and MIG-25. They have also stopped flying altogether. Also, T-69/69B (Trainer), T-75 (BIS) & (BISON), T-77 (BADAL), T-96 (TRISHUL) are already 40 or more than 40 years old MIG-27, MIG-29 have more than 25 years of life.

Similarly Mi-25/35, Mi-8 and Mi-17 helicopters are more than 29 years old.

3.21 The Ministry has further informed that technical defect is responsible for 37.7 per cent of the accidental cases. The information furnished shows that technical defect has been a consistent cause of accidents during last five years.

3.22 The Committee in 12th Report had strongly recommended that in all the future projects the conditions to mandatorily sharing the information with regard to accidents and helping us in case of technical defects should be in-built in the agreement itself. The Committee had also recommended that Air Force should try to gather the information about accidents of various types of aircrafts through our intelligence mechanism so that a comparative study can be made which would definitely help the country in taking corrective action to check the rate of accidents. The action taken notes furnished by the Ministry have not addressed the aforesaid issues and the recommendations have been reiterated in 14th Action Taken Report of the Committee.

### **Induction**

3.23 The Ministry has informed that the following trainers are in the process of induction:—

- (a) **IJT.** A contract for 12 Limited Series Production (LSP) aircraft was signed with M/s Hindustan Aeronautics Ltd. in March 2006 and for 73 Intermediate Jet Trainer aircraft on 23 March 2010 with deliveries scheduled from June 2012. The project is running behind schedule.
- (b) **Hawk.** A contract for additional 40 Hawk Advanced Jet Trainer aircraft from M/s HAL was signed on 23 July 2010. The delivery is scheduled from 2013 to April 2016.
- (c) **BTA.** IAF is procuring quantity 75 Basic Trainer Aircraft (BTA) for its Stage-I (ab-initio) flying training requirement. PC-7 Mk-II Turbo Prop aircraft of M/s Pilatus, Switzerland

has been short-listed and contract negotiations have been completed. The case is being processed for CCS approval. The delivery of the aircraft is scheduled to commence 15 months after signing of the contract. 24 aircraft are expected to be delivered within 25 months, which will enable basic training to commence on these new aircraft. Two simulators for BTA are planned to be procured. 106 BTA are planned to be designed and developed by HAL along with 3 simulators. Induction is planned to commence from 2016.

- (d) **Simulator–AJT.** Four simulators (One each of APTT, FTD and two CPT) were contracted on 23 July 2010. These simulators are scheduled to be commissioned by June 2016.
- (e) **Simulator–Intermediate Jet Trainer (IJT).** Two Fixed Base Full Mission Simulator (FBFMS), 03 CPT and 03 APTT are a part of the IJT contract and are scheduled to be commissioned by 2017. The project is behind schedule.
- (f) **Simulator–Su-30 MKI ac.** The three existing PTT simulators are planned to be upgraded to FMS standards. Five FBFMS simulators are planned to be procured and a Statement of Case (SoC) for DAC approval has been initiated. The delivery of the simulators is scheduled as follows:
  - (i) 1st FBFMS - T0 + 29 months
  - (ii) 2nd and 3rd FBFMS - T0 + 30 months
  - (iii) 4th FBFMS - T0 + 31 months
  - (iv) 5th FBFMS - T0 + 46 months

Note. T0 is date of signing the contract.
- (g) **Mi-17 V5 Helicopter.** Two simulators are being procured for Mi-17 V5 helicopter.

3.24 The case for the procurement of MMRCA is at the CNC stage. Contract negotiations are presently in progress with the vendor. Further action will be taken on receipt of recommendations of the CNC. Once the contract is signed, the first Squadron of MMRCA consisting of 18 aircraft will be inducted between 3 to 4 years. The remaining 108 aircraft will be manufactured under licence by HAL and these will be inducted over in the following seven years.

3.25 The Committee have been intimated by the Ministry that the Air Defence system is being made more robust with the induction of Surface to Air Missiles (SAM) of Short Range (SRSAM), medium Range

(MRSAM) and Long Range (LRSAM). In addition man portable Air Defence missile system called Very Short Range Air Defence Systems (VSHORADS) are also being inducted. IAF has planned induction of Medium Powered Radars (MPR), Low Level Transportable Radars (LLTR), Mountain Radars for employment in the hills, Low Level Light Weight Radars (LLLWR), Aerostat system, Airborne Warning and Control System (AWACS) to enhance the number of sensors to ensure early detection of any intruding aircraft. These Air Defence systems along with fighter aircraft and networked sensors and Command & Control will provide an almost gap-free layered Air Defence to the entire nation.

3.26 Currently, there are two Aerostats and additional Aerostates are being procured. We have inducted three AWACS. Induction of two more additional AWACS is under process. We are processing a case for heavy lift helicopters and we are upgrading the existing Mi-17 and Mi-17 1Vs.

#### **Air Squadron**

3.27 During the examination of the Demands for Grants 2012-13 and after gleaning through the documents made available to the Committee it was found that the IAF has, at present, 34 fighter squadrons against the sanctioned strength of 42 squadrons. The number of fighter squadrons as the Committee understand is likely to be reduced further to 31 during the Twelfth plan. When this specific issue was raised during deliberations, a representative of the Air Force replied that it has been aimed to build eventually to 45 numbers of combat squadron Air Force. The number of sanctioned strength now is 42 but finally need will be to have 45 squadrons, which will happen only by the 15th Plan (2032).

3.28 During evidence a representative of the Ministry has candidly admitted that to some extent, the reduction of the squadron from 34 to 31 during the 12th Plan, would affect our operational capability. Further it was informed that even if the contracts are signed today, it cannot accelerate the process of aircraft induction. So, the best efforts are towards to continue to induct the aircraft. According to the assessment of the IAF by the end of the 14th Plan they aim to reach 40 to 42 combat units. It was further informed by the Ministry that all the three services have to be prepared for joint operations with all the three Services put together, that is, Army, Navy and Air Force; and to the extent that they can exert their influence in various areas. The Air Force being the most responsive of the three Services, require to carry out these operations jointly.

**Accidents in Air Force and the issue of deficiency of trainer aircraft and simulators in Air Force**

3.29 In regard to a query regarding grounding of Basic Trainer HPT 32 Aircraft, a representative of the Ministry of Defence during evidence submitted as under:—

“Sir, in July, 2009, we had a very unfortunate accident on the HPT 32, which was our basic trainer. This involved two very senior qualified Flying Instructors. About the HPT 32, because of no satisfactory response from the original equipment manufacturer of the engines, we found that we had no option but to ground those aircraft till such time we did get a very satisfactory answer. This aircraft has got a very adverse gliding characteristic. In case, the aircraft is not able to restart the engine in the air, then it is very dangerous for pilot. Here, we had two senior qualified Flying Instructors not able to pull off a safe landing. So, the Air Force had no option but to ground these aircraft. The process of getting this basic trainer aircraft started immediately thereafter.”

3.30 The Committee wanted to know the details of the contract signed for procurement of Basic Trainer and the time frame taken thereof. Replying to the query of the Committee, Deputy Chief of Air Staff during evidence stated:—

“Sir, it is a very correct observation. We started the process of acquisition by moving the statement of case in the last quarter of 2009; and actually it went into the Ministry and started getting examined from beginning of 2010 onwards. Indeed, there is a provision in the DPP where an empowered committee can be formed, and depending upon an operational urgency we can go abroad and actually select equipment off the shelf. In this particular case because we required the trainers in large numbers, there is a specific training requirement; and the trainer needs to meet that requirement. It was felt, it is better to go through the correct process where all the steps are correctly taken. Therefore, the RFP was issued globally. Seven vendors had responded to that. In an aircraft acquisition, it is important to do a proper technical evaluation as well as field evaluation. You would be aware that the field evaluation conducted by the Indian Air Force has been acknowledged worldwide. There are some of the most stringent requirements that are required to be met.

Finally, there were only three aircrafts, which were short-listed. This entire process finished in January, 2011 on approval of the Staff Evaluation Report by the Ministry. What happened after that was this.



There were a couple of letters. There were some anonymous letters, some actual representations from one of the losing vendors.

“Therefore, it was felt appropriate in this case to have it thoroughly examined and the Ministry did that. It took some time. So, if you look at it, the time lost was, actually after submission of the report in 2011. If this had not interfered with the procurement process, I believe by end of 2011, by the last quarter, we would have certainly signed the contract. The intervening delay was only because of this reason.”

3.31 In this regard, the representative of Air Force has further submitted as under:—

“We have completed the contract negotiation with the manufacturer. But because this is one of the widely used aircraft elsewhere in the world, he has told us that he will do an accelerated delivery. Instead of 24 months, he will start delivering Pilatus PC-7 Mark-II from 15 months onwards. Not only that, we have worked backward that when the aircraft are being manufactured in Switzerland, Indian Air Force flying instructors will go there and take training. So, when the aircraft comes to India, then the instructors are already trained and we can start training the rookie pilots. This is expected to take six months. So, we will have full-fledged training on this basic trainer in India by December of next year. That is what our estimate is, it is on schedule. It is on track. There were some reasons for some scrutiny to have been done. That is all now beyond us. It is with CCS.

We are absolutely hopeful. No doubt, your concerns on basic trainer are very well flagged. It is a matter of concern for the Indian Air Force. When there was no choice and HPT-32 could not be flown, we had to see what are the balance flying hours available on Kiran is to compensate for that. Kiran has been flown by our rookie pilots earlier at the basic stage; we had a similar issue many years back. From 2014 onwards unfortunately the Air Force will not be able to fly Kirans because that will be the end of the life of that aircraft.”

3.32 On the issue of the effect of grounding of HPT-32 on the basic training need of pilots, the representatives of the Air Force during the course of deliberations admitted as under:—

“Absolutely, I agree with you. But as was mentioned earlier, unfortunately the HPT-32 got grounded and while the process for BTA has already been covered, I will mention that 25 hours of

training is given to all the pilots. That is true. Ten additional hours of training is given for fighter pilots at basic stage. But to compensate, at the next two stages, at stage two, earlier we used to fly 78 hours but now we fly 87 hours at stage three because Hawk aeroplane is now fully a Bristol engine plane. We used to earlier fly 65 hours. Now, we fly 115 hours plus 50 hours on simulators, which was not there earlier. So, with the result the total amount of flying that we do at the end of our training has gone up from 206 hours to 237 hours plus simulators. That is how, Indian Air Force has compensated for the loss of flying at the HPT stage. They can train our pilots in their country and they can send their aircrafts with their pilots. All these options are available with us. In case, we come to a point that these options need to be examined more seriously, that action needs to be taken, that will be done."

#### **Damage to aircraft due to extreme weather conditions**

3.33 During the examination of Demands for Grants 2012-13, the Committee found that AWACS were temporarily grounded. When the matter was enquired the Ministry submitted as under:—

"Due to a gale in May 2010, small pebbles and dust particles got ingested into the engines of one AWACS aircraft. To rule out any damage to the engines due to Foreign Object Damage (FOD), one AWACS was not flown between 07 May, 2010 and 25 August, 2010 while it was being examined thoroughly. The three suspected engines were replaced with new engines and one engine was cleared after thorough examination. The three engines were subsequently restored by IAF by removing the pebbles and dust particles in February 2011."

#### **Shortage of Officers in Air Force**

3.34 In regard to the manpower, the Ministry has informed that there is shortage of 420 officers and the steps initiated by the IAF to reduce shortages are yielding results. Initiatives like introduction of Fast Track Selection all around the country, participation in career fairs/ exhibitions, advertisements in print and electronic media, motivational lectures in schools, colleges, visuals/signages all over the country at strategic locations has contributed towards reducing the shortage of officers.

**Military Air Fields**

3.35 Regarding modernization of Military Air Fields the Ministry in their written replies have informed as under:—

“There are 52 operational airfields in the IAF, of which ten airfields do not have static electrical Airfield Lighting System (AFLS). Night landings have been facilitated at these airfields using mobile AFLS. Installation of static AFLS at these airfields will be undertaken based on prioritisation in Phase-II of Modernisation of Airfield Infrastructure (MAFI) project. On completion of MAFI project all the operational airfields in the IAF will have electrical airfield lighting system to facilitate night landing.”

## CHAPTER IV

### NAVY, JOINT STAFF AND COAST GUARD

4.1 The Committee have been given to understand that the complex maritime security environment in the Indian Ocean Region requires the Indian Navy to maintain a high level of operational tempo and readiness at all times.

#### Budget Outlay for the Year 2012-13

		Projected	Allocated
2012-13	Navy (Revenue)*	15835.71	12548.02
2012-13	Navy (Capital)*	28643.19	24766.42

\*Including Joint Staff

4.2 The Demands for Grants for Navy are contained in Demand No. 23 of the Ministry of Defence which includes Demands for Grants for Joint Staff also. Out of the total allocation of Rs. 37314.44 crore for Navy, Rs. 24766.42 crore have been allocated under Capital Head and Rs. 12548.02 crore have been allocated against Revenue Head. The percentage share of Naval Budget to the total defence budget is 19.29 per cent.

#### Overall Naval Budget—Trends

4.3 The percentage share of Naval budget to total defence budget during the last few years is as follows:

Fiscal year	Percentage share of Defence Budget (BE stage)	Percentage share of Defence Budget (Actual Expenditure)
2005-2006	17.33%	16.67%
2006-2007	17.32%	18.20%
2007-2008	17.45%	16.54%
2008-2009	17.67%	14.28%
2009-2010	13.82%	15.13%
2010-2011	13.32%	16.64%
2011-2012	14.13%	16.77%*
2012-2013*	18.12%	

\*As of February 2012

4.4 It can be observed from the above table that there was steep decline in percentage share of Naval Budget to total Defence Budget from 2008-09 to 2009-10 *i.e.* 17.67% to 13.82%. During the year 2009-10, 13.82 % was allocated at BE stage while the actual expenditure was 15.13% of total Defence Budget. This trend continued in 2010-11 and 2011-12. However, in 2012-13, the percentage share in Defence Budget (BE) has increased to 18.12%.

#### Allocations for Modernization

4.5 The break-up of allocation (BE) and expenditure on account of committed liabilities and new schemes so far as capital budget is concerned is as under:

(Rs. in crore)

Year	Capital Modernisation				Capital Other than Modernisation		Total	
	Committed Liabilities		New Schemes		BE	Exp	BE	EXP
	BE	Exp	BE	Exp				
2007-08	8589.79	7939.85	1174.61	463.92	476.12	307.05	10240.52	8710.82
2008-09	8609.00	8517.20	2719.59	311.45	398.34	409.62	11726.93	9238.27
2009-10	7422.88	10088.57	4016.00	2574.19	434.90	412.24	11873.78	13075.00
2010-11	8200.67	10753.01	2663.00	5355.00	475.47	643.06	11339.14	16751.07
2011-12	11314.02	14681.25	1835.00	886.65	580.10	453.61	13729.12	16021.51

Note:—Expenditure for 2011-12 is as of February 2012.

4.6 The representative of the Ministry of Defence, during the deliberations on the examination of Demands for Grants 2012-13, while acknowledging the observation of the Committee submitted as under:—

“The allocation towards new schemes is comparatively much lesser. There are two reasons – in the new scheme, the expenditure in the year is only about 10 per cent; and in the following year, it becomes a committed liability. I think, your observation is absolutely correct and we would be projecting that out of this modernisation budget, which is considered adequate for the current financial year and the allocation towards the new schemes would be more. This we would be projecting to the Ministry of Finance.”

4.7 The projected requirement for Capital Modernization Budget 2012-13 is Rs. 20390.89 crore against committed liabilities and 6269.49 crore against new schemes. However, the actual allocations made are Rs. 22531.89 crore against committed liabilities Rs. and 720.82 crore against new schemes which is only 11 percent of the projections.

4.8 When asked to comment on the aforesaid observations the Ministry of Defence replied as under:—

“The overall requirement projected by Navy under the capital head could not be provided fully within the overall allocation provided by the Ministry of Finance at BE 2011-12 and RE 2011-12 stage. Thus the expenditure had to be prioritized to meet critical requirements under other heads. Incidentally, the expenditure under the Dockyards is not for acquisition of ships/vessels for Navy or Coast Guard. This reflects expenditure to provide adequate Dockyard and Workshop facilities for repairs and refits of ships and submarines as also for some major projects of Navy like Project Sea Bird etc.”

### **Ships-Indigenisation**

4.9 It has been informed by the Ministry of Defence that the Indian Coast Guard requires 150 ships/boats and 100 aircraft for securing the interests of India to reasonable levels. It is anticipated that this force level would be achieved by 2018. The fully desired level of 154 ships, 126 boats and 139 aircraft is planned to be achieved by 2027.

4.10 Further, the Ministry has informed that at present, 44 ships are under construction. Indian Navy has also progressed in indigenisation of ships. As far as indigenisation is concerned, the hull and associated equipment has achieved 90 per cent of self-reliance and indigenisation. Propulsion machinery like engine, generator etc. has achieved approx. 60 per cent indigenisation. The third part is the fight component, which comprises of weapons and sensors. This area has achieved only 30 per cent indigenisation.

4.11 The Ministry of Defence in its written reply has informed that the increase in Capital Acquisition Budget for Fleet of the Navy from BE to RE 2011-12 is primarily due to requirement for expenditure on committed liabilities and shortfall in allocations projected by Navy at BE 2011-12 stage.

4.12 The Committee has been apprised that a total of 08 ships including aircraft carrier, frigates, destroyer, off-shore patrol vessels and survey catamarans are likely to be inducted into the Navy during 2012-13.

### **Gorshkov**

4.13 The total Project cost for Gorshkov, originally approved in 2004, was 974.28 MUSD and the ship was to be delivered by August, 2008. The revised cost of Vikramaditya, the new name of Gorshkov, after re-negotiations, is 2330 MUSD which includes costs towards Refit and Modernisation of the Ship, Logistic Support for ten years, Training

of Ship's crew and Yard personnel, Infrastructure, Service to Indian Specialists, trials and Documentation. The revised delivery date is December, 2012.

### Aircrafts

4.14 An analysis of Capital Budget for Navy for the year 2011-12, reveals that against the Head Aircraft, BE for 2011-12 was Rs. 2974.96 crore while the RE was Rs. 3870.07 crore, which is Rs. 895.11 crore more. Also, at BE 2012-13, the amount earmarked is Rs. 5303.29 crore, which is Rs. 1433.22 crore more than RE 2011-12.

4.15 A total of 15 aircraft/helicopters were inducted into the Navy in the year 2011-12 which includes MiG 29K aircraft, Kamov 31 helicopters and Unmanned Aerial Vehicles.

### Married Accommodation

4.16 The Committee during the study visit to Goa in June and July 2011 had observed that the accommodation provided to Navy personnel were in a dilapidated condition. However it was reported by the Ministry that the said building P 213 in the Defence Civilian Residential Areas at Varunapuri, Vasco, Goa was unoccupied and under major repair since September, 2009.

With regard to the Married Accommodation Project the Ministry has informed that in 2012-13, the allocation for Navy's married accommodation project is Rs. 202.83 crore as against Rs. 153 crore in the last year's RE.

### Joint Staff

4.17 HQ Integrated Defence Staff, raised on 01 Oct., 2001, act as coordinating Organisation for jointness in Ministry of Defence to integrate policy, doctrine, war fighting and procurement.

4.18 The detailed Capital Modernisation Budget for Joint Staff during the Eleventh Plan is given in the table below:—

(Rs. in crores)

Year	Capital Modernisation				Capital		Total	
	Committed Liabilities		New Schemes		Other than Modernisation			
	BE	Exp.	BE	Exp.	BE	Exp.	BE	Exp.
2007-08	171.78	162.86	44.56	0	104.33	61.48	320.67	224.34
2008-09	180.77	130.88	84.32	0	93.56	88.10	358.65	218.98
2009-10	293.13	166.75	0	0	115.00	106.06	408.13	272.81
2010-11	292.43	112.12	283.80	67.29	222.47	209.70	798.70	389.11
2011-12	358.65	280.16	337.59	12.89	232.47	234.96	928.71	528.01

Note: Expenditure for 2011-12 is as of February, 2012.

It is evident from the above table that there was no utilisation of funds during 2007-08 and 2008-09 against the head 'new schemes'. During 2009-10, no allocation for new schemes was made. In 2010-11, there was an allocation of Rs. 283.80 crore while the expenditure was Rs. 67.29 crores, thus, an underspending of Rs. 216.51 crores. Even in 2011-12 upto February 2012, only Rs. 12.89 crores could be utilized against allocation of Rs. 337.59 crores at BE stage.

### Coast Guard Organisation

4.19 The Budgetary Demands (Revenue) for Coast Guard Organisation is contained in Grant No. 20 Ministry of Defence (Civil) under Major Head 2037.

REVENUE		(Rs. in crores)				
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2007-08	Coast Guard	417.94	414.79	438.60	438.60	413.24
2008-09	Coast Guard	479.09	479.09	531.82	518.79	520.62
2009-10	Coast Guard	663.65	604.37	614.25	604.34	621.10
2010-11	Coast Guard	937.28	882.45	882.40	882.26	813.58
2011-12	Coast Guard	902.18	890.94	973.28	941.21	805.39
2012-13	Coast Guard	1037.21	971.21			

Note- Expenditure for 2011-12 in respect of Coast Guard is as of 19th March 2012.

An analysis of the revenue budget for Coast Guard highlights that for 2007-08 against an allocation of Rs. 438.60 crores at RE stage, the final expenditure incurred accounted to Rs. 413.24 crores. In 2008-09, there was an excess expenditure of Rs. 1.83 crores. In 2009-10, the revenue expenditure exceeded the RE allocation by Rs. 16.76 crores. In 2010-11, again there was an under utilisation of Rs. 68.68 crore.

### Manpower

4.20 The Indian Coast Guard's manpower shortfall in terms of sanctioned strength and borne strength is tabulated below:—

31st Dec.	Officer		EPs		Shortfall	
	Sanctioned	Borne	Sanctioned	Borne	Officers	EPs
2008	1076	731	6013	5480	345 (32.1%)	533 (8.9%)
2009	1577	821	8340	5656	756 (47.9%)	2684 (32.1%)
2010	1693	954	9098	6220	739 (43.7%)	2878 (31.6%)
2011	1750	1067	9261	6852	683 (39%)	2409 (26%)



4.21 It can be observed from the above table that there was shortage of 32.1% in 2008 Officers cadre which has increased to 39% in 2011. For EPs cadre the shortage has risen to 26% in 2011 from 8.9% in 2008.

### **Coastal Surveillance**

4.22 On the issue of Coastal Surveillance, the Ministry has replied that the unoperational boats were procured by the State Government and the responsibility of utilization rests with the MHA/ State Government. The overall maritime security is the task at hand of Navy and Coast Guard. It was earlier informed by the Ministry of Defence that the Indian Navy has been designated as the authority responsible for overall maritime security which includes coastal security and offshore security. Further, marine police works on hub and spoke basis with the Coast Guard. However, the reply stated above shows that there is lack of accountability and coordination among various agencies responsible for patrolling and surveillance.

The Ministry in its reply has stated that the reasons for not detecting the ship MT Pavit could be poor visibility due to bad weather or non identification of the ship which appeared no different from any other merchant ship.

4.23 It has been informed by the Ministry that a total of 42 Coast Guard stations will be functional by 2012 *i.e.* the completion of Eleventh Plan Period including 03 hinterland stations at Delhi, Gandhinagar and Kolkata. As per the Coastal Security Scheme, 204 Coastal Marine Police Stations (73 in phase-I and 131 in Phase-II) and they will operate as hub and spoke with the Coast Guard Stations with effective communication link thus enabling enhanced coastal security coverage. The Indian Navy has been designated as the authority responsible for overall maritime security which includes coastal security and offshore security. Existing Naval Cs-in-C are also designated as the Cs-in-C Coastal Defence. Joint Operation Centres (JOC) have been set up at Mumbai, Kochi, Visakhapatnam, and port Blair under the charge of existing Naval C-in-C. Besides these, 46 Radars have been identified for installations of radars along the coast by the Coast Guard in Phase I of the Coastal Surveillance Network. Further, the Ministry has intimated that the Ministry of Shipping has been directed to identify suitable transponder for fitment onboard small fishing boats and other craft. A Committee under the DGICG has undertaken necessary trials for different types of transponders for further necessary action for fitment of transponders. The Coast Guard's role in this project is limited to identification of suitable transponder.

### **Training Academy**

4.24 The Committee have been informed that the training academy at Chilka, Orissa is already overloaded and there is still a huge demand for training of sailors for developing Sagar Prahari Bal and other coastal security demands. The representative of Navy have submitted before the committee that at present, we are already at peak as far as training load is concerned, but efforts are on to maintain the quality of training.

### **Twelfth Plan**

4.25 On enquiring how the gaps existing in Navy and Coast Guard would be met during the Twelfth Plan, the Ministry in its written reply has informed that the gap analysis and requisite augmentation of force levels in Navy is an ongoing process and is dependent on the long term security objectives, threat perceptions and strategic interests. While the overall aim is to create a modern Navy in the long term, the short term focus is to improve capabilities wherever required. Therefore future Plan has been prepared largely with the following objectives:—

- (a) Augment airborne maritime surveillance, strike, Anti Submarine Warfare and air defence capability through induction of shore-based aircraft, integral helos, carrier based aircraft, space based AIS and UAVs, along with suitable weapons and sensors.
- (b) Develop ASW capability through induction of suitable platforms, weapons and sensors.
- (c) Arrest the decline of force levels of conventional submarines through prioritised induction of indigenous build and import options.
- (d) Build adequate stand off capability for sea lift and Expeditionary Operations to achieve desired power projection force levels, influence events ashore and undertake Military Operations Other Than War.
- (e) Induct assets and develop suitable infrastructure to augment forces available for Low Intensity Maritime Operations (LIMO), protection of off-shore assets and Coastal Security framework.
- (f) Progress induction of platforms to achieve a balanced 'force mix' for Roles, Missions and Objectives in our primary area of interest, and facilitate Out of Area Operations singularly or in conjunction with Multi National Forces.

- (g) Induct force multipliers like satellite based global communications, reconnaissance and network enabled platforms to achieve Battle-Space Dominance capability and perform network centric operations.
- (h) Harness emerging technologies to augment existing Network Centric Capabilities so as to achieve Co-operative Engagement Capability in the Operational echelons and high speed large bandwidth seamless connectivity to Support echelons.
- (i) Induct state-of-the-art equipment and specialised platforms for Special Forces to enhance niche capabilities to conduct Maritime Intervention Operations and other envisaged roles.
- (j) Build up war wastage reserves in terms of assets, ammunition and systems.
- (k) Augment and build technical and support infrastructure for maintenance of new induction platforms and undertake repairs of state of art equipment being introduced in the Service.
- (l) Develop assets and infrastructure to further complement with other Services in operations, maintenance, storage and logistics.
- (m) Develop support infrastructure in island territories to support the planned force levels as well as support infrastructure for ships/submarines/aircrafts at ports and airbases.

## CHAPTER V

### DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION

5.1 Defence Research & Development Organisation has come a long way since its modest beginning in 1958. Starting with only 10 laboratories, DRDO has grown multi-dimensionally and has evolved to be a core research organisation with a vast network of 52 laboratories and establishments spread across the country. With a vision to empower India with cutting-edge technologies and equip our Services with internationally competitive systems, DRDO has proven its competence to produce state-of-the-art strategic and tactical military hardware and related technologies in diverse disciplines such as Aeronautics, Armaments, Combat Vehicles, Combat Engineering, Electronics, Missiles, Life Sciences, Materials and Naval Systems. At the core of this technological strength of DRDO is its expertise in system design, system integration, testing and evaluation and project management built over the last five decades, which has enabled it in developing indigenous capabilities in weapons and their delivery systems.

5.2 DRDO plays significant roles, like providing scientific and technological advice to the Ministry of Defence in support of defence policy; as evaluator of defence equipment for the military operational requirements; and generating new technological knowledge to be transferred for development of state-of-the-art weapon systems by the defence industries. The Organisation also advises the Government to make technical assessments of international security threats and the military capabilities of both current and potential adversaries.

#### Share of R&D *vs* Defence Expenditure

5.3 In connection with the examination of Demands for Grants (2012-13), the Committee were supplied the following information in regard to the expenditure made for R&D activities:—

(Rs. in crores)

Year	Defence Expenditure	R&D Expenditure	% of Defence Expenditure
1	2	3	4
2007-08	91,680.28	6,104.55	6.66
2008-09	1,14,223.00	7,699.07	6.74

1	2	3	4
2009-10	1,41,775.04	8,475.38	5.98
2010-11	1,54,117.00	10210.33	6.62
2011-12	1,70,936.81	10014.31	5.86
2012-13	1,93,407.00	10635.56	5.50

5.4 As per the data supplied by the Ministry Rs. 4640 crore were allocated under Capital Head and Rs. 5995.56 crore (net) under Revenue Head during the year 2012-13.

#### Expenditure on Research & Development as percentage of GDP

5.5 In regard to the percentage of expenditure in relation to GDP during the last three years is as under:—

(Rs. in crore)			
	GDP	Expenditure by Department of Defence R&D	%age of GDP
2009-10	6457352(PE)	8475.38	0.13
2010-11	7674148(QE)	10149.71	0.13
2011-12	8912178(AE)	8300.25*	0.09

\*Expenditure upto February 2012.

5.6 On the decreasing allocation every year in percentage terms in comparison with the Defence Budget, the Secretary (R&D) during evidence stated:—

“...I would like to mention that the DRDO spends about five to six per cent of the Ministry of Defence Budget. However, there is scope of enhancement. Today we have evolved a large number of R&D programmes in many fields *i.e.* missiles, aeronautics, naval systems, armaments, combat vehicles and so on. Our main contribution is also in the strategic areas as far as the country's Defence is concerned. Even in the current financial year where we have been allotted certain sums, we can absorb additional allocation of at least Rs. 2000 crore in Capital Head.”

He further added:—

“You have asked about the comparison of investment on R&D. As far as China is concerned it is 2.5 per cent, whereas we are less than 0.15 that is the scale at which the difference is there.”

5.7 Secretary R&D further informed that DRDO asked for Rs. 14,848 crore but was allocated only Rs. 10,014 crore last year. This year we proposed for Rs. 14,463 crore but only Rs. 10,635 crore were allocated. This allocation would not be sufficient for progressing all projects simultaneously. Initially, certain project activities would need prioritization and additional funds would be required at a later stage.

#### Capital Outlay of DRDO

5.8 As informed by the Ministry, Percentage share of allocation of capital outlay for Defence Research and Development Organisation out of the total defence budget for the Eleventh Plan as a whole and for each year of the Eleventh Plan is as under:—

(Rs. in crores)

Year	Total Defence Allocation (Net BE)	R&D Capital Allocation (BE)	% share of R&D
2007-08	96000.00	2700.75	2.81
2008-09	105600.00	3092.76	2.93
2009-10	141703.00	3723.87	2.63
2010-11	147344.00	4578.30	3.11
2011-12	164415.49	4628.30	2.82
Total	655062.49	18723.98	2.86

#### Current major projects

5.9 The Ministry informed about the Major ongoing projects (unclassified) costing Rs. 100 crore and above as under:—

(Rs. in lakhs)

Sl.No.	Project	Date of Sanction	Original PDC	Current PDC	Original Cost (DRDO Share)	Current Cost (DRDO Share)
1	2	3	4	5	6	7
1.	Development of Dual Colour Missile Approach Warning System for Fighter Aircraft	05.11.08	05.06.13		19300.00	22880.00

1	2	3	4	5	6	7
2.	Development of D-29 System (Internal EW System for MiG-29 Upgrade Aircraft)	25.03.10	24.09.12		11819.50	11819.50
3.	Programme on NBC Defence Technologies	17.03.10	17.03.15		28496.30	28496.30
4.	Setting up of Hypersonic Wind Tunnel	29.10.10	28.10.15		35200.00	35200.00
5.	Development of Medium Power Radar (MPR)	04.11.08	03.05.13		13414.00	13414.00
6.	Active Electronically Scanned Array Radar	06.01.12	06.07.16		45965.00	45965.00
7.	Multi Mission Radar	14.02.12	13.06.15		19344.00	19344.00
8.	Land based Prototype for AIP	16.08.10	15.02.15		19160.00	19160.00
9.	Setting up a Seakeeping and Manoeuvring Basin (SMB)	14.09.07	13.09.11	13.09.12	5400.00	13858.00
10.	Development of Advanced Light weight Torpedo	12.02.08	14.08.13	31.12.15	19453.00	19453.00
11.	Instrumented Airborne Platform for Real time snow cover, avalanche and glacier monitoring	30.09.11	29.09.16		12594.00	12594.00
12.	40 GHz upgradation of MMIC Facility	15.02.12	14.08.15		19781.50	19781.50

5.10 The Committee wanted to know that whether delays took place in the execution of projects of DRDO. In this regard, Defence Secretary stated:—

“I am not denying that. I said so because it is a self analysis. Also, because when there are real delays we have to find out what are the impacts. Nevertheless, DRDO is doing a Yeoman’s Service and this I state with conviction. How to overcome the situation? Yes, we need to sit together and find out and some of the ideas which you are giving are also worth considering. There is no doubt about it.”

**Brain Drain from DRDO**

5.11 When asked about existing authorisation and projected requirement of manpower for Defence Research and Development Organisation, the Ministry in a written note submitted the following information:—

Sl. No.	Category	Existing Authorization as per Government Orders in 2001	Projected Requirements upto 12th Plan	Proposed Increase upto 11th Plan (as immediate critical requirement)
(i)	Defence Research Development Services (DRDS)	7255	2776	1260
(ii)	Service Officers	623	380	-
(iii)	Chairman, Recruitment and Assessment Centre (RAC)	1	-	-
(iv)	Works Officers	53	169	56
	Sub Total	7932	3325	1316
(v)	Defence Research Technical Cadre (DRTC)	13377	-	-
(vi)	Personnel Below Officer Rank (PBOR)	1371	1000	-
	Sub Total	14748	1000	-
(vii)	Admin. & Allied Cadres	10695	641	-
(viii)	Official Language & Rajbhasha Hindi	67	-	-
	Sub Total	10762	641	-
	Total	33442	4966	1316

5.12 DRDO was sanctioned the existing manpower in 2001 to cater for its requirements upto 10th Plan as shown in Col. (c) in the above Table. To address the deficiency in manpower required for the ongoing projects of 11th Plan and for new projects to be taken up during 12th Plan, additional requirements were projected to the Government in Jan. 2011, as shown in Col. (d) in the above Table. However, based



on the advice of Ministry of Finance, additional requirement being projected now is confined to the “**immediate and unavoidable critical requirements**” only to cater for the ongoing projects being carried forward to the 12th Plan. The same has also been shown separately in Col. (e) in the above Table.

5.13 In a written note the Ministry informed about the number of scientists who resigned or who have taken voluntary retirement from DRDO during the last five years as under:—

Year	No. of Scientists
2007	273
2008	162
2009	65
2010	63
2011	86

5.14 The above scientists have indicated personal/domestic grounds as the reason for leaving DRDO. However, it is assumed that increased opportunities available in private sector industries is the main reason of such exodus.

5.15 On the steps being taken by Defence Research and Development Organisation to put a check on the ever-increasing brain drain from DRDO and to make a career for scientists in DRDO an attractive option, the Ministry through a written note submitted as under:—

“DRDO has taken the following steps and awarded incentives to retain its talented manpower:

- (a) Award of two additional increments on promotion to each Grade.
- (b) Grant of upto six variable increments on promotion to deserving scientists.
- (c) Professional update allowance.
- (d) Performance Related Incentive Scheme (PRIS) for scientists and other personnel.
- (e) Fast Track promotions through assessments.
- (f) Opportunity to acquire higher qualifications at reputed institutes *viz.* IITs/IISc, etc. as DRDO sponsored candidate.

- (g) Young Scientist, Scientist of the Year and other DRDO awards in recognition of their contributions, etc.

In addition, excellent infrastructure facilities have been created at work places and residential complexes for DRDO scientists and other personnel.”

5.16 Throwing light on the reasons of DRDO scientists leaving the organization, Secretary (R&D) during evidence stated:—

“If you see the statistics from 2007, we have lost 273 scientists in 2007 and in 2011, we have lost 86 scientists out of 7000 scientists. So, it is not a very large number. But the number of scientists who leave are of the lower ranks. They are Scientist-B and Scientist-C who have aspirations. They go in spite of the fact that the DRDO task is very challenging. But they have aspirations mostly for the IT industry because of the differential pay structure. In spite of the Sixth Pay Commission, perks and all that still if we are paying today to our Scientist-B around Rs. 45000 to Rs. 50000, that guy gets in the IT about Rs. 1 lakh or so. Obviously, that difference certainly for 10 per cent of people is more attractive. I do not think that as a major percentage because after all those who stay with us are the real ones who are interested in the challenging task of research and development. Those who leave us, obviously are not cut for this job.”

### **Development of Kaveri Engine**

5.17 On the development of Kaveri Engine, the Ministry in written reply intimated as under:—

“Current Status:

Two important milestones of Kaveri project have been successfully achieved:-

- (a) Completion of Official Altitude Testing (OAT) for 73 hours at Central Institute of Aviation Motors (CIAM), Russia.
- (b) Flying Test Bed (FTB) trials for 55 hours with IL-76 aircraft conducted at Gromov Flight Research Institute (GFRI), Russia.

It is planned to commence flight trials for technology demonstration of Kaveri engine with LCA Tejas Mk-I in 3 years time.”

DRDO observed following difficulties in the development of the engine:—

- “(a) Technological challenges encountered during development phase due to complexities of Gas turbine engine systems.
- (b) Non availability of material within the country for forging stocks required for critical components, like discs, shafts and casings of the required grain size and diameters.
- (c) Lack of manufacturing infrastructure for large tonnage forging for compressor and turbine discs, turbine vane, blade machining & high temperature resistant coatings, etc. within the country.
- (d) Lack of test facilities for high altitude tests, full scale fan, compressor, combustor & after-burner tests.
- (e) US sanctions imposed during 1998 affected the delivery of critical systems and components, like Integrated Nozzle Actuation Systems and Turbine Blade Castings, Seals, etc.”

#### **Indigenization of Defence Equipment**

5.18 The Committee wanted to know about the indigenisation initiatives taken by the DRDO in order to achieve self sufficiency and aim for import substitution. In this connection Secretary (R&D) during evidence stated:—

“I have given the details of the full life cycle of development in all the clusters of DRDO. In the previous session of the Parliamentary Committee the issue of selfreliance was discussed. This figure has now improved from 30% to 40-45% for all products of Armed Forces. If we do not carry out technology development and work in all related Areas of DRDO's span of work, we will not be able to reach a figure of 70-80%. The concern of Hon'ble Members is that DRDO is not doing Force multiplications. Kindly note that, while DRDO does R&D it is now involving Indian Industry for fairly large percentage of our development work. Because of this, with just 7000 about scientists we are able to carry out this much of work. If you look at the number of scientists in the Department of Space, in one centre itself there are 8000 scientists. So, you have that kind of a comparison.”

## CHAPTER VI

### DEFENCE PRODUCTION

#### Defence Public Sector Undertakings (DPSUs)

6.1 The Committee understand that there are nine DPSUs *viz.* Hindustan Aeronautics Limited (HAL), Bharat Electronics Limited (BEL), Garden Reach Shipbuildings and Engineers (GRSE), Goa Shipyard Limited (GSL), Hindustan Shipyard Limited (HSL), Mazagaon Dock Limited (MDL), Bharat Earth Movers Limited (BEML) and Mishra Dhatu Nigam Limited (MIDHANI) under the administrative control of the Ministry of Defence. Out of these nine Hindustan Shipyard Limited was transferred to the Ministry of Defence from the Ministry of Shipping and Transport in February, 2010.

#### Profits

6.2 The following table shows the figures of the Profit After Tax (PAT) of DPSUs for the last 5 years is as follows:

	(Value in Rs. crore)					
DPSUs	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
HAL	771.14	1148.76	1631.88	1739.86	1967.41	2114.26
BEL	582.01	383.01	826.74	745.76	720.87	861.47
BEML	186.93	204.93	225.65	268.84	222.85	149.76
MDL	60.10	168.08	240.86	270.73	240.19	243.52
GRSE	65.53	120.14	74.47	51.65	114.81	115.71
GSL	11.50	40.69	69.97	81.96	130.72	176.13
BDL	73.49	32.74	47.65	47.67	33.77	51.71
MIDHANI	12.03	23.19	35.54	41.06	44.62	50.42
HSL	-	-	-	-	2.32	55.00
TOTAL	1762.73	2121.54	3152.76	3247.53	3478.03	3817.98

## Exports

6.3 The Committee have been inform by the Ministry of the export figures of BEL, BEML, BDL, GRSE, GSL, HPL and MIDHANI in last three years. There are no exports from MDL and HSL in last three years.

### Extent of Exports of Defence PSUs (Rs. Lakhs)

Sl.No.	Defence PSU	2009-10	2010-11	2011-12
1.	Bharat Electronics Ltd.	10848.60	18585.88	18788.00
2.	BEML Ltd.	15625.00	21751.00	14275.00
3.	Bharat Dynamics Ltd.	8.00	138.00	0.00
4.	Garden Reach Shipbuilders & Engineers Ltd.	0.00	0.00	289.00
5.	Goa Shipyard Ltd.	28.49	0.00	0.00
6.	Hindustan Aeronautics Ltd.	20467.00	23739.00	34100.00
7.	Hindustan Shipyard Ltd.	0.00	0.00	0.00
8.	Mazagon Docks Ltd.	0.00	0.00	0.00
9.	MIDHANI	23.00	0.00	0.00
Total exports DPSUs		47000.09	64213.88	67452.00

## Complaints

6.4 The Committee have been informed through a written reply that complaints have been received during each of the last three years regarding the product delivery by HAL, BEL and MIDHANI. For HAL the customer have expressed concern over time overruns in some of the major projects. Regarding BEL, also complaints were received regarding delay in completion of projects and for MIDHANI, the complaints were on account of cracks on bars, excessive bands, surface defects, UT defects after forging and under size items etc.

6.5 The reasons for the complaints were identified by the Company and adequate remedial measures were taken to redress the complaints.

6.6 During the sitting of the Committee held on 9 April, 2012, the Committee give an opportunity to each of the Head of the DPSUs to highlight their problems, if any, before them and also give suggestions for improvements. In this connection the CMD, BEL stated:

“Sir, I am CMD, BEL. What we want, in fact, is that if the orders are placed well in time and that too for a long-term, for example,

10 years requirement or five years requirement, that will facilitate the DPSUs to plan properly and acquire the technology in a meaningful manner. If the batch size is small, it is not proper to acquire the technology and it is not economic."

The CMD, MDL while deposing before the Committee said:

"Sir, I am CMD, MDL. We are at the moment constructing stealth frigates, project 17 ships. Two have been delivered and the third one will be delivered this year. In addition, we have also the order for project 15, Alfa, which is repeat of Delhi Class Destroyers and another follow on of that. So, as far as the ship building part is concerned, this is our position.

Seventeen Alfa is also likely to be placed order in this year. We will construct them, four by MDL and three by GRSE. On the submarine side, the position is that we are constructing the Scorpene submarine and we will start delivering from 2015 onwards."

He added by saying:

"Yes, Sir. In the beginning, we had some teething troubles in the technology transfer. But those things have now been left behind us. In the middle of 2015 we will deliver the first boat and in 2018, all boats will be delivered. As far as the Hull is concerned, we will complete the Hull construction of all six boats very soon, this year some time or maybe, early next year."

He also stated:

"In this context, I want to say that our Hull shops, particularly for the submarine construction, we will start oiling after we finish these six. So, it will help us if we get the repeat order, which is already being processed by the Ministry. It is called 75 Vindhya project. So, our request as CMD would be that if that is ordered early on us, we will be able to retain the expertise because it takes a long time to build up expertise on submarine construction. We have already suffered in the past when there was a gap between the SSK and Scorpene. So, we would not like that to repeat. That is a request. That is all from my side."

Registering his view point the CMD, BDL inform the Committee as follows:

"Sir, I am CMD, BDL. Thank you for giving me this opportunity. Two years ago I had asked for long-term orders and I have got it. My order position is good. In this process, now I am increasing my capacity and modernising our plants. I have no other thing to say. Thank you."

The CMD, MIDHANI placed his views before the Committee by saying:

“Sir, I am CMD, MIDHANI. Actually, we are not directly supplying to the Forces. When Forces give the orders to the Defence PSUs, I get the secondary order. Mainly 30 per cent of my supply goes to Defence and the balance 70 per cent goes to Space, Atomic Energy and other commercial sectors like power sector etc. I am getting great help from my customers also. So, it is going smooth. My modernisation programme is on track.”

Expressing his concerns about the order book position and exports, the GSL said:

“Sir, I am CMD, GSL. Goa Shipyard has, in the recent past, a little bit of problem of orders, which the Government is addressing. So, we could perhaps consider that PSU should have a certain minimum number of orders to sustain it.

Secondly, we are also looking at exports. Perhaps, some form of policy is needed to be able to support our export initiatives. Supporting export initiatives could be looked at. An analysis has been done sometime back and we found that building ships abroad is a little less expensive, particularly in the eastern sector in East Asia because of the differentials in taxation structure in India. So, it is a little more expensive to build in India.

And, thirdly, support from the Government to export these will go a long way in assisting us to be able to export our products.”

### Research and Development

6.7 The Committee wanted to know what were the expenditure on research and development for the last three years. The Ministry intimated the Committee the figures in this regard through a written reply which as under:

“The expenditure on Department of Defence R & D (Revenue plus Capital) for the last three years is as under:—

	(Rs. in crore)		
	2008-09	2009-10	2010-11
Department of Defence R&D	7699.05	8475.38	10148.92

The expenditure under R&D head of Ordnance Factories for the last three years is as under:—

(Rs. in crore)			
	2008-09	2009-10	2010-11
Ordnance Factories	29.21	32.08	39.95

In so far as the Defence PSUs are concerned, the expenditure on R&D incurred by them over the last three years is as follows:—

(Rs. in crore)			
	2008-09	2009-10	2010-11
DPSUs	972.82	1269.45	1516.47

6.8 The Committee, in the context of public sector companies accountable for delivering indigenization wanted to know from the Secretary as to what efforts have been done to promote research and move towards the goal of maximum indigenization of production in defence products. Replying to the query, the Secretary stated before the Committee as under:

“It is not only public sector, we must involve private sector also in that. I would suggest that. For that, out of that 15 years programme, till now we have thought that we cannot put it up for the 15 years on the public domain. So, we will make a industry version of that 15 years, and then we will put it in the public domain. Simultaneously, an exercise is to be taken up where the technology acquisition list will be worked out to say that these are the technologies which we are looking for so that public or the private industries can work on. We will have the make cases also simultaneously. We have progressed in this type of exercise but the point is this is the first time we are doing it. The 15 years plan was not approved at all. For the first time, this plan has been approved by the Defence Acquisition Council very recently and we certainly hope that within six months, we will come out in the public domain as to what we are projecting. It will be the industry version only and not exactly how we are going to proceed as this will disclose many of our future actions.”

#### **Ordnance Factories**

6.9 The Committee have been given to understand that Ordnance Factories Organization is the largest and oldest departmentally run production organization in the country and is engaged primarily in the manufacture of Defence hardware. The organization functions under



the Department of Defence Production and is a dedicated facility for manufacture of Weapons, Ammunitions, Vehicles (Armoured and Transport), Clothings, General Stores and Equipment for Defence Services.

Indian Ordnance Factories is a giant industrial setup which functions under the Department of Defence Production of the Ministry of Defence. Indian Ordnance Factories, headquartered at Kolkata. There are 39 Ordnance Factories all over the country and two projects, coming up at Nalanda in Bihar and Korwa in U.P. The oldest one is Gun & Shell Factory, Cossipore, Kolkata, which was set up in 1801. This is the first Industrial establishment of Ordnance Factories which has continued its existence till date.

The product profile has also grown in variety and sophistication, according to the demands of the different arms of the Army. The factories are producing main battle tank T-90 and Arjun, Infantry combat vehicle BMP-II, 105 mm Artillery Guns and rockets for artillery, wide range of Small arms, Mortars and Medium caliber weapons alongwith their full range of ammunition. The Factories are continuously updating their product profile by taking up development and production of increasingly complex and sophisticated arms and ammunition, to support and modernization and war fighting capability of the Indian Army. Ordnance Factories also fulfil the requirements of Paramilitary & Police Forces/Ministry of Home Affairs (MHA), Civil Trade and foreign customers.

Defence production is highly specialized, complex and poses unique challenges to make it safe, reliable, consistent in quality and capable of operating under varying terrains as well as climates and under extreme conditions. Accordingly, the technologies applied, which cover a wide spectrum of engineering, metallurgy, chemical, textile, leather and optical technologies, ensure high quality and productivity, apart from meeting the primary objective of self-reliance.

### Exports

6.10 The Committee have learnt that exports have been made by Ordnance Factory during each of the last four years. The value of which stood as under:—

Year	(Rs. in crore)
2007-08	27.44
2008-09	41.07
2009-10	12.29
2010-11	35.70

**Earnings and Profits**

6.11 The Committee have been apprised that the earnings and profits made during each of the 12th Plan are as follows:—

(Rs. in crore)

<b>Eleventh Five Year Plan</b>					
		2007-08	2008-09	2009-10	2010-11
1.	Issues to Army	5252.14	5557.65	7054.12	9225.16
2.	Issues to Navy	119.39	179.41	124.40	243.42
3.	Issues to Air Force	239.53	221.03	208.20	219.57
4.	Issues to Other Defence Department	145.64	124.67	116.40	111.12
5.	Civil Trade (MHA/ Civil Trade/Export/ Non Military Department)	1181.11	1146.55	1212.13	1415.68
6.	Total Issues (Earnings)	6937.81	7229.31	8715.25	11214.95
7.	Profit From Issues	590.01	297.65	477.90	1171.73

**Production figures**

6.12 The Committee have been informed that in the recent past, there has been turnaround in the performance of the Indian Ordnance Factories with a steady increase in production every year. The growth in performance is indicated below:—

(Value Rs. in crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12 (BE)
Value of Issue	6938	7229	8715	11215	12391
Percentage increase	12.5	4.19	15.99	28.60	10.49

**Modernization of Ordnance Factories**

6.13 The following table depicts the figures of money spent on modernization of OFBs:

(Rs. in crore)	
Year	Expenditure incurred on modernization
2006-07	359.08
2007-08	364.23
2008-09	627.23
2009-10	492.61
2010-11	702.69

## PART II

### RECOMMENDATIONS/OBSERVATIONS

#### *Controversial media report about the movement of troops*

Before the examination of Demands for Grants 2012-13 was taken into consideration by the Committee at the sitting held on 4th April, 2012 some Members of the Committee raised the issue of controversial reporting of Army exercises held in foggy weather during January, 2012 by a leading Newspaper. The Defence Secretary at the sitting assured to place the detailed factual position at the next sitting of the Committee to be convened on 9th April, 2012. The Secretary accordingly at the sitting held on 9th April, 2012 submitted the factual position before the Committee, the details of which have been given in Part 1 of the Report. As per the details furnished by the Secretary, the movement of troops was purely for training purposes aimed at refining the mobilization drills and ensuring operational preparedness of the Army despite adverse weather conditions. On the issue of seeking Ministry of Defence's permission or intimating to Ministry of Defence about such movement, he also substantiated that to the best of his knowledge there is no such Government order. As stated by the Secretary media report was based on wrong inferences, surmises and conjectures and is strongly dismissed.

The Committee while taking note of the satisfactory explanation given by the Defence Secretary regret the reporting by a leading newspaper, particularly when it relates to the routine exercises of the troops for ensuring the operational preparedness.

#### *General Defence Budget*

2. The Committee note that Budget Estimates (net) for the year 2012-13 are for Rs. 1,93,407.29 crore which comprises of Rs. 1,13,828.66 crore as revenue outlay and Rs. 79,578.63 crore as capital outlay against the RE allocations of Rs. 1,70,937 crore of the previous year. Although there is an increase in the Defence budget in absolute term, the analysis of the data with regard to the growth of Defence budget indicates that the percentage growth during the Eleventh Plan which was highest during the year 2008-09 and 2009-10 *i.e.* 24.59% and 24.13% respectively declined to 8.70% during the year 2010-11.

The percentage growth slightly improved during the year 2011-12 to 10.91% and the estimates for the year 2012-13 indicates the growth of 13.15%. If the Defence expenditure as percentage of GDP is taken into consideration, again the growth is declining since the year 2009-10. During the year 2009-10 the growth was 2.20% which declined to 1.92% during the year 2011-12 as per the Revised Estimates and the allocations at Budget Estimates stage of 2011-12 indicates the growth as 1.90%. The Defence expenditure as the percentage of total Central Government expenditure as such has declined from 13.84% in 2009-2010 to 12.97% as per the Budget Estimates of 2012-13. The Defence expenditure as compared to some of the European and neighbouring countries, the data of which was made available to the Committee by the Ministry indicates that the Defence expenditure as percentage of GDP in India is lowest as compared to U.S., China, France, U.K., Russia and Pakistan. Moreover, the military expenditure as percentage of GDP in all these countries excepting Pakistan is increasing over the years.

3. The Committee have consistently been recommending in the reports on Demands for Grants for increasing capacity of the Ministry for the utilisation of outlay so as to justify the demand of higher allocation, particularly under the Capital section. The Committee appreciate that during the year 2010-11 the allocations earmarked have been utilized fully. So far as the expenditure position of the Ministry during the year 2011-12 is concerned, the Ministry has furnished the details up to February 2012 whereby the expenditure for the three Services ranges between 80 to 90% up to February 2012. The Committee hope that the outlay earmarked for 2011-12 would have been fully utilized.

4. The Committee's examination further indicates that there is huge variation in BE Estimates, BE Allocations, RE Estimates and RE Allocations during each year of the Eleventh Plan. Not only that there are gaps between the projected and the allocated outlay. Each of the services is getting allocations that are lesser to the projections during each of the year. The Committee observe that there has been slight variations in the Revenue Capital ratio during Eleventh Plan. During the year 2008-09 the Revenue Capital ratio was 55:45. 45 as the Capital ratio was maximum during the year 2008-09 which declined to 39 during the year 2009-10. Again the Capital ratio has slightly improved to 42% during the year 2011-12. During the year 2012-13 the estimated Capital ratio is 41. The Committee find from the aforesaid Revenue Capital ratio analysis that the Government has not been able to match the Capital ratio of 45 of the year 2008-09.

The Committee may like to emphasize that India is surrounded by difficult neighbours and as such there is an urgent need to allocate adequate outlay to the Services, particularly for the Capital schemes. Moreover, as has been observed by the Committee there are huge gaps between the required and the existing force levels, armaments, equipment, aircraft, etc., the details of which have been given in the Service-wise examination. Besides, the modernization programmes of the Services, Ordnance Factories, DPSUs are going on for which substantial allocations are required. On the Research front there is an urgent need to give more emphasis so as to attain the level of self-sufficiency in defence procurements.

5. The Committee feel that there is an urgent need to build the Defence capabilities to face any of the challenges including the worst scenario of two front war. As such the Committee strongly recommend that the requisite allocations should be made available to the Ministry of Defence for their different programmes. Besides, the Ministry of Defence on their part should also build capacities to utilize the allocated resources.

*Committed Liabilities*

6. The projected allocations of the Ministry for the year 2012-13 for the Services indicates that substantial portion of the allocations are earmarked for the Committed Liabilities leaving marginal scope for New Schemes. The Committee are concerned to note that as per the position of actual allocation of outlay by the Ministry of Defence out of total Capital Modernization Budget 2012-13 of Rs. 66032.24 crore Rs. 54839.91 crore have been allocated for Committed Liabilities thus leaving only Rs. 5520.82 crore for the New Schemes. The Committee find that the proposed acquisitions of the Services particularly of Air Force are highly Budget intensive. The Committee fail to understand how the Ministry of Defence would meet all capital requirements of the Services particularly in the context of the modernization programmes as well as gaps between the required and the existing capabilities as examined in detail in the later part of the Report. The Committee express grave concern on allocating the meagre outlay for new schemes and would like the Ministry to clarify the position in this regard. Besides, since the allocations for the Services are the immediate strategic requirement, the requisite allocations to the Ministry of Defence for the Capital segment should be made available so that the proposed acquisitions of the Services do not suffer. Moreover besides meeting the committed liabilities adequate outlay should be allocated for the New Schemes so as to

enable the Services to bridge the gaps between the required and the existing capabilities. The Committee strongly recommend that their concerns in this regard should adequately be conveyed to the Ministry of Finance and Cabinet Secretary.

*2012-13 celebrated as a Veteran Year*

7. The Committee during the course of deliberations on Demands for Grants have been apprised that the year 2012-13 is being celebrated as the Veteran Year. The Committee appreciate the aforesaid initiative of the Ministry which is really a tribute to the Services rendered by the Defence personnel and to their sacrifices made for the sake of the country. In this connection, the Committee may like to highlight that the Committee in the earlier reports have consistently been raising issues related to the welfare of ex-servicemen and their families. Such issues include providing extended pensionary benefits to the ex-serviceman leading to One Rank One Pension, enhancing the financial assistance and providing facilities like Ex-Servicemen Contributory Health Scheme (ECHS), Canteen Stores Department (CSD) Canteen to World War I & II veterans who retired Pre-Independence Period, maintaining the data with regard to the benefits provided to war widows, reviewing the financial and other benefits provided to them, providing facilities/concessions in rail and air travel to Sena Medal awardees *i.e.* Sena/Nao/Vayu, at par with the winners of police medals. The Committee strongly recommend that the aforesaid recommendations should be implemented during the current year, particularly when the year has been dedicated to the veterans. The implementation of the recommendations of the Committee would go a long way in recognizing the services rendered/sacrifices made by the Defence veterans. The Committee also desire that to commemorate veteran year, the Ministry should take initiatives to release a stamp and a 'First Day Cover'.

*Outcome Budget of the Ministry*

8. The Committee have consistently been recommending the Ministry to prepare Outcome Budget and lay the same in Parliament alongwith the Demands for Grants. Even when the issue is pursued year after year, the Ministry has not been able to prepare the Outcome Budget document. What is more disturbing is the fact that the Ministry is not keeping the assurance given during each year in this regard. The Committee have now been informed that the Outcome Budget documents for the identified organizations for the year 2012-13 were ready in time. However upon examination it was felt that the same need to be refined further.

The Committee have been apprised that all the allocations of the Ministry are under the non-Plan segment and as such are not subject to scrutiny by Planning Commission. The Committee may again like to emphasize that Outcome Budget is an important document to ensure Executive accountability to Parliament. Not only that the achievements of the Ministry are scrutinized by virtue of being quantified by this important document.

The Committee observe from the aforesaid scenario that the delay on the part of the Ministry is just to avoid Parliamentary scrutiny as well as the public scrutiny thereto Outcome Budget being a public document. Not only that the schemes are not covered by the rigorous Zero Based Budgeting exercise being done by Planning Commission, the reasons being whole Defence allocation as non-plan, not subject to the scrutiny by the Planning Commission. The Committee again reiterate their recommendation and would like the Ministry to prepare Outcome Budget at least from the year 2013-14 onwards. Not only that the Ministry of Defence should explain in details the rationale of allocating all the outlays of the Ministry of Defence under the non-Plan segment. The concrete result oriented measures in this regard should be taken and the Committee apprised accordingly.

*Finalization of Long Term Plans*

9. The Committee have consistently been raising serious concern over non-finalization of long-term plans which have resulted into adhocism in the whole planning process. The Tenth and Eleventh Plan could not be finalized during the whole Plan period. There was considerable delay in finalization of LTIPP 2012-27. The Committee appreciate that at last the consistent pursuance has yielded results and LTIPP 2012-27 and Twelfth Plan have been approved by DAC. The Committee hope that with the finalization of the Five Year Plan and the LTIPP 2012-27 the Ministry would be in a better position to make the strategies to build the requisite capabilities of the Services keeping in view the challenges.

*Advanced strategy of the Ministry with regard to procurements*

10. It has come out during the course of the deliberations on Demands for Grants 2012-13 that there is shortage of ammunitions, aircraft, armaments and artillery and other force level with our three Services. The detailed examination in this regard has been undertaken in the later part of the Report. The Committee understand that there are long procurement procedures involved in acquisitions. Not only that there is considerable delay in procurement leading to time and cost overruns.



The Committee during the course of deliberations have been apprised that as per the existing financial delegation of powers, the three Chiefs have the range of Rs. 50 crore. The issue of increasing the delegation of financial powers in this regard to Rs. 150 or 200 crore was discussed in the recent meetings with the Raksha Mantri as informed by the representative of the Ministry during the course of deliberations. The Committee consider that the aforesaid suggestion to increase the delegation of financial powers of the three Chiefs merit consideration and immediate decision in this regard should be taken which, to some extent, would help to speed up acquisition/purchases, particularly, in the context of Army where the acquisitions are smaller. Besides, urgent initiatives need to be taken to simplify and speed up the procurement procedure in consultation with the Services.

11. Some important suggestions emerged during the course of the deliberations to address the issue of delay in acquisitions. One such suggestion was preparing a databank for the acquisition of our Services to which the Secretary acknowledged that some start has been made on the part of the Ministry. In this connection, the Committee may strongly like to emphasize that some structured mechanism to have the databank for the future acquisitions for our Services should be created by the Ministry, particularly, when LTIPP 2012-27 has now been approved. The respective Services should be requested to prepare a long term inventory with regard to their requirement and a databank should be prepared and maintained by the Ministry in this regard. The aforesaid mechanism would save much of the time that is involved in preparing the desired acquisitions and then getting approvals.

12. The Committee further observe that the aforesaid suggested mechanism would not only curtail the time required for defence acquisitions but would also help in indigenization process. Once the requirement of the Services is identified, the cases with regard to 'Make' category can be culled out and preparations can be started. Not only that the involvement of Defence Public Sector Undertakings, Ordnance Factories and even the Private Sector in this process of acquisitions would lead to the path of self-reliance. Moreover, if the perspective long-term plan for our PSUs and Ordnance Factories is prepared, these companies can be held accountable on delivery of indigenization process. The Committee further observe that preparation of the databank of acquisitions and the long-term plan in this regard can further pace up our R&D requirement. The integrated approach by the PSUs, Ordnance Factories and Private

Sector, DRDO and premier Research institutions as well as the technical institutions can help in finding out solutions for difficult technologies and lead us to the path of self-reliance. The Committee strongly recommend that the concrete initiatives on the suggested lines should be taken by the Ministry and the Committee informed accordingly. Moreover, the Committee feel that the existing FDI limit with regard to defence production need to be revisited.

*Blacklisting of some of the companies*

13. The Committee find that CBI had reported against six companies and these companies have been blacklisted for ten years. With the blacklisting of these companies, a difficult situation has arisen due to technology being rare and with few manufacturers internationally. For example, on the issue of procurement of L-70 gun replacement, according to Army the best gun is made by Rhinemetals Air Defence (RAD), Zurich and the said company is one of the blacklisted companies. Further, the problems with regard to tanks ammunitions have further compounded due to blacklisting of IMI, Israel. The Committee observe that the blacklisting of the companies ultimately result into blacklisting of the rarest technologies and the solutions in this regard need to be found. One such solution is to give more focus to defence R&D in an integrated approach involving DRDO, premier research institutions, Defence PSUs, Ordnance Factories, premier academic technical institutions and private sector enterprises in the R&D process so as to find our own solutions to the rarest available technologies as well as in manufacturing quality defence products at competitive prices. The Committee may like to emphasize that investigations with regard to the blacklisted companies should be expedited so that it reaches to the logical conclusion and the offenders are penalized which would be a deterrent for others. More emphasis on pre CVC vetting of defence procurements can be another mechanism to address the aforesaid issue.

14. The Committee further note that some of the retired defence officers work with the private sector and act as a middleman for the defence procurement. The Committee understand that the prescribed period as per service conditions forbidding Armed Forces officers joining Private Sector was earlier two years which has now been reduced to one year. The Committee are of the strong view that the aforesaid period need to be increased to five years for the officers of the rank of Brigadier and above, and their equivalents which would certainly help in addressing the issue of blacklisting of technologies. The urgent initiatives in this regard should be taken by the Ministry and the Committee informed accordingly.

*Management of Defence Land*

15. The Committee are concerned to note that in continuation of the grave irregularities reported with regard to defence land during the previous years which include Adarsh and Sukna land cases, the year 2011-12 has not been free from such irregularities. Again, three irregularities of land cases as per the information furnished by the Ministry which include Case of B. No. 8A, Lothian Road, Pune, Srinagar — case of issue of NOC and Jodhpur Case have been reported thus raising question mark on the system of management of defence land. The Committee have selected the subject 'Management of Defence Land' during the year 2012-13 and is undertaking examination in consultation with various stakeholders. The Committee may finalize their recommendations after detailed deliberations. Here the Committee may like to strongly recommend that the investigation in the Defence Land issues should be expedited and the offenders penalized which would be a deterrent to the land Mafia which has eyes on the precious defence land.

*Development of infrastructure on the borders*

16. The Committee observe that whereas the Ministry of Defence has recognized the need for development of infrastructure as well as operational capabilities to achieve desired Defence preparedness, particularly in the context of the huge undergoing infrastructure construction activities of our neighbouring countries including China, the delay in forest and wild life clearances has been an impediment in this regard. The Committee in the context of examination of the subject 'Construction of roads in border areas of the country' as well as during the course of examination of Demands for Grants have consistently been raising the issue of delay in forest and wild life clearances. In spite of the efforts being made by the Ministry to fast track the said clearances, there are 12 Nos. of forest/wild life cases pending for want of clearance from Ministry of Environment and Forests for construction of Indo-China Border Roads (ICBR) and 160 Nos. for other than ICBRs. The Committee may again like to emphasize that the strategic infrastructure need special dispensation with regard to forest/wild life clearances. The Ministry accordingly should take up the matter with the State Governments and Ministry of Environment and Forest so that the clearances are in place followed by construction of roads within the stipulated timeframe.

17. The Committee from the information furnished by the Ministry note that in respect of 6 tunnels on our borders, preparation of Detailed Project Reports (DPRs), carrying of feasibility study is

under progress. In addition Army has endorsed construction of 11 more tunnels in Arunachal Pradesh, Sikkim and Jammu & Kashmir which would be taken up subsequently. Besides 1 tunnel is under construction at Rohtang Pass on Manali-Sarchu-Leh road and completion date is February 2015. The Committee strongly recommend that all the desired initiatives should be taken to fast track DPRs, feasibility study in respect of the aforesaid tunnels which are at various stages of approval so that the construction work can commence expeditiously.

18. The Committee understand that the issue of funding for strategic roads and required rail infrastructure on our borders is another area which need to be addressed immediately. The Secretary during the course of deliberations has apprised that Railways is not being provided any additional allocation by the Planning Commission for upgrading rail infrastructure on our borders. There are technical issues involved. The total outlay of Defence being non-plan, outlay for additional rail road infrastructure cannot be provided from the Planning Commission. The Committee deplore the aforesaid position whereby the issue of allocating of outlay for our strategic needs is struck due to the aforesaid bureaucratic hurdles. The Committee strongly emphasize that the issue need to be taken immediately at the highest level. The Cabinet Secretary, Prime Minister's Office (PMO), the Finance Ministry should be conveyed the concerns of the Committee adequately. The Committee also desire that feasibility to fund the border roads through Pradhan Mantri Gram Sadak Yojana (PMGSY) should also be looked into. The adequate outlay for construction of the requisite infrastructure which include strategic roads, rail, tunnels, etc. should be ensured by coordination between the various Ministries and the intervention at the highest level. Besides, The Committee may also like to emphasize that the rail tracks should be constructed after taking specifications from and in consultation with the Army so that there is no compromise on the issue of speed of the trains. The Committee would like to hear about the concrete initiatives taken in this regard followed by the positive results.

*Budgetary allocation for Army*

19. The Committee note that the Army has been allocated Rs. 77327.03 crore against the projection of Rs. 83861.62 crore during the year 2012-13 under the revenue section. Under the capital section the Army during the said year has been allocated Rs. 19237.80 crore against the projection of Rs. 28234.60 crore. If the analysis of the

Army outlay in terms of committed outlay and new schemes is done, the Committee find that the projected requirement for capital modernization budget for the year 2012-13 was Rs. 15407.84 crore. The share of committed liability in the projected capital modernization budget is Rs. 5552.63 crore. For new schemes the projected requirement is Rs. 9855.21 crore. However, based on the actual allocation of funds by the Ministry of Finance, the total allocation for capital modernization budget for Army is 13724.14 crore out of which Rs. 5552.63 crore is for committed liabilities thus leaving only Rs. 2500 crore for new schemes. Moreover, the Committee are unable to comprehend how the proposed initiatives of the Ministry to decentralize financial delegation of power thereby increasing the limit to Rs. 150 and 200 crore would help the respective chiefs in meeting the gaps with the meager allocation provided for the new schemes. With regard to capital revenue ratio in connection with Army, the data furnished by the Ministry indicates that the said ratio is moving more towards revenue segment. During the year 2008-09 the capital revenue ratio was 27:73 which reached to the level of 23:77 during the year 2011-12 and the projections for 2012-13 are 20:80.

20. The Committee fail to understand how the Army would be able to address the issue of critical shortages of armaments, the details of which have been given in the light of the aforesaid scenario whereby marginal allocations are being made for new schemes and the revenue capital ratio is moving favorable towards revenue ratio over the years. The Committee strongly feel that the issue of shortages of armaments with Army at various fronts need immediate attention. As such the adequate requirement for the proposed acquisitions of Army should be made available to the Ministry of Defence during the year 2012-13. The additional requirement of Army should be met by allocating outlay at revised estimate stage/ supplementary grants.

*The critical shortages of armaments with Army*

21. There are huge gaps between the sanctioned and the existing machines with Army Aviation. If the sanctioned and the existing strength is compared, there is shortage of 18 Cheetah, 1 Chetak, 76 Advance Light Helicopter (ALH) and 60 Advance Light Helicopter (Weapons Systems Integrated) (ALH-WSI) with Army Aviation. The deliberations have further indicated that the tank ammunition is another critical area having shortages. Certain problems are being faced with regard to getting tanks ammunition. The deliberations

with the representatives of Army reveal that the problems with regard to tank ammunition have further compounded due to blacklisting of IMI. The whole contract with them has fallen through and other alternate routes are now being activated.

22. The Committee are alarmed over the way the deficiencies have been allowed to persist leading to criticality in the Army aviation and ammunition in the country as emerged during the course of deliberations. Nevertheless, the Committee strongly emphasize that all the issues confronting acquisitions should be addressed immediately. The Secretary during the course of deliberations has informed that Budget is not a problem. Notwithstanding the fact, the Committee may like to emphasize that the desired allocations for acquisitions should be made available to the Army. All the issues confronting delay in procurement should be dealt to put the procurement procedures on fast track mode and with decentralization of financial powers. The issue of critical gaps should be addressed without any further delay and also within the stipulated timeframe.

23. Another area affecting the Army preparedness is requirements of guns for our Army. The information furnished by the Ministry indicates that the upgradation of Bofors Gun is taking long time. The representative of the Ministry during the course of oral evidence acknowledged that many years have passed after the transfer of technology case. Now the project has been given to Ordnance Factory Board. The Committee disapprove the way the deficiency of gun systems has been allowed to reach to the criticality. While deploring the situation, the Committee strongly recommend that at least now the desired initiatives should be taken by the Ministry of Defence and the Government. The procurements should be put on fast track mode so that the criticality of ammunitions with the Army is addressed within the stipulated timeframe. All the support required for the acquisitions including the financial support should be made available to the Ministry. The Committee may also like to emphasize that the Standing Committee on Defence should periodically be updated about the status of defence preparedness of the country.

*Shortage of Officers in Army*

24. The Ministry has apprised that out of the sanctioned strength of 47762, the gap between the authorized strength as on 1.1.12 in respect of Officers (excluding AMC, ADC and MNS), is 10526. The aforesaid data indicates that almost one-fifth of the total post of officers in the Army are lying vacant. Accretions from time to time,

tough selection procedures, difficult service conditions coupled with perceived high degree of risk involved in service career have been cited as the constraints for the shortage of officers in Army. The Committee find that most of the reasons cited by the Ministry for the shortage of officers are well within the control of the Ministry which can be addressed. The Committee also note that certain initiatives for sustained image projection and publicity campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career in Army are being undertaken. The Committee feel that more such initiatives are required. Moreover, the youth of the country can be motivated to join the Services by various mechanisms which include lectures, seminars and programmes conducted in various schools. Introducing a chapter on the challenging and satisfying career of services in the school curriculum can be another initiative which can motivate our youth to join the Services. The Ministry should take up this issue with the Ministry of HRD at appropriate level. Moreover, the Ministry has to increase the intake of students through NDA which ultimately would address the issue of shortage of officers in Services. The concrete initiatives on the suggested line should be taken so as to address the problem of shortage of officers in the Army.

*Bullet Proof Jackets*

25. The Committee during the course of examination of Demands for Grants 2009-10 had noted that there was deficiency of 186168 units of Bullet Proof Jackets. Even when the approval of Defence Acquisition Council was obtained on 19.10.2009 for purchase of the requisite number of BPJs during the Eleventh Plan, the issue of purchase of desired BPJs is still fraught with various complications. The Committee understand during the course of deliberations on Demands for Grants of this year that the Ministry is confronting with some problems on issue of RFP. RFP was issued initially on 3rd March, 2011 however, due to problems envisaged during conduct of ballistic trials RFP was retracted on 9th December, 2011. Now, the suitable amendments are being made in the GSQR and fresh RFP would be issued.

26. Another issue consistently been raised by the Committee is the weight of the Bullet Proof Jackets. When the issue was raised in the Seventh Report on Demands for Grants 2009-10, the Ministry in the Action Taken Note had stated that the weight of the BPJ is incremental from less than 4 Kgs to a maximum of 11.5 Kgs based on level of threat. To substantiate the point of view of the Ministry,

the Committee have been informed in the Action Taken Note that the soldier is not required to wear the BPJ at its maximum weight under low threat levels. Even when the proposals have been approved by DAC, the Ministry is confronting with RFP issues. Initial RFP was retracted way back on 9th December 2011 due to some problems and till date fresh RFP has not been issued. The Committee express unhappiness over the way the procurement of such an important life saving items required for forces is being delayed.

27. The Committee deplore the way the Ministry has dealt with the issue of weight of BPJs whereby it has been stated that the soldier is not required to wear the BPJs at its maximum weight under low threat levels. The Committee strongly recommend that at least now the initiatives should be taken to fast track the purchase of BPJs. Besides it should be ensured that the BPJs are of low weight and of world class quality.

*National Cadet Corps*

28. The Committee observe that presently, there is no proposal under consideration of the Government to increase the intake of the NCC cadets to the Armed Forces. On the present sanctioned strength and the number of schools/colleges inducted into NCC and those wait-listed institutions during the last three years, the Ministry has stated that the sanctioned NCC cadet strength is approximately 13.4 lakh cadets. Since the training curriculum for the cadets is two years, 50% of the total strength of the Corps join and leave every year. Therefore, approximately a strength of 6.5 to 6.8 lakh cadets are turned over every year.

The information furnished by the Ministry further indicates that the huge number of institutions are dropped out of NCC list. During the year 2009, 158 institutions were dropped. During the year 2010 again 132 institutions were dropped. Further during the year 2011, 112 institutions were dropped. Not only that a large number of institutions have been kept under the wait-listed position. The data of wait-listed institutions indicates that their number is growing. During the year 2011, 6782 institutions were under waitlisted position against the number 6339 during the previous year.

The aforesaid scenario clearly indicates that more and more institutions want to be inducted into NCC. The Committee feel that there is a need to increase the intake into NCC so as to address the problem of waitlisted institutions. Perhaps there is a need to increase the capacity for NCC training. The Committee recommend that the



Ministry should look into the matter so that the waitlisted institutions are inducted into NCC, particularly when objective of NCC is to prepare the leaders of tomorrow into a disciplined and patriotic citizens.

29. The Committee would also like to be apprised about the reasons for the institutions being dropped from the NCC list as informed to the Committee by the Ministry during the course of deliberations.

30. The Committee further find from the information furnished by the Ministry that very few NCC cadets are joining the services as officers. During the year 2011 only one NCC cadet joined the Navy as officer. In Air Force none of the NCC cadet joined. In case of Army the data has not been furnished separately for NCC cadet joining as officers.

The Committee further observe that various initiatives to NCC 'C' Certificate holders in joining the Services are being taken as per the Government's policy. To NCC 'C' Certificate holders, Government provides reservation in recruitment to the Armed Forces and a certain weightage of marks in para military organizations. 64 vacancies in IMA, Dehradun, 100 vacancies in Officers Training Academy (OTA), Chennai, 12 vacancies in Naval Academy, Ezhimala and 10 vacancies in Air Force Academy, Dundigal are reserved per year for NCC 'C' Certificate holders. Further for entry into OTA, Chennai, Naval Academy Ezhimala and Air Force Academy, Dundigal, NCC 'C' Certificate holders are exempt from the written examination. The Committee understand from the aforesaid position that the NCC Cadets are not joining the services inspite of the weightage given to them in recruitment to the Armed Forces as officers, the details of which have been given above. The Committee understand that perhaps very few NCC cadets are getting NCC 'C' Certificate. To understand the situation the Committee would like to be apprised about the data with regard to the NCC cadets getting 'C' Certificate. The Committee would also like the Ministry and Services to analyze the reasons for NCC cadets not being able to join as officers in the services so as to understand the aforesaid scenario.

*Lateral induction of Ex-Servicemen in Central Para Military Forces and State Police Forces*

31. The Department of Ex-Servicemen Welfare was created on 22nd September, 2004 with the objective to give focused attention to the welfare programmes for ex-servicemen and their dependants

including pensionary benefits, re-employment and rehabilitation. As per the Ministry of Defence official website, approximately 60,000 service personnel are retired/released every year at a comparatively younger age. At the time of retirement, majority of service personnel are at an age where they have numerous unfinished family and other social responsibilities which necessitates taking up a second occupation.

The Committee had in their earlier reports recommended for lateral transfer of Ex-Servicemen (ESM) into Central Para Military Forces or State Police Forces. The Fifth Pay Commission had also recommended to 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. The Sixth Pay Commission also in their report had recognized the need for lateral induction of Ex-Servicemen into Central Para Military Forces (CPMFs) and other Central Police Organizations (CPOs).

32. The Committee observe that the service personnel retiring at younger age are a great asset to the country. There is an urgent need to use the services of these trained workforce by deploying them in Central Para Military Forces (CPMFs) and other Central Police Organizations (CPOs) in line with the recommendations made by the various Pay Commissions as consistently been recommended by the Standing Committee. Besides, providing re-employment to the service personnel, the Lateral Induction Programme would curtail the training bill of the Central and State Governments for deploying of the new recruits which need extensive training. Moreover, pension bill of the Union Government can also be curtailed. The Committee fail to understand the delay in taking decision with regard to lateral induction of ESM in (CPMFs), (CPOs) and State Police Forces in the line of the aforesaid observations. The Committee strongly recommend that the early decision in this regard should be taken. Besides, the Joint Recruitment Board comprising representatives of CPOs and Defence Forces Headquarters that would jointly select officers/men who would render 7 years services in Defence Forces to be followed by lateral shift to CPOs should also be constituted expeditiously to address the issue of lateral induction.

*Online Canteen and Credit Card Facilities for Ex-Servicemen*

33. The Committee find that the turnover of CSD has grown to over 4500 times in the recent years and it is serving more than 16 million people with 34 Area Depots and 4500 Unit-Run-Canteens

(URCs), the CSD serves the services in all the parts of the country—from Ladakh in the North, Tamil Nadu and Kerala in the South, Nagaland in the East, Rajasthan in the West and even Port Blair. CSD caters not just to the services personnel and their families but also to GREF, NCC Units at Group HQ level, TA units, CDA's staff, Ordnance factories, Embarkation HQs, Civilians paid from Defence estimates and Para-military forces under operational/administrative control of the Army.

34. The Committee appreciate the work done by CSD to the service personnel and to the employees of other related services. The Committee desire that mobile canteen facilities which was available to Ex-Servicemen who reside in far flung and difficult areas should be re-instated. The Committee desire that keeping in view the advent of new technology and internet, online canteen facilities to Ex-Servicemen should be started at the earliest and modalities in this regard should be finalised before presentation of next year's Demands for Grants.

35. The Committee also recommend that Credit Card facilities on the line of Kisan Credit Card should also be started for Ex-Servicemen, who find difficult to carry cash to canteens.

*Analysis of the allocations made during the Eleventh Plan as well as during the year 2012-13 for Air Force*

36. The Committee find that the allocations made to Air Force during each year of the Eleventh Plan and for the year 2012-13 are lesser than the projections both under the Revenue and the Capital Head. Under the Revenue Head during the year 2012-13 the allocations have been made for Rs. 17705.81 crore against the projections of Rs. 19887.73 crore. Similarly, under the Capital Head Rs. 30514.45 crore have been allocated against the projections of Rs. 36950.52 crore. The analysis of the data furnished by the Ministry further indicates that the allocations to Air Force for Capital Modernization Budget are quite lesser to the projections made. Out of the total projections of Rs. 34165 crore, Rs. 28533 crore have been allocated as per the actual allocation made by the Ministry of Finance. What is more disturbing is the fact that out of Capital Modernization Budget 2012-13 to the tune of Rs. 28533 crore, Rs. 26433 crore have been allocated for the committed liabilities thus leaving only Rs. 2100 crore *i.e.* lesser than 10% of the total capital outlay. The Committee understand that various acquisitions related to capital modernization of Air Force are in pipeline, the details of which

have been given in the later part of the Report. Moreover, there are gaps between the required and the existing Air Force fleet. The obsolescence of the Air Force fleet including the trainer aircraft is another area of concern.

37. The Committee may further like to highlight that Air Force has acknowledged during the course of deliberations that shortfall in revenue allocation would eventually compromise operational preparedness since legacy system require more maintenance. With regard to shortfall under the capital budget, the Committee have been informed that it would slow down modernization, delay in induction of important equipments and resultant asymmetry in capability with respect to threat perception. The Committee strongly emphasise that the country cannot afford further delays in the proposed acquisitions keeping in view the urgency of the matter. The Committee as such strongly recommend that the adequate outlay as per the requirement of Air Force under both Capital and the Revenue Heads should be made available to Air Force. The additional requirements may be made available during the course of Revised Estimates stage as well as through supplementary grants.

*Shortage of Aircraft with the Air Force*

38. The Committee note that the IAF presently has 34 fighter squadrons against Govt. sanctioned strength of 42 squadrons. The number of fighter squadrons is likely to reduce further to 31 during the 12th Plan period. The representative of the Ministry during the course of oral evidence further apprised the Committee that by the end of 14th Plan Air Force aim to reach 40 to 42 Squadrons.

The Committee have been informed that life span of aircraft is defined in terms of Total Technical Life (TTL) and the normal technical life of MiG Aircraft ranges from 15 to 40 years from different variants. The details furnished with regard to fighter aircraft indicates that most of the aircraft are more than 30 years old. The analysis of the information furnished by the Ministry further reveal that MIG-23MF, MIG-23 BN and MIG-25 have stopped flying. T-69/69B (Trainer), T-75 (BIS) & (BISON), T-77 (BADAL) T-96 (TRISHUL) are already 40 or more than 40 years old MIG-27, MIG 29 have more than 25 years of life. Similarly, Mi-25/35, Mi-8 and Mi-17 helicopters are more than 29 years old.

The analysis of the data furnished by the Ministry indicates that the number of fighter aircraft due for retirement after completion of their technical life far exceeds the rate at which their replacements

can be inducted in the IAF. The different variants of MiG-21s and MiG-27s are being phased out during the 12th and 13th Plan period and these are planned to be replaced with Su-30 MKI, Medium Multi Role Combat Aircraft (MMRCA), Light Combat Aircraft (LCA) and Fifth Generation Fighter Aircraft (FGFA). It is very much apparent that the induction process has not been commensurate with the de-induction process.

39. The Committee are concerned to note the huge gap between the required and the existing strength of Squadrons with the Air Force. The gap in this regard would be to the extent of 11 Squadrons during the Twelfth Plan. What is more worrying is the fact that our fighter aircraft fleet is quite old and is on the verge of phasing out. Even if the proposed acquisitions are in order and by the stipulated timeframe, the country would reach to the requisite level of fleet i.e. 42 Squadrons by the end of the Fourteenth Plan. The Committee understand from the aforesaid position that the Air Force capabilities have reached to the level of criticality. There is an urgent need to ensure that at least now our acquisitions are to be put on the fast track mode. The required Government support by way of providing requisite allocations and ensuring timely finalization of the proposals should be provided to the Air Force so as to address the critical issue of gaps in the Air Force fighter aircraft fleet.

*Accidents in Air Force and the issue of deficiency of trainer aircraft and simulators in Air Force*

40. The Committee during the course of examination of Demands for Grants of the previous year had observed that out of 946 MIG aircraft, 476 MIG aircraft i.e. more than 50 per cent had met with accidents.

The existing strength of trainer aircraft and simulators as furnished by the Ministry indicates that out of 434 trainer aircraft inducted which include HPT 32, Kiran and Hawks, 255 are presently available. The data furnished further indicates that except the Hawks, the remaining training aircrafts are very old. HPT 32 has life of 28 years and Kiran has already completed 39 years of life.

41. The aforesaid scenario reveals critical deficiency of the trainer aircraft. With regard to simulators, out of 46 simulators, 16 are not operational due to grounding/undergoing phasing out process which leaves the availability to just 30 simulators. The aforesaid critical deficiency of trainer aircraft and simulators is resulting into inadequate training to fighter pilots leading to loss of life of the

trained pilots which is a great loss to the families and the country as a whole. What has added to the criticality on the issue of trainer aircraft is grounding of HPT 32 after the fatal accident since 31 July, 2009 resulting into the situation whereby Indian Air Force does not have a basic trainer aircraft. So far as the issue of procurement of the basic trainer aircraft is concerned, the Committee understand that the procurement process started in the year 2009 but due to various technicalities and some anonymous and some actual representations from one of the losing vendors resulted into delay in acquisition of the trainer aircraft.

42. With regard to the existing position, the Committee have been apprised that contract acquisition with regard to Pilatus PC-7 Mark-II with the manufacturer has been done. When asked about the expected delivery, the Committee have been informed that this is one of the widely used aircraft elsewhere in the world and the manufacturer would start delivery Pilatus PC-7 Mark-II in 18 months onwards.

43. The Committee have further been apprised that in the absence of the basic trainer aircraft, Kiran aircraft are being presently used for training of pilots at stage I, fighter pilots at stage II and under trainee flying instructors. Further, it has emerged during the course of deliberations that the training requirement on basic trainer aircraft are being compensated by increasing the training hours at stage II and simulators. The Committee further note that with the phasing out of HPT 32 now the remaining trainer aircraft are Kiran and Hawks. Out of 234 Kiran aircraft inducted so far only 81 aircraft are presently available. Not only that the Kiran aircraft was inducted in 1973 and as such may be having life of 39 years. Contract for additional 40 Hawks aircraft have been signed on 23 July, 2010 and the aircraft would be inducted between July, 2013 to March, 2016.

44. The Committee conclude from the aforesaid scenario that the Air Force has reached to a critical stage with regard to trainer aircraft and simulators. The grounding of HPT 32 and the ageing of Kiran aircraft has further worsened the situation thereby compromising the training requirement of our pilots. The Committee are of the firm view that there is an urgent need to address the aforesaid issue immediately. The option of having aircraft on lease from the countries where we have signed the contract as well as sending our pilots to the manufacturer country from which we are buying trainer aircraft emerged as option during the course of deliberations by the Committee. The Committee emphasize that all these options need to

be explored by the Air Force as well as the Ministry of Defence. Moreover, all the support by way of outlay should be provided by the Government. Not only that it should be ensured that the procurement procedures are put on fast track by addressing the various hurdles encountered at various stages so as to ensure that the Air Force at any cost get the Pilatus PC-7 Mark-II aircraft by the December next year as stated by the representative of Air Force during the course of deliberations so as to address the urgent and immediate need of Basic Trainer Aircraft for Air Force.

*Damage to aircraft due to extreme weather conditions*

45. It has come out during the course of deliberations that one Phalcon was grounded for some time at Agra. The Ministry in this regard has elaborated that due to a gale in May 2010, small pebbles and dust particles got ingested into the engines of one of the AWACS aircraft. To rule out any damage to the engines due to Foreign Object Damage (FOD), one AWACS was not flown between 07 May 2010 and 25 August 2010 while it was being examined thoroughly. The three suspected engines were replaced with new engines and one engine was cleared after thorough examination. The three engines were subsequently restored by IAF by removing the pebbles and dust particles in February 2011. The Committee observe that Air Force has already limited capacities and there is an urgent need to take care about the maintenance of our aircraft, particularly in the extreme weather conditions so as to avoid the situation of temporary grounding of any of the aircraft due to extreme weather conditions. The Committee observe that the aforesaid recommendation of the Committee need immediate attention from the Ministry/Air Force.

*Shortage of Officers in Air Force*

46. The Committee have consistently been expressing concern over the shortage of officers/pilots in Air Force. As per the information furnished by the Ministry the existing shortage is 422. The Committee have been informed that various initiatives like introduction of Fast Track Selection all around the country, participation in career fairs/exhibitions, advertisements in print and electronic media, motivational lectures in schools, colleges, visuals/signages all over the country at strategic locations have contributed towards reducing the shortage of officers. The Committee emphasize that the initiatives being taken need to be continued more emphatically so as to enable Air Force to address the issue of shortage of officers.

*Electrical Air Field Lightening System in the remaining Air Fields*

47. The Committee have been apprised that out of 52 air operational fields, 10 air fields do not have static electrical Air field Lightening system (AFLS). During the course of deliberations of Demands for Grants of the previous year, the Committee had been apprised that out of 52 operational basis, 8 air field basis do not have electrical field lightening and regular night operations are not undertaken from these places. The Committee fail to understand how the number of air fields not having electrical Air Field Lightening System can increase from 8 to 10. The Ministry should furnish the clarification in this regard. Besides urgent initiatives should be taken to ensure the electrical Air Field Lightening System in the remaining air fields so that regular night operations can be undertaken from all the existing air fields.

*Budgetary allocations for Navy*

48. The Committee observe from the data furnished by the Ministry that Navy including Joint Staff is being allocated outlay both under Revenue and Capital segments lesser than projections during each of the year of Eleventh Plan. During the year 2012-13, Rs. 12548.02 crore under Revenue segment have been allocated against the projections of Rs. 15835.71 crore. Under the Capital segment too, Navy including Joint Staff has been allocated lesser than the projections. During the year 2012-13, Rs. 24766.42 crore have been allocated under the Capital head against the projections of Rs. 28643.19 crore. As in the case of Army and Air Force, substantial part of the allocations has been allocated to committed liabilities thereby leaving marginal allocation for the new schemes. As per the actual allocation of funds by the Ministry of Finance for Capital Modernization Budget 2012-13, Navy has been allocated just Rs. 720.82 crore out of the total allocation of Rs. 23252.71 crore. The information furnished by the Ministry reveal that likely major inductions of Navy during the year 2012-13 are Aircraft Carrier, Frigates, offshore patrol vessel and survey catamarans. The Committee fail to understand how Navy would meet the outlay required for the new acquisitions with less than 5 per cent of the total allocations. The Committee as such strongly recommend that the adequate outlay of Navy should be made available so that the new acquisitions as well as the proposed acquisitions do not suffer for want of resources.

*Indigenization of Ships*

49. The Committee during the course of deliberations have been apprised that 44 ships at present are under construction in the various shipyards of the country. With regard to indigenous content, the



Committee have been apprised that there are three segments under which the process of indigenization can be elaborated. The first part comprises of hull and associated equipments under which the country has reached to the level of 90 per cent of self-reliance and indigenization. With regard to second part which comprises of propulsion machinery like engine generators etc., the indigenization has reached to the level of 60 per cent for staff. The third part is the fight component which comprises of weapons and sensors, and in this area 30 per cent indigenization level has been reached. The Committee while appreciating the initiatives taken with regard to indigenization of our ships construction process would like the Ministry/Navy to continue the efforts so that total self-sufficiency even in the critical part *i.e.* weapons and sensors is achieved within the stipulated timeframe by the concerted efforts of DRDO, PSUs and other ship building companies both under private and public sector.

*Surface Platforms*

50. The Committee understand that the long awaited Aircraft Carrier, Gorshkov is scheduled to be induced in Indian Navy by December, 2012. The revised cost of Vikramaditya, after re-negotiations, is 2330 MUSD which includes costs towards Refit and Modernisation of the Ship, Logistic Support for ten years, Training of Ship's crew and yard personnel, Infrastructure, Service to Indian Specialists, trials and Documentation. The Committee hope that the Navy would at last get the Gorshkov Aircraft Carrier during the targeted year *i.e.* 2012-13 after extended deadlines resulting into huge cost overruns. The commissioning of Gorshkov would address one of the major area to some extent *i.e.* Aircraft Carrier for the country.

*Married accommodation for Officers and Staff of Navy*

51. The Committee during the Study visit to Goa during the year 2011 had observed that the Married Accommodation provided to the Officers and staff of Navy was in a dilapidated condition. The Committee find from the information furnished by the Ministry that during the year 2012-13, the allocations for Navy Married Accommodation Project is Rs. 202.83 crore against the allocation of Rs. 153 crore as per previous year Revised Estimates allocation. The Committee recommend that adequate allocation for Married Accommodation Project of Navy should be provided. The Committee may further like to emphasize that the position of married accommodation provided to Officers and staff of Navy including at Goa should be reviewed and necessary action taken particularly when

the sorry state of affairs in this regard has been brought to the knowledge of the Ministry after getting the feedback through the on-site inspection during the Study visit of the Parliamentary Committee on Defence. More so, the system to get the feedback about the satisfaction level of Officers and staff with regard to married accommodation provided at various locations should be developed which would help the Ministry to take corrective action. The concrete action in this regard would certainly help our service personnel particularly the personnel deputed at the difficult locations to live in a dignified accommodation.

*Defence Research and Development Organization (DRDO)*

52. The Committee observe that Defence Research and Development Organization (DRDO) are not being allocated outlay as per their projections. As informed by the Secretary R&D during the course of deliberations DRDO was allocated Rs. 10,014 crore against the projection of Rs. 14,848 crore during the previous year and during this year *i.e.* 2012-13 out of the proposed allocation of Rs. 14,463 crore DRDO has been allocated Rs. 10,635 crore. The trend of allocating lesser than the projected outlay is consistent during each of the year of Eleventh Plan and 2012-13 under Revenue and Capital section. Percentage share of allocation of capital outlay for DRDO out of the total Defence Budget was 3.11% during the year 2010-11 which has declined to 2.82% during the year 2011-12. With regard to the percentage of expenditure on Defence R&D in relation to GDP, the Committee find that during the year 2010-11 the percentage is 0.13% which reached to the level of 0.09% during the year 2011-12. Curiously the Committee desired to know about the percentage of GDP on Defence R&D in China and the Committee have been informed that 2.5% of GDP in China is spent on R&D. The information furnished by the Ministry further indicates that there are many on going projects costing Rs. 100 crore and above with DRDO which include Multi Mission Radar, Setting up a Seakeeping and Maneuvering Basin (SMB), Development of Advanced Light weight Torpedo, Programme on NBC Defence Technologies, Development of Dual Colour Missile Approach Warning System for Fighter Aircraft, Development of D-29 System (Internal EW System for MiG-29 Upgrade Aircraft).

The Committee, therefore, strongly recommend that the adequate outlay to DRDO should be provided so that the important strategic projects being taken by the premier Defence Research and Development Organisation are not affected due to want of resources.

The adequate allocation for DRDO as recommended by the Committee should be made available to DRDO, keeping in view the fact that more emphasis on R&D would result in our lesser dependence on imports with regard to our requirement for our Services which include the strategic requirement.

53. The Committee have consistently been expressing concern over the attrition of scientists from DRDO. The number of scientists who left DRDO had shown a declining trend since 2009 which was attributed due to enhancement in salary with Sixth Pay Commission revision. This trend has reversed during 2011 when 86 scientists have left DRDO against the number of 63 and 65 during the year 2009 and 2010 respectively. The existing authorization as per Government orders in 2001 has been stated as 33442. Projected requirement upto 12th plan has been given as 4966. Again the no. of immediate critical requirement has been given as 1316 which was to be filled during 11th plan but now would be carried out to 12th plan.

54. The aforesaid position indicates that DRDO is finding constraints in filling up even the critical vacancies. More and more scientists are leaving this prestigious Defence Research Organisation which has further added to this problem. The analysis of the data with regard to attrition of scientists further indicates that perhaps the favourable impact of the pay revision due to Sixth Pay Commission Recommendations has gone and the attrition rate during the year 2011 has again shown increasing trend. The Committee would like DRDO/Ministry of Defence to study the aforesaid scenario. Nevertheless, all the desired initiatives to fill up the critical vacancies as well as to address the issue of attrition should urgently be taken up by the Ministry/DRDO to ensure the effective functioning of this prestigious organization.

55. With regard to Kaveri engine the Committee have been informed that two important milestones of Kaveri project have been successfully achieved—Completion of Official Altitude Testing (OAT) for 73 hours at Central Institute of Aviation Motors (CIAM), Russia. Flying Test Bed (FTB) trials for 55 hours with IL-76 aircraft conducted at Gromov Flight Research Institute (GFRI), Russia that it is planned to commercial flight trials for technology demonstration of Kaveri Engine with LCA Tejas MB-I in 3 year time.

The Committee find that after almost 30 years of work of DRDO, the Tejas could be made operational. And now the Kaveri Engine is facing lot of difficulties. The Committee hope that DRDO would

take urgent initiatives to address the various difficulties being encountered and the Kaveri Engine would be put into operation. The Committee may also like to recommend that more initiatives with regard to R&D in strategic areas by DRDO need to be taken to make the country self-reliant under the core technologies required for our Defence projects.

*Defence Public Sector Undertakings*

56. The Committee find from the information furnished by the Ministry that the profit of all the DPSUs is on the increasing trend since the year 2008-09. However, in case of BEML and MDNL, the profits have declined since 2008-09. The Committee would like the Ministry/DPSUs to explain the reasons for decline of profit of these important DPSUs.

57. The CMD/Head of DPSUs were present during the course of deliberations on Demands for Grants 2012-13 on 9 April, 2012. The Committee requested the Heads to give their suggestions/problems concerning the respective DPSUs. The suggestions/area of concern expressed by the CMDs of various DPSUs have been given in the Part-I of the Report. The Committee find that one of the suggestion given by some of the CMDs is continuity of orders placed to them concerning requirement of the Services. The Committee recommend to the Ministry to look into the aforesaid concern of DPSUs. In this connection, the Committee feel that the suggestions made in Part-I of the Report relating to data bank would help the Ministry in addressing the aforesaid concern of DPSUs. Besides, the other suggestions of DPSUs as given in Part-I of the Report should also be considered and the action taken in this regard communicated to the Committee.

58. The Committee note that the complaints have been received during each of the last three years regarding the product delivery by HAL, BEL and MIDHANI. For HAL, the customers have expressed concern over time overruns in some of the major projects. Regarding BEL also complaints were received regarding delay in completion of projects and for MIDHANI, the complaints were on account of cracks on bars, excessive bands, surface defects, UT defects after forging and under size items etc. The Committee express serious concern over delay in various major projects which would have resulted in the cost escalation of the project. The Committee would like to be apprised of the effect of time overruns on the overall cost size of the various projects. Besides, the Committee would may also like to recommend that the penalty clause for the delay in the agreements should be in-built so as to address the issue of delay in completion of various major projects.

*Ordnance Factories*

59. The Committee find from the information made available by the Ministry that meagre allocations are being made to R&D by the Ordnance Factories. During the year 2010-11, only Rs. 39.95 crore was allocated for R&D. The Committee strongly recommend that more emphasis need to be given to R&D by Ordnance Factories so as to ensure indigenization of the products manufactured by the Ordnance Factories as per the Services requirements.

NEW DELHI;  
20 April, 2012  

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31 Chaitra, 1934 (Saka)

SATPAL MAHARAJ,  
Chairman,  
Standing Committee on Defence.

## APPENDICES

### STANDING COMMITTEE ON DEFENCE (2011-12)

#### MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2011-12)

The Committee sat on Wednesday, the 4th April, 2012 from 1100 to 1315 hrs. in Committee Room 'G-74', Parliament Library Building, New Delhi to take oral evidence of the representatives of the Ministry of Defence on Demands for Grants (2012-13) of the Ministry of Defence.

#### PRESENT

Shri Satpal Maharaj — *Chairman*

#### MEMBERS

#### *Lok Sabha*

2. Shri Kamal Kishor 'Commando'
3. Shri Harish Chaudhary
4. Shri Sher Singh Ghubaya
5. Shri Mithilesh Kumar
6. Shri Asaduddin Owaisi
7. Shri A.T. Nana Patil
8. Shri Kadir Rana
9. Shri Adhalrao Patil Shivaji
10. Shri Mahabali Singh
11. Rajkumari Ratna Singh
12. Shri Manish Tewari

#### *Rajya Sabha*

13. Shri Naresh Gujral
14. Shri Avinash Rai Khanna
15. Prof. P.J. Kurien
16. Shri Mukut Mithi
17. Shri Mukhtar Abbas Naqvi
18. Shri Birender Singh
19. Shri Ram Kripal Yadav

## SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Shri Sanjeev Sharma — *Additional Director*

## WITNESSES

**Representatives of the Ministry of Defence**

1. Shri Shashi Kant Sharma, Defence Secretary
2. Shri Shekhar Agarwal, Secretary (DP)
3. Shri Samirendra Chatterjee, Secretary (ESW)
4. Shri A.K. Chopra, FA(DS)
5. Dr. Selvamurthy CCR&D (LS&IC) & DS
6. Lt. Gen. Anoop Malhotra, CCR&D (R&M)
7. Shri Shankar Aggarwal, Addl. Secy. (A)
8. Shri Anuj Kumar Bishnoi, Addl. Secy. (A)
9. Shri Amit Chowshish, FA (Acq.) & AS
10. Shri Ram Subhag Singh, Joint Secy. (O/N)
11. Shri Subhash Chandra, Joint Secy. (G/Air)
12. Ms. A.S. Lakshmi, JS (ESW)
13. Smt. Veena Prasad, JS & Addl. FA (VP)
14. Mrs. Rashmi Verma, JS (LS)
15. Shri Gyanesh Kumar, JS (NS)

**Representatives of the Coast Guard**

16. V. Adm. M.P. Muralidharan, DG CG
17. IG K. Natarajan, Dy, DG (P&P)

**Representatives of the Army**

18. Lt. Gen. S.K. Singh, VCOAS
19. Lt. Gen. Narendra Singh, DCOAS (P&S)
20. Lt. Gen. A. Mukherjee, DG Arty.
21. Lt. Gen. A.T. Parnaik, DG FP
22. Lt Gen. Rajinder Singh, MGO
23. Maj. Gen. K.J. Singh, ADG PP
24. Lt. Col. Umesh Rane, GSO-1 (ORSA)
25. Brig. CMF Prabhu, Offig. TM (LS)

**Representatives of the IDS Hqtrs.**

- 26. V. Adm. Shekhar Sinha, CISC
- 27. Maj. Gen. V.P. Shrivastava, ACIDS (FP)

**Representatives of the Naval Hqtrs.**

- 28. V. Adm. R.K. Dhowan, VCNS
- 29. R. Adm. Anil Kumar Chawla, ACNS (P&P)

**Representatives of the Air Hqtrs.**

- 30. Air Mshl. K.K. Nohwar, VCAS
- 31. Air Mshl. P. Kanakaraj, AOM

2. At the outset, the Chairman welcomed the members to the sitting of the Committee. Before the examination of Demands for Grants was taken for consideration by the Committee, some Members raised the issue of controversial reporting of Army exercises held in foggy weather during January, 2012 by a leading Newspaper. The Committee wanted to know the factual position from the Secretary in this regard. The Defence Secretary assured to place the detailed factual position at the next sitting of the Committee to be held on 9th April, 2012.

3. Thereafter, the Chairman welcomed the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The Chairman initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on the various issues on agenda which included General Defence Budget, Civil, Navy and Joint Staff in the context of examination of Demands for Grants (2012-13). The representatives of the Ministry then briefed the Committee on various aspects through a power point presentation. Various pertinent issues which included the marginal hike of overall defence budget, decline of defence expenditure as percentage of GDP, under spending in the Capital Head during the first three years of the Eleventh Plan, lesser allocations for New Schemes under capital modernization budget, non-finalisation of Twelfth Plan, etc.

4. The representatives of the Ministry responded to queries raised by the Members during the course of deliberations. As regards the points on which the representatives could not readily respond, they promised to furnish written information at the earliest.

*A copy of verbatim record of the proceedings has been kept.*

*The Committee, then, adjourned.*



STANDING COMMITTEE ON DEFENCE (2011-12)

MINUTES OF THE SEVENTH SITTING OF THE STANDING  
COMMITTEE ON DEFENCE (2011-12)

The Committee sat on Wednesday, the 4th April, 2012 from 1430 to 1730 hrs. in Committee Room 'G-74', Parliament Library Building, New Delhi to take oral evidence of the representatives of the Ministry of Defence on Army, National Cadet Corps (NCC) and Sainik Schools in connection with the Demands for Grants (2012-13).

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Kamal Kishor 'Commando'
3. Shri Harish Choudhary
4. Shri Sher Singh Ghubaya
5. Shri Mithilesh Kumar
6. Shri Asaduddin Owaisi
7. Shri A.T. Nana Patil
8. Shri Kadir Rana
9. Shri Adhalrao Patil Shivaji
10. Shri Mahabali Singh
11. Rajkumari Ratna Singh
12. Shri Manish Tewari

*Rajya Sabha*

13. Shri Naresh Gujral
14. Shri Avinash Rai Khanna
15. Prof. P.J. Kurien
16. Shri Mukut Mithi
17. Shri Mukhtar Abbas Naqvi
18. Shri Birender Singh
19. Shri Ram Kripal Yadav

## SECRETARIAT

- |                        |   |                            |
|------------------------|---|----------------------------|
| 1. Shri T.K. Mukherjee | — | <i>Joint Secretary</i>     |
| 2. Smt. Sudesh Luthra  | — | <i>Director</i>            |
| 3. Shri Sanjeev Sharma | — | <i>Additional Director</i> |

## WITNESSES

**Representatives of the Ministry of Defence**

1. Shri Shashi Kant Sharma, Defence Secretary
2. Shri Shekhar Agarwal, Secretary (DP)
3. Shri Samirendra Chatterjee, Secretary (ESW)
4. Shri A.K. Chopra, FA(DS)
5. Dr. Selvamurthy CCR&D (LS&IC) & DS
6. Lt. Gen. Anoop Malhotra, CCR&D (R&M)
7. Shri Shankar Aggarwal, Addl. Secy. (A)
8. Shri Anuj Kumar Bishnoi, Addl. Secy. (A)
9. Shri Amit Chowshish, FA (Acq.) & AS
10. Shri Ram Subhag Singh, Joint Secy. (O/N)
11. Shri Subhash Chandra, Joint Secy. (G/Air)
12. Ms. A.S. Lakshmi, JS (ESW)
13. Smt. Veena Prasad, JS & Addl. FA (VP)
14. Mrs. Rashmi Verma, JS (LS)
15. Shri Gyanesh Kumar, JS (NS)

**Representatives of the Coast Guard**

16. V. Adm. M.P. Muralidharan, DG CG

**Representatives of the Army**

17. Lt. Gen. S.K. Singh, VCOAS
18. Lt. Gen. Narendra Singh, DCOAS (P&S)
19. Lt. Gen. A. Mukherjee, DG Arty.
20. Lt. Gen. A.T. Parnaik, DG FP
21. Lt Gen. Rajinder Singh, MGO
22. Maj. Gen. K.J. Singh, ADG PP

**Representatives of the IDS Hqtrs.**

23. Maj. Gen. V.P. Shrivastava, ACIDS (FP)

**Representatives of the NCC & Sainik Schools**

24. Lt. Gen. P.S. Bhalla, DG NCC
25. R. Adml. C.S. Patham, Addl. DG (A)
26. G.P. Capt. V.T. Parnaik, Inspecting Officer

2. At the outset, the Chairman welcomed the Members and 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 and requested the representatives of the Ministry of Defence to brief the Committee on the various issues on agenda which included overall Demands for Grants of the Ministry of Defence regarding Army, NCC in the context of examination of Demands for Grants (2012-13). The representatives of the Ministry commenced their briefing through a power point presentation concerning the subject(s). Thereafter, the Committee held detailed deliberation on the various issues which included marginal hike of overall defence budget, decline of defence expenditure as a percentage of GDP, under spending in the Capital Head during the first three years of the Eleventh Plan, *ad hocism* in the allocations made to the Ministry of Defence, non-finalisation of Eleventh Plan, preparation of Outcome Budget, implementation of 'One Rank One Pension' slow progress of construction of border roads/tunnels etc.

2. The representatives of the Ministry responded to various queries raised by the Members during the deliberations. As regards the points on which the representatives could not readily respond, they promised to furnish written information at the earliest.

*A copy of verbatim record of the proceedings has been kept.*

*The Committee then adjourned.*

STANDING COMMITTEE ON DEFENCE (2011-12)

MINUTES OF THE EIGHTH SITTING OF THE STANDING  
COMMITTEE ON DEFENCE (2011-12)

The Committee sat on Monday, the 9th April, 2012 from 1100 to 1430 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi to take Oral evidence of the representatives of the Ministry of Defence in connection with Demands for Grants (2012-13) on Air Force and Defence Research and Development Organisation (DRDO).

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Kamal Kishor 'Commando'
3. Shri Sher Singh Ghubaya
4. Shri Bhaskarrao Patil Khatgaonkar
5. Shri Ajay Kumar
6. Shri Mithilesh Kumar
7. Shri Asaduddin Owaisi
8. Shri C.R. Patil
9. Shri Adhalrao Patil Shivaji
10. Shri Mahabali Singh
11. Rajkumari Ratna Singh
12. Shri Uday Singh
13. Shri Manish Tewari

*Rajya Sabha*

14. Shri Naresh Gujral
15. Shri Avinash Rai Khanna
16. Shri Mukut Mithi
17. Shri Mukhtar Abbas Naqvi
18. Shri Birender Singh
19. Shri Ram Kripal Yadav

## SECRETARIAT

- |                        |   |                            |
|------------------------|---|----------------------------|
| 1. Shri T.K. Mukherjee | — | <i>Joint Secretary</i>     |
| 2. Smt. Sudesh Luthra  | — | <i>Director</i>            |
| 3. Shri Sanjeev Sharma | — | <i>Additional Director</i> |

## WITNESSES

**Representatives of the Ministry of Defence**

1. Shri Shashi Kant Sharma, Defence Secretary
2. Dr. V.K. Saraswat, Secretary, Defence (R&D)
3. Shri Shekhar Agarwal, Secretary (DP)
4. Shri A.K. Chopra, FA (DS)
5. Shri Vivek Rae DG (Acq.)
6. Shri Shankar Aggarwal, Addl. Secy. (A)
7. Shri Anuj Kumar Bishnoi, Addl. Secy. (A)
8. Shri A.K. Gupta, Addl. Secy. (DP)
9. Shri Amit Chowshish, FA (Acq.) & AS
10. Shri Subhash Chandra, Joint Secy. (G/Air)
11. Shri A.K. Bal, JS & AM (LS)
12. Mrs. Rashmi Verma, JS (LS)
13. Shri S. Sundaresh, CCR&D (ACE &SI) & DS
14. Lt. Gen. Anoop Malhotra, CCR&D (R&M)
15. Smt. Shobhana Joshi, JS & Addl. FA (P)
16. Dr. S.C. Pandey, JS & Addl. FA (P)
17. Shri P.K. Kataria, JS & Addl. FA (K)
18. Shri R.G. Viswanathan, JS & Addl. FA (RV)
19. Shri Satyajeet Rajan, JS(ES)
20. Shri P.K. Mishra, JS (MS/Coord.)
21. Shri Gyanesh Kumar, JS(NS)
22. Shri R.K. Ghose, JS & AM (Air)
23. Smt. Preeti Sudan, JS & AM (MS)
24. Shri S.K. Beri, Chairman & DGOF, OFB
25. Shri Ravi Kant Secretary/OFB
26. Lt. Gen. V.A Bhat, DGQA
27. AVM Pradeep Singh, TM (Air)

28. R. Adml. B.R. Taneja, TM (MS)
29. Maj. Gen. S.K. Kalra, ADG QA (PP&T)
30. Shri I.B. Arora, ADG QA (Adm.)
31. Brig. T.P. Singh DDG QA

2. At the outset, the Chairman welcomed the members and 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. Thereafter, the Defence Secretary explained the factual position regarding controversial reporting of Army exercises as decided during the sitting of the Committee held on 4th April, 2012. The Committee took note of the satisfactory explanation given by the Defence Secretary and regretted the reporting by a leading newspaper, particularly when it relates to the routine exercise troops for ensuring the operational preparedness.

3. The Chairman then initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on the various issues which included overall Demands for Grants of the Ministry of Defence, Air Force and Defence Research and Development Organisation (DRDO) in the context of examination of Demands for Grants (2012-13). The representatives of the Ministry commenced their briefing through a power point presentation concerning the subject(s). The Committee then held detailed deliberations on various issues in the context which included under spending in the Capital Head of Air Force during the first three years of the Eleventh Plan, lesser allocations for New Schemes under capital modernization budget of Air Force, absence/delay in acquisition of basic trainers, lack of proper training facilities, obsolescence in aircraft and simulators etc., delay in procurement/acquisition of various aircraft and equipments, *ad-hocism* in the allocation to the Ministry of Defence, non-finalisation of Twelfth Plan etc.

4. The representatives of the Ministry responded to various queries raised by the Members during the deliberations. As regards the points on which the representatives could not readily respond, they promised to furnish written information at the earliest.

*A copy of verbatim record of the proceedings has been kept.*

*The Committee then adjourned.*

STANDING COMMITTEE ON DEFENCE (2011-12)

MINUTES OF THE NINTH SITTING OF THE STANDING  
COMMITTEE ON DEFENCE (2011-12)

The Committee sat on Monday, the 9th April, 2012 from 1500 to 1745 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi to take Oral Evidence of the representatives of the Ministry of Defence on Procurement Policy, Performance of Ordnance Factories (OFs), Directorate General of Quality Assurance (DGQA), Defence Public Sector Undertakings (DPSUs) in connection with the Demands for Grants (2012-13).

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Kamal Kishor 'Commando'
3. Shri Sher Singh Ghubaya
4. Shri Bhaskarrao Patil Khatgaonkar
5. Shri Ajay Kumar
6. Shri Mithilesh Kumar
7. Shri Asaduddin Owaisi
8. Shri C.R. Patil
9. Shri Adhalrao Patil Shivaji
10. Shri Mahabali Singh
11. Rajkumari Ratna Singh
12. Shri Uday Singh
13. Shri Manish Tewari

*Rajya Sabha*

14. Shri Naresh Gujral
15. Shri Avinash Rai Khanna
16. Shri Mukut Mithi
17. Shri Mukhtar Abbas Naqvi
18. Shri Birender Singh
19. Shri Ram Kripal Yadav

## SECRETARIAT

- |                        |   |                            |
|------------------------|---|----------------------------|
| 1. Shri T.K. Mukherjee | — | <i>Joint Secretary</i>     |
| 2. Smt. Sudesh Luthra  | — | <i>Director</i>            |
| 3. Shri Sanjeev Sharma | — | <i>Additional Director</i> |

## WITNESSES

**Representatives of the Ministry of Defence**

1. Shri Shashi Kant Sharma, Defence Secretary
2. Dr. V.K. Saraswat, Secretary, Defence (R&D)
3. Shri Shekhar Agarwal, Secretary (DP)
4. Shri A.K. Chopra, FA (DS)
5. Shri Vivek Rae, DG (Acq.)
6. Shri Shankar Aggarwal, Addl. Secy. (A)
7. Shri Anuj Kumar Bishnoi, Addl. Secy. (A)
8. Shri A.K. Gupta, Addl. Secy. (DP)
9. Shri Amit Chowshish, FA (Acq.) &AS
10. Shri Subhash Chandra, Joint Secy. (G/Air)
11. Shri A.K. Bal, JS & AM (LS)
12. Mrs. Rashmi Verma, JS (LS)
13. Shri S. Sundaresh, CCR&D (ACE &SI) &DS
14. Lt. Gen. Anoop Malhotra, CCR&D (R&M)
15. Smt. Shobhana Joshi, JS & Addl. FA (P)
16. Dr. S.C. Pandey, JS & Addl. FA (P)
17. Shri P.K. Kataria, JS & Addl. FA (K)
18. Shri R.G. Viswanathan, JS & Addl. FA (RV)
19. Shri Satyajeet Rajan, JS (ES)
20. Shri P.K. Mishra, JS (MS/Coord.)
21. Shri Gyanesh Kumar, JS (NS)
22. Shri R.K. Ghose, JS & AM (Air)
23. Smt. Preeti Sudan, JS & AM (MS)
24. Shri S.K. Beri, Chairman & DGOF, OFB
25. Shri Ravi Kant, Secretary OFB
26. Lt. Gen. V.A Bhat, DGQA
27. AVM Pradeep Singh, TM (Air)



28. R. Adml. B.R. Taneja, TM (MS)
29. Maj. Gen. S.K. Kalra, ADG QA (PP&T)
30. Shri I.B. Arora, ADG QA (Adm.)
31. Brig. T.P. Singh, DDG QA

#### **Representatives of Defence Public Sector Undertakings**

32. Shri R.K. Tyagi, Chairman, HAL
33. Shri M. Narayana Rao, CMD, MIDHANI
34. Shri Anil Kumar, CMD, BEL
35. R. Adm. (Retd.) A.K. Verma, CMD, GRSE
36. R. Adm. (Retd.) Vineet Bakshi, CMD, GSL
37. R. Adm. R.K. Shrawat, CMD, MDL
38. Shri S.N. Mantha, Off. CMD, BDL
39. Shri V.R.S. Natarajan, CMD, BEML

2. At the outset, the Chairman welcomed the members and 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 and requested the representatives of the Ministry of Defence to brief the Committee on the various issues on agenda which included overall Demands for Grants of the Ministry of Defence, Procurement Policy, Performance of Ordnance Factories (OFs), Directorate General of Quality Assurance (DGQA), Defence Public Sector Undertakings (DPSUs) in the context of examination of Demands for Grants (2012-13).

3. The representatives of the Ministry commenced their briefing through a power point presentation concerning the subject(s). The Committee, thereafter, held detailed deliberations on various issues in the context which included marginal hike of overall defence budget, decline of defence expenditure as a percentage of GDP, under spending in the Capital Head during the first three years of the Eleventh Plan, lesser allocations for New Schemes in capital modernization budget, ad-hocism in the allocation to the Ministry of Defence, non-finalisation of Twelfth Plan.

4. Thereafter, the Committee invited Chairmen of the nine Defence Public Sector Undertakings to brief the Committee on the functioning of their respective PSUs and to suggest measures for overall improvement of the organisations. Almost all the Chairmen desired that there should be continuity of orders placed to their undertakings. This would enable them to plan their production line for future.

5. The representatives of the Ministry responded to various queries as raised by the Members during the deliberations. As regards the points on which the representatives could not readily respond, they promised to furnish written information at the earliest.

*A copy of verbatim record of the proceedings has been kept.*

*The Committee then adjourned.*

STANDING COMMITTEE ON DEFENCE (2011-12)

MINUTES OF THE TENTH SITTING OF THE STANDING  
COMMITTEE ON DEFENCE (2011-12)

The Committee sat on Friday, the 20th April, 2012 from 1100 hrs. to 1315 hrs. in Committee Room No. '62', Parliament House, New Delhi for consideration and adoption of draft report on 'Demands for Grants 2012-2013'.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Kamal Kishor 'Commando'
3. Shri Varun Gandhi
4. Shri Sher Singh Ghubaya
5. Shri Ramesh Chandappa Jigajinagi
6. Shri Mithilesh Kumar
7. Shri Mahabali Singh
8. Rajkumari Ratna Singh
9. Shri Uday Singh
10. Shri Manish Tewari

*Rajya Sabha*

11. Shri Naresh Gujral
12. Shri Avinash Rai Khanna
13. Prof. P.J. Kurien
14. Shri Birender Singh
15. Shri Ram Kripal Yadav

SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Shri Sanjeev Sharma — *Additional Director*

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

3. The Committee then took up for consideration and adoption of the draft report on Demands for Grants of the Ministry of Defence for the year 2012-13 and adopted the same with some modifications/deletions as suggested by Members of the Committee. In Narration portion, Para Nos. 1.39 and 1.40 were deleted and Para No. 2.16 was modified. In recommendation portion, Para Nos. 1, 5, 6, 7, 8, 12, 14, 15, 18, 19, 22 and 23 were modified. The Committee, then, authorized the Chairman to finalise the above Draft Report in the light of the factual verifications and security vetting of the report as received from the Ministry and present the same to the House on a date convenient to him.

*The Committee then adjourned.*