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**STANDING COMMITTEE
ON DEFENCE
(2012-2013)**

FIFTEENTH LOK SABHA

MINISTRY OF DEFENCE

**DEMANDS FOR GRANTS
(2013-2014)**

TWENTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2013/Vaisakha, 1935 (Saka)

TWENTIETH REPORT
STANDING COMMITTEE ON DEFENCE
(2012-2013)

(FIFTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(2013-2014)

*Presented to Lok Sabha on 29.04.2013
Laid in Rajya Sabha on 29.04.2013*



LOK SABHA SECRETARIAT
NEW DELHI

April, 2013/Vaisakha, 1935 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE
ON DEFENCE (2012-13)

Shri Raj Babbar — *Chairman*

MEMBERS

Lok Sabha

- *2. Shri Satpal Maharaj
3. Shri Sameer Bhujbal
- **4. Shri Adhir Chowdhury
5. Shri Kamal Kishor 'Commando'
6. Shri R. Dhruvanarayana
7. Shri Varun Gandhi
8. Shri P. Karunakaran
9. Shri Mithilesh Kumar
10. Shri Sidhant Mohapatra
- #11. Shri Inder Singh Namdhari
12. Shri Saugata Roy
13. Shri Asaduddin Owaisi
14. Shri A.T. Nana Patil
15. Shri C.R. Patil
16. Smt. M. Vijaya Shanthi
- @17. Shri Madan Lal Sharma
18. Smt. Mala Rajya Laxmi Shah
19. Shri Mahabali Singh
20. Rajkumari Ratna Singh
21. Shri Uday Singh
- ##22. Shri Virbhadra Singh
23. Shri R. Thamaraiselvan
24. Vacant
25. Vacant
26. Vacant

* ceased to be a member w.e.f. 02.11.2012.

** ceased to be a member w.e.f. 22.10.2012.

ceased to be a member w.e.f. 13.12.2012.

@ ceased to be a member w.e.f. 09.01.2013.

ceased to be a member w.e.f. 01.01.2013.

(iv)

Rajya Sabha

27. Shri Pankaj Bora
28. Shri Naresh Gujral
29. Shri Prakash Javadekar
30. Shri Hishey Lachungpa
31. Shri Mukut Mithi
32. Shri Mukhtar Abbas Naqvi
33. Dr. E.M. Sudarsana Natchiappan
34. Shri C.M. Ramesh
35. Shri T.K. Rangarajan
36. Shri Devender Goud T.

SECRETARIAT

- | | | |
|---------------------|---|-----------------------------|
| 1. Dr. R.K. Chadha | — | <i>Additional Secretary</i> |
| 2. Shri R.K. Jain | — | <i>Joint Secretary</i> |
| 3. Shri D.S. Malha | — | <i>Director</i> |
| 4. Shri Rahul Singh | — | <i>Committee Officer</i> |
| 5. Smt. Rekha Sinha | — | <i>Executive Assistant</i> |

INTRODUCTION

I, the Chairman of the Standing Committee on Defence (2012-2013), having been authorised by the Committee to submit the report on their behalf, present this Twentieth Report on 'Demands for Grants of the Ministry of Defence for the year 2013-14.'

2. The Demands for Grants were laid in Lok Sabha on 19 March, 2013. The Committee took evidence of the representatives of the Ministry of Defence on 22 March, 03, 04 and 05 April, 2013. The draft Report was considered and adopted by the Committee at their sitting held on 17 April, 2013.

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;
23 April, 2013

03 Vaisakha, 1935 (Saka)

RAJ BABBAR,
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. 2,03,672.12 crore in Budget Estimate 2013-2014. 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.* Demands 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 2012-13 are CSD (Rs. 10786.73 crore), Defence Accounts Department (Rs. 1054.08 crore), Coast Guard Organisation-CGO (Rs. 959.98 crore), MOD Secretariat (Rs. 122.08 crore), Defence Estates Organisation (DEO) Rs. 254.23 crore), Jammu & Kashmir Light Infantry (J&K LI) (Rs. 834.29 crore) etc. In the Capital outlay of Rs. 1718.14 crore in the Revised Estimates 2012-13, the major allocations are for the Capital Outlay are other fiscal services-customs Rs. 1650.00 crores, housing and office buildings Rs. 45.50 crore and Miscellaneous Loans

for URC by CSD Rs. 3.00 etc. The provisions in RE 2012-13 and BE 2013-14 under Demand No. 20 are given below:—

(Rs. in crore)

	BE 2012-13	RE 2012-13	BE 2013-14
Gross Revenue	14723.69	14081.86	15455.39
Capital	1874.55	1718.14	1838.40
Gross Expenditure	16598.24	15800.00	17293.79
Receipts (R) (CSD) (-)	10800.00	10800.00	12120.00
Net Expenditure	5798.24	5000.00	5173.79

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:—

(Rs. in crore)

BE 2012-13	RE 2012-13	BE 2013-14
39000.00	39500.00	44500.00

1.11 The requirement of additional amount of Rs. 500 crores in RE 2012-13 over BE 2012-13 is mainly due to normal growth in pension and impact of Dearness Relief during 2012-13. There is also increase in amount of Gratuity, Family Pension, Leave Encashment and Superannuation & Retirement Benefits as a result of increase in number of retirees and implementation of decrees of Court Cases during 2012-13. The increase in BE 2013-14 over RE 2012-13 is Rs. 5000 Crs., which is mainly due to normal growth in Pension and anticipated provisions 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 2013-14:

(Rs. in crore)

Non-Plan Total Central Government Expenditure			Defence Expenditure		
Revenue	Capital	Total	Revenue	Capital	Total
992908.00	117067.00	1109975.00	116931.41 (11.78%)	86740.71 (74.09%)	203682.12 (18.35%)

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

1.13 The information in regard to the projections made by the three services, allocations made and expenditure incurred from the years 2009-10 to 2012-13 and projections and allocations made during the year 2013-14 are as under:—

REVENUE

(Rs. in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
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
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	83120.33	75520.20	71356.28
	Navy	15835.71	12548.02	15765.78	11401.91	10252.91
	Air Force	19887.73	17705.81	20942.36	17103.72	15487.28
2013-14	Army	93355.38	81119.20			
	Navy	19164.69	12194.43			
	Air Force	25922.64	18295.10			

Note : Expenditure for 2012-13 is upto February 2013.

CAPITAL (Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2009-10	Army	21580.77	18019.94	17284.75	12815.68	14803.20
	Navy	12508.68	12281.91	12281.91	11895.59	13347.81
	Air Force	22026.09	20114.08	25209.04	18636.55	18550.78
2010-11	Army	21633.04	17250.84	19177.55	15641.16	15856.08
	Navy	15221.78	12137.84	17890.87	15323.77	17140.18
	Air Force	31667.56	25251.72	25271.72	24266.79	23625.42
2011-12	Army	25611.68	19210.69	20641.69	16005.69	11317.00
	Navy	26882.60	14657.83	21482.18	17459.08	16549.52
	Air Force	36186.10	30282.03	30282.03	27734.78	24171.43
2012-13	Army	28234.60	19237.80	18971.09	15749.30	11341.51
	Navy	28643.19	24766.42	25002.85	18266.42	15519.55
	Air Force	36950.52	30514.45	36999.62	30517.95	32415.91
2013-14	Army	25528.08	17883.83			
	Navy	33775.53	24149.03			
	Air Force	64607.84	39208.84			

Note : Expenditure for 2012-13 is upto February 2013.

1.14 The above table depicts the gap in the projections, allocations and expenditure since 2009-10 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 and Navy during the year 2009-10 and 2010-11, where the expenditure exceeded the RE. During, 2011-12, Air Force was allocated slightly more than what it actually projected at RE stage. If the expenditure position is compared to the position of allocations projected at RE stage, in all previous four years, the expenditure is short of allocation made at BE stage except for Navy in the year 2009-10 and Army in 2010-11.

1.15 Details regarding the projections made, allocations made at BE & RE stage and the expenditure incurred during the last four years and projections and allocations BE 2013-14 stage for heads/ organization other than the three Services are as under:—

REVENUE (Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
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	-380.00	-968.37	1925.94
	R&D	6934.12	5995.56	5345.46	5201.93	4628.82
	DGQA	838.23	787.33	716.71	665.50	641.98
2013-14	DGOF	-273.13	-944.62			
	R&D	7313.40	5552.57			
	DGQA	788.05	714.73			

Note : Expenditure for 2012-13 is upto February 2013.

CAPITAL (Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
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

1	2	3	4	5	6	7
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
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	496.22	399.96	232.01
	R&D	7528.54	4640.00	6910.36	4640.00	4025.62
	DGQA	25.00	20.00	11.75	5.00	3.62
2013-14	DGOF	973.40	435.96			
	R&D	9169.80	5057.60			
	DGQA	15.53	5.45			

Note : Expenditure for 2012-13 is upto February 2013.

1.16 From the above table, it can be seen 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 marginally higher than the allocations in the year 2009-10 for DGQA. Barring them in all other Heads there is under spending.

1.17 As the revenue budget is used in providing salaries 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. While the capital budget is accounted for the acquisition of land and capital goods/works which may get affected. The procurement plan for capital modernization schemes may also have to be reprioritized by the Ministry and several payments are to be deferred.

Defence Services Estimates

1.18 The Demand-wise position of allocations in the Budget Estimates and Revised Estimates for the year 2012-13 and Budget Estimates of 2013-14 is as under:

(Rs. in crore)

Sl. No.	Demand	BE 2012-13	RE 2012-13	BE 2013-14
1.	Army (Revenue expenditure of Army, NCC and DGQA)	80025.82	78097.81	83935.26
2.	Navy (Revenue expenditure of Navy and Joint Staff)	12748.02	11601.91	12394.43
3.	Air Force (Revenue Expenditure of Air Force)	18325.19	17708.98	18900.36
4.	Defence Ordnance Factories (Revenue Expenditure of Ord. Factories)	1801.68	1375.23	1714.47
5.	Research & Development (Revenue Expdr. of R&D)	6035.56	5241.93	5597.57
6.	Capital Outlay on Defence Services (Capital Expdr. of all Services/Deptts.)	79578.63	69578.63	86740.71
	Total (Gross)	198514.90	183604.49	209282.80
	Receipt/Recoveries	5107.61	5100.97	5610.68
	Total (Net)	193407.29	178503.52	203672.12

1.19 A comparison of the Service/Department-wise allocations in RE 2012-13 and BE 2013-14 is given below:—

Service/ Deptt.	RE 2012-13	%age of total Budget	BE 2013-14	%age of total Budget
1	2	3	4	5
Army	91269.50	51.13%	99003.03	48.61%
Navy	29668.33	16.62%	36343.46	17.84%

1	2	3	4	5
Air Force	47621.67	26.68%	57503.94	28.23%
DGOF	(-) 568.41	(-) 0.32%	(-) 508.66	(-)0.25%
R&D	9841.93	5.51%	10610.17	5.21%
DGQA	670.50	0.38%	720.18	0.35%
Total	178503.52	100.00%	203672.12	100.00%

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

1.20 The BE 2013-14 reveals that Army's budget of Rs. 99003.03 crore accounted for 48.61 per cent of the total defence budget. Out of this Revenue allocation is Rs. 81119.20 crore and Capital Allocation is Rs. 17883.83 crore. Air Force got the next highest allocation *i.e.* Rs. 57503.34 crore which is 28.23 per cent of the total defence budget. Navy has got Rs. 36343.46 crore. This accounts for 17.84 per cent of the total defence budget. DRDO has been given Rs. 10610.17 crore, in percentage term it accounts for 5.21 per cent. The major share for Army is because of the large scale provision under Revenue expenditure which is primarily driven by pay and allowances.

1.21 The following table source the distribution of Budget Estimates (BE) 2013-14:

(Rs. in crore)

Service/Deptt.	Allocation in BE 2013-14		
	Revenue	Capital	Total
Army	81119.20	17883.83	99003.03
Navy	12194.43	24149.03	36343.46
Air Force	18295.10	39208.84	57503.94
DGOF	-944.62	435.96	(-) 508.66
R&D	5552.57	5057.60	10610.17
DGQA	714.73	5.45	720.18
Total	116931.41	86740.71	203672.12

Capital Outlay

1.22 The Capital Outlay provides allocation for Land and Construction Works of the three Services, capital expenditure of various defence departments and for Capital Acquisitions of the Services, etc.

1.23 The breakup of allocation during BE 2013-14 for Capital Outlay is as under:—

(Rs. in crores)

	BE 2013-14
Revenue (Net)	116931.41
Capital	86740.71
1. Land & works of three services (including Married Accommodation Projects)	6691.17
2. DRDO, DGOF and other Defence Departments	6604.95
3. Capital Acquisition (including DGOF supplies)	73444.59

Overall Defence Budget

1.24 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:—

(Rs. in crore)

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	67902.38	41.30
2012-13	193407.29	79578.63	41.15	63538.22	32.85
2013-14	203672.12	86740.71	42.59		

1.25 The analysis of Defence Budget reveals that the Ministry of Defence has a under spending of Rs. 16040.41 crore under the Capital head in 2012-13.

Expenditure position during various quarters of the Financial years

1.26 The expenditure position in absolute and percentage term during the first, second, third and fourth quarter of financial years 2010-2011 and 2011-12 and 2012-13 as furnished by the Ministry is as under:—

(Rs. in crores)

		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2010-11	154116.71 (Actual net expenditure)	25541.71 (16.57%)	62869.45 (40.79%)	102503.95 (66.51%)	154116.71 (100%)
2011-12	170913.28 (Actual net expenditure)	32030.69 (18.74%)	73234.91 (42.85%)	122436.82 (71.64%)	170913.28 (100%)
2012-13*	178503.52 (RE)	43843.35 (24.56%)	84899.78 (47.56%)	136082.69 (76.24%)	

*-Expenditure upto February 2013.

1.27 In written reply to a question about, projected and allocated outlay for the three Services for DFG 2013-14 and 2012-13, the Ministry submitted:—

(Rs. in crores)

Service	BE 2012-13		BE 2013-14	
	Projected	Allocated	Projected	Allocated
Army	112096.22	96564.83	118883.46	99003.03
Navy	44478.90	37314.44	52940.22	36343.46
Air Force	56838.25	48220.26	90530.48	57503.94

1.28 From the analysis of above data, it is seen that Army is short of Rs. 19880.43 crore, Navy is short of Rs. 16596.76 crore and Air Force is short of Rs. 33026.54 crore in Budget Estimate 2013-14. The position with regard to BE 2012-13 also was not satisfactory.

Services-Capital

1.29 The Ministry supplied the following data with regard to the last three years of the Eleventh Plan, the first two years of the Twelfth Plan for capital:—

(Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2009-10	Army	21580.77	18019.94	17284.75	12815.68	14803.20
	Navy	12508.68	12281.91	12281.91	11895.59	13347.81
	Air Force	22026.09	20114.08	25209.04	18636.55	18550.78
2010-11	Army	21633.04	17250.84	19177.55	15641.16	15856.08
	Navy	15221.78	12137.84	17890.87	15323.77	17140.18
	Air Force	31667.56	25251.72	25271.72	24266.79	23625.42
2011-12	Army	25611.68	19210.69	20641.69	16005.69	11317.00
	Navy	26882.60	14657.83	21482.18	17459.08	16549.52
	Air Force	36186.10	30282.03	30282.03	27734.78	24171.43
2012-13	Army	28234.60	19237.80	18971.09	15749.30	11341.51
	Navy	28643.19	24766.42	25002.85	18266.42	15519.55
	Air Force	36950.52	30514.45	36999.62	30517.95	32415.91
2013-14	Army	25528.08	17883.83			
	Navy	33775.53	24149.03			
	Air Force	64607.84	39208.84			

1.30 From the data supplied by the Ministry it may be seen that every year the services are allocated funds less than their projection.

Other than Services-Capital

1.31 The Ministry submitted the following details regarding the projections made by defence organisations other than the three Services and allocation made in Capital Head for the year 2013-14.

(Rs. in crores)

Year	Service	BE	
		Projected	Allocated
2013-14	DGOF	973.40	435.96
	R&D	9169.80	5057.60
	DGQA	15.53	5.45

1.32 From the data, it is seen that DGOF and Research & Development have been allocated funds almost 50% less than their projection and Directorate-General of Quality Assurance has been allocated almost one-third of what it projected.

Growth of Defence Budget

1.33 The table given below indicates the growth of Defence Expenditure since 2000-01 till 2012-13:—

Year	Defence Expenditure	% increase on previous year
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	170913	10.90
2012-13(BE)	193407	13.15
2012-13(RE)	178504	4.44
2013-14(BE)	203672	14.10

1.34 From the above tables it is seen that the Budget Estimates for the year 2013-14 of the Ministry of Defence is of Rs. 2,03,672.12 crore which comprises Rs. 116931.41 crore for Revenue items and Rs. 86740.71 crore for Capital items. Although Defence expenditure is increasing in absolute terms over the years the percentage increase in Defence expenditure since 2000-2001 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 but it did not match to the level of 2008-09 and 2009-10. During the year 2011-12 the percentage increase was 10.91% and during the year 2012-13 the percentage increase was 13.15%. However, RE of the same year brought down the growth to 4.44%. Although apparently the growth seems to be 14.10% in comparison with RE 2012-13 but it is just 5.05% if compared with BE 2012-13.

1.35 The following table shows the details of Central Government expenditure and Defence expenditure:—

Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp. % of CGE
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	170913	1304365	13.10
2012-13(RE)	178504	1430825	12.48
2013-14(BE)	203672	1665297	12.23

(Central Government expenditure (CGE)
Both in absolute and percentage term.

1.36 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
2000-01	49622	2102314	2.36
2001-02	54266	2278952	2.38

1	2	3	4
2002-03	55662	2454561	2.27
2003-04	60066	2754620	2.18
2004-05	75856	3242209	2.34
2005-06	80549	3693369	2.18
2006-07	85495	4294706	1.99
2007-08	91680	4987090	1.84
2008-09	114223	5630063	2.03
2009-10	141781	6477827	2.19
2010-11	154117	7795314	1.98
2011-12	170913	8974947 P	1.90
2012-13(RE)	178504	10028118 BE	1.78
2013-14(BE)	203672	11371886 *	1.79

P—Provisional Estimates, Q-Quick Estimates, A-Advance Estimates as per Economic Survey 2012-13.

*—As per Union Budget at a glance 2013-14.

1.37 The Ministry supplied the data based on the inputs from SIPRI Military Expenditure Database, 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:—

[In constant (2010) US \$ Million]				
Country	2011	2010	2009	2008
US	689591	698281	679574	62905
China	[129272]	[121064]	[110100]	[92700]
France	58244	59098	64747	60654
UK	57875	58099	59350	58217
Russia	[64123]	[58644]	[59565]	[56892]
Pakistan	5685	5661	5504	5342

[]= SIPRI Estimate.

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

Country	2010	2009	2008	2007
US	4.8	4.8	4.3	4.0
China	[2.1]	[2.2]	[2.0]	[2.1]
France	2.3	2.5	2.3	2.3
UK	2.6	2.7	2.5	2.3
Russia	[3.9]	[4.3]	[3.5]	[3.5]
Pakistan	2.8	2.8	2.8	3.0

[]= SIPRI Estimate.

GDP—Decrease in Capital Allocation

1.39 During the oral evidence on the lower allocation every year as percentage of GDP, Defence Secretary informed the Committee as under:—

“The allocation for the Budget depends on the availability of resources. The Ministry of Defence has been given this much of money which has been very judiciously allocated between the three Services. Yes, there is a gap. In the previous years also there has been a gap. Nevertheless, I am not saying that there is not a case for a more demand. The Standing Committee is within its right to recommend for additional allocations.”

1.40 In reply to a question regarding real growth of Defence Budget and likely impact on the acquisition plan of services, the Ministry in its reply stated as under:—

“The growth rate is as per approvals accorded by the Ministry of Finance in view of the present fiscal situation. There has been an increase of 11.23% in the capital acquisition budget of the services over BE 2012-13, which is higher than the growth in other elements of the defence budget in an effort to ensure that the acquisition plans of the services are not severely impaired.”

1.41 However, it is seen that the growth of Defence Budget in comparison to percentage increase over the previous year as well as total defence expenditure, if compared to total Central Government expenditure clearly depict a different picture. If total defence allocation is compared with GDP it again shows a negative trend.

Breakup of Committed liabilities and new Schemes

1.42 The position regarding Service-wise allocation of committed liabilities and new schemes in the Capital Modernization Budget 2012-13 and 2013-14 as furnished by the Ministry of Defence is as under:—

Capital Modernisation Budget 2012-13*(Rs. in crores)*

	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

1.43 In so far as the three Services are concerned, the allocation for new schemes and committed liabilities in BE 2013-14 is as under:—

Capital Modernisation Budget 2013-14*(Rs. in crores)*

	Committed Liabilities	New Schemes	DGOF Supplies etc.	Total
Army	7024.31	493.98	5808.75	13327.04
Navy	22295.84	442.86		22738.70
Joint Staff	321.48	8.31		329.79
Air Force	35038.62	2010.44		37049.06
Total	64680.25	2955.59	5808.75	73444.59

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

1.45 In so far as Coast Guard is concerned, the allocation for committed liabilities and new schemes for modernization under BE 2013-14 is as under:—

(Rs. in crores)

	Committed Liabilities	New Schemes	Total
Coast Guard	1253.42	521.58	1775.00

1.46 It may also be noted that budget for the Coast Guard is provided from the Civil Estimates.

Revenue Capital Ratio

1.47 A comparison of Revenue capital ratio during 9th plan, 10th Plan 11th Plan and annual plan since 2007-08 is as under:—

	Revenue Ratio	Capital Ratio
IX Defence Plan (Average)	74	26
X Defence Plan (Average)	64	36
BE 2007-2008	56	44
BE 2008-2009	55	45
BE 2009-10	61	39
BE 2010-11	59	41
BE 2011-12	58	42
XI Defence Plan (Average)	58	42
BE 2012-13	59	41
BE 2013-14	57	43

Tight Fiscal Situation

1.48 On huge difference between projected and allocated amount and likely impact on acquisitions, a representative of the Ministry elaborated:—

“Actually the payments for the acquisitions like aircrafts and ships, they are spread across four to five years. So, what has happened is that certain payments we have deferred to the next financial year because the Ministry of Finance was having some constraints in providing the budget. So it actually does not affect the

requirements that the Army or the Navy wants. The only thing that has happened is some liability has gone over to the next financial year.

Yes, because quite a number of the aircrafts are being procured from the Defence Public Sector Undertakings. And because of the tight fiscal situation, they have agreed to it. In fact, they have delivered and they have said we will take the payment in the next financial year."

Capital procurement—appointment of authorised representative/distributor

1.49 Defence Procurement Procedure aimed to ensure expeditious procurement of approved requirements of Armed Forces in terms of capabilities sought and time-frame prescribed, by optimally utilising allocated budgetary resources. The Ministry elaborated stages of the procurement process.

1.50 During presentation before the Committee, the Ministry has stated that there are various types of procurement *i.e.*

- (a) Standard
- (b) Fast Track
- (c) Inter-Governmental agreements

1.51 On the categorisation of Procurements and its stages, the Ministry submitted the following information:

- Buy Indian
- Buy and make (Indian)
- Made (Indian)
- Buy and make
- Buy Global

Stages in acquisition process

- Formulation of services qualitative requirements (SQRs).
- Acceptance of necessity (AoN).
- Issue of RFP and Receipt of Offers.
- Evaluation.

- Commercial negotiation by CNC.
- Approval of CFA.
- Signing of main and offset contracts.

Evaluation

- Technical oversight Committee
- Offset evaluation
- Staff evaluation
- Field evaluation
- Technical evaluation

Technical evaluation

- Paper evaluation of bid by technical evaluation committee.
- Involves detailed vendor interaction to clarify perceived ambiguities in technical offers submitted by vendors.
- Tech report approved by DG (ACQ).

Field evaluation

- Trials conducted by user in all terrain and environmental conditions applicable.
- Equipment provided on “No cost no commitment” by each vendor.
- Includes:—
 - User trials.
 - Maintainability evaluation trials.
 - Quality assurance trials.
 - EMI/EMC trials (if applicable).

Staff evaluation

- Post field trials, staff evaluations of all trials conducted wherein trial reports are consolidated and analysed.
- Staff evaluation report approved by DG (ACQ).
- Equipment suitable as per given terms, short listed for commercial negotiations.

Oversight mechanism

Technical oversight committee (TOC)

- Expert oversight ordered after staff evaluation for cases over 300 cr.
- Def. Secy. formulates 03 member committee to include service officers, DRDO Scientist, DPSU Rep.
- No member should be directly or indirectly involved in case.
- Reports whether trials, evaluations, compliance to QRs and selection of vendors are as per prescribed procedures.
- Report to be submitted within 30 days, to Def. Secy. for acceptance.

Pre-contract integrity pact

- A binding agreement between the bidder and the Government for all proposals above 100 cr. to ensure procurement process free of corruption.
- Both parties promise that they or any of their officials will not offer or accept any kind of bribes during procurement process.
- Integrity pact bank guarantee is 1 cr. in cases where estimated cost is between 100-300 cr. and 3 cr. if estimated cost is above 300 cr.
- Sanctions for violation of provisions of IP enshrined in DPP.
- Independent monitors appointed, in consultation with CVC, with a mandate to look into any complaint/information of violation of the provisions of IP.

CFA Approval

- CNC Report, after finalisation is forwarded to CFA for approval.

- CFAs:—

Amount	CFA
Upto 150 cr.	CISC/Vice-Chief
150 cr. To 500 cr.	RM
500 cr. To 1000 cr.	FM
Above 1000 cr.	CCS

The Ministry also has provision of Post Contract Monitoring.

1.52 Worrying over the increasing number of defence related scams being reported in media, need for penalty clause in procurement procedure and delay in procurement of capital goods, the Committee desired to know the reason for not appointing authorised representative/distributor by the foreign arms manufacturing companies. During the oral evidence, the Defence Secretary apprised the Committee:—

“I will say that though there is a very huge debate about the point which the hon. Member, Mr. Gujral, has raised, the first thing is that in every procurement there are complaints. There are a plethora of complaints and most of the complaints are motivated and they want to derail the whole process. Every complaint does not turn into a scam. So, the word scam has to be applied in a very few cases where some money has been taken or something like that. Integrity pact and the contract terms are quite foolproof. I would submit that even the punitive clause is there since a penalty can be imposed. That is there. This happens once in a year or once in two years that we cancel the contract or we blacklist the company. So the suggestion is in fact very good but the legal clause is available. Even now we can use that. It is not necessary to cancel. The Government may take a view that instead of cancellation, we can impose some penalty or a penalty.

.... I take your suggestion. It is (penalty) not quantified but there is a provision for penalty also, penalty in terms of fine etc.

Another issue was with regard to the agents and agency commission or middlemen, all those things. This is a very wide subject. We can discuss this in some other forum also. But, just for your information, sometimes, if I remember correctly, in 2002 or 2001 a view was taken in the Government that we must register them. You mentioned about their registration. But, surprisingly, none of these so-called agents came forward for registration. So, that experiment could not succeed.”

Formulation of the General Staff Qualitative Requirement

1.53 The formulation of the GSQR is one of the initial processes of any new capital procurement. It broadly lays down the reason why the equipment is required, its physical and operational details, as well as the maintainability and quality requirements. The onus of formulating the GSQR rests with the parent directorate that wants the equipment or a nominated directorate, in case the equipment is required by more than one arm/service.

1.54 During the oral evidence of the Ministry, Vice-Chief of Army Staff apprised the Committee on GSQR as under:—

“As the Defence Secretary had explained earlier, the whole procurement process is a long-drawn process — from the inception to materialization — it takes about three years. What I am chairing is the present on-going projects that are in various stages. The Principal Staff Officer dealing with his branch gives his progress report as to where the things are and how they moved. We have had, in the past, mistakes in the formulation of the GSQR, due to which some of our projects have fallen through; now we have made a foolproof GSQR cell and process or formulation which is vetted in this higher forum. Also, all our deficiencies are promised to be removed. As he brought out, 600-680 odd projects had been identified for the five years; we take a decision as to which are the projects which we will be able to get through this year, which are the ones which are having some problems, etc. These are the day-to-day procedural things which are discussed in the higher forum so that we speed up the process. This has resulted in some success; but a long term success of all this will be visible a little later.

.....The scams have nothing to do with this mechanism. We have got our things foolproof. Why the scams take place—they are being investigated at various levels. Whenever a project has reached near-fructification, the people who have not got the contracts, there are agencies/vested interest, I believe, who want to create scams and by putting complaints in various forums which starts getting investigated and this puts the whole thing in a reverse gear. This is one thing which we have to find an answer to at the highest levels—how do we do it. At our level, we try and make sure that the things are totally foolproof and it has been done in a very correct procedural way; and the DPP and DPM have been adhered to in letter and spirit. This is what the functioning of this Committee does and we are ensuring that. We have reviewed all the projects. We take ten to twelve projects at a time and review them and we do it in the DRDO also. The Deputy Chief does it on a quarterly basis and I do it in a half yearly basis. This gives a fillip to these projects and provides us the feedback on the ground position of that project at that time. We have been quite successful. I cannot say that this mechanism is quite a success.”

Growing indiscipline in three Services

1.55 There are number of cases reported by electronic and print media wherein officers and junior staff of three forces were involved in such type of incontinence which was never seen in the recent past. The Ministry was asked to give details on which the Ministry replied:

“ARMY

Three major incidents of indiscipline involving commissioned officers have taken place in the last three years. Details are as under:—

- (a) 45 CAVALRY: An incident of altercation between Capt. Aishwarya Saxena and Lance Dafadar Abhilash M R took place on 29 May 2010 in Gurdaspur.
- (b) 16 CAVALRY: An untoward incident took place in the unit on 08 August 2012 in Samba, J&K wherein some jawans of the unit agitated against the Commanding Officer and certain functionaries of the unit.
- (c) 226 Field Regiment: A case of manhandling between officers and Others Ranks (OR) of the unit took place on 10-11 May 2012 at Mahe field firing ranges, Nyoma, Leh.

NAVY

Following two major cases of indiscipline have come to light in the last three years:—

- (a) Case I: In April 2010, the Navy came in possession of photographs, wherein Cmde Sukhjinder Singh, then Deputy Director General Quality Assurance (Warship Production) was found in compromising position with a lady of Russian origin.
- (b) Case II: Case regarding divulging of secret information on Social Networking Sites by four Naval Officers was reported in September, 2011.

Air Force

There are not many cases of major indiscipline in respect of commissioned officers in the IAF. General Court Martial in 3 numbers of cases has been held in the last three years for major incidents of indiscipline.”

1.56 On the action taken against the erring officials, the Ministry supplied the following information:—

“ARMY

- (a) **45 CAVALRY:** Based on inquiry, disciplinary action was directed against four officers, seven Junior Commissioned Officers (JCOs) and nine ORs. Besides, administrative action was also directed against five officers.
- (b) **16 CAVALRY:** Based on inquiry, disciplinary action was directed against three Junior Commissioned Officers (JCOs) and four Other Ranks (OR). Besides, administrative action was directed against four officers and five JCOs and administrative termination of service of five ORs.
- (c) **226 Field Regiment:** Based on inquiry, disciplinary action was directed against four officers, 17 JCOs and 147 ORs.

NAVY

- (a) **Case I:** A one man Inquiry under a Vice Admiral was constituted. The officer was found culpable and the services of the officer were terminated in April, 2011.
- (b) **Case II:** The case was examined by Board of Inquiry (BoI) and proceedings were approved in August 2012. All four officers have been found blameworthy. Three out of the four officers have been recommended for termination of services. Action for termination of services of three officers is under process. The fourth officer is being censured (Letter of Severe Displeasure valid for a period of five years) by the Chief of the Naval Staff.”

1.57 The Committee wanted to know the reasons of such indiscipline, the Ministry submitted following details of Court of Inquiries:—

“ARMY: The reasons as brought by the Court of Inquiries are as under:—

- (a) Poor man management.
- (b) Lapses in command and control.

NAVY: The primary reasons for indiscipline cases are non-adherence to the laid down provisions, moral turpitude and temptation to misappropriate public funds for personal gains.

AIR FORCE: Charges against officers mainly related to accepting illegal gratification and involvement in theft cases.”

1.58 The Ministry was further asked whether any training programme/counselling sessions were organized for them, in a written note it stated as under:—

“Counselling session and emphasis on man management and command and control aspects are a continuous process and are emphasised in all courses of instructions. All ranks are sensitized during Sainik Sammelans and by way of individual counsellings. Further, there is a specific organisation in the Navy, namely, Centre for Leadership and Behavioural Studies (CLABS), which undertakes customised capsules for various levels of officer trainees in the IN regarding the core values of the Armed Forces.”

Twelfth Defence Plan

1.59 The Ministry is in the second year of Twelfth Defence Plan period but as per the information submitted that Twelfth Plan is yet to be approved. The Eleventh Defence Plan also did not see the light of the day.

Border Roads Organisation

1.60 The Border Roads Organisation (BRO) was conceived and raised in the year 1960 by Pandit Jawaharlal Nehru, the first Prime Minister of India with the aim of speedy development of road network and infrastructure in the Northern and North Eastern Border areas of the country. The Organisation, conceived primarily as a road building agency in the early sixties, has over the years, spread its wings and diversified into a large spectrum of construction and development works comprising road projects, bridging and tunnelling. With a humble beginning with two projects in 1960, Vartak in East and Beacon in the North, today, there are 17 Projects spread across the length and breadth of the country.

1.61 This elite Organisation which celebrated its Golden Jubilee on 07 May 2010 is now regarded as a symbol of Nation Building, National Integration and an inseparable component in maintaining the security and integrity of the Nation. As part of its contribution to strengthening bonds of friendship with neighbouring countries, BRO has developed road infrastructure in Bhutan, Myanmar and Afghanistan.

1.62 The vision of BRO is (i) to support the armed forces to meet their strategic needs by committed, dedicated and cost effective development and sustenance of the infrastructure, (ii) to attain leadership in development, adoption, assimilation and use of state of the art technology, and (iii) to focus on core competencies, ensure highest level of skill and proficiency in construction activity.

1.63 As per the information furnished by the Ministry of Defence, BRO also works for the following Ministries/Government Agencies other than Ministry of Defence:—

- (a) Ministry of Road Transport & Highways.
- (b) Ministry of Home Affairs.
- (c) Ministry of External Affairs.
- (d) Ministry of Development of North Eastern Region.
- (e) Ministry of Commerce.
- (f) Works Assigned by Planning Commission.
- (g) State/UT Government Works.
- (h) National Highway Authority of India.
- (i) Public Sector Undertakings/Autonomous bodies.

1.64 Role of BRO

In peace

- To develop and maintain operational road infrastructure thereby also contributing to socio-economic development specific to Border Areas/States.

In war

- To keep the lines of communication open.
- To execute additional tasks contributing to the war effort.
- Tasks:

General Staff Roads : 70%

Other agencies : 30%

1.65 During presentation before the Committee, a representative of BRO informed that BRO has to encounter major natural challenges *i.e.* hard rock, extreme cold, deep snow and high, avalanches, young mountains, heavy snowfalls etc. The several manmade challenges encounter by it are poor availability of labour, poor quality of contractors, paucity of construction material etc.

Development of infrastructure in border areas

1.66 During oral evidence, a representative of BRO apprised the Committee about the responsibility of maintenance of road in Uttarakhand as under:—

“Madam, I fully agree with you. We have quite a bit of responsibility in Uttarakhand. Primarily, we are maintaining the

roads, which are joining the Char Dham. We are constructing roads for ITBP; Lipulekh; Naga, Nelong, etc. It will be ideal in case a package is given for the State because the maintenance funds are very limited. A lot of tourists pass through these roads, and for the past so many years these roads have remained single/intermediate lane.

Last year, for Uttarakhand alone the Annual Works Plan (AWP) was not passed by MoRT&H right up to January-February of this year. It means that except for little maintenance grant, we were not getting any fund from the MoRT&H. Though, they were giving positive response and they were working towards it, but there has to be a consolidated effort and we will have to work towards it."

1.67 On getting funds for the maintenance of roads, Director-General Border Roads Organisation assured the Committee about maintenance:—

"This is a constant endeavour from our side since the execution responsibility is ours. Therefore, we are constantly in touch with the MoRT&H to expedite the proposals, and from our side we have put in place certain initiatives so that we are able to resolve issues of technical nature in order to expedite this matter."

1.68 When enquired during the oral evidence about segregation of other agency work, Defence Secretary apprised the Committee:—

"This policy is already in place, and as was shown in the presentation also that now more and more energy is being diverted towards GS roads, and the agency roads are gradually coming down."

Director-General also added:—

"The point brought out by the hon. Member is absolutely correct. While we ourselves are a departmental construction agency, we want to and we are actually focusing on such roads that are actually in difficult areas and handle the agency works through contracts as much as possible. This is the whole idea so that both these things can get addressed as best as possible."

1.69 On the issue of technological support, machines and outsourcing of construction of roads in border areas, Defence Secretary informed the Committee:—

"Outsourcing is not much as yet. Most of the work of the BRO is being done by them departmentally. For that, they have sufficient equipment also. The Government has been providing them

sufficient funds for purchase of equipment. Over the last few years, they have figures which can show that they have purchased quite a lot of equipment to acquire their inherent capability.”

Cadre Management in BRO

1.70 On the issue of discrepancies in managing cadre of BRO, Defence Secretary informed as under:—

“Sir, administratively, BRDB is under the Ministry of Defence. So, the Ministry of Road Transport has got no role, as far as the management of the BRDB and BRO is concerned. A major part of the funding, of course, is from the MoRTH. That is the budgeting mechanism. Instead of showing it in the Defence, they are showing it under their head.

Now, this organisation is a mixed organization and this was envisaged like this from the beginning itself. There are problems but I am sure the Director General of Border Roads Organization is aware of that. He is capable of resolving it. Cadre management and the like issues keep on cropping in and whenever required, the Ministry also intervenes but there are some problems inherent to the organization which has a mixed manning pattern. So, I think that we have a new Director General of BRO. He will be taking care of it.”

1.71 Director-General Border Roads further added:—

“I would like to assure the House that this is a very old organisation, well established and it is vibrant and in any dual cadre or multi-cadre organisation, there are bound to be issues but they are the ones which are inherent in that. So, by itself, it is not a problem.”

1.72 Secretary, Border Roads Development Board (BRDB) clarified the position regarding non-conducting of cadre review of General Reserve Engineer Force (GREF):—

“As far as the cadre review is concerned, in 2006 the organisation was expanded thanks to which Sir, they are able to undertake larger quantum of work as you notice. At that time, the posts at various levels were increased. But there has been a demand for cadre review and this was taken up in the last board meeting which was held about two months back and following that, two Committees are already in place. They are looking at it Sir. Based on those recommendations, I suppose things would move faster. So, we are on the job and there would be something happening on that.”

1.73 Defence Secretary also candidly admitted:—

“As I said, this is a mixed organisation. So, there are manning problems. There will remain manning problems. We are trying to resolve some of these problems. But there are problems. I do not deny that.”

Sainik Schools

1.74 Sainik Schools were established as a joint venture of the Central and State Governments. These schools are under the overall governance of Sainik School Society.

1.75 The objectives of Sainik School, as stated by the Ministry include bringing quality public school education within the reach of the common man, all round development of a child's personality and to remove regional imbalance in the officers cadre of the Armed Forces. As per the information furnished by the Ministry Sainik Schools have shown an upward trend in the number of cadets joining the National Defence Academy (NDA) in keeping with the primary aim of establishing of Sainik Schools to prepare boys academically, physically and mentally for entry into the National Defence Academy. These Sainik Schools admit boys into classes VI and IX in the age 10-11 years for classes VI and 13-14 years for class IX as on 1st July of the year in which admission is sought. Admissions are based in order of merit on the basis of an All India Entrance Examination held in January each year.

1.76 The scheme to establish Sainik Schools was introduced in the year 1961. These schools are managed by a society which is registered under the Societies Registration Act (XXI of 1860). The Chief Executive Body of the Sainik Schools Society is a Board of Governors functioning under the Chairmanship of the Defence Minister. The Board of Governors, Ministry of Defence supervise/control or give directions in regard to policy matters, smooth conduct of the All India Entrance Examination, carrying out annual inspection of each school, review decisions of Local Board of Administration and Audit reports of the School. Principal is the Chief Executive and Academic head of the school.

1.77 During the presentation before the Committee, representatives of Sainik Schools submitted the following information about the funding pattern:—

Funding Pattern of Multiple Stake Holders State Government

Land	—	40-50 Acres
Building Maintenance & Scholarships	—	Approx: 75 crores for new schools varies from State to State

Central Government

Defence Scholarships	Rs. 66 crores (2012-13)
NDA Incentive	
Fee and dietary Subsidy	
VI Central Pay Commission	
IT Grant etc.	

Parents

Tuition Fee	Approximate annual charges — Rs. 75000/- P.A.
Dietary Charges	after deducting various scholarships parent's
Pocket Money	contribution varies between
Miscellaneous	Rs. 0 to Rs. 45000/- annually

1.78 The Ministry submitted the following information on the number of Schools in the country:

LIST OF 24 SAINIK SCHOOLS IN 21 STATES

Sl.No.	State	Name of Sainik Schools
1	2	3
1.	Andhra Pradesh	Sainik School Korukonda
2.	Assam	Sainik School Goalpara
3.	Bihar	1. Sainik School Gopalganj 2. Sainik School Nalanda
4.	Chhattisgarh	Sainik School Ambikapur
5.	Gujarat	Sainik School Balachadi
6.	Haryana	1. Sainik School Kunjpura 2. Sainik School Rewari
7.	Himachal Pradesh	Sainik School Sujampur Tira
8.	Jammu and Kashmir	Sainik School Nagrota
9.	Jharkhand	Sainik School Tilaiya
10.	Karnataka	1. Sainik School Bijapur 2. Sainik School Kodagu
11.	Kerala	Sainik School Kazhakoottam

1	2	3
12.	Madhya Pradesh	Sainik School Rewa
13.	Maharashtra	Sainik School Satara
14.	Manipur	Sainik School Imphal
15.	Nagaland	Sainik School Punglwa
16.	Orissa	Sainik School Bhubaneswar
17.	Punjab	Sainik School Kapurthala
18.	Rajasthan	Sainik School Chittorgarh
19.	Tamil Nadu	Sainik School Amaravathi Nagar
20.	Uttarakhand	Sainik School Ghorakhal
21.	West Bengal	Sainik School Purulia

1.79 On the opening of Sainik Schools in every State and also not having a single Sainik School in Uttar Pradesh, a representative of the Ministry of Defence apprised the Committee during oral evidence as under:—

“As far as the schools in various States are concerned, out of 28 States we already have Sainik Schools in 21 States. Out of which, three States have two schools each. They are Bihar, Haryana and Karnataka.

As far as opening of the school in Uttar Pradesh is concerned, we have already discussed the matter with the Government of Uttar Pradesh and probably they are going to send the proposal very shortly. The other States where the Sainik Schools are not there at present basically are Sikkim, Goa and North-Eastern States, namely, Arunachal Pradesh, Mizoram, Tripura and Meghalaya. Out of which Sikkim has already sent the proposal and our team is going very shortly to inspect the site and to take further action in the matter.

As regards the recommendation of the Standing Committee, which was given last time, the matter is under examination and under consideration as the highest priority matter.

Sir, presently as per the existing policy, it is no. They have to not only provide the land but there is other thing also.”

CHAPTER II

ARMY, NCC AND WELFARE OF EX-SERVICEMEN

2.1 As per the data supplied by the Ministry, the percentage share of allocation of capital outlay for Army (including NCC) under the Defence Services Estimates for the Eleventh Plan and the Twelfth Plan which is yet to be approved is given below:—

Eleventh Plan:

Year	Total Defence Allocation (Net BE)	Army Capital Allocation	% share of Army
2007-08	96000.00	11634.18	12.12
2008-09	105600.00	13331.48	12.62
2009-10	141703.00	18019.94	12.72
2010-11	147344.00	17250.84	11.71
2011-12	164415.49	19210.69	11.68
Total	655062.49	79447.13	12.13

Twelfth Plan:

Year	Total Defence Allocation (Net BE)	Army Capital Allocation	% share of Army
2012-13	193407.29	19237.80	9.95%
2013-14	203672.12	17883.83	8.78%

2.2 By analyzing the above chart, it can be seen that the capital allocation is decreasing every year in relation to the total defence budget.

Capital : Revenue Ratio

2.3 The capital and revenue ratio allocated for Army for the last five years is given below:

Year	Service	Revenue	Capital
2008-09	Army	73	27
2009-10	Army	76	24
2010-11	Army	77	23
2011-12	Army	77	23
2012-13	Army	80	20

2.4 As per the data supplied by the Ministry, the Capital Revenue Ratio allocated for Army in 2008-09 was 27:73, 2009-10 it was 24:76, 2010-11 it was 23:77, 2012-13 it was 20:80 and 2013-14 and it is 18:82.

2.5 The widening Capital and Revenue Ratio in respect of Army may affect the modernization of this Force.

2.6 During the oral evidence, when enquired about lower allocation every year to Army, Defence Secretary informed the Committee as under:—

“I mentioned before you that RE is being utilised hundred per cent. RE is not a problem. As far as the requirement is concerned, I mentioned that one reason for the cut was the fiscal position also. Then, whatever Army projected for the last year, that was projected and the gap which hon. Member mentioned, some Rs. 7000 crore and odd for the Army, this projection made. But the whole exercise of Budget is also under some limitations, some constraints. We are told that this is what your BE for this year; now you work out your priorities accordingly.

Sir, not necessarily because we have to prioritise. We cannot spend unlimited money. We have to priorities our requirements in accordance with the resources which are available.”

2.7 The Ministry has submitted the following figures in respect of Army, NCC, DGQA and DGOF in its reply:—

CAPITAL		<i>(Rs. in crores)</i>				
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2012-13	Army	28113.60	19187.80	18923.59	15747.80	11340.93
	NCC	121.00	50.00	47.50	1.50	0.58
	DGQA	25.00	20.00	11.75	5.00	3.62
	DGOF	552.76	399.96	496.22	399.96	232.01
2013-14	Army	25404.08	17878.33			
	NCC	124.00	5.50			
	DGQA	15.53	5.45			
	DGOF	973.40	435.96			

2.8 From the data furnished by the Ministry it can be seen that the allocation under the head NCC is going down each year, so is the case with DGQA and DGOF. It seems no new capital acquisition are taking place in respect of NCC.

Shortage of officers and Services Selection Boards

2.9 On the present shortage of officers in Army and period since when it is existing, the Ministry in a written note submitted:

“At present, the shortage of officers in Army is around 9590 (20%). Shortage of officers has been existing since long. Continuous steps have been taken to make service in Army more attractive alongwith sustained image projection and publicity campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career.

The result of the above efforts is reflected in the increased number of officers being commissioned. During last three years-1488 officers in the year 2010, 1780 officers in year 2011 and 2035 officers in year 2012 were commissioned.”

2.10 The Ministry was further asked whether it has conducted any study to find out the reason for not joining the armed forces in general and army in particular, it furnished the following information:

“Defence Research and Development Organisation (DRDO) have been asked to have a study conducted on the interest of the youth in joining the Armed Forces. However, there has been an increasing trend in the number of applicants for officer entries in the Armed Forces.”

2.11 It further apprised that the Government have approved setting up of seven additional Service Selection Boards (SSBs) viz. two Army Selection Boards in Punjab, three Naval Selection Boards at Vishakhapatnam and two Air Force Selection Boards one each at Guwahati and Gandhinagar/Ahmedabad.

2.12 Also, creation of additional SSBs will facilitate testing of increased number of candidates; resulting in improved intakes, for mitigating shortage of officers. Further, setting up of SSBs at new locations will increase geographical spread of SSBs providing easier access to candidates.

2.13 In reply to a question that whether increase in the capacity of National Defence Academy, Indian Military Academy and Officers Training Academy would have any effect on the shortage of officers, it submitted as under:—

“To reduce shortage of officers, Government have approved seven additional SSBs for the services in addition to existing fifteen SSBs. In order to accommodate increased induction from SSBs, it is imperative to increase the capacity in services training institutes like NDA, IMA and OTA so as to train increased number of cadets clearing these SSBs. Increase in capacity of NDA, IMA and OTA, thus will have a positive effect in reducing shortage of officers in three services.”

Supply of defective Ammunition

2.14 On the procurement of sixty six thousand round of tank ammunition, the Ministry supplied following written information:—

“The primary ammunition for Tanks is 125 MM Fin Stabilized Armoured Piercing Discarding Sabot (FSAPDS), 125 MM High Explosive (HE) and 125 MM High Explosive Anti Tank (HEAT). Procurement action is being taken to address shortage in FSAPDS ammunition. A proposal for procurement of 66,000 rounds of FSAPDS ex-import along with Transfer of Technology (ToT) is under progress. This will enable meeting immediate requirements together with production of the said ammunition by the Ordnance Factories in due course.”

2.15 On the reason behind supply of defective ammunition to Army, despite involvement of DGQA, a representative of DGQA informed as under:—

“Sir, in my opinion, there were some problems. We along with the Ordnance Factory Board sat down and addressed this issue. In the last one year there have been no major quality problems at all noticed by us.”

2.16 Secretary, Defence Production clarified further:—

“Sir, let me explain the ammunition part a little bit more. Actually, there are about 23 items of ammunition, which have been giving us perpetual trouble. In our assessment, these are mostly related to the design issues, which we are trying to address in consultation with the foreign partners, DRDO, etc. This is taking some time,

but I would admit that Army has a problem that certain categories of ammunition are not working properly, and we need to address that problem.”

2.17 Vice-Chief of Army Staff also apprised the Committee about the reason behind reported defect in the ammunition:—

“I do not know about the exact report, but one ammunition is Krashnapov, which is a very precise ammunition. It is fired with the artillery gun. It did not burst at the target when it was utilised in Kargil ranges. It is imported ammunition from Russia. There have been joint meetings between DG (Acq.); our Deputy Chief; and the Russian vendor. They were supposed to meet certain height and temperature requirement, and they said that it is not meant for such high altitude areas. Now, this ammunition has been shifted in the plain areas because it was not working there satisfactorily.

Secondly, we are concerned about the quality of ammunition. We have expressed our concern with the Ministry, and the Ministry has been taking various measures and trying to involve both my Deputy Chief as well as the MGO. They have been put on the board, and since 1985 we have had about 200 accidents. Now, it brings down the confidence of the firer, especially, with regard to tank ammunition.”

2.18 On the question of number of accidents which took place using this ammunition, Vice-Chief of Army Staff explained to the Committee:—

“It used to burst in the barrel. If it bursts in the barrel, then the firer is afraid to fire his own gun, which is not a correct thing. If he is afraid to fire his own gun, then even if he sees the enemy he will not fire. This thing has been told to the Ministry, and we have been having very regular conferences on how to go about it. They are going into all the things.”

2.19 The Committee also desired to know whether Army is satisfied with the quality of ammunition that is given to them, on this Vice-Chief stated that although they have tried to do a lot of things on it but it would be a little slow process.

2.20 When the Ministry was asked to explain, how Army go to the battlefield. If some ammunition does not work or if it explodes in the barrel, the Vice-Chief apprised as under:—

“The Ministry have allowed us to purchase that typical type of ammunition — 66,000 rounds. Obviously, the procurement process is in the advanced stages, and we are likely to get that ammunition from abroad till the quality control issues are sorted out in-house.

So, that type of ammunition is available. HEAT is basically used against softer vehicles. Anti-tank ammunition is a problem. But, this 66,000 rounds are coming. The guns fire two types of ammunitions. One is the direct fire with the main gun and the other one is missiles. Now, on missiles we have progressed quite a lot. When there is a problem in one type of ammunition, we are trying to meet it by getting alternate ammunition so that the tank is able to take on another tank. That is the strategy which we have adopted."

2.21 As per the information, the Committee desired to know as procurement process takes 80 weeks *i.e.* more than a year and half, there is a battle in-between, what would be the strategy of the Ministry, Vice-Chief of Army Staff replied:

"The delivery for 16,000 has started coming. By the time these things are there and distributed, I think the first lot should start."

2.22 Secretary, Defence Production further added:—

"Along with these 66,000 rounds, we are also getting transfer of technology. As I mentioned earlier, for this particular ammunition we have been having a design problem. It is not a production problem which by itself is incapable of solving."

2.23 When enquired about the design problem with the ammunition, Secretary, Defence Production clarified:—

"Originally it was a Russian design which was given. But now we have been trying to switch over to an indigenous design. Since the indigenous design has not worked till now, the Army has been given the green signal to go ahead and import it and also get the transfer of technology.

This is our design which we are trying to do. It is taking a little longer than what we had anticipated. What we are trying to get is the transfer of technology from Russia for this particular weapon."

Cease Fire Violations (CFVs)

2.24 The Committee learnt about regular incidents of CFVs across the border with Pakistan. Ministry was asked to supply information about the number of CFVs taken place in the last 5 years, sector-wise

and the steps taken by it to stop these incidents. In a written note, the Ministry furnished the following:—

Sl. No.	Name of the Sector	2009	2010	2011	2012	2013
1.	Partapur	-	-	-	-	-
2.	Batalik	01	04	-	-	-
3.	Kargil	-	-	-	01	-
4.	Dras	-	-	-	-	-
5.	Gurez	-	-	-	-	-
6.	Machhal	-	04	02	01	-
7.	Keren	01	-	06	01	-
8.	Tangdhar	-	06	01	04	-
9.	Naugam	-	-	-	11	-
10.	Uri	01	02	03	01	-
11.	Rampur	03	01	-	30	08
12.	Poonch	05	04	10	07	01
13.	L. Ghati	15	21	13	29	14
14.	Bhimber Gali	01	-	02	04	01
15.	Naushera	01	01	09	03	
16.	Sunderbani	-	-	-	-	-
17.	Pallanwala	-	01	04	-	-
18.	Molu	-	-	01	01	-
	Total	28	44	51	93	24

- (ii) It further informed that there have been two incidents of killing and beheading of Indian soldiers during the last five years, one each in 2011 and in 2013, and Geneva agreement pertains to treatment of soldiers during war and Ceasefire violation is not treated as war.
- (iii) The Ministry also apprised that apart from retaliation by the Army at the tactical level, Government of India has taken up the issue of cease fire violations with Pakistan consistently. All violations of cease fire are also taken up

with Pakistan military authorities at the appropriate level through the established mechanism of hotline, flag meetings as well as weekly talks between the Director Generals of Military Operations. Based on periodic reviews, Pakistani activities across the Line of Control are continuously and minutely monitored by the Indian Army. All necessary measures are taken to ensure operational preparedness of the Indian Army.

Bullet Proof Jackets

2.25 The Committee during the course of examination of Demands for Grants 2012-13 have noted that there was deficiency of 1,86,138 units of Bullet Proof Jackets (BPJs). 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 was fraught with various complications.

2.26 In reply to specific query whether these BPJs have been procured or not, the Ministry submitted the following information:

“Bullet Proof Jackets envisaged for procurement during 11th Plan have not been procured as the RFP was retracted due to GSQR related issues. A fresh Request for Proposal (RFP) for procurement of quantity 1,86,138 Bullet Proof Jackets (BPJs) has been issued on 07 December, 2012. The Techno-Commercial Offers are to be submitted by the vendors on 26 April, 2013.”

2.27 In reply to another question about the total strength of Army, total authorized strength of BPJs and current BPJs held, the Ministry submitted:—

“Cabinet Committee on Security (CCS) approved scaling of quantity 3,53,765 BPJs for the Indian Army, Units/formations deployed on Line of Control and in Low Intensity conflict based on deficiency of Indian Army.”

2.28 Weight, protection to cover lethality, coverage area on body as per Request for Proposal (RFP) is as under:—

Sl. No.	Components	Minimum SAP Size (in Sq CM)	Minimum HAP Size (in Sq CM)	Weight not more than (Kg)
1	2	3	4	5
(i)	Small Size Jacket complete	4560	3220	10.1

1	2	3	4	5
(ii)	Medium Size Jacket complete	4800	3395	10.4
(iii)	Large Size Jacket Complete	5190	3670	11.3
	Protection	(i) Protection against 9 x 19 mm Parabellum (ii) 7.26 x 51 mm ball (iii) 7.60 x 39 mm mild steel core		

2.29 The estimated price for BPJ is Rs. 50,000/- per piece.

2.30 The developed countries like the USA and the UK use a variety of Bullet Proof Jackets depending on respective operational requirements. The Bullet Proof Jackets under procurement for the Indian Army conform to latest technology in this field.

Army Aviation

2.31 The Ministry supplied the following information in respect of Army Aviation giving details about existing and sanctioned manpower, machine and airfield:—

“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 battle field 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.”

2.32 On the issue of sanctioned and existing manpower of Army Aviation, the Ministry has stated that:—

“There are in all 8899 officers, JCOs and Other ranks in Army Aviation as against the total sanctioned strength of 9324.”

2.33 On benefits which are going to be accrued to Indian Army in particular and Armed Forces in general by strengthening and augmenting Army aviation keeping in view of the fact that Indian Air

Force and Indian Navy have fully operational aviation wing, the Ministry in a written note stated:—

“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 has been considered by NSA and it has been recommended that the ownership of attack helicopters to vest with the Army. However, the transfer of attack helicopters to the Army will apply to future inductions.”

2.34 On the selection and training of pilots, the Ministry further stated:—

“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.”

Involvement of Army in Counter Insurgency Operations

2.35 Since a long time, the Army is engaged at various parts of the country in counter insurgency operations. The Ministry was asked to explain the difference between regular war and counter insurgency operations for a soldiers as well as whether the army is well equipped and trained to carryout such operations, in a written reply, the Ministry submitted the following information:—

“Insurgency is armed rebellion by a section of the population against the legally constituted government with the support of the local population, obtained voluntarily or by coercion. The efforts of security forces is to contain the levels of violence, as part of the governments’ multi-pronged strategy through Psychological, Intelligence, Practical and Counter Terrorist operations collectively termed as ‘Counter insurgency operations’. Counter Insurgency operations are conducted against a section of the local population unlike regular war which is against an external threat. Unlike war, Counter Insurgency operations are prolonged and is a continuing process. Indian Army is well equipped, trained and motivated for conduct of operations across the complete spectrum of conflict, including Counter Insurgency/Counter Terrorist Operations.”

2.36 The Committee desired to know the views of the Ministry, if regular army involved in counter insurgency operations is replaced with State police or Central Armed Police Force (CAPF), it stated as under:—

“Ministry of Defence is of the opinion that Counter Insurgency operations should ideally be conducted by the State Police or Central Armed Police Force (CAPF), as the matter essentially falls within the domain of internal security. The State Police/CAPF can be adequately imparted training to carry out such operations by the Army. The Army should be deployed in such operations only as a last resort, when the State Police/CAPF have proved to be ineffective.”

2.37 It further submitted:—

“Commitments of the Army towards Counter Insurgency/Counter Terrorist Operations strain its resources and is at the expense of its conventional war fighting potential. If it is decided to relieve Army from Counter Insurgency operations, the personnel deployed in the operations will be available to undertake their regular duties along the boundaries.”

National Cadet Corps (NCC)

2.38 The Ministry has informed that National Cadet Corps is a Tri-Services Organisation comprising the Army, Navy and Air Force, engaged in grooming the youth — 'The Leaders of Tomorrow' — into disciplined and patriotic citizens. The genesis of the NCC can be traced back to the First World War when the Britishers created the University Corps as the second line of defense and to have a large pool of trained youth available for employment into the Armed Forces. Presently, NCC has approximately 13 Lakhs Cadets under its fold.

2.39 NCC shapes the personality of the youth through multifarious training, adventure and cultural activities; producing mature, disciplined and responsible citizens. The organisation imbibes the cadets with self discipline, secular ideas, camaraderie and selfless service. It has been steadfastly engaged in 'National Building' ever since its inception by promoting a 'National Character'.

2.40 During presentation before the Committee, the Directorate of NCC submitted the following information in a chart form:—

Non-procurement of uniforms and microlites

Cadet Strength	Army	Navy	Air	Total
Junior Division (Boys)/Junior Wing (Girls)	6,76,917	47,204	53,396	7,77,517
Senior Division (Boys)/Senior Wing (Girls)	4,41,039	15,435	12,995	4,69,469
				12,46,986
Girls	3,30,763 (26.52%)			
No. of institutions Covered				
Schools	10,078			
Colleges	5,671			
Waiting List				
Schools	4,396			
Colleges	2,501			
No. of Districts covered	633			

2.41 On non-utilization of Rs. 300 crores, Director-General of NCC clarified as under:—

“It was actually not procured because one reason is that we had kept some money for procuring 110 micro lites which are under procurement for which the trials have finished and they are being done under the aegis of the Indian Air Force. In addition to this was a clothing issue. It is because of the problems of the rate contract, we were not able to get any clothing last year for the cadets. So, this clothing will come about and they have started already coming in now. The payment will be done in the next year.”

2.42 On non-allocation of budget for microlites, he further stated:—

“We have been assured that this money will be given to us as and when things come because for the last two years we were not able to utilise it.”

2.43 As the uniforms were not given to the cadets for the last few years, the Committee desired to know the reason, he further stated:—

“The problem was that we went for rate contract system in the year 2009. Till 2010 it worked because the prices were set for a three-year timeframe and the rate of cotton and other polyester items did not go up as was envisaged. In 2011 we booked 7.5 lakh uniforms with 42 vendors who were registered with us. None of the vendors was ready to provide at the rate which we fixed. So, resultantly, we were not able to get any uniform.

...The issue is that we managed to get at the same rate. We approached the NTC and it has agreed to provide us 4.5 lakh uniforms which will start coming in now.”

Selection of NCC Cadets in Armed Forces

2.44 Regarding benefits being given to NCC cadets in joining Armed Forces, DG NCC informed the Committee as under:—

“The second point is with respect to the recruitment or the assurance which is given as part of the incentive. As far as NCC ‘C’ Certificate holders are concerned, we have a number of incentives which have been laid down whereby they are taken directly into the Armed Forces. As far as OTA, Chennai is concerned, we have 100 vacancies per year, *i.e.*, 50 vacancies per course, where a cadet is directly taken just after an SSB interview into the OTA without appearing for a written UPSC examination.

With respect to Indian Military Academy, they have to appear for a written exam as well as appear in SSB. However, there are 32 vacancies per batch where the merit is separate for NCC cadets. With respect to the Navy, it has got six vacancies per course. Again, they do not have to appear for a written exam, they only go for SSB. A similar trend is followed in the Air Force. With respect to the personnel, who are coming for a direct recruitment into the Army in lower ranks, they do not have to appear for a written exam. They just come for a physical test and a medical test and a separate merit is drawn for them as far as 'C' Certificate holders are concerned.

Similar concessions are available in Paramilitary Forces. A number of corporates are also now taking cadets, particularly those who are 'C' Certificate holders in the security services as junior executives. So, a number of incentives are being given to the 'C' Certificate holders."

2.45 In Action Taken Reply to the recommendation of the Committee regarding joining the Services as Officers but very few NCC cadets, the Ministry stated as under:—

"Candidates are eligible to apply for various entry schemes in training academies in the last year of their college or after completing their graduation. NCC curriculum, however, is only for two years and most of the Senior Division cadets complete it in second year. There is thus one year's gap between completion of NCC training and ex-NCC cadets applying for Armed Forces. Resultantly, these candidates cannot be given pre-SSB training as they cease to be NCC cadets."

Wait Listed institutions

2.46 The Committee desired to know the position regarding wait listing of schools/colleges in regard to enrolment of NCC, Director-General of NCC informed the Committee as under:—

"Sir, so far as point no.1 is concerned, we have today 15,749 institutions which are with us. Out of these 79 per cent are Government institutions and 21 per cent are private institutions. The private institutions are paying for the training part. All private institutions are self-financing. With respect to the institutions, which are waitlisted, today almost 6,897 schools and colleges are waitlisted. Out of these 60 per cent are Government schools and 40 per cent are private schools and colleges."

2.47 When asked whether funding part DGNCC, clarified during oral evidence:—

“In this case, most of this is actually being paid by the Centre. It is only the training part of it where 75 per cent of the money is paid for by the Centre and 25 per cent is paid for by the State in case of the Government schools. However, in case of private schools, 25 per cent is paid for by the school itself, which includes expenses on ANOs comes to a very paltry amount of Rs. 2750 per cadet per year. So, it is basically Rs. 2.75 lakh per year if it is 100 cadets per school. It is not much as far as we are concerned. It has been carrying on for over 50 years. Most of the schools and colleges which are waitlisted have given an assurance and an undertaking to this aspect that they are willing to pay that amount in the application form.”

2.48 When enquired about inclusion of wait listed colleges, DG NCC further clarified:—

“Basically, it is the logistic part of it which is preventing us from doing so. If we look at 16000 schools and colleges which have taken NCC, they are approximately four per cent of the total enrolable strength of the country. For this, we have got 1784 Armed Forces officers and 15,279 JCO/OR for just doing this job. If we have to do and do it for all the colleges and schools, we will need much and more bigger infrastructure.”

Lateral induction of Ex-servicemen in Central Armed Police Forces and State Police Forces

2.49 The Committee have been recommending for lateral induction of Ex-Servicemen in Central Armed Police Forces and State Police Forces, the Committee desired to know the latest position in this regard. In a written note the Ministry replied as under:—

“In the meeting held in the Cabinet Sectt. on 29.11.2011 on the issue of lateral transfer of other Ranks (ORs) of Army to Central Armed Police Forces (CAPFs), it was, *inter alia*, decided that options may be explored for achieving lateral transfers from the Army to CAPFs whereby Army personnel are incentivised to join and the interests of resident CAPFs are protected, such as option based lateral transfer with the incentive of longer duration of service but foregoing of seniority. In this regard, Ministry of Home Affairs (MHA) have been requested to suggest a framework under which lateral transfer of Army personnel to CAPFs could be made keeping in view the suggestions of Cabinet Sectt. However, the requisite framework/proposal from MHA is awaited.”

CHAPTER III

AIR FORCE

3.1 The mandated task of Air Force is to build a modern, flexible and credible aerospace power with full spectrum capability to safeguard our national interests and objectives.

Budget Outlay 2013-14

REVENUE BUDGET

3.2 The data regarding Revenue Budget outlay to the Air Force for the last five years is given below:—

(Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
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	20942.36	17103.72	15487.28
2013-14	Air Force	25922.64	18295.10			

Note : Expenditure for 2012-13 is upto February 2013.

3.3 In the year 2013-14 against Revenue Head the Air Force had projected an amount of Rs. 25922.64 crore while the actual allocation made available is Rs. 18295.10 crore thus resulting into a deficit of Rs. 7627.54 crore. It can be observed from the above table that there has been a general trend of providing lesser allocation than the projected amount to Air Force during previous years. However the amount of gap between projected and allocated funds, which was varying to the tune of 10 to 20 per cent during the last four years has further been inflated to the level of 30 per cent in case of the present year's allocations. Another notable fact is that during the last four years though the RE allocation is nearly equal to the RE projections except for the year 2012-13 when RE allocations are considerably less about (20 per cent less) than the projections at RE stage. Besides this, Air Force's expenditure allocation ratio have been plummeting during the later part of Eleventh Five Year Plan Period.

Budget for Stores

3.4 The Ministry of Defence informed that out of the total allocation of Rs. 18,900 crore allocated under Revenue Head, Rs. 7,236 crore are diverted towards Stores. Out of this amount, only Rs. 3081 crore are available for all other heads other than POI, including aircraft spares etc.

3.5 On enquiring about the impact it will have on Air Force, the representative of Air Force replied that shortfall in Revenue Budget would lead to inability to procure spares and fuel and at the same time since our air fleet consists of more of the aging aircraft, which require more maintenance.

3.6 During the course of deliberations, in context of serviceability of aircraft, the representative of Air Force replied as under:—

“In terms of spares, we have long term maintenance contracts and long term contracts for supply of spare parts for which we need budgetary support. The spares when available to us, we look at it as a percentage serviceability of the fleet. If, let us say, today our fleet serviceability is 60 or 65 per cent, if the spares were available we would be able to push it to 75-80 per cent thereby implying larger availability of Aircraft.”

CAPITAL BUDGET

3.7 The data regarding Capital Budget outlay to Air Force for the last five years is as per the following details:—

(Rs. in crores)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
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	36999.62	30517.95	32415.91
2013-14	Air Force	64607.84	39208.84			

Note : Expenditure for 2012-13 is upto February 2013.

3.8 In BE 2013-14 against Capital Head the amount projected was Rs. 64607.84 crore while the allocation made is Rs. 39208.84 crore which means that there is a lesser allocation by 25399.00 crore. This means that the allocation made is nearly 61 per cent of the projection made.

3.9 It can also be observed from the above table that just like Revenue Budget there has been a general trend of providing lesser allocations than the projected amount against Capital Budget of Air Force during previous years. However the amount of gap between projected and allocated funds, which was varying to the tune of 10 to 20 per cent during the last four years has further been inflated to the level of almost 40 per cent in case of the present year's capital allocation. Another notable fact is that during the last four years the RE allocation is generally less than the RE projections albeit inflating to the tune of 18 per cent during the year 2012-13. In the year 2012-13, Air Force has utilized 32415.91 crore till February 2013. So the rest of the requirements have to be met by supplementary grants.

Capital Modernization Budget 2013-14

3.10 The following table depicts the budgetary information with regard to capital modernization budget of Air Force for the current year:—

Capital Modernisation Budget 2013-14

(Rs. in crores)

Committed Liabilities	New Schemes	DGOF Supplies etc.	Total
35038.62	2010.44	—	37049.06

3.11 The Budget of Rs. 37049.06 crore are allocated for Capital Modernization Budget of Air Force. Out of this amount Rs. 35038.62 crore are channelized towards Committed Liabilities thus leaving only Rs. 2010.44 crore for New Schemes. During the year 2012-13, Rs. 2100.00 crore were allocated for new schemes in BE allocations.

Contract Value 11th Plan

3.12 During the Eleventh Plan Period, number of contracts signed, the year-wise, are 84 in 2007-08, 79 in 2008-09, 61 in 2009-10, 49 in 2010-11 and 52 in the year 2011-12.

3.13 Indigenization component of procurement increased during first three years of the Eleventh Plan while it again started decreasing during the years 2011-12 and 2012-13. It was informed during the course of examination of Demands for Grants 2013-14 that there is a need of Rs. 62,039 crore for Capital Modernization, out of which Rs. 15,000 crore are required exclusively for MMRCA project.

Trainer Aircraft

3.14 The Committee were informed that basic trainer aircraft 'Pilatus' has started to arrive from February 2013 and the last delivery date for 75 contracted 'Pilatus' is August, 2015. With regard to intermediate trainer aircraft the Committee found that it's being developed by HAL and initial operational clearance will be obtained by December, 2013. On enquiring that in case HAL is not able to deliver on time whether there is any contingency plan? The representative of Air Force submitted that it was expected that the IJT would be on schedule.

Twelfth Plan

3.15 The Twelfth Plan has been approved by the DAC and has been submitted for obtaining approval of Government.

The major contracts signed in initial phase of 12th Plan include the following projects:—

- Additional Su-30 Aircraft
- PC-7 MK II Basic Trainer Aircraft
- Additional MLH
- Air launched Brahmos
- New generation Precision guided munitions
- Doppler weather Radar
- E-maintenance management system

Major New Schemes 2013-14

- Medium Multirole Combat Aircraft.
- Additional C-130, AWACS and Flight Refueling Aircraft.
- Attack, Heavy lift and Recce and surveillance helicopter.
- MI-17 upgrade.
- Additional aerostat.
- Short range and very short range surface to air Missile.
- Flir cum targeting PODS.

Squadrons

3.16 IAF today has 34 fighter squadrons against an authorization of 42. It was further informed by the representatives of Air Force that 39 number of squadrons are required at any time to take on the

challenges of two front war scenario and therefore timely induction of LCA and MMRCAs is envisaged to strengthen the fighter squadrons and sustain the desired operational levels.

Manpower and Training

3.17 The shortage in officers cadre was that of 565 personnel in 2011 which increased to 961 in 2012. The shortage with regard to airmen is that of 6407 personnel.

CHAPTER IV

NAVY, JOINT STAFF AND COAST GUARD

4.1 Indian Navy is the prime enabler and guarantor of India's maritime sovereignty. Navy focus has been to evolve a force structure that is multi dimensional and provides a robust and deterrent capability.

Budget Outlay for the Year 2013-14

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:

(Rs. in crores)

BE 2012-13		BE 2013-14	
Projected	Allocated	Projected	Allocated
44478.90	37314.44	52940.22	36343.46

4.3 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.

4.4 Against Revenue Head the Navy had projected an amount of Rs. 19164.69 crore while the actual allocation made is Rs. 12194.43 crore. There was a lesser allocation by Rs. 6970.26 crore. In percentage terms the allocation of merely 64 per cent of the projected amount. Against Capital Head the amount projected was Rs. 33775.53 crore while the allocation made is Rs. 24149.03 crore which means that there is a lesser allocation by Rs. 9626.50 crore. In percentage terms the allocation made is nearly 70 per cent of the projection made. In BE 2012-13, there was 84 per cent allocation in comparison to the projections.

4.5 During the year 2012-13 the Total BE allocation including Revenue and Capital was 37314.44 crore while the projections made at RE 2012-13 stage was Rs. 40768.63 crore. An additional requirement of Rs. 3454.19 crore. However, the actual allocation at RE 2012-13 stage is Rs. 29668.33 crore *i.e.* nearly 27 per cent less than the projections made at RE 2012-13. This amount is 7646.11 crore less than even the BE allocation *i.e.* 2012-13.

Capital Modernization Budget 2013-14

4.6 Details of the Capital Budget are shown in the following table:—

Capital Budget : FY 2013-14

Scheme	BE 13-14 Projections	BE 13-14 Allocations	Gap (allocations vs Projections)
Committed Liabilities	22295.84	22295.84	Nil
New Schemes	7986.53	442.86	(-)7543.67
Modernisation	30282.37	22738.70	(-)7543.67
Land & Works	1400.16	670.25	(-)729.91
Capital Budget	31682.53	23408.95	(-)8273.58

Rs. 442.86 crs. earmarked for progressing New Schemes during Fy 13-14 as against Rs. 7986.53 crs. proposed by the Indian Navy

4.7 The Budget of Rs. 22738.70 crore are allocated for Capital Modernization of Navy. Out of this amount Rs. 22295.84 crore are for Committed Liabilities thus leaving only Rs. 442.86 crore for New Schemes. In BE 2012-13, Rs. 720.82 crore were allocated for new schemes and Rs. 22531.89 crore for committed liabilities. This shows that there is around 38 per cent lesser allocation in new schemes this year when compared to the provision year.

Revenue Budget

4.8 Bifurcation of Revenue Budget is given in the following table:—

Revenue Budget : FY 2013-14

Head	Projection	Allocation	Allocation wrt Projection
P&A	5896.18	4891.42	82.96%
Other Heads	11756.82	5911.96	50.29%
Total	17653.00	10803.38	61.20%

- 5th successive year of less allocation under 'Other than Salary' segment
- Carry over liabilities of FY 12-13 being ascertained.

Vikramaditya

4.9 The Committee found that the delivery date of Aircraft Carrier Vikramaditya had been extended twice. The contract for acquisition of the aircraft carrier was originally signed in January, 2004 at a total

cost of 974.28 million US Dollars which was revised in March, 2010 to 2.3. Billion US Dollars. While replying on the reasons for delay, the Ministry submitted as under:—

“The target date of delivery of Vikramaditya has been extended twice. The reasons are as follows:—

- (i) Extension of delivery date from August 2008 to December 2012: This extension in delivery schedule was required because of large increase in repair and modernisation scope of work beyond original contractual provisions.
- (ii) Extension of delivery date from December 2012 to last quarter of 2013: This extension has been necessitated due to defects observed in the boiler furnace brickwork during the sea trials between June to September, 2012.”

Indian Aircraft Carrier

4.10 The Committee have been informed that the CCS sanction for construction of Indigenous Aircraft Carrier (IAC) at M/s. CSL was accorded in November 2002. The commencement of construction of ship was envisaged from January 2004 and delivery by December 2010.

4.11 The phase-I contract with CSL Kochi envisaged first launch by December 2010. However, this has been delayed due to delay in arrival of critical pre-launch equipment such as Gear Boxes and 3 MW DG sets essential for ships pre-launch. Both of these items have now been received. A technical float out of ship has been carried out by CSL in 2011 and the ship has been redocked in Feb. 2013 for lowering of balance phase-I equipment. As of now, the shipyard has fabricated 1811 tonnes of hull and directed close to 13057 tonnes in addition to onboard outfitting of 1520 tonnes.

4.12 The progress of the project is monitored through the Empowered Apex Committee headed by the Defence Secretary and also through CWP&A progress review meetings. A review by the Hon'ble Raksha Mantri was also held in the last quarter of 2012, wherein the revised timeline of IAC (P-71) including subsequent phases of contract and revision of CCS sanction were reviewed. Balance activities for completing the ship up to delivery would be taken up in the next two phases.

4.13 Phase-II covers the period from first launch of the ship till completion of DG trials and STW of GT support system by Dec. 2016. The rest of the outfitting and trials, till delivery of the ship, would be undertaken under Phase-III contract. The revised targeted delivery of the ship would be year 2018.

4.14 A CNC has been constituted with the approval of Hon'ble RM for phase-II contract. The work of CNC is currently in progress and it has been decided by Hon'ble RM that revised CCS note would be initiated on completion of CNC for Phase-II contract with M/s. CSL.

Floating dock in Port Blair near to Oil Storage tank

4.15 The concern of Headquarters Andaman & Nicobar Command with regard to the existing location of IOC Terminal within the Defence premises in close vicinity to in ships was highlighted to Andaman & Nicobar Administration on a number of occasions and the urgent need for relocation of the terminal to a more suitable alternative site. Allocation of a suitable area by A&N Administration in the Port Blair Master Plan for this purpose was also requested. In addition, M/s. IOC has been impressed upon to identify suitable land concurrently.

Focus areas of Perspective Plan

4.16 The Ministry has informed that the following are the focus areas of Perspective Plan:—

- “• Additional Blue Water Platforms
 - Aviation Assets
 - Mine counter measure and anti-submarine warfare assets
 - Stand-off amphibious capability
 - Sea denial capability
 - Assets for Coastal Security
 - Force multipliers
 - Repair and maintenance facilities for new inductions
 - Infrastructure in Islands

LIKELY MAJOR INDUCTIONS IN 2013-14

Ship	No.
Aircraft	1
Carrier	1
Destroyer	1
Frigate	1
Corvette	1
OPV	2
Survey Ship	1

MAJOR PROJECTS IN PROGRESS**Vessels**

- Ships under construction in Russia
- Vikramaditya
- 1 follow-on Talwar class frigate

Aircraft

- 08 LRMR ASW aircraft (P-81)
- 29 MiG 29 K Fighters
- 17 Advanced Jet Trainers (Hawk)“

Coast Guard Organization

4.17 Allocation to Coast Guard is provided under Grant No. 20 of MoD (Civil Estimates). Total allocation made towards Coast Guard in the year 2013-14 is Rs. 2,830 crore. Out of this 1,775 is routed for Capital Budget and Rs. 1,055 crore against Revenue Head.

4.18 The Budget Outlay for Capital Budget of Coast Guard is as under:—

(Rs. in crores)		
Committed Liabilities	New Schemes	Total
1253.42	521.58	1775.00

Outcome Eleventh Plan

4.19 When asked about the targets projected and achieved during the Eleventh Plan Period, the Ministry replied as under:—

“The details of targets achieved *vis-à-vis* planned targets during the Eleventh Plan Period are as follows:—

Sl.No.	Target	Projected	Achieved
1	2	3	4
1.	Acquisition of surface platforms	153 surface platforms (65 ships and 88 boats/ACV)	Contract for 104 surface platforms (36 ships and 68 boats/ACV have been concluded)

1	2	3	4
2.	Acquisition of aircraft	08 Dornier and 03 Chetak	08 Dornier and 03 Chetak helicopter acquired
3.	Commissioning of ship	—	19 (ships and boats)
4.	Decommissioning of ship	—	11 (ships and boats)
5.	Coastal stations	2 RHQs, 1 DHQ and 20 Stations	01 RHQ, (0)1 DHQ and 13 stations Since 01 Apr 2012, <i>i.e.</i> , after the XI Plan Period, Regional Headquarters (North-East) at Kolkata and 05 more ICG Stations have been established. Remaining 02 stations are planned for establishment by mid 2013.
6.	Coastal Radar Chains	36 on main land 06 in L& M islands and 04 in A&N islands	34 on main land
7.	Berthing facility	—	(a) Leasing of Shallow Draught Berth Tuticorin (b) Leasing of part of Madhusudhan berth at Chennai
8.	Land acquisition	—	38 sites acquired

The commissioning, decommissioning of ships and the acquiring of berthing facilities and land is an ongoing process and no fixed targets are set, however all out efforts are made to achieve the maximum for the optimum growth of the service.”

Protection to Fishermen

4.20 One of the mandated tasks of Coast Guard is to provide protection and assistance to fishermen. The Committee have been informed that multi pronged measures are being taken towards this end which include.

(i) Measures to Protect Fishermen

- ICG Ships Maintain 24x7 presence at Indo-Pak and Indo-Sri Lanka IMBL.

- Tasking of CG Dornier Aircraft and Chetak Helicopters both for day and night surveillance.
- Deployment of interceptor crafts, air cushion vehicles for close coast patrol and near IMBL.

(ii) Ongoing Efforts

- Community Interaction Programme
- Intensified patrol by all stakeholders
- Joint working group
- Staff talks
- IMBL meetings

(iii) Indian fishermen in Srilankan/Pakistani Custody

- Indian fishing boat in SL custody-10
- Indian fishermen in SL custody-37
- Indian fishing boat in Pak custody-701
- Indian fishermen in Pak custody-376

4.21 Sensitizing Fishing Community—Fishing community is sensitized on the prevailing security situation for developing them to be ‘eyes and ears’ for intelligence gathering. Since 2009, a total of 1919 community interaction programme have been organized.

Coastal Surveillance Network

4.22 The development with regard to upgradation of coastal surveillance network, the Ministry informed as under:—

- **Coastal Surveillance Network (Phase-I)**
- **Chain of Static Radar—**

Aimed at achieving real time coastal surveillance from remote location.

Phase-I—Encompasses networking of 46 remote radar sites (36 on main land, 06 in Lakshadweep Islands and 04 in A&N Islands).

Work on main land completed.

Links from Radar Stations to ROS and ROC established.

Links from ROC to CC, New Delhi under stabilization.

- **Status of Island sites**

Lakshadweep Islands—Work progressing satisfactorily
A&N Islands

Narcondam clearance not accorded by MoEF

East Island—Clearance accorded by MoEF on 20 March, 2013

Keating Point & Sandy Point- Environmental, wildlife & CRZ clearances still awaited from MoEF.

- **Brief on CSN Phase-II**

Cover the gaps emerging from Phase-I

38 Additional Radar Stations

Retrofitment of EO, Met and VHF equipment on 21 sites of VTMS (Gulf of Kutch & Gulf of Khambat)

08 Mobile Surveillance Systems

Coordination among various Maritime Agencies

4.23 The National Committee on Strengthening Maritime and Coastal Security against threats from the Sea was formed in August 2009 with a view to ensure timely implementation of various important decisions taken by the Government in respect of maritime and coastal security of the country, consequent to the terrorists attack in Mumbai on 26/11.

4.24 Till date seven meetings of NCSMCS have been held. Meetings were held on September 4, 2009, January 22, 2010, May 14, 2010, November 23, 2010, July 29, 2011, June 8, 2012 and November 30, 2012 respectively.

CHAPTER V

RESEARCH AND DEVELOPMENT

Defence Research and Development Organisation

5.1 The Defence Research and Development Organisation (DRDO) has come a long way since its modest beginning in 1958. Starting with 10 laboratories, DRDO has evolved as 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, Advanced Materials and Composites, and Naval Systems. At the core of this technological strength, DRDO has its expertise in system design, system integration, testing & 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 Today, DRDO has transformed into a highly professional and mature Organisation with strong technology base and management systems to undertake indigenous development of state-of-the-art defence systems in a comprehensive manner including design, development, integration and production.

5.3 DRDO has made the country proud through achievement of technological self-reliance in a number of critical areas including ammunition, armoured systems, missiles, sonar systems, avionics, radar and electronic warfare system, sensors, NBC defence, low intensity conflict technologies and advanced computing.

5.4 DRDO plays significant roles in 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.

5.5 The Organisation also advises the Government to make technical assessments of international security threats and the military capabilities of both current and potential adversaries.

Expenditure on Research & Development

5.6 When enquired about the percentage of expenditure in Research and Development to the overall GDP during each of the last three years, the Ministry in a written note submitted the following information:—

“The position of expenditure by Department of Defence R&D as a percentage of 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	6477827	8475.38	0.13
2010-11	7795314	10148.92	0.13
2011-12	8974947 (P)**	9893.84	0.11
2012-13	10028118 (BE)	8654.44*	0.09

* Expenditure upto February 2013.

**P—Provisional actuals (Unaudited) (as per Economic Survey 2012-13)“

5.7 On the projection in the Twelfth Plan, it submitted that the Twelfth Plan in respect of Department of Defence R&D is under finalization and new schemes shall be identified therein.

5.8 On the amount being spent on R&D in neighbouring countries, the Ministry submitted that it does not have any authentic information available on expenditure on Defence R&D as a percentage of GDP in respect of developed countries.

5.9 On the percentage of Research and Development budget to the overall Defence budget during each of the last three years, the following written information was obtained:—

“The allocation for Department of Defence R&D as a percentage of the total defence allocation has been as under—

(Rs. in crore)

Year	Total Defence Allocation (Net BE)	Allocation for Department of Defence R&D (Net BE)	% share
2010-11	147344.00	9808.72	6.66
2011-12	164415.49	10253.17	6.24
2012-13	193407.29	10635.56	5.50
2013-14	203672.12	10610.17	5.21

5.10 The Committee desired to know the reasons for decline, if any, in the projection made on allocation on research and development to the total defence Budget during this period and the projects which have suffered due to reduced allocation. The Ministry in a written note submitted as under:—

“The allocation for Department of Defence R&D when compared with the total Defence Budget, indicates a decline in percentage because of the quantum of increase in Defence Budget. However, allocation for Defence R&D has increased in absolute terms. No project has suffered due to reduced allocation as projected requirements were met by way of reprioritisation of activities.”

Development of Ammunition

5.11 During oral evidence, on the development of ammunition SA to RM informed the Committee as under:—

“I would like to give one assurance on the armament which you mentioned. Our major partner in the armament is the Ordnance Factories. All our ammunition today comes as part of the acquisitions which are done along with the guns. For example when the Bofors gun came, Bofors ammunition came. Similarly when we do our own systems we develop our ammunitions. For example the complete ammunition for the Pinaka we are doing. All the war heads we are doing. The war heads are being developed by DRDO and produced by the Ordnance Factories. We did the INSAS small arms which are produced by Ordnance Factories in large numbers. Now multi-barrel carbine (MSCN) development is at an advanced stage. On the rifles we are now integrating the holographic sight, we are integrating electro-optical sights to give better accuracy.”

Development of Field Gun

5.12 On the development of field gun SA to RM candidly admitted that:—

“In the case of field gun, I agree that after the Bofors induction India did not start any programme on the development of guns. Unfortunately it was a lack of clarity on our part as well as on the part of the user. We were thinking that because we had done the technology transfer of Bofors, we will be able to produce Bofors and Bofors will come in as a major gun for India. Unfortunately, because of other reasons which are extraneous and not technology,

we did not do this. But having realised that we have to do it, today we have started a programme on the field gun development, 155/52 gun development. The project was sanctioned by Raksha Mantri in the 2011 and it has already gone beyond the design stage. So we are taking action in that area also.”

Performance Linked Incentive Scheme to the Scientists

5.13 When enquired about implementation of Performance Linked Incentive Scheme to the Scientists, SA to RM apprised the Committee:—

“One thing which has not been given and which we have been struggling to get from the Government is the Performance Related Incentive Scheme which has been provided for the other two Departments, like the Department of Space and the Department of Atomic Energy. Unfortunately, despite our best efforts with the Government we have not succeeded so far. We certainly look forward to the support from the Parliamentary Committee. The way it is given to the other departments should also be given to us. It will certainly go a long way in motivating our scientists.

As far as the work which we have done for the Armed Forces selection process, I would request Dr. Mandal to tell. He is responsible for working out the selection procedures for all Armed Forces and providing physiological and psychological mandate for the indices which have to be used for selecting and also giving promotion to them. This work is quite unique. The work which is done by our DIPR and DIPAS is not only required by the Indian Armed Forces but even Bangladesh, Bhutan and many other countries are also following the same procedure.”

Import content of equipment developed by DRDO

5.14 On the import content of equipment developed by DRDO, the Ministry in a written note furnished the following information:

“Import content in the major systems developed/being developed by the DRDO is given in the following table:—

System	Import content (in %)
1	2
Pilotless Target Aircraft (PTA), Lakshya	5 - 7
Remotely Piloted Vehicle (RPV), Nishant	10

1	2
Aircraft Arrestor Barrier	5
Light Combat Aircraft (LCA)	40
Airborne Early Warning & Control (AEW&C) System	67
Combat Free Fall (CFF) System	35
Parachutes	Nil
Heavy Drop System	10
Agni Missile	15
Prithvi Missile	15
Akash Missile	10
Nag Missile	30
Supersonic Cruise BrahMos Missile	65
Long Range Surface to Air Missile (LR-SAM)	60
Multi Barrel Rocket System—Pinaka	10
MBT Arjun	55
Radars	5 - 10
Electronic Warfare Systems	5 - 30
Sonars	5 - 30
Pocket Dosimeter (PDM)	12
Portable Dose Rate Meter	9
Roentgenometer	6
NBC Recce Vehicle	5
NBC Water Purification System	5

Self-reliance in Defence production

5.15 The Ministry was asked to explain the reason behind not coming up with this self-reliance in Defence Production. During oral evidence Secretary Defence Production informed the Committee.

“Sir, a major part of this answer would have to come from DRDO. I would like to submit something in respect of R&D. For example, I want to develop a completely new platform, our DPSUs or OFBs

are not equipped to handle such a thing. Our R&D set ups are small. They are meant for reverse engineering in some small things, may be, producing some small new designs on an existing platform.

The major imports that are occurring in the country are for bigger platforms. Therefore, the battle for the country really is whether I can develop more and more large platforms in the country itself, whether it is our indigenous tanks, whether it is our indigenous aircraft totally. That is our challenge where we have to look for support from the DRDO substantially.”

5.16 When enquired about role of DRDO in self-reliance in Defence production, Scientific Advisor to Raksha Mantri apprised the Committee:—

“Your observation is very right. But I would like to give you one assurance that while on missiles we have done good work, we have also done good work in many other areas, as you have seen in the presentation which we have made. Take for example the radars, the electronic warfare systems, the naval systems.

As regards the delays which have taken place in the case of LCA, yesterday I think the Defence Secretary mentioned that Light Combat Aircraft once it is ready is the aircraft of today which has demonstrated its capability during Aero India as well as in the Iron Fist. Now we are in the process of producing it at HAL. That is where I mentioned to you the gap comes that we should be able to produce it in numbers and to the good quality. Efforts are being made to augment the capability.

As for the time taken, I would only give you a few points to analyse on this. India started the development of LCA first in early 1980s. The industrial base of the country in manufacturing aeronautic systems then was not what it is today. We did not have any industry support. We also had a major problem. When we started the programme we had expected collaboration with our partners in US and France. Because of the Missile Technology Control Regime which came into operation sometime in 1989, all the systems which we were supposed to get from these countries were denied to us.

So, LCA had to develop every small item—whether it is avionics systems, whether it is structural material, or it is control system or an actuator, everything—in house. Obviously that took longer time because that development was not anticipated. But the good thing

that has happened is because of that in majority of the systems of aeronautics today, navigation, structures, avionics, materials, India has become self-sufficient. We were talking just now about the titanium. It has come today. Today we are able to have carbon composite wings for the LCA. All that was not there and the industry also has come up.

If you compare the LCA development and the time which we took is about 20 years plus, with the developed nations who have developed similar aircraft, in spite of developing large number of aircraft in the past, they also took a long time in developing their aircraft. For example, F22 development took about 18 years. You take any aircraft and you will find that its development took anywhere between 15 years to 18 years, in spite of the fact that they had the experience of developing plus they had a much larger and a stronger industry base, academic base. So, to that extent I think and our scientists and our industry has done reasonably well.”

Defence Institute of Psychological Research

5.17 The main mandate of Defence Institute of Psychological Research (DIPR) is to conduct research for the selection of personnel for the Armed Forces. Training to the assessors in order to man the selection centres forms an integral part of personal selection. This charter was further extended to the Para-military forces.

On the staff strength of DIPR, the Ministry submitted the following information:

“Defence Research and Development Service (DRDS)	42
Defence Research and Technical Cadre (DRTC)	23
Administrative & Allied Service	30
Armed Forces Headquarter (AFHQ)	04
Service Officer [including Junior Commissioned Officers (JCOs) and Non Commissioned Officers (NCOs)]	12
Junior Research Fellows (JRFs)	07
Total	118”

5.18 The Committee also wanted to know whether Department has been assigned the work relating to causes of suicide, selection of

candidates as officer, growing indiscipline etc. The Ministry in its written reply stated:—

“In addition, research is conducted in the area of organizational behaviour like Leadership, Motivation, Morale, Attitude, Combat Stress Behaviour, Psychological Operations, human factors in man-machine systems and to study the effects of extreme environmental conditions on the psychological adjustment, efficiency and well being of service personnel.

In the year 2006, study in the area of suicide and fratricide was initiated in DIPR on the directives of the then Hon'ble Raksha Mantri. To cater to such a need, a Mental Health Division has been created in DIPR and these activities have been sufficiently supported by the DRDO Hqrs.

In order to carry out research activities keeping in view the emerging requirements of the Armed Forces in a systematic manner, more manpower and infrastructure in terms of state-of-the-art labs will be required.”

5.19 On to need to have a study on the selection/interest of youth to join Armed Forces, CCR&D (LS) apprised the Committee as under:

“DRDO is responsible for selecting officers in Indian Armed Forces. Very recently we have also been entrusted with the job of introducing psychological system for jawans because of suicide and fratricide rates. That was a different project that I have conducted. If you have got questions I will answer for that.

Coming back to recruitment, DRDO does recruitment for officers in collaboration with the three Service Headquarters, Army, Navy and Air Force but the recruitment as a job is done by the Service Headquarters and the technical assessment and selection process is done by DRDO using our test technology. It is a five day selection system. You are very correct from the last year onward, the number has actually gone up to 9 lakh for officers post. Initially 2.5 lakh people used to apply for that and very few of them actually used to appear for that. Though the number has gone up for application, the number of people who are coming to Services Selection Boards are reasonably the same as we had earlier. So, it has not just gone up.

One of the studies which the Parliamentary Committee asked me to conduct suggests that out of the ten different choices, joining Armed Forces is in the seventh rank. There are many reasons, many mis-conceptions and many other issues also. But I assure you, Sir, the selection rate has gone up and we expect with the

three Service Headquarters in another ten years we would be able to fill in the gap of about 10,500 officers shortage in the Indian Armed Forces.

Our training capabilities in the three training institutions *viz.* NDA, IMA and OTA are also nearly full. In fact we have got surplus NDA candidates and we are planning how to actually make use of them because there is no capacity as of now to get more officers trained over there. So, we are going systematically. We are also introducing from the next year the *de novo* selection system for parallel run before finally introducing into Armed Forces which will reduce the selection time from five days to three and half days. One of the major points raised by the candidates that five days selection system plus one day coming and one day going back takes about 7 to 8 days for somebody to come and appear for the Service Selection Board. We have reduced it. I made a presentation before the Chief of the Staff Committee about the new selection system at the outset. It is nearing the end of a prototype. We will then go for some form of parallel testing. I can assure you that as of now the figure suggests that in about nine to ten years we will be able to fill in the gap provided we go in the pace that we are having as of now.

But one thing is very clear. In Army the image projection campaign has been taken up. There has been less interest in Army. First interest is in Air Force, second in Navy and third comes to Army."

5.20 On the question of conducting this study, CCR&D (LS) further apprised:

"We did it independently because the parliamentary Committee had asked us to do that study. We collected samples from all the zones in the country. The figure is very close. The interest rate as of now is not very high. It depends on the market forces as well. As of now I can only assure you that the Services Selection Boards are getting enough candidates to do the selection process. But it is a very difficult process also. Only intelligent people do not get into this. They require a different kind of personality which requires a particular bandwidth of their characteristics. Until and unless we get it we cannot actually have them into it. As of now, the selection rate is close to 10 per cent with Short Service Commission as well as Permanent Commission people. We hope to increase it by another three to four per cent. In that way, hopefully in about eight to ten years we will be able to fill in the gap that we have today of about 10,500."

CHAPTER VI

DEFENCE PRODUCTION

Defence Public Sector Undertakings (DPSUs)

6.1 No Budgetary support is proposed for the nine DPSUs under administrative control of the Ministry of Defence in the Demands for Grants in the Financial Year 2013-14.

Profits

6.2 The following table shows the figures of the Profit Before Tax (PBT) of DPSUs for the last 5 years:

(Value in Rs. crore)

Name of the DPSU	2007-08	2008-09	2009-10	2010-11	2011-12
Hindustan Aeronautics Ltd. (HAL)	2164.00	2335.00	2688.00	2840.00	3329.00
Bharat Electronics Ltd. (BEL)	1171.00	1097.00	1045.00	1161.00	1075.00
BEML Ltd. (BEML)	348.01	387.47	319.55	186.75	66.46
Bharat Dynamics Ltd. (BDL)	72.49	74.23	50.63	79.17	348.19
Mazagon Dock Ltd. (MDL)	380.70	397.28	386.47	366.05	613.32
Goa Shipyard Ltd. (GSL)	106.93	125.92	197.23	264.79	126.03
Hindustan Shipyard Ltd. (HSL)	11.33	140.01	2.32	55.00	85.98
Garden Reach Shipbuilders & Engineers Ltd. (GRSE)*	74.47	51.65	114.41	115.71	108.03
Mishra Dhatu Nigam Ltd. (MIDHANI)*	35.49	41.15	44.56	50.90	68.45

*Net Profit After Tax.

6.3 From the above Statement, it can be observed that only HSL had registered losses during 2008-09 and 2011-12. The reasons for these losses were (i) low order book position; (b) shortage of working capital

to procure essential materials for construction; (c) low productivity due to ageing work force; and (d) delay in finalisation of design for on-going projects.

Private sector participation

6.4 The Ministry was asked about the present private sector contribution in defence production and Research & Development, in a written note it informed:—

“In May, 2001 the defence industry sector was opened upto 100% for Indian private sector participation with FDI permissible upto 26%, both subject to licensing. Since then, 190 Letter of Intents/ Industrial Licenses have so far been issued for manufacture of a wide range of defence items, to 104 private companies, out of which 35 licensed companies have reported commencement of production. Over a period of time, DRDO has utilized the services of approximately 800 small, medium and large scale private industries for its R&D activities.”

On giving grant to Private Sector, it further informed:—

“Government does not give grant to the private sector for manufacturing of defence items. However, Defence Procurement Procedure (Make) provides for sharing of development cost with the developing agency(ies) with the approval of Defence Acquisition Council (DAC) in case the system configuration is complex, development lead time is relatively long and technological risks are substantial.”

6.5 On the issue of the presence of private sector is healthy in manufacturing of world class defence equipment the Ministry in a written note apprised as under:—

“The presence of private sector in defence production is considered healthy as it enhances the national competence in producing defence equipments/weapon systems/platforms, within the price lines and time lines that are competitive. It also encourages competition as the private sector has its reservoir of management, scientific and technological skills coupled with its ability to raise resources required for co-development and co-production of world class equipment through technology tie-ups, forging of alliances and formation of JVs with foreign OEMs.”

6.6 The Ministry was asked about the allocation for “Make” projects during the year 2012-13 and its utilization, in a written note, it furnished the following information:

“The allocation for ‘Prototype Development under Make Procedure’ during the year 2012-13 was Rs. 89.22 crore. However, no expenditure has been incurred upto February, 2013.”

FDI in Defence Sector

6.7 Private Sector Participation: To achieve self-reliance in the Defence sector, continuous efforts are being made to indigenize Defence equipment wherever technologically feasible and economically viable. In May 2001, the Defence Industry sector, which was hitherto reserved for the public sector, was opened upto 100% for Indian private sector participation, with Foreign Direct Investment (FDI) upto 26%, both subject to licensing. Department of Industrial Policy and Promotion (DIPP) has notified detailed guidelines for licensing production of arms and ammunition *vide* its Press Note 2 (2002 Series) dated January 4, 2002.

6.8 A Standing Committee has been constituted in the Department of Defence.

6.9 Production to consider all applications, for grant of Industrial Licences for the manufacture of arms and armaments, received from DIPP and to communicate the recommendation of the Ministry of Defence to that Department. It also considers all matters relating to Production of Defence equipment by licensed companies *viz.* applications for self-certification, permission for export of products manufactured under license, as well as cases for cancellation of licence due to breach of licensing conditions or security provisions etc. The Joint Secretary (Electronics Systems) is presently Chairman of Standing Committee with members from diversified fields *viz.* Naval Hqrs, Air Hqrs, Army Hqrs, DGQA, DGAQA, DoD, OFB, DRDO and BEL.

6.10 Department of Industrial Policy & Promotion (DIPP) has, so far, issued 190 Letters of Intents (LOIs)/Industrial Licences (ILs) to companies for manufacture of a wide range of defence equipment on the recommendation of the Ministry of Defence.

6.11 Consequent to opening up of the Defence Industry Sector for Indian private sector participation with Foreign Direct Investment (FDI) permissible up to 26%, subject to licensing, 25 joint ventures have been formed so far between Indian Private Company and foreign companies.

6.12 Secretary, Defence Production clarified the issue regarding enhancement of Foreign Direct Investment (FDI) in Defence products as under:

“Sir, first I take the issue of FDI. As you know, the present position is that a purely Indian company is entitled to enter into the defence sector against a licence and there is a set procedure for doing that. As per 2001 order, upto 26 per cent FDI has been permitted. Over the years, this debate has been going on and I would first mention that what has been the stand of the Ministry in the past. You have referred to some recent news but may be I would not be able to respond to that part of it. But, stand of the Ministry has always been that beyond 26 per cent at this stage would compromise the security aspects for the country. This, in one sentence, has been the stand. I will explain it a little further.

First thing that the Ministry holds is that, whether it 49 per cent or 74 per cent, we believe that there would not be full transfers of technology. There would be certain proprietary technologies, which would always be kept away from this country because this is the nature of the arms business. So, I have a product, which is perhaps 70 per cent made in India and 30 per cent still imported. It essentially means that if there is a war situation and a particular country, which has set up a production facility in this country, decides to withdraw from the production process, even in that situation you would only be able to produce 70 per cent of the product and not the remaining 30 per cent. I would remain dependent and I may not be able to take care of the dependency in any sense.

Sir, you would also kindly appreciate that in the past conflicts there have been countries here, friendly also, and yet they did not agree to supply certain things at crucial times. This is one area of the worry. Second area of the worry, for example, is telecom sector, where practically 100 per cent FDI is permitted. Yet, we do not find a large manufacturing base for telecom sector coming up in this country. It has just not happened. Our own assessment is that, if, let us say, 70 or 80 indigenisation per cent types of ToTs are done and the production facilities are set up in this country, this would occupy a space which a purely Indian company would not be able to take up. It would not be able to develop the product fully. I will explain it with a parallel example. Take, for example, television sector. We had a time when several Indian TV companies were set up. Today, even though the FDI regime is liberalised, the

Indian product has totally gone out of the market. It is not just available. Indians technologies even for a simple product like TV. We cannot make it 100 per cent in the country. So, these are the things that we worry about. If I cede the space to a foreign company, even then I would not be able to get, firstly, the full product, secondly, not the right technology, and, thirdly we would not be able to build up in its place an alternate purely Indian sector because that space has already been ceded to a foreign company.

These are the worries on the ground of which we can say that we do not feel that increase to 49 per cent or 74 per cent for that would yield any specific results in terms of more ToTs or more IPRs coming into the country.”

6.13 The Committee also desired to know whether the Ministry opposed to the enhancement of FDI to which reply of the Secretary, Defence Production was in affirmation.

6.14 However, the views of SA to RM was in contradiction with that of Secretary, Defence Production, he clarified:

“As far as the FDI is concerned, certainly there is a scope for better inputs from the international community; if we improve the FDI, it will bring in more players and it will also probably bring some technology in our industrial-sector; our industrial-sector with that investment also may, improve in the R&D area, which at the moment is very low. Presently, you are aware that most of the private industries do not invest much on R&D. That is the main reason why R&D is purely in the Government sector today. What we are looking at is, for force multiplication and as the Chairman asked, how to improve the self-reliance, larger participation of the private industries in the R&D and of course, leading to production; with the improved FDI, whether it is 26 or 49 per cent or more is a question of analysis and debate. But certainly, improved FDI will bring in better participation of accomplished industries from abroad to work with our industries and increase the level of technology in the country.”

“I will take your last question first. Firstly, the defence acquisition policy today has a very clear understanding and a laid down principle—if the technology is not available in the country for any equipment, and if it is going to take much longer time for it to be realized and the import is going to be faster, then that equipment

is cleared for import. So, nobody is blocking the system for import and acquisition.

I am coming to that. So, we are not blocking, promising that we are going to develop and so, you should not import Su-II or something like that. As far as the attrition rate is concerned, today the rate is less than (1) one per cent. It is very small because in any organization, whether it is DRDO or Department of Atomic Energy or Space or any Department of the Government or even in the private organization, 10-15 per cent exodus takes place, due to various reasons. It takes place due to better pastures that the people are looking at or whatever it is. As far as the environment and eco-system is concerned, in DRDO, it is so-good today that last year we had the induction of approximately 100 graduates from various IITs and they are now working. This year, we have already inducted about 85 IIT graduates—not post-graduates or Ph.Ds.—that means, the eco-system in DRDO has completely improved, thereby the best of the brains are now getting attracted towards this. That does not mean that attrition will not take place because attrition is a function of many parameters; you are aware of that—what is the pay structure in the IT, whether it is going to be in a boom mode and again increase the salaries, etc. So, boys and girls do go away for better emoluments, etc. But those who are actually willing to take challenges of technology and they are working for technological development, for R&D, they stay with us; we are very happy to have such people who are actually focussed on the higher challenges of technology rather than purely looking at the emoluments which will give them not the challenge of technology, but only the benefit of salary. So, we are okay with that.”

Modernisation

6.15 Regarding modernization of DPSUs, the Ministry of Defence in their written replies have informed as under:—

“The position regarding individual DPSUs is indicated below:—

- (1) **HAL:** A growth-oriented modernisation plan has been drawn up considering the new and current programs in the HAL’s Perspective plan, covering the period up to 2022. The Plan provides a road-map for creation of new facilities and induction of new technologies for Design & Development and Production programmes.

The consolidated estimated investment for future programs is given below:—

(Rs. in crores)

Program	Planned Period	Capital	DRE	Total
LCA	2010-2014	54.00	—	54.00
IJT	2009-2014	279.00	828.00	1107.00
MMRCA	2012-2017	1550.00	—	1550.00
MTA	2011-2017	1008.00	749.00	1757.00
FGFA	2011-2018	3892.00	5213.00	9105.00
LUH/IMRH	2011-2016	3313.00	2624.00	5937.00
Total		10096.00	9414.00	19510.00

- (2) **BEL:** BEL's modernization program is to continuously upgrade its infrastructure to be in tune with the changing needs of the technology/products. The company's modernization expenditure is fully met through its internal accruals and no grant or aid is provided by the Government. The modernisation expenditure planned for the current financial year 2012-13 is Rs. 342 crores and the budget proposed for the year 2013-14 is Rs. 350 crores.
- (3) **BEML:** The Company has a modernization/Capex plan from internal accruals and borrowed funds. There is no budgetary allocation for this purpose from the Government. The company has spent Rs. 596.61 crores from 2007-08 to 2012-13. The capital expenditure for 2012-13 is Rs. 68 crores (Prov.).
- (4) **BDL:** BDL has planned modernization programme for an outlay of Rs. 606.70 crores during 2010-2015 from internal resources. There is no requirement of budget allocation for this purpose from Government.
- (5) **MDL:** The status of modernization projects is given below:—
- (i) Construction of Wet Basin — 100% completed
 - (ii) Construction of Modular workshop — 48.95%
 - (iii) 300T Goliath Crane — 100% completed
 - (iv) 100/50T Level luffing cranes — 92.50%
 - (v) EOT cranes — 93.56%

The financial outlay is Rs. 606 cr.

- (6) **GSL:** GSL is in the process of implementing planned modernization programme for augmenting/modernizing its infrastructure facility to enhance the capability of the yard to build vessels for Navy & Coast Guard. Modernisation plan includes creation of new steel and aluminium fabrication facilities for construction of new ships, facility for repair and refit of ships, construction of GRP hull mine counter measure vessels. Modernisation plan is being executed in four phases. The financial outlay is Rs. 964 cr.
- (7) **HSL:** An amount of Rs. 457.36 crores has been sanctioned by the Government towards refurbishment and renewal of machinery and infrastructure on 23 December, 2011. Purchase orders for Rs. 19.14 crores have been placed. Tendering process for orders worth Rs. 88.08 crores is under process. The refurbishment and repair work against the said sanction would be completed by the year 2015.
- (8) **GRSE:** *Phase-1 modernisation:* The first phase of modernisation aimed at revamping the existing shipbuilding infrastructure was undertaken during 2001 to 2006 period, at a total cost of Rs. 76 crores. Phase-1 Modernization was completed in 2006 and facilities created are being used for construction of P-28 Class of ships (ASW Corvettes) for the Indian Navy.

Phase-2 modernization: The foundation stone for the on-going phase-2 modernization was laid on 19 February, 2009. The aim of phase-II modernization being undertaken at an estimated cost of Rs. 530 crores is to create new shipbuilding infrastructure that would enable Integrated Construction of large ships, using advanced Modular Shipbuilding technology. The important facilities being created under the on-going phase-II modernization are dry dock, inclined Berth, Module Hall, 250 Ton Goliath Crane, Paint Cell and Electrical Sub-Station of 6 KV capacity to meet power supply requirements of above facilities.

Execution of work under various Contracts for phase-2 modernisation works are at an advanced stage of progress. The new 6 KV Sub-Station has been completed and energised. New Inclined Berth has been completed and shipbuilding activity has commenced at this new facility since April, 2012. All load tests of Goliath Crane has been completed and crane has been commissioned. Other activities/facilities are also nearing completion and targeted to be commissioned by end April, 2013.

There is no budgetary allocation for modernization of GRSE.

- (9) **MIDHANI:** Modernisation & Up-gradation program in MIDHANI was taken up in three (3) phases. Phase-1 has been completed. Under Phase-II, the placement of orders for equipment has been completed and fabrication is at an advanced stage. Phase-III is under implementation. Ministry of Defence has sanctioned Rs. 100 crores during 2008-09 to 2011-12 (Rs. 50 crores as equity and Rs. 50 crores as loan) for procurement of 6000 Ton Forge Press and 10 Ton ESR Furnace.

The Committee desired to know the reasons for lack of pace in indigenization in Research and Development in our DPSUs. In reply to this the officials informed that our DPSUs or OFs are not well-equipped. Our R&D set-ups are small and the battle for the country really is to develop more and more large platforms in the country itself and for this support from DRDO is required.

Declining Production in DPSUs

6.16 When the Committee enquired in this regard the representative of Ministry in the written reply furnished as under:—

“There is no decline in the value of production in respect of BEL, BEML, BDL, GRSE and MIDHANI. However, there has been a decline in the Value of Production of HAL, MDL, GSL & HSL. The reasons are given below.

HAL: The Value of Production in the last two years is as under:—

2010-11	—	Rs. 16450.84 crores
2011-12	—	Rs. 12693.19 crores.

The reasons for shortfall during 2011-12 are:—

- Contract of 42 Hawk aircraft program completed in 2011-12 and the deliveries for the follow on order of 57 aircraft is scheduled from 2013-14. Hence no work in progress (WIP) in respect of Hawk during 2011-12 affecting VOP.
- Deliveries of Phase-I and Phase-II Su 30 MKI aircraft program completed in 2011-12. Hence, no WIP in respect of Phase-I and Phase-II of Su 30 MKI aircraft during 2011-12.
- Su 30 MKI aircraft production entering into Phase-IV stage (Production from Raw Material stage) in 2011-12, which involved technology absorption issues, affecting production for 2011-12 and for WIP for 2012-13.

Action taken:

- The orders for additional 42 Su 30 MKI aircraft and additional 57 Hawk aircraft have been received and production has commenced. The VOP during 2012-13 is expected to increase.

MDL: The Value of Production in the last two years is as under:—

2010-11	—	Rs. 2611.41 crores
2011-12	—	Rs. 2523.69 crores.

VOP fluctuates depending upon the stage of construction in a given project. It is low in the beginning and end and picks up in between. Moreover, delay in supply of developmental items of indigenous nature has impacted VOP.

GSL: The Value of Production in the last two years is as under:—

2010-11	—	Rs. 990.32 crores
2011-12	—	Rs. 676.40 crores.

The VOP has fallen in 2011-12 since the peak performance of Rs. 990.32 crores in 2010-11. GSL has maintained that there is no decline in production in terms of physical performance. However, orders for construction of vessels in proven product range is declining. Sufficient spare capacity is available to undertake more orders within the available capabilities.

HSL: The Value of Production in the last two years is as under:—

2010-11	—	Rs. 603.84 crores
2011-12	—	Rs. 564.04 crores.

The reasons for decline in Value of Production are as follows:—

- (a) Low order book position compared to installed capacity.
- (b) Severe financial crunch and lack of working capital.
- (c) Ageing manpower and low productivity.
- (d) Ageing infrastructure leading to frequent breakdown and work disruption.

Shortage of Manpower in DPSUs

6.17 Regarding shortage of manpower in DPSU, the Ministry in their written replies have informed as under:

- “(1) **HAL:** Manpower needs are reviewed, based on the requirements of the Projects/Programmes and manpower ceilings (overall sanctioned strength), are notified on an annual basis. Recruitments are done to fill up the identified vacancies, within the overall sanctioned strength.

The manpower ceilings (maximum) and the existing strength at the end of the year during the previous 3 years were as indicated below:-

Year	Manpower Ceiling (Overall Sanctioned Strength) (Maximum)	Existing Strength as on 31st March of the year	Difference	
			Number	%
2010-11	36316	33681	2635	7.3
2011-12	36668	32659	4009	10.9
2012-13	37232	32707 (28/2/13)	4525	12.2

The entire difference may not be treated as shortage, as vacancies are filled up based on identified requirements, within the Manpower Ceilings.

- (2) **BEML:** Within the overall sanctioned strength of manpower relating to Executives & Employees cadre, the working strength is determined considering the business requirements of the Company.

The details of the sanctioned strength, working strength in respect of Executives (Group A&B) and Employees (Group C&D) are given below:—

Sl.No.	Year	Sanctioned Strength		Working Strength	
		Executives	Employees	Executives	Employees
1.	2010-11 (as on 31.03.2011)	3055	9900	2757	9041
2.	2011-12 (as on 31.03.2012)	3182	9900	2872	8772
3.	2012-13 (as on 28.2.2013)	3318	9900	2897	8210

Following table indicates the recruitment of various personnel made in last 3 years:—

Group	Recruitment nos.			
	2010	2011	2012	2013 (upto 15th March, 13)
Executives	284	307	217	9
Employees	517	349	159	4

In order to meet the operational requirements of the Company, requisite manpower are available and the deficit, if any, is being addressed through external selection and internal re-deployment.

- (3) **HSL:** The percentage of shortage of manpower in various categories for the last 3 years are as under:—

Category	01 Nov. 2010 to 31 Mar. 2011	2011-12	2012-13
Officers	0.45%	5.20%	16.97%
Staff	0.33%	7.74%	19.14%
Workmen	1.75%	8.39%	18.59%

- (4) **GRSE:** The percentage of shortage of man power in various categories is given below:—

Category	%age of Shortage		
	2010	2011	2012
Officers	18	15	18
Supervisors	16	19	17
Office Assistant (Clerks)	31	28	36
Operatives	26	34	40

- (5) **MIDHANI:** Modernization and expansion program is under implementation in MIDHANI with the objective of increasing production capacity. Accordingly, manpower study is being conducted based on the operational requirements of the company.

There is no shortage in manpower in BDL, BEL, MDL, GSL for last three years as per information given by the Ministry of Defence.”

Wage Revision in HAL and GRSE

6.18 The Committee came to know that Wage Revision of Workmen in HAL is due *w.e.f.* 01 January, 2012. The previous Wage Settlement was entered into in HAL for a period of 5 years *w.e.f.* 01 January, 2007. Negotiations with the Trade Unions to enter into a Wage Settlement *w.e.f.* 01 January, 2012 have commenced. The Settlement is to be concluded, based on the Wage Policy for the 7th Round (Second Part) of Wage Negotiations to be issued by the Department of Public Enterprises, which are awaited. Also, in GRSE, wage revision in respect of unionized categories of employees is due from 01 January, 2012. The recognised Union has submitted its Charter of Demands. The Management has requested the Department of Public Enterprises, Government of India to issue the Guidelines for next Round of Wage Revision in order to commence the negotiation. These guidelines are awaited from the Department of Public Enterprises.

Complaints

6.19 The Committee found that there were few complaints from customer end in the DPSUs. Some of them are—HAL is involved in manufacture and ROH of aircraft/helicopter and their accessories. At times, customer has expressed concern on the revision of delivery schedule. The delivery schedules have been revised only to a marginal extent in respect of production programs. For BEL, the on-time delivery rate is around 80%. However, there are delays in delivery of some projects and the reason for the delays is analyzed and necessary corrective and prevention actions are taken to minimize the same. In case of HSL, no major complaints have been received on the above deliveries. However, minor complaints notified from time to time have been liquidated under guarantee obligation. In the year 2012, GRSE received complaint from IHQ (Navy) that the product support of Deck Machinery Equipment of GRSE at Andaman & Nicobar (ANC) was not adequate. The issue has been resolved by deputing a team of officers to ANC and nominating an AGM level officer as one man contact point for all product support issue for speedy/timely resolution. In MIDHANI complaints have been received with respect to quality and short weight. The remedial measures being taken by MIDHANI are (a) process improvements to meet the quality requirements; and (b) Regular Calibrations of Weigh bridges to ensure that there are no discrepancies in the weight of the products.

Ordnance Factories

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

6.21 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.

6.22 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 the 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.

6.23 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.

Ordnance Factory Board

6.24 OFB has planned to spend Rs. 15764 crores during 12th Plan period. While new projects valuing Rs. 2756 crores are in various stages of execution, projects worth Rs. 2400 crores are under examination by the Department of Defence Production. In addition to this, "in-principle" approval to various modernization schemes valuing Rs. 5000 crores (approx.) under RR (Renewal & Replacement) has been accorded by the OFB. The budgetary allocations towards modernization during 2012-13 and 2013-14 are Rs. 906 crores and Rs. 1029 crores respectively.

Modernization of Ordnance Factories

6.25 Ordnance Factory Board has prepared a comprehensive modernization plan for the 12th Plan period, which includes an investment of Rs. 5627.02 for New Capital, Rs. 7194.07 crore for Renewal and Replacement for old plant and machinery and Rs. 2943.59 crore for Capital Civil Works. The total investment planned for the 12th Plan period works out to Rs. 15,764.68 crore.

6.26 On the salient features in the 12th Plan of Ordnance Factories for modernization of Defence Forces through their production delivery, the Ministry submitted the reply as under:

“The modernization programme of Ordnance Factory Board (OFB) envisages continuous upgradation of their infrastructure synchronous with the changing needs of the Defence Forces. Specific groups in OFB scan the technological changes taking place and induct new machines/test instruments/facilities available in the world market. The new infrastructure/technology inducted will be optimally utilized to meet the requirement of the Defence Forces.”

6.27 Further Ministry of Defence stated on status of modernization and enhancement of capacity of Ordnance Factories and the budget for the same:

“Modernization of existing manufacturing and related infrastructure is a continuous process in Ordnance Factories. In the 11th Plan period OFB has spent Rs. 2953 crore on modernization and capacity augmentation.

The Ministry has approved capacity augmentation projects valuing Rs. 4144 crore (approx.) during last three years. These projects are scheduled to be completed by 2015-16.”

6.28 When asked about the allocation made towards modernization of Ordnance Factories in the year 2013-14 and how it will impact the production capacity, the Ministry submitted as under:

“During 2013-14, OFB had projected a demand of Rs. 1576 crore for modernization and capacity augmentation plans. However, OFB has been allocated only Rs. 1029 crore in BE. This allocation will mainly cater to the following capacity augmentation projects:

- (i) Manufacturing of spares required for overhauling of tanks.
- (ii) Manufacturing of Mine Protective Vehicles.
- (iii) Manufacturing of engines for armoured vehicles.
- (iv) Manufacturing of large caliber guns.

Ordnance Factories maintain RR (Renewal and Replacement) Fund in which the annual depreciation charged to the cost of production is credited every year. Part of the fund requirement for modernization is met from this RR fund after the approval of the Government and the balance amount is allocated by the Government under Capital Head.”

Exports

6.29 With regard to exports the officials of Ordnance Factories in the written reply furnished as under:

“As Ordnance Factories are primarily mandated to meet the demand of the Defence Forces. The export/civil trade opportunities are explored to utilize the spare capacity after meeting the requirement of the Armed forces. At present there is a need to augment the existing capacities of Ordnance Factories to meet the requirement of the Armed Forces and Para Military Forces. This has resulted in a very little scope available with OFB to meet the export demand.

However, OFB is making all endeavour to export the items by utilizing the spare capacity available after meeting the requirement of Armed Forces. OFB is regularly demonstrating its exportable products in various Defence Exhibitions being held in the country and abroad.”

Achievements *vis-à-vis* Targets

6.30 When asked about the targets fixed and achieved during last five years by all the OFs, the Ministry of Defence in a written reply have stated as under:

“The Sales Target/Value of Production (VoP)/Value of Issues (VoI) and achievement during last five years for all the OFs in tabular form:

Ordnance Factory Board (OFB)		
Year	Vol Target (Rs. in Crores)	Achievement (Rs. in Crores)
2007-08	6942	6938
2008-09	7556	7229
2009-10	8720	8715
2010-11	11208	11215
2011-12	12391	12391

Dependence on foreign suppliers for military hardware—Research and Development in DPSUs and Ordnance Factories

6.31 The Ministry was asked to supply information on the import content of equipment produced by Ordnance Factories and Public Sector Undertakings (PSUs) and on the import content of tanks, ships, submarines or aircraft indigenously built by Ordnance Factories and PSUs, the Ministry supplied the following information:

“The Department of Defence Production has established wide ranging production facilities for various defence equipment through the Ordnance Factories under the Ordnance Factory Board (OFB) and nine Defence Public Sector Undertakings (DPSUs). The products manufactured by them include, arms and ammunition, tanks, armoured vehicles, heavy vehicles, fighter aircraft and helicopters, warships, submarines, missiles, ammunition, electronic equipment, earth moving equipment, special alloys and special purpose steels.”

6.32 The percentage of import content in the Value of Production of OFB and DPSUs during the last three years was as under:—

(in %age terms)				
Sl. No.	Name of DPSU/OFB	2009-10	2010-11	2011-12 (Provisional)
1.	Ordnance Factory Board*	17.43	13.16	09.82
2.	Hindustan Aeronautics Ltd. (HAL)	63.33	68.27	44.24
3.	Bharat Electronics Ltd. (BEL)	40.89	33.96	39.15
4.	BEML Ltd. (BEML)	18.76	16.47	16.83
5.	Bharat Dynamics Ltd. (BDL)	45.96	49.41	39.62
6.	Garden Reach Shipbuilders & Engineers Ltd. (GRSE)	64.04	55.42	52.23
7.	Goa Shipyard Ltd. (GSL)	44.90	36.84	30.35
8.	Hindustan Shipyard Ltd. (HSL)	69.49	50.47	40.52
9.	Mazagaon Dock Ltd. (MDL)	34.46	37.78	30.34
10.	Mishra Dhatu Nigam Ltd. (MIDHANI)	30.00	30.00	30.00

*While calculating the percentage of import content in respect of OFB, Value of Production including intra-factory deliveries has been taken into account.

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

“The information in respect of each DPSU and Ordnance Factory Board regarding percentage of R&D expenditure spent during 2011-12 is given below:—

Name of DPSU	%age of R&D expenditure w.r.t. PAT
HAL	38.00
BEL	56.00
BEML	147.14*
BDL	6.42
MDL	7.20
GSL	6.70
GRSE	5.00
HSL	1.50% of VOP, No profit, but loss of Rs. 85.98 crores)
MIDHANI	6.96

*BEML - As a %age of PBT

6.34 On total percentage of the spending of R&D in Ordnance Factories, the Ministry in their written replies have informed under:

“The norms for R&D, as per the guidelines of Department of Public Enterprises, are a minimum expenditure of 1% of Profit After Tax (PAT) for Maharatna & Navratna categories of Central Public Sector Enterprises. In respect of other CPSEs, it is 0.5% of PAT.

The information in respect of Ordnance Factory Board regarding percentage of R&D expenditure spent during 2011-12 is given below:—

OFB	8-10% of the Total Value of Issues
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PART II
RECOMMENDATIONS/OBSERVATIONS
GENERAL DEFENCE BUDGET

Negative growth of Defence Budget

1. The Committee note that Budget Estimates (Net) for the year 2013-14 are for Rs. 203672.12 crore, which comprises Rs. 116931.41 crore Revenue outlay and Rs. 86740.71 crore as Capital outlay. Although Defence expenditure is increasing in absolute terms over the years the percentage increase in Defence expenditure since 2000-2001 has not been consistent. The Defence expenditure in percentage term grew maximum during the year 2004-2005 *i.e.* 26.29% as compared to the previous years 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 was there but it did not match the level of 2004-05, 2008-09 and 2009-10. During the year 2011-12 the percentage increase was 10.91% while during the year 2012-13 the percentage increase has been 13.15%. However, Revised Estimates of the same year brought down the growth to 4.44%. Although apparently the growth seems to be 14.10% in comparison with Revised Estimates 2012-13, but it is just 5.05%, if compared with Budget Estimates 2012-13.

2. During oral evidence while examining Demands for Grants, the Defence Secretary stated that allocation for the Budget depends on the availability of resources and there has been a gap this year and in the previous years also. The Committee also note from the data supplied by the Ministry that the growth of Defence Budget in comparison to percentage increase over the previous year as well as total defence expenditure, if compared to total Central Government expenditure clearly depict negative growth of Defence expenditure. Even if total defence allocation is compared with GDP, it again shows a downward trend.

3. The Committee are surprised over the downward movement of the Defence budget, therefore, the Committee desire that the Ministry of Defence should be given priority in allocation of desired budget and more allocations should be made to the Services at the stage of supplementary Demands for Grants.

Huge difference between projection and allocated budget

4. From the data submitted by the Ministry, the Committee arrived at a conclusion that there is an enormous gap in the projections, allocations and expenditure for the three Services since 2009-10. 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 Revised Estimates stage except in regard to Army and Navy during the year 2009-10 and 2010-11, where the expenditure exceeded the Revised Estimates. During, 2011-12, Air Force was allocated slightly more than what it actually projected at Revised Estimate stage. If the expenditure is compared to the allocations projected at Revised Estimates stage, in all the previous four years, the expenditure is short of allocation made at Budget Estimate stage except for Navy in the year 2009-10 and Army in 2010-11. As submitted by the Ministry, 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, rent rates, taxes, etc.) and the Capital expenditure includes expenditure on Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aeroengines, Dockyards, etc. Therefore, allocating less than what the services have projected would have catastrophic effect on revenue as well as capital expenditure which is not a healthy sign for the Services of a developing nation like India. Therefore, the Committee desire that the Ministry should impress upon the Ministry of Finance to allocate entire amount as per the requirement of the Services otherwise the Services shall have to reprioritize their activities, which may lead to cutting of expenditure on essential items.

Larger share of Committed liabilities in comparison with new Schemes

5. The Committee note from the information supplied by the Ministry that committed liabilities have a very large share in comparison with new schemes in both Capital Modernisation Budgets 2012-13 as well as in 2013-14. This year the Committed liabilities of the Army are to the tune of Rs. 7024.31 crore while the allocation for new schemes is made for Rs. 493.98 crore. The share of Navy in capital modernization fund of Rs. 73444.59 crore is Rs. 22295.84 crore, while the allocation for the new schemes is just for Rs. 442.86 crore. The largest share of the capital modernization budget for 2013-14 is allocated to Air Force. However, here also committed liabilities got

the lion's share of Rs. 35038.62 crore leaving very little amount for new schemes at Rs. 2010.44 crore. In respect of the Coast Guard also the share of new schemes in comparison of Committed liabilities is very meagre. The Committee are of the view that allocating very paltry sum to the new schemes will jeopardize the modernization programme of the Forces. They therefore, recommend that adequate allocations should be made under this Head so that the Services could bridge the space created between required and existing capabilities to make the country potent power in the region.

Tight fiscal situation and under spending

6. The Committee note that because of tight fiscal situation as admitted by a representative of the Ministry, the payments for the acquisitions like aircraft and ships, are to be spread across four to five years and sometimes the Ministry of Defence has to defer certain payments because the Ministry of Finance was having some constraints in providing the budget. The Committee desire that the Ministry of Finance should itself re-prioritise the available resources and create a situation where at least Ministry of Defence does not have to constrain itself to an extent that it has to defer the payments of capital acquisitions, which in long-term would affect the modernization plan of the Services and devoid them of crucial equipment.

7. Further analysis of Defence Budget reveals that the Ministry of Defence has an under spending of Rs. 16040.41 under the Capital head in 2012-13 and by the end of the February, 2013, the Ministry could spend only 76.24% of the total allocated budget (RE) for the year 2012-13. The Committee wonder how the Ministry would spend the remaining amount of Rs. 42420.83 crore in just one month. The Committee feel that the Ministry should avoid such proclivity of casual approach towards allocations. The last months spending should be avoided as far as possible, because it depicts utter mismanagement of budget. The Committee want the Ministry to spread its spending so as to ensure there remains no huge unspent amount at the end of the year.

Capital procurement—appointment of authorised representative/distributor

8. The Committee note that the Ministry of Defence has made elaborate procurement procedures to ensure expeditious procurement of requirement of Armed Forces. The procurement procedure include various stages of examination of required items. The Committee contemplated over the reasons for increasing number of scams in

the procurements related to Defence despite the above procurement procedure. One of the reasons which brought before the Committee is that of non-availability of authorised distributor/representative of foreign vendors. In this context, the Defence Secretary apprised the Committee that way back in 2002 or 2001, the Government had tried to register the representatives but no one responded. The Committee are of the view that as more than a decade has passed since then and world over there are changes in procedure to purchase defence related items and regular interaction with the vendors in various defence exposition have increased. Therefore, the Committee desire the Ministry to revive this initiative for appointment of representatives/distributors to avoid future irregularities in defence deals.

Formulation of the General Staff Qualitative Requirement

9. The Committee note that procurement process is a long drawn one and there were mistakes committed in formulation of General Staff Qualitative Requirement (GSQR) due to which many of the projects had fallen through. The Committee desire that proper coordination should be made between the users, Defence Research and Development Organization, production and procurement agencies while formulating GSQRs so that there remains no delay in production or procurement of strategic items.

Growing indiscipline in three Services

10. The Committee note from the reply submitted by the Ministry that as per the reasons put forward by the Court of Inquiries (COI) poor man management and lapses in command and control are the primary causes of indiscipline in Army. In Navy, the major reasons for disciplinary cases are non-adherence to the laid down provisions, moral turpitude and temptation to misappropriate public funds for personal gains and in Air Force charges against officers mainly related to accepting illegal gratification and involvement in theft cases. The Committee are of the view that besides the COI, the Ministry should find out the causes behind the growing number of cases of indiscipline which are tarnishing the image of Armed Forces. The Committee recommend that where the units are involved in cases of major indiscipline they should be disbanded. The Committee also desire that regular interaction of jawans and officers should be increased so that the officers have better knowledge of mindset of their juniors and have mutual respect and confidence in each other. The Committee also want that development of character and moral education should be the part of the regular training sessions to stop cases of illegal gratification, theft and moral turpitude.

Twelfth Defence Plan

11. The Committee are surprised to note that though the Ministry is in the second year of Twelfth Defence Plan period but Twelfth Plan is yet to be approved. The Committee desire that this Plan should be approved at the earliest so that the Ministry can formulate future strategies for the forces in a planned manner. The Committee desire that the 12th Plan would not face the fate of the 11th Defence Plan which did not see the light of the day at all. They therefore want the Ministry to take up this task on priority and approve the plan without delay.

Development of Infrastructure in Border Areas

12. The Committee note that Border Road Organisation (BRO) has been given the task of development and maintenance of operational road infrastructure specific to border areas. This organisation works for other Ministries/Government agencies also in additions to the Ministry of Defence, however, after a policy decision the number of other agency work has now been reduced to 30% and general staff roads are allocated 70% of work to be conducted by the BRO.

13. The Committee also note that BRO has to encounter major natural challenges *i.e.* hard rock, extreme cold, deep and high snow, avalanches, young mountains, heavy snowfalls, etc. In addition to the manmade challenges include poor availability of labour, poor quality of contractors, paucity of construction material, etc. The Committee realize that these factors are hindrance in speedy construction of roads and other infrastructure. However, the Committee are of the view that while the ferocity of certain natural phenomena can be mitigated by apt machines and guiding instruments, the manmade problems can only be resolved through proper management.

14. Therefore, the Committee feel that permanent cadre of labour and more incentives to the contractors with proven track record can help in checking the manmade aspect of the problems. The Committee also desire that the Ministry should collaborate and encourage large companies also who have sufficient manpower and machinery to carry out quick and reliable disposal of work.

Maintenance of roads in border areas

15. On the responsibility of maintenance of roads in Uttarakhand, it was informed that BRO is not getting any fund from the Ministry of Road Transport and Highways for the purpose. Considering the

above facts, the Committee desire that adequate allocation should be made to BRO by the Ministry of Road Transport and Highways so that maintenance of roads in Uttarakhand as well as in other border areas would not be a problem and motorability is maintained in all seasons and weather conditions.

Cadre Management in BRO

16. The Committee note that the perennial problem of the cadre management, especially in respect of General Reserve Engineer Force has not been addressed to in the right perspective. During the oral evidence, Defence Secretary also admitted that BRO being a mixed organisation, there exists some manning problem. The Committee, after considering all the facts, desire that cadre review of BRO should be taken on a priority so that officers and staff of this mixed organisation can work in harmony.

Sainik Schools

17. The aim of establishing the Sainik Schools was to bring quality public school education within the reach of common man, all round development of personality and to remove regional imbalances in the Officers' cadre of Armed Forces. Basically, these schools serve as nurseries for entry into National Defence Academy. The Committee note from the data supplied by the Ministry that there are 24 Sainik Schools in 21 States, however, one of the most populated State, Uttar Pradesh does not have a Sainik School so far. Therefore, the Committee desire that initiatives should be taken by the Ministry in consultation with the State Government of U.P. to open Sainik School in the State and also in other States which are not having Sainik Schools at the earliest.

ARMY

Budgetary allocation for Army

18. The Committee note that like every year, this year also Army got the major share of Defence Budget. However, it projected a requirement of Rs. 93355.38 crore for the Revenue outlay but was allocated only Rs. 81119.20 crore. For the Capital outlay, as against Rs. 25528.08 crore projected, Rs. 17883.83 crore was allocated. The Committee also note that during the Eleventh Plan period percentage share of Army's capital allocation remained somewhat near 12 per cent of the total defence allocation but in the Twelfth Plan period in the year 2012, the percentage share was down to 9.95% and this

year it further dropped to 8.78% of the Defence Budget. From the analysis of data submitted by the Ministry, the Committee infer that Capital allocation of Army has been decreasing every year. The Committee are surprised to observe that despite the consistent recommendations of the Committee, the Capital allocation is going down. The Committee are not happy over the strategy of the Government for reducing the capital allocation for Army, while it is a known fact that capital budget is used for modernizing the force by procuring machinery, equipment, tanks etc. Therefore, the Committee view it as a serious situation and desire that adequate allocation should be made after considering the total requirements of Army at the supplementary demands stage.

Dwindling Capital : Revenue Ratio

19. The Committee note from the data supplied by the Ministry, the dwindling Capital Revenue Ratio for Army, which in 2008-09 was 27:73, 2009-10 it was 24:76, 2010-11 it was 23:77, 2012-13 it was 20:80 and 2013-14 it is 18:82. Although Army is revenue intensive force due to its large number of personnel, the continuously reducing ratio affects the procurement plans and modernization of this force as very modest amount is left for the capital segment, therefore, the Committee recommend that Army should be given more allocation so that there would be increase in capital segment and free fall of capital portion could be arrested for the modernisation of Army. The Committee also desire that enough budgetary provisions may be made to strengthen the Army Aviation Wing.

Shortage of Officers in Army

20. The Committee note the perpetual shortage of officers in the Army which is around 9520 at present constitutes about 20 per cent of the authorized strength of officers. The Committee also note that due to various campaigns launched to create awareness and attract the youth resulted in increase in the number of officers commissioned in the last three years. The Ministry has informed that two Army Selection Boards in Punjab will also result in improved intake thereby believing the fact that shortage existed during all these years as there were no additional SSBs and also increase in services training institutes like NDA, IMA and OTA will have positive effect in reducing shortage of officers.

21. The Committee are of the view that Ministry should enhance the capacities of NDA, IMA, Air Force and Naval Academies for larger intake of cadets or it should open more academies on the line of OTA Gaya so that there would be no shortage of officers in Army and also in other Services.

Supply of defective ammunition

22. The Committee also note from the statement tendered before the Committee that 23 items of ammunition are giving trouble due to its faulty design. The Committee are given to understand that the ammunitions in the gun gets burst while firing. It is a serious issue. The Committee further note that despite checking by the Directorate General of Quality Assurance (DGQA), who is the authority which inspects and assure the quality of products reaching the users, this ammunition has reached to the users to scare them.

23. The Committee are not able to comprehend the various arguments put forth by the representatives of various organizations over the supply of defective ammunition. The Committee are not able to understand that despite having a premier research organization like DRDO, how design problems persisted for such a long time. Another factor which has disturbed the Committee that without assuring this quality, how the ammunition reached the gunners. Again, why the procurement of such a crucial ammunition was not envisaged earlier so as to fill the void at the right time. It seems that there was lack of coordination in various wings of the Ministry.

24. The Committee desire that in such cases, the Ministry should try to find out the real reasons behind it and take stringent action against the erring persons/organizations. The Committee also desire that some structured mechanism should be developed by it so that in future such incidents do not recur.

Bullet Proof Jackets

25. The Committee during the course of examination of Demands for Grants 2012-13 have noted that there was deficiency of 1,86,138 units of Bullet Proof Jackets (BPJs). 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 was fraught with various complications. The Committee are concerned for saving the lives of soldiers who are fighting low intensity warfare inside and along the border. It has come to the Committee as a shock that these BPJs are still in the process of procurement, even after the lapse of 4 years of getting approval of DAC and Techno-Commercial Offers are yet to be submitted by the vendors.

26. The Committee also note that Cabinet Committee on Security (CCS) has approved scaling of quantity 3,53,765 BPJs for the Indian Army, Units/formations deployed on Line of Control and in Low

Intensity conflict based on deficiency of Indian Army. The Committee are disappointed with the lackadaisical attitude of the Ministry and desire that all the required quantities of BPJs should be purchased using fast track procurement procedures. While procuring these BPJs, the Ministry should keep in mind the operational requirements of the soldiers/officers, therefore, only light weight jackets should be purchased for them.

Cease Fire Violations

27. The Committee note the increasing number of CFVs across the border with Pakistan. The Committee are perturbed over the beheading of one of our soldiers and killing of the other. The Committee desire that apt and swift action should be taken by the Government in order to create deterrence for cease fire violations in future.

Army Aviation

28. The Committee note that the purpose of Army Aviation is to enhance ground mobility and exploit manoeuvre. Army Aviation achieves its battle field 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 - manoeuvre, mass, surprise and economy of effort. The Committee also note from the data supplied by the Ministry that there are in all 8899 officers, JCOs and Other ranks in Army Aviation against the total sanctioned strength of 9324, thereby leaving Army Aviation with a vacancy of 425 personnel. The Committee feel that shortage of personnel in any force and in any rank is not a healthy sign and the Ministry should chalk out strategies to fill these vacancies.

29. The Committee also desire that the proposal of Army to acquire Attack Helicopters and Tactical Battle Support Helicopters should be given priority to strengthen this corps so that Indian Army can have more agility in its operations and leverage over the armies of neighbouring countries in low intensity warfare.

Involvement of Army in Counter Insurgency Operations

30. The Committee note that since a long time, the Army is engaged in various parts of the country in counter insurgency operations. As commitments of the Army towards Counter Insurgency/Counter Terrorist Operations strain its resources and is at the expense of its conventional war fighting potential, the

Committee endorse the views expressed by the Ministry that Counter Insurgency operations should ideally be conducted by the State Police or Central Armed Police Force (CAPF). The Committee feel that as the matter essentially falls within the domain of internal security, the Army should be deployed in such operations only as a last resort, when the State Police/CAPF have proved to be ineffective.

31. Therefore, the Committee desire that Ministry should discuss the matter with higher echelons in light of the recommendation of the Committee and relieve Army from Counter Insurgency operations so that the personnel deployed in the operations are available to undertake their regular duties along the borders.

NATIONAL CADET CORPS

Non-procurement of uniforms and micro lites

32. From the Data furnished by the Ministry, it was learnt that NCC could not able to utilize its allocated budget. In the year 2012-13, NCC projected a demand of Rs. 121 crore under Capital Outlay but it was allocated only Rs. 50 crore. The expenditure during this period was just Rs. 0.58 crore. During deliberations before the Committee, DG NCC clarified that NCC could not utilize allocated sum due to non procurement of 110 micro lites and clothing for the cadets. The Committee are exasperated over the fact that uniform for NCC cadets now not purchased since 2011, and these have just started coming in. The Committee desire the Ministry to take remedial measures so that there are no lapses of this nature in future and the budget as planned and projected is utilized entirely.

Selection of NCC Cadets in Armed Forces

33. The Committee note that various entry schemes are available for NCC cadets to join Armed Forces and a number of vacancies are reserved for them. However, as very few NCC cadets join the services as officers, the Committee desired to know the reasons for the same. One of the reasons which was brought before the Committee was that although the candidates are eligible to apply for various entry schemes in training academies in the last year of their college or after completing their graduation, the NCC curriculum is only for two years and most of the Senior Division cadets complete it in second year, leaving one year's gap between completion of NCC training and ex-NCC cadets applying for Armed Forces. Resultantly, these candidates cannot be given pre-SSB training as they cease to be NCC cadets. The Committee desire that this dichotomy should

be removed considering the reduction of period of training from 3 to 2 years for NCC 'C' certificate holders, pre-SSB training should also be given to ex-NCC cadets who are in their final year of graduation so that NCC cadets get a fair chance in direct entry scheme and vacancies existing in this cadre be filled.

Waitlisted Institutions

34. The Committee note that almost 6897 schools and colleges are waitlisted for enrolment of NCC and out of these 60 per cent are Government schools and 40 per cent private schools and most of schools and colleges which are waitlisted have given assurance to comply with the funding part. The Committee appreciate the concern of DG NCC that NCC need much and more bigger infrastructure for accommodating waitlisted schools/colleges. However, the Committee are of the views that instead of outright inclusion of the entire wait listed schools/colleges, there should be gradual increase in the number of schools/colleges for enrolment of NCC. Meanwhile, additional allocations may be sought to create infrastructure of such magnitude so that one day, there would be no waitlisting in this regard, so that shortage of officers in the forces could be addressed to. Otherwise also, the country would have the benefit of matured, disciplined and responsible citizens.

WELFARE OF EX-SERVICEMEN

Lateral induction of Ex-servicemen in Central Armed Police Forces and State Police Forces

35. In their various reports, the Committee have been recommending for lateral induction of Ex-Servicemen in Central Armed Police Forces and State Police Forces. However, the Committee found from the reply of the Ministry that the issue is still lingering on and the last meeting was held in this respect way back on 29.11.2011, wherein it was *inter alia*, decided that options may be explored for achieving lateral transfers from the Army to CAPFs and army personnel are incentivized to join and the interests of resident CAPFs are protected. In this regard, Ministry of Home Affairs (MHA) have been requested to suggest a framework under which lateral transfer of Army personnel to CAPFs could be made keeping in view the suggestions of the Cabinet Secretariats. As informed by the Ministry of Defence, the requisite framework/proposal from Ministry of Home Affairs is still awaited.

36. The Committee are dismayed to note that even after lapse of more than a year no response has been received from the Ministry of Home Affairs, therefore, they desire that this matter should be

vigorously pursued and may be raised in the meetings of high powered Committees, so lateral induction of Ex-Servicemen in Central Armed Police Forces and State Police Forces come into existence and profile of the Army is kept young.

AIR FORCE

Revenue Budget allocation to Air Force

37. In BE 2013-14, Air Force had made a projection of Rs. 25922.64 crore against the Revenue Head while the allocation actually made available to them is Rs. 18295.10 crore, thus creating a deficit of Rs. 7627.54 crore *i.e.* about 30 per cent. Though there have been a trend of providing lesser allocations than the projected amount to Air Force under Revenue Head during last 4 years, the amount of gap used to be in the range of 10 to 20 per cent, which has been inflated to the level of 30 per cent in the budget of the present year.

38. The Committee understand that the Revenue Budget mainly caters to the need of pay and allowances of the employees. The data reveal that, for the current year, there is an increase of Rs. 590.29 crore in BE allocations under Revenue Head when compared to BE allocations for 2012-13 under the same head accounting to an enhancement of 3.33 per cent. Keeping in mind the present hike of about 11 per cent in the rate of inflation, an increase of Rs. 3.33 per cent will not be able to suffice even the obligatory needs of Air Force, that's why leaving no scope for augmentation of its recruitment, training, inventory and infrastructural capabilities. Even during the course of deliberations the representatives of Air Force admitted that shortfall in Revenue Budget would adversely impact inability to procure spares and fuel and shortfall in training resulting in compromises of operational preparedness.

39. In addition to this the Committee also observe that RE 2012-13 allocation was lesser by Rs. 602.09 crore from BE 2012-13 allocation. The Committee are perturbed by the very fact that the entire regime of deficit budgeting will have a cascading effect on preparedness of Air Force. The expenditure to RE allocations ratio had been plummeting during the later part of the Eleventh Plan. The Committee feel that this is a result of ad-hocism in planning and budgeting and deserves immediate redressal. Therefore, the Committee strongly recommend for provision of more and adequate funds to Air Force under Revenue Head during the current financial year.

Manpower and Training

40. The Committee while examining Demands for Grants for the year 2013-14, observed that there is conspicuous shortfall in strength of officers and airmen in Air Force. The shortage in officers cadre was that of 565 personnel in 2011 which increased to 961 in 2012. The shortage with regard to airmen is that of 6407 personnel. The statistics in context of manpower shortfall have been almost consistent for past few years, and at the same time, owing to almost negligible enhancement in Revenue Budget, it appears that Air Force will not be in a position to mitigate the staff deficit during the financial year 2013-14 furthering the gap between sanctioned and existing strength in the service. The Committee take note of the situation and desire that immediate measures be taken which include provision of adequate funds to provide budgetary support towards filling of vacancies and commensurate augmentation in training infrastructure. The Committee may be apprised about the initiatives taken in this regard and tangible outcome thereof.

41. Another area of concern that Committee understand is the consistently growing requirement for upgradation of training facilities, equipments, faculty and institutions to match the day-to-day development of technology and innovations in the field of equipments and aircraft so that the manpower in Air Force becomes technically empowered. This would require continuous and ongoing training programmes and technology orientation courses. However, in view of the Committee the current gamut of budgetary constraints would lead to many compromises in ameliorating training infrastructure. During the examination of Demands for Grants 2013-14, the Committee have been informed that induction of new basic trainer 'Pilatus' has commenced from February, 2013, in addition to this, IJT is also scheduled to be delivered from December, 2013, also some other aircraft and AWAC systems are also streamlined. Therefore, any compromise in training expenditure will result in limiting the manpower capabilities to handle and operate new aircraft and systems. During the course of deliberations the Committee were informed that shortfall in Revenue Budget would have adverse impact on training thereby resulting into compromise in operational preparedness. Notwithstanding the fact that in the recent past there had been large number of instances of aircraft accidents due to human error, accounting for nearly 40 per cent accidents, the Committee opine that lack of appropriate training is a major cause of concern and qualifies immediate attention. As such the Committee recommend for adequate budgetary support to Air Force channelized

towards development of training at all levels. The Committee may be intimated about the training modules/upgradation incorporated for newly inducted/scheduled aircraft during the year 2013-14.

Stores and Inventory

42. The Committee have been given to understand that out of the total Revenue Budget of Rs. 18295.10 crore, Rs. 7236 crore *i.e.* 38 per cent is allocated for stores. Further out of this amount, Rs. 4155 crore is given for POL thus leaving only Rs. 3081 crore for other heads including aircraft spares, fuel etc., which will lead to short supply of spares. The representatives of Air Force submitted before the Committee that the fleet serviceability in Air Force is 60 or 65 per cent and if the spares were available they would be able to push it to 77-80 per cent thereby implying larger availability. So, the picture is dismal even when cannibalization is resorted to. This becomes even more critical considering that our aircraft fleet comprises very old aircraft most of them 30-40 years old, enlarging their requirement for serviceability, in addition to this budgetary constraint in this segment will limit the fuel expenditure hence impacting every activity ranging from transportation, training, load carrying, testing etc. Insufficiency of resources will cause inability to procure spare and fuel, therefore, funding towards this end may be reconsidered and sufficient funds be provided.

Capital Budget

43. The Committee found that against Capital Head the amount actually allocated to Air Force in BE 2013-14 is only about 60 per cent of the amount projected by Air Force against the Capital Head. In terms of figures the projected amount was Rs. 64607.84 crore while the allocation made is Rs. 39208.84 crore that means lesser allocation by 25399.00 crore.

44. Even during the previous years there had consistently been a gap in projected and allocated funds under capital budget, however, the quantum of gap used to deviate between 10 and 20 per cent during the last four years. For the present year this difference has been magnified to the extent of almost 40 per cent. In the RE 2012-13, Air Force had made a projection of Rs. 36999.62 against 'capital head' while the allocation made available to them was only Rs. 30517.95. On the other hand, Air Force has utilized a sum of Rs. 32415.91 crore till February 2013, so the rest of the amount has to be met by way of supplementary grants. In this context, the Committee deplore the whole scenario of ad-hocism in budgeting.

The Committee desire that capital budget should be made keeping in mind long term goals and targets envisaged in LTIPP so that the grandeur of Indian Air Force lost in last two decades or so is restored by the end of LTIPP 2012-27.

45. During discussions on Demands for Grants 2013-14, the Committee came to know that there is a need of Rs. 62,039 crore for Capital Modernization, out of which Rs. 15,000 crore are required exclusively for MMRCA project. It was also informed to the Committee that the LCAs and MMRCAs are contemporary imperative needs of Air Force as the squadron strength is just 34 against a sanctioned number of 42. In the first instance, this Committee regret that a huge difference in sanctioned and existing number of squadrons was allowed at all. This could have been checked since the aircraft have a definite life span and decommissioning-commissioning can be well calculated in advance. The present scenario depicts lack of futuristic planning. Nevertheless, now all out efforts be taken to mitigate this void in squadron strength during the 12th and 13th Plans on priority basis. The Committee may be intimated with regard to the efforts in this direction alongwith the progress of LCAs and MMRCAs.

46. Besides this, most of the air fleet is aging and need timely substitution otherwise obsolescence will further increase and the gap in existing and sanctioned strength of squadrons will widen further thereby leaving air defence in lurch. Therefore, the Committee conclude that a gap of Rs. 25399.00 crore in the Capital Budget will leave no scope for Air Force to look forward to develop its air fleet and other modernization drives. Therefore, the Committee recommend that additional adequate grants be made under Capital Budget so that the projects at various stages do not get hampered.

Budget for New Schemes

47. The Committee found that the number of contracts signed each year during 11th Plan period are 84 in 2007-08, 61 in 2008-09, 49 in 2009-10, 50 in 2010-11 and 52 in 2011-12. The data reveal that there is a steady decline in number of contracts fructified over the last five years. For the present year merely Rs. 2000 crore have been made available to the Air Force under the Head 'New Schemes'. It came to the knowledge of this Committee that a sum of Rs. 15000 crore was required exclusively for MMRCA project which is presently undergoing negotiations with 'The Rafale' company of France. Considering the fact that number of squadrons is depleting, addition

of MMRCA becomes quite essential for restoring minimum operational capabilities of Air Force. Here, the Committee fail to understand that with stingy funding of Rs. 2000 crore how Air Force will be in a position to acquire MMRCA and the other projects lined up which include additional C-130, AWACS, flight Refuelling aircraft and also attack, heavy lift and Recce & surveillance helicopters, MI-17 upgrade, etc. Any sort of delay in induction of important capabilities will lead to resultant asymmetry in capability with respect to threat perception. In view of the above, the Committee strongly recommend that there is a much bigger need for funds to be made available for 'New Schemes' so that modernization trajectory is not halted. The Committee may also be intimated about the achievements made in case of each of the above planned inductions during this fiscal.

Trainer Aircraft

48. The Committee have been looking into the issue of trainer aircraft available with Air Force for last few years. In the 15th report of the Standing Committee on Defence on Demands for Grants 2012-13, it was recommended for fast tracking procurement of basic trainer aircraft since the basic trainer HPT 32 had to be grounded in September, 2009 after a series of accidents. From September, 2009 till date *i.e.* for a period little over 3 years Air Force was doing without a basic trainer. The Committee during examination of Demands for Grants for the current year were informed that basic trainer 'Pilatus' have now been procured from Switzerland and its delivery commenced from February this year. In this regard, the Committee desire that all the contracted 75 basic trainers be procured in time and our pilots should be given appropriate extensive training to fly new planes so that history of HPT 32 is not repeated. The Committee may be apprised about the measures taken in regard thereto.

49. The Ministry informed that 2013 is the last year for intermediate Jet Trainer 'Kiran' as it is to be phased out in 2014 and planned to be substituted with IJT being developed by HAL. This project commenced in 1999 and since then there have been repeated revision of 'Initial Operational Clearance (IOC)' dates. The latest 'Initial Operational Clearance' date is fixed for December, 2013. On enquiring, the Committee were given to understand that HAL is in consultation with BAe systems to resolve some design issues. The Committee were appalled to learn that there is no contingency plan in case delivery of IJT is further delayed for any reasons. The Committee take serious note of the issue and apprehend that the

void which was created in case of basic trainer is not recreated in the case of intermediate trainer. While realizing the seriousness of the matter, the Committee strongly recommend that all out efforts be made so that delivery schedule of IJT is strictly adhere to. The Committee should be apprised about the initial operational clearances of IJT and follow up. The Committee also regret that in such a critical situation when life of `Kiran' was well anticipated the Ministry should have taken proactive stand on development, production and procurement of Intermediate Jet Trainer.

NAVY

Budget Outlay to Navy

50. The analysis of financial allocations for the year 2013-14 reveal that there are huge gaps in projected and allocated amount under various heads. In the Capital Budget the projection was that of Rs. 31682.53 crore while the actual allocation is Rs. 23408.95 crore resulting into a gap of Rs. 8273.58 crore. Especially in case of the head `New Schemes' the amount allocated is meager 5.5 per cent of the projection. Under this head the amount projected was Rs. 7986.53 crore while the allocation made is Rs. 442.86 crore. The Committee have been informed by the representatives of Navy that Indian Navy is progressing on the path of perspective plan with target of achieving additional blue water platforms, aviation assets, anti-submarine warfare assets, standoff amphibious capability, sea denial capability etc. Some of the crucial acquisitions lined up for 2013-14 include ambitious capabilities such as P-81, MiG 29K fighters, Advance Jet Trainers, total seven ships of all categories etc.

51. The Committee feel that a meagre allocation of Rs. 442.86 crore towards `New Schemes' are dichotomy since on the one hand big acquisitions are planned while on the other hand funds are not provided for. The fact that Indian Navy has to gear up for a multi dimensional and deterrent role, the modernization plans would require adequate budgetary support. Hence, the Committee recommend for adequate funds for Navy. This makes all the more important in view of strategic importance of Indian Ocean and Bay of Bengal and the consequential need for Navy to be prepared to meet the strategic challenges by strengthening manpower of joint command in Andaman and Nicobar, Mandavan and Cape Cameroon in Indian Ocean.

52. In case of Revenue Budget, the projected amount was Rs. 17653 crore while allocation is just Rs. 10803.38 crore meaning a difference of Rs. 6849.62 crore. So, the allocation is 61 per cent of

the projections. Out of this allocation Rs. 4891.42 crore *i.e.* 83 per cent is towards the head 'Pay and Allowances' only Rs. 5911.96 crore was allocated to 'other heads' against a projection of Rs. 11756.82 crore, which account for 50 per cent. The Committee found that this is the fifth successive year of less allocation under 'other than salary' segment.

53. The officials of Navy ascertained that there is demand to liquidate carry over liabilities of FY 2012-13 to meet in addition to this year's obligatory requirements. The Committee understands that there are huge gaps in money required and what is actually allocated. Therefore, it is recommended that adequate funds be provided to Navy under 'other head' to cater to various needs which include training, stores, repairs etc. since this would otherwise lead to many compromises in operational preparedness of Navy. The demand should be vigorously taken up with the MoF.

Vikramaditya

54. During examination of DFG 2012-13, the Standing Committee on Defence was told by the Ministry of Defence that the aircraft carrier Vikramaditya was scheduled to be inducted in Indian Navy in 2012. However the planned induction of Vikramaditya was delayed due to defects observed in the boiler furnace brickwork during the sea trials between June to September, 2012. The contract for acquisition of the aircraft carrier was originally signed in January, 2004 at a total cost of 974.28 million US Dollars which was revised in March, 2010 to 2.3 Billion US Dollars. The Committee has now been informed that the delivery date of Vikramaditya has once again been extended to the last quarter of 2013. The Committee would like to recommend that all measures be taken to ensure delivery of Vikramaditya is not extended any further and the Committee be intimated about the same.

Indigenous Aircraft Carrier

55. The CCS sanction for construction of Indigenous Aircraft Carrier (IAC) at M/s. CSL was accorded in November 2002. The commencement of construction of ship was envisaged from January 2004 and delivery by December 2010.

56. The Committee were informed that the phase-I of contract with CSL Kochi envisaged its first launch by December 2010. However, this has been delayed due to late arrival of critical pre-launch equipment such as Gear Boxes and 3 MW DG sets essential

for ships pre-launch. Both these items have now been received. A technical float out of ship has been carried out by CSL in 2011 and the ship has been redocked in February 2013 for lowering of balance phase-I equipment. The progress of the project is monitored through the Empowered Apex Committee headed by the Defence Secretary and also through CWP&A progress review meetings. As per the revised time line Phase-II covers the period from first launch of the ship till completion of DG trials and STW of GT support system by December 2016. The rest of the outfitting and trials, till delivery of the ship, would be undertaken under Phase-III contract. The revised targeted delivery of the ship would be year 2018.

57. The Committee would like to emphasize that no stone should be left unturned in order to achieve the deadline and stringent line of action should be followed in this regard so as to ensure that unlike Vikramaditya, timeline for IAC's delivery is not repeatedly extended.

Relocation of Oil Tanker in Andaman and Nicobar

58. During one of the study tours, it came to the knowledge of the Committee that near the floating dock in Port Blair there exists an oil storage tank which is considered to be hazardous. In case of any accident the entire infrastructure of the Naval Management will be affected and may result into irreparable loss. The matter was taken up with the Ministry of Defence and the Committee have been informed that allocation of a suitable area by A&N Administration in the Port Blair Master Plan for this purpose was requested. Besides, M/s. IOC has been impressed upon to identify suitable land concurrently. It was further brought to the knowledge of this Committee that M/s. IOC has identified land which is presently under lease of M/s. Andaman plantation till December 2014 and have also taken up with the Chief Secretary and DC South Andaman for assurance and clarity on its non encumbrance and feasibility of handing over the land after completion of lease period by December 2014. The Committee observe that in the first instance, location of IOC Terminal within the Defence premises in close vicinity of Naval ship inviting some disaster to happen should not have been allowed. In this regard, accountability has to be fixed at some level and it should be ensured that such lapses do not recur. The Committee should be apprised about the same. Meanwhile, Ministry should endure for temporarily shifting IOC tanker to some safer place till permanent land is allocated to them.

Issue of environmental clearances in Island areas

59. While examining the Demands for Grants of the Ministry of Defence 2013-14, the Committee found that there are many projects not fructifying for want of environmental clearances from the Ministry of Environment and Forests at various island sites such as Narcondam, Keating Point and Sandy Point etc. The Committee observe that due to such delays many important projects are hindered affecting overall development of surveillance network and operational preparedness of country's Defence. Here, the Committee recommend that such issues may be taken up on monthly basis at the level of inter-ministerial secretaries discussion so as to enable entire process getting fast tracked. The Committee be apprised periodically about efforts made in this area.

Protection to Fishermen

60. One of the mandated tasks of Coast Guard is to provide protection and assistance to fishermen. The Coast Guard intimated this Committee that in order to protect fishermen, the ICG ships maintain 24x7 presence at Indo-Pak and Indo-Sri Lanka IMBL *i.e.* International Maritime Boundary Line. In addition to this, air surveillance is resorted to by way of using Dornier aircraft and Chetak helicopters. Further, the Committee were apprised that so far 1778 Distress Alert Transmitter (DATs) have been distributed to fishermen. The Committee found that despite various measures undertaken by CG there were 37 Indian fishermen in Sri Lankan Custody and 376 in Pakistani custody. The Committee take note of the situation and regret that in spite of various surveillance measures being taken, many fishermen are crossing IMBL. In this regard all out efforts may be taken to repatriate our fishermen and ensure that such incidences do not recur.

61. In the 13th Report (15th Lok Sabha) of the Standing Committee on Defence, the Committee had recommended for taking up the issue of vessel monitoring system by way of installing GPS system on boats, carrying out registration of fishing boats and providing I-Card to fishermen. The Committee reiterate that the matter may be expedited comprehensively. The matter may be taken up with Ministry of Shipping (MoS) and this Committee may be informed about the progress made in regard thereto.

Coastal Surveillance Network

62. Coastal Surveillance has attained greater significance ever since the incidence of 26/11 took place. The Committee have consistently been taking up the issue of coastal surveillance during

past many years. In this regard, some effective steps were initiated in Coastal Surveillance Network (phase-I) which include setting up of Chain of static Radar, coastal stations etc., marine police stations, etc. The Committee note that despite good efforts in this direction more needs to be done in order to make our coastal borders absolutely impervious. As CSN-I has come to an end and CSN phase-II has commenced, the Committee desire that the targets set for CSN-II are achieved within set time-frame besides covering the gaps emerging from Phase-I. The Committee be apprised with regard to detailed information about *hitherto* targets achieved *vis-à-vis* targets planned in Phase-I and Phase-II.

Coordination among maritime agencies/stakeholders

63. There are numerous number of agencies/stakeholders working in the maritime environment which include Navy, Coast Guard, Ministry of Home, Ministry of Shipping, Ministry of Agriculture, Ministry of Petroleum and Natural Gas, Intelligent Bureau etc., therefore, effective coordination among various agencies is just indispensable. In this regard this Committee had been informed that National Committee on Strengthening Maritime and Coastal Security (NCSMCS) with Cabinet Secretary as the Chairman, against threats from the Sea was formed in August 2009 with a view to ensure timely implementation of various important decisions taken by the Government in respect of maritime and coastal security of the country, consequent to the terrorists attack in Mumbai on 26/11.

64. The Committee have come to know that till date seven meetings of NCSMCS have been held. Meetings were held on 4 September, 2009, 22 January, 2010, 14 May, 2010, 23 November, 2010, 29 July, 2011, 8 June, 2012 and 30 November, 2012 respectively. The dates reveal irregularity in frequency of meetings of NCSMCS as sometimes there have been lapse of almost one year in between two meetings. From the above dates the Committee deduce that the seriousness incorporated in approach towards maritime security in the aftermath of 26/11 episode has somewhere started diluting in course of time. While taking note of the situation, this Committee recommend that as NCSMCS has an onus of implementation of important decisions regarding maritime and coastal security and has representation of all stakeholders, therefore, consistency and regularity in talks should be maintained by way of holding meetings at regular intervals so as to keep a track of progress of execution of various schemes/projects. Coordinated action with coastal State administration will strengthen constructive implementation of action programmes.

RESEARCH AND DEVELOPMENT

Expenditure on Research and Development

65. From the data supplied by the Ministry it can be gauged that during 2012-13, budget for this premier research organization was projected for a amount of Rs. 14462.66 crore, however, it was allocated only Rs. 10,635.56 crore which is just 5.50 per cent of the total defence allocation and Rs. 3827.10 crore less than the projection. This year again the trend continued and in fact there is lower allocation than the previous year. This year DRDO asked for Rs. 16483.20 crore but it could only able to get Rs. 10610.17 crore which is 5.21 per cent of total defence budget and Rs. 5873.03 less than the projected amount. In percentage term with respect to GDP, Department of Defence R&D is provided with only 0.09 percentage of overall GDP last year. The Committee are surprised to find from the reply of the Ministry that stated the allocation of Department of Defence R&D has increased in absolute terms and no project suffered due to reduced allocations as projected requirements were met by way of prioritization of activities. The Committee are dismayed over the fact that a lower allocation which even in absolute terms also is Rs. 25.39 crore less than the last year's allocation. While allocating the budget, the Ministry has not taken into consideration the inflation part also. The Committee desire to know from the Ministry that when the foremost Research Organization is given such a low budget, which is not commensurate with the work assigned and is almost 64 per cent of the projected requirements, how could the country become self-reliant in defence production.

66. Keeping in view the indigenous development of defence related products and other strategically important items are the need of hour, the Committee desire that projected requirements of Department of Defence R&D should be provided and great care should be taken in future as well so that research in the field of development of core defence products does not suffer for want of money.

Development of Ammunition, Field Gun and other products

67. The Committee note that as per the recent policy ammunition now a days come as a part of acquisitions along with the guns but the Committee feel that in case of sanctions or black listing of some company, supply of the same could be stopped by the foreign country and our country would suffer for the want of the same. Therefore, they desire that DRDO should try to develop these ammunitions so

that dependence on foreign supply can be reduced and the country will also save lot of foreign exchange. The Committee also note from the statement of SA to RM before the Committee that DRDO could not start any programme on the development of a field gun and country remain dependent on the technology transfer of Bofors. The Committee desire that the Ministry and DRDO should visualize the requirement of the Forces in consultation with them and include such items of critical importance in their long-term perspective plans.

68. Although the DRDO has stated that Private Sector, particularly in Defence R&D is not desired but the Committee are of the view that DRDO in consultation with Ministry of Defence should encourage private sector in defence R&D so that talent and capacity of private sector scientists may be utilised in developing state-of-the-art products and upgrading of conventional weaponry. The Department should believe in the competence of private sector considering the fact that private sector, particularly IT and pharmaceutical industries are developing many new quality products.

Performance linked incentive scheme to the scientist

69. The Committee note that the Department of Space and Atomic Energy have implemented performance linked incentive scheme to their scientists. The Committee desire that to motivate and encourage the scientists of DRDO, the Ministry should take necessary measures to implement the performance linked incentive scheme at the earliest.

Import content of equipment developed by DRDO

70. The Committee note that in case of Air Borne Early Warning and Control System, the import content is very high which is 67 per cent of the composition. This is closely followed by Supersonic cruise BrahMos missile with a import content of 65 per cent, the Long Range Surface to Air missile is not far behind with 60 per cent, MBT Arjun has 55 per cent and LCA has 40 per cent import content. The Committee also find that some of the equipment developed by DRDO has import content less than ten per cent. The Committee desire that DRDO should in collaboration with the Defence Public Sector Undertakings, Ordnance Factories and private industries, try to develop import substitute products so that dependence on the foreign supplies would be reduced and the country become self-reliant.

Self-Reliance in Defence Production

71. The Committee note the reason explained by the Secretary, Defence Production that DPSUs and Ordnance Factories are not equipped to develop completely new platforms, as R&D set up of

the country is small and the major imports that are occurring in the country are for bigger platforms. The Committee also note the views of SA to RM, on the role of DRDO in self-reliance in defence production that because of the Missile Technology Control Regime which came into operation sometime in 1989, paved the way for real self-reliance and the industry also started to develop since then. On the development of Light Combat Aircraft, the views of the Ministry seem some what convincing as all other nations also took unduly long time in development of fighter aircraft. However, the Committee feel that there is a lot to do in the field of self-reliance because it may be seen from the data supplied by the Ministry that products developed by DRDO also has a large share of imported material. Therefore, the Committee desire that the Ministry should encourage better co-ordination among users *i.e.* defence forces, production units *i.e.* Ordnance Factories and DPSUs and DRDO to enhance self-reliance in the country.

Defence Institute of Psychological Research

72. The Committee note that mandate of Defence Institute of Psychological Research (DIPR) is to conduct research for the selection of personnel for the Armed Forces. It provides training to the assessors in order to man the selection centres. This charter was further extended to the Para-military forces. The Committee also note DIPR is conducting studies in the area of organizational behaviour like Leadership, Motivation, Morale, Attitude, Combat Stress Behaviour, Psychological Operations, human factors in man-machine systems and the effects of extreme environmental conditions on the psychological adjustment, efficiency and well being of service personnel.

73. The Committee note that only 118 number of Scientists and Junior staff is conducting studies with regard to improvement in selection procedure for the forces, their psychological behaviour, suicide, fratricide, stress and many more areas. The Committee also note that in selection procedure alone, Scientists of DIPR has to screen more than 9 lakh applications for the officers post. The Committee feel that to conduct all these studies and various selection procedures, training, etc. the staff strength of DIPR is inadequate in comparison to the responsibilities given. Therefore, the Committee recommend that DIPR should be provided with more manpower and budget to build latest laboratories to conduct advanced studies in the field of human behaviour.

DEFENCE PRODUCTION

Shortage of Manpower in DPSUs

74. The statistics with regard to shortage of manpower in various DPSUs, disclose that DPSUs are not seriously taking up the matter. In HAL, the percentage of difference in sanctioned and existing strength was 7.31% in 2010-11, 10.9% in 2011-12 and 12.2% in 2012-13. Similarly, in case of BEML, the manpower shortage in executive cadre increased from 298 in 2010-11 to 421 in 2012-13 while it inflated from 859 in 2010-11 to 1690 in 2012-13 in respect of employees. In case of HSL, the shortage in officers cadre has gone upto 16.97% in 2012-13 from 0.45% in 2010-11 and 19.14% in 2012-13 from 0.33% in 2010-11 for staff category.

75. The Committee observe that the above mentioned DPSUs have undertaken some major and ambitious projects of the three defence services which include inter-mediate jet trainer aircraft, IJT in HAL, IAC and vessels to name a few. The steady and continuous reduction in manpower in these DPSUs is a matter of concern. Therefore, the Committee desire that all out efforts be made to contain steadily expanding shortfall of manpower at various levels in these DPSUs and the Committee be apprised about the same.

Declining value of production in DPSUs

76. The value of production in some of the DPSUs has declined. These include HAL where value of production in 2010-11 was Rs. 16450.74 crore, while it was Rs. 12693.19 crore in 2011-12. In case of MDL, it was Rs. 2611.41 crore in 2010-11 which declined to Rs. 2523.69 crore in 2011-12. Even in Goa Shipyard Limited, the VOP has decreased from 990.32 crore in 2010-11 to Rs. 676.40 crore in 2011-12. Similarly, the value of production in HSL has also declined from 603.84 crore in 2010-11 to Rs. 564.04 crore in 2011-12. On being enquired, the Committee came to know that the main reasons attributed for reduction in value of production are thin order book position, lack of working capital delay in supply of ingredient items etc.

77. The Committee would like to recommend that these PSUs should develop mechanism to tap orders in the international market also especially Asian countries. The production capabilities of DPSUs be extended to other than defence production also such as fast flying craft, helicopters, sea vessels etc. In this context, more pro-active approach is required in the part of DPSUs and Ministry of Defence.

Modernization of Ordnance Factories

78. The analysis of budget utilization under Capital Head disclose that during 2010-11 actual capital expenditure was Rs. 456 crore, in 2011-12 it reduced to Rs. 20 crore. Modernization programme of Ordnance Factories envisages continuous upgradation of their infrastructure with the changing needs of the Defence Forces. However, the Committee feel that in case of under utilisation of funds under Capital segment, the modernization drive shall not progress satisfactorily. The quality of products shall also deteriorate for want of ample resources. As such the Committee found during course of deliberations that one type of the ammunition available with Indian Army was of poor quality and sometimes it fired in the barrel itself. The Committee deeply deplore this kind of ammunition availability in the hands of our soldiers. While examining the matter, this Committee was assured that 66,000 round ammunition is now arriving from Russia. The fact of the matter is that our Ordnance Factories are not yet in a position to develop modern quality ammunition. Therefore, the Committee desire that immediate measures should be taken in the direction of overhaul and modernization of OFs. The amount projected by OFB for modernization and capacity augmentation in BE 2013-14 was Rs. 1576 while the actual allocation made is Rs. 1029 crore. This amount will cater to the modernization needs of 41 manufacturing units and 32 other establishments under OFB. The Committee understand that shortage of resources would lead to compromises in production and modernization, therefore, adequate funds be provided to OFB. At the same time accountability should be fixed at the highest levels in Ordnance Factories for achievement of tangible outputs during the 12th plan period, year-wise. The Committee be apprised about the same.

Private Sector Partnership

79. From the information submitted to them, the Committee find that Government does not give grant to the private sector for manufacturing Defence items. The Committee also note that Defence Procurement Procedure (Make) provides for sharing of development cost with the developing agencies with the approval of DAC. The Committee after examination of the utilization part of allocation made in Defence Budget 2012-13 and confirmed by the Ministry, that the allocation for 'Prototype Development under Make Procedure' during the year 2012-13 was Rs 89.22 crore but to the surprise of the Committee no expenditure has been incurred upto February, 2013.

The Committee could not discover any plausible reason for this non-expenditure except that there is a lack of co-ordination among Government and private industries. It seems that it is an instance of greatly misplaced priorities. Therefore, the Committee desire that the Ministry should take all the necessary steps to improve co-ordination with the private industry and also consider giving grant/assured orders in manufacturing/development of weapon systems to them.

Foreign Direct Investment in Defence Sector

80. The Committee note that defence industry sector was opened upto 100 per cent for Indian Private Sector participation with FDI permissible upto 26 per cent, both subject to licensing in May 2001. Since then 190 letters of intent/industrial licenses have so far been issued for manufacturing a wide range of defence items to 104 private companies. The Committee also note the views expressed by Secretary, Defence Production that certain proprietary technologies would always be kept away from this country because this is the nature of the arms business even if FDI is increased to 49 per cent or 74 per cent. The major reason for not increasing FDI is that if there is a war situation and a particular country which has set up a production facility in India withdraws production process, it may prove suicidal for our national interest. The Committee further note that the example given by the Secretary, Defence Production that in the telecom sector also, it has not happened despite liberalized FDI regime and Indian products vanished. The same was the view of the Ministry on increasing the limit of FDI. After considering the increasing globalised economy and expanding markets world over, where free trade and investment are being encouraged in every field, the Committee are not buying the argument of Secretary, Defence Production and are of the view that defence technology is not for civilian use and only Indian Government would buy from the defence industry, therefore, worry of the Ministry of Defence that increase in FDI limit would jeopardize the interest of the country seems to be unjustified. The Committee further note the views of the SA to RM which are in contradiction with that of Secretary, Defence Production. After pondering over the views expressed by both Secretaries incharge of different departments, the Committee desire to recommend enhancement in the FDI limit to attract foreign companies which in a long term would benefit not only the Indian Defence Industry but also help in providing employment opportunities and saving precious foreign exchange.

Dependence on foreign suppliers for military hardware—Research and Development in DPSUs and Ordnance Factories

81. The Committee note that the Department of Defence Production has established wide ranging production facilities for various defence equipment through the Ordnance Factories under the Ordnance Factory Board (OFB) and nine Defence Public Sector Undertakings (DPSUs). The products manufactured by them include arms and ammunition, tanks, armoured vehicles, heavy vehicles, fighter aircraft and helicopters, warships, submarines, missiles, ammunition, electronic equipment, earth moving equipment, special alloys and special purpose steels. Despite the wide range of products manufactured by DPSUs and Ordnance Factories, during the course of discussions, the Committee found that India is still importing a large part of the country's defence needs. It also came to the knowledge of this Committee that our R&D set ups are small and the real battle for the country is to develop more and more large platforms in the country itself. In addition to this during the study visit to some of Ordnance Factories, the Committee found that most of the machinery are very old. The manufacturing set up are turning obsolete and substitution with modern state of the art technology is not keeping pace with obsolescence.

82. The Committee also note from the data supplied by the Ministry that in manufacturing the items produced by DPSUs and OFs, the import content varies. In respect of products of Garden Reach Shipbuilders and Engineers Limited it is 52.23 per cent but it is 09.82 per cent in case of Ordnance Factories. In other DPSUs also import content had substantial share. The Committee desire that the Ministry should encourage Indian Defence Industries to cut dependence on foreign supplies/import content which has become integral part of defence production in India and try to develop Zin-house indigenous products.

83. The Committee understand that huge investments in R&D and production units are required which probably will take more time. However, in the meantime if inflow of funds by way of FDI in production and R&D is considered, it can help in checking and mitigating steadily expanding deficiency in country's Defence Modernization when compared to international defence advancements. The Ministry of Defence may think on this line since in any case the country is dependent on foreign countries for defence acquisitions. Along with this, larger private partnership from Indian companies should also be considered. In this regard the Ministry

had assured the Committee that all out efforts will be made to address the bottlenecks in private sector participation. The Committee look forward to encouraging results on this front.

84. The Ministry can also endeavour for tapping best brains from country as well as abroad in defence R&D Sector and entire dependency on DRDO for R&D solutions is not justified. The Committee desire, since these DPSUs & OFs are well versed with production needs, R&D within these organisations should also be emphasized upon by the department of Defence Production.

NEW DELHI;
23 April, 2013
03 Vaisakha, 1935 (Saka)

RAJ BABBAR,
Chairman,
Standing Committee on Defence.

APPENDIX I

Dissent note of Shri T.K. Rangarajan, M.P. on the report of the Standing Committee on Defence on 'Demands for Grants (2013-2014)' of the Ministry of Defence.

Dated 19 April, 2013

FDI IN DEFENCE SECTOR OPPOSED

The Standing Committee on Defence met on 17th April 2013 for Consideration and adoption of Draft report on Demands for Grants of the Ministry of Defence 2013-14.

In Para 80 (Page 129) the report recommended for increasing in the FDI limit in Defence Production sector to which I have already expressed my objection. This letter of mine is further to my oral objection made in the Standing Committee. I request that my dissent for the recommendation of FDI in Defence may please be recorded.

The Committee while recommending for enhancement of FDI in Defence has stated "to attract foreign companies which in a long term would benefitIndian Defence Industry". To this view of the report I am totally opposed.

The role of our DRDO in developing our Defence Industries is Commendable. The DRDO of our country has made our country proud through achievement of technological advancement in a number of critical areas. These research Institutions should be encouraged to develop our Defence Industries instead of resorting to enhancement of FDI in Defence. It is disheartening to note that the Ministry has allotted 0.09% of GDP only for Research. The report has correctly observed (para 65), "*When the foremost research organization (DRDO) is given such a low budget, which is not commensurate with the work assigned, how could the country become self reliant in defence production*". Therefore the need of the hour is allotment of more budget allocation for research and development and not opening the sector for FDI.

The DRDO need to collaborate with Defence Public Sector Undertakings also so that Defence Sector can become self reliant. Further the defence industries has to collaborate with many of the Country's research institution like the IITs etc. There is no doubt that these research Institutions will help our Defence Industries in their advancement in production technologies.

The dangers of allowing FDI has been sufficiently narrated in the report. For example, non-availability of ammunition for the Bofors Gun, defective ammunition supply from foreign partners resulting in the ammunition bursting in the gun etc. are standing examples for the risk in FDI.

Further there is lack of inter-ministerial discussion which is delaying many Defence projects. These delays has hindered the development of many projects affecting overall development of surveillance network and operational preparedness of country's defence. This has to be avoided so that vital defence production will not suffer.

There is also under utilization of funds under Capital Expenditure, indicating slow process of modernisation of Ordnance Factories and other Defence Industries. Immediate attention is required to modernize Ordnance Factories and Defence Industries.

If the above defects are rectified, I am sure that our Defence Organisation will develop to a very high level.

In view of my above observations, I am totally opposed to FDI in Defence Sector and request that the recommendation for enhancing FDI made in the report may please be withdrawn.

Sd/-
(SHRI T.K. RANGARAJAN)

**Dissent note of Shri P. Karunakaran, M.P. on the report of the
Standing Committee on Defence on 'Demands for Grants
(2013-2014)' of the Ministry of Defence.**

Dated 22 April, 2013

FDI IN DEFENCE SECTOR OPPOSED

The Standing Committee on Defence met on 17th April 2013 for Consideration and adoption of Draft report on Demands for Grants of the Ministry of Defence 2013-14.

In Para 80 (Page 129) the report recommended for increasing in the FDI limit in Defence Production sector to which I have already expressed my objection. This letter of mine is further to my oral objection made in the Standing Committee. I request that my dissent for the recommendation of FDI in Defence may please be recorded.

The Committee while recommending for enhancement of FDI in Defence has stated "to attract foreign companies which in a long term would benefitIndian Defence Industry". To this view of the report I am totally opposed.

The role of our DRDO in developing our Defence Industries is commendable. The DRDO of our country has made our country proud through achievement of technological advancement in a number of critical areas. These research institutions should be encouraged to develop our Defence Industries instead of resorting to enhancement of FDI in Defence. It is disheartening to note that the Ministry has allotted 0.09% of GDP only for Research. The report has correctly observed (para 65), "*When the foremost research organization (DRDO) is given such a low budget, which is not commensurate with the work assigned, how could the country become self reliant in defence production*". Therefore the need of the hour is allotment of more budget allocation for research and development and not opening the sector for FDI.

The DRDO need to collaborate with Defence Public Sector Undertakings also so that Defence Sector can become self reliant. Further the defence industries has to collaborate with many of the country's research Institution like the IITs etc. There is no doubt that these research Institutions will help our Defence Industries in their advancement in production technologies.

The dangers of allowing FDI has been sufficiently narrated in the report. For example, non-availability of ammunition for the Bofors Gun, defective ammunition supply from foreign partners resulting in the ammunition bursting in the gun etc. are standing examples for the risk in FDI.

Further there is lack of inter-ministerial discussion which is delaying many Defence projects. These delays has hindered the development of many projects affecting overall development of surveillance network and operational preparedness of country's defence. This has to be avoided so that vital defence production will not suffer.

There is also under utilization of funds under Capital Expenditure, indicating slow process of modernisation of Ordnance Factories and other Defence Industries. Immediate attention is required to modernize Ordnance Factories and Defence Industries.

If the above defects are rectified, I am sure that our Defence Organisation will develop to a very high level.

In view of my above observations, I am totally opposed to FDI in Defence Sector and request that the recommendation for enhancing FDI made in the report may please be withdrawn.

Sd/-
(SHRI P. KARUNAKARAN)

APPENDIX II

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2012-13)

The Committee sat on Friday, the 22nd March, 2013 from 1400 hrs. to 1530 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Raj Babbar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kamal Kishor 'Commando'
3. Shri Mithilesh Kumar
4. Shri R. Thamaraiselvan
5. Shri Saugata Roy
6. Smt. Mala Rajya Laxmi Shah
7. Rajkumari Ratna Singh
8. Shri Uday Singh
9. Shri A.T. Nana Patil
10. Shri R. Dhruvanarayana
11. Shri P. Karunakaran
12. Shri Sidhant Mohapatra

Rajya Sabha

13. Shri Pankaj Bora
14. Shri Prakash Javadekar
15. Shri Mukut Mithi
16. Dr. E.M. Sudarsana Natchiappan
17. Shri T.K. Rangarajan

SECRETARIAT

1. Shri R.K. Jain — *Joint Secretary*
2. Shri D.S. Malha — *Director*
3. Shri Sanjeev Sharma — *Additional Director*

WITNESSES

LIST OF WITNESSES FROM THE MINISTRY OF DEFENCE

1. Shri Shashi Kant Sharma, Defence Secretary
2. Dr. V.K. Saraswat, Secretary (R&D)
3. Shri Rajeev Gupta, Secretary (ESW)
4. Shri R.K. Mathur, Secretary (DP)
5. Dr. S.B. Agnihotri, DG (Acq.)
6. Shri Shankar Aggarwal, Addl. Secretary (A)
7. Shri Anuj Kumar Bishnoi, Addl. Secy. (B)
8. Shri Subhash Chandra, JS (G/Air)
9. Shri Ram Subhag Singh, JS (O/N)
10. Shri Sameer Kumar Khare, JS (E)
11. Smt. Preeti Sudan, JS&AM (MS)
12. Shri Upmanyu Chatterjee, JS & MS (LS)
13. Shri AK Bal, JS & AM (Air)
14. Shri Ashok Kumar Gupta, Addl. Secy. (DP)
15. Lt. Genl. Anoop Malhotra, CCR & D (R&M)
16. Shri Deepak Anurag, JS (C&W)
17. Shri V.K. Mukhopadhyay, JS & Addl. FA(M)
18. Shri Kanwaldeep Singh, Dir. (Fin./Budget)

DEFENCE FINANCE

19. Smt. Priti Mohanty, Secretary (Def. Finance)
20. Mrs. Shobana Joshi, AS & FA (Acq.)
21. Shri P.K. Kataria, JS & Addl. FA (K)
22. Shri Rajnish Kumar, JS & Addl. FA (RK)
23. Smt. Veena Prasad, JS & Addl FA (VP)
24. Shri V.K. Mukhopadhyay, JS & Addl. FA(M)
25. Shri Kanwaldeep Singh, Dir. (Fin/Budget)

ARMED FORCES HQRS.

ARMY

26. Lt. Gen. S.K. Singh, VCOAS
27. Lt. Gen. R.M. Mittal, DG FP
28. Maj. Gen. A.B. Shivane, ADG PP

AIR FORCE

29. Air Mshl. D.C. Kumaria, VCAS
30. Air Mshl. S. Sukumar, DCAS
31. Air Cmde E.P.P. Nambiar, PD Fin. (P)

NAVY

32. Vice Admiral R.K. Dhowan, VCNS
33. Rear Admiral A.K. Chawla, ACNS (P&P)
34. Cmdr. Dinesh K. Tripathi, PDNP
35. Cdr. KS Paranjape, JDNP

COAST GUARD

36. Vice Admiral Anurag G. Thapliyal, DGICG
37. Addl. D.G. Rajendra Singh
38. IG K. Natarajan, DDG (P&P)
39. IG K.R. Nautiyal, DDG (Ops&CS)

CISC

40. Lt. Gen. N.C. Marwah, CISC
41. R. Adm. S.Y. Shrikhanded, ACIDS (FP)
42. Cmde. O.P. Kaura, DACIDS (Budget)
43. Col. Ranjan Mahajan, Dir. (Budget)

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. Thereafter, Hon'ble Chairman requested the Defence Secretary to postpone the oral evidence on the scheduled subjects on a subsequent date since Hon'ble Members of the Committee could not get sufficient time to study the replies of the Ministry due to late submission of the same to the Committee. However, the representatives of the Ministry of Defence were allowed to give power point presentation before the Committee on General Defence Budget and Ministry of Defence Civil, Indian Navy and Joint Staff.

3. The Committee decided that in next sittings of the Committee scheduled to be held on 3 and 4 April, 2013, the Services and Departments should be called in at different slots alongwith the Ministry of Defence.

(The Witnesses then withdrew)

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE TWELFTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2012-13)

The Committee sat on Wednesday, the 3rd April, 2013 from 1100 hrs. to 1730 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Raj Babbar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kamal Kishor 'Commando'
3. Shri R. Dharuvanarayana
4. Shri Mithlesh Kumar
5. Shri Sidhant Mohapatra
6. Shri Saugata Roy
7. Shri A.T. Nana Patil
8. Smt. Mala Rajya Laxmi Shah
9. Rajkumari Ratna Singh
10. Shri Uday Singh
11. Shri R. Thamaraiselvan

Rajya Sabha

12. Shri Naresh Gujral
13. Shri Prakash Javadekar
14. Shri Hishey Lachungpa
15. Shri Mukut Mithi
16. Dr. E.M. Sudarsana Natchiappan
17. Shri C.M. Ramesh
18. Shri T.K. Rangarajan

SECRETARIAT

- | | | |
|--------------------|---|-----------------------------|
| 1. Dr. R.K. Chadha | — | <i>Additional Secretary</i> |
| 2. Shri R.K. Jain | — | <i>Joint Secretary</i> |
| 3. Shri D.S. Malha | — | <i>Director</i> |

Part I**(From 1100 hrs. to 1330 hrs.)**

WITNESSES

LIST OF WITNESSES FROM THE MINISTRY OF DEFENCE

1. Shri Shashi Kant Sharma, Defence Secretary
2. Dr. V.K. Saraswat, Secretary (R&D)
3. Shri Rajeev Gupta, Secretary (ESW)
4. Shri R.K. Mathur, Secretary (DP)
5. Dr. S.B. Agnihotri, DG (Acq.)
6. Shri Shankar Aggarwal, Addl. Secretary (A)
7. Shri Anuj Kumar Bishnoi, Addl. Secy. (B)
8. Shri Subhash Chandra, JS (G/Air)
9. Shri Ram Subhag Singh, JS (O/N)
10. Shri Sameer Kumar Khare, JS (E)
11. Smt. Preeti Sudan, JS & AM (MS)
12. Shri Upmanyu Chatterjee, JS & MS (LS)
13. Shri A.K. Bal, JS & AM (Air)
14. Shri Ashok Kumar Gupta, Addl. Secy. (DP)
15. Lt. Gen. Anoop Malhotra, CCR & D (R&M)
16. Shri Deepak Anurag, JS (C&W)
17. Shri V.K. Mukhopadhyay, JS & Addl. FA(M)
18. Shri Kanwaldeep Singh, Dir. (Fin./Budget)

DEFENCE FINANCE

19. Smt. Priti Mohanty, Secretary (Def. Finance)
20. Mrs. Shobana Joshi, AS & FA (Acq.)
21. Shri P.K. Kataria, JS & Addl. FA(K)
22. Shri Rajnish Kumar, JS & Addl. FA (RK)
23. Smt. Veena Prasad, JS & Addl. FA (VP)
24. Shri V.K. Mukhopadhyay, JS & Addl. FA(M)
25. Shri Kanwaldeep Singh, Dir (Fin./Budget)

ARMED FORCES HQRS.

ARMY

26. Lt. Gen. S.K. Singh, VCOAS
27. Lt. Gen. R.M. Mittal, DG FP
28. Maj. Gen. A.B. Shivane, ADG PP

AIR FORCE

29. Air Mshl. D.C. Kumaria, VCAS
30. Air Mshl. S. Sukumar, DCAS
31. Air Cmdr. E.P.P. Nambiar, PD Fin. (P)

NAVY

32. Vice Admiral R.K. Dhowan, VCNS
33. Rear Admiral A.K. Chawla, ACNS(P&P)
34. Cmdr. Dinesh K. Tripathi, PDNP
35. Cdr. K.S. Paranjape, JDNP

COAST GUARD

36. Vice Admiral Anurag G. Thapliyal, DG (ICG)
37. Addl. D.G. Rajendra Singh
38. IG K. Natarajan, DDG (P&P)
39. IG K.R. Nautiyal, DDG (Ops. & CS)

CISC

40. Lt. Gen. N.C. Marwah, CISC
41. R. Adm. S.Y. Shrikhanded, ACIDS (FP)
42. Cmdr. O.P. Kaura, DACIDS (Budget)
43. Col. Ranjan Mahajan, Dir. (Budget)

2. At the outset, the Chairman welcomed the Members and representatives of the Ministry of Defence. Thereafter the representatives were called in along with the representatives of Army. The Chairman then drew their attention to Direction 58 of the 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. A power point presentation

was given by the representatives of Army. Following the presentation, Members of the Committee raised various queries from officials of Ministry of Defence regarding overall lesser allocations to Ministry of Defence this year, impact of decreased allocation on defence modernization and upgradation, holistic preparedness of Indian Defence to encounter any threat possibilities especially in case of two front war scenario etc. The queries of Members were replied to by representatives of the Ministry and Army.

(Representatives of the Army then withdrew)

3. The Representatives of NCC were called in to give their presentation. A power point presentation was given before the Committee. Subsequent to presentation, Members raised certain queries related to the budget and functioning of NCC, which were replied to by the officials of NCC.

(Representatives of the NCC then withdrew)

Part II

(From 1430 hrs. to 1730 hrs.)

WITNESSES

LIST OF WITNESSES FROM THE MINISTRY OF DEFENCE

1. Shri Shashi Kant Sharma, Defence Secretary
2. Dr. V.K. Saraswat, Secretary (R&D)
3. Shri Rajeev Gupta, Secretary (ESW)
4. Shri R.K. Mathur, Secretary (DP)
5. Dr. S.B. Agnihotri, DG (Acq.)
6. Shri Shankar Aggarwal, Addl. Secretary (A)
7. Shri Anuj Kumar Bishnoi, Addl. Secy. (B)
8. Shri Subhash Chandra, JS (G/Air)
9. Shri Ram Subhag Singh, JS (O/N)
10. Shri Sameer Kumar Khare, JS (E)
11. Smt. Preeti Sudan, JS&AM(MS)
12. Shri Upmanyu Chatterjee, JS & MS (LS)
13. Shri A.K. Bal, JS & AM (Air)
14. Shri Ashok Kumar Gupta, Addl. Secy. (DP)
15. Lt. Gen. Anoop Malhotra, CCR & D (R&M)

16. Shri Deepak Anurag, JS (C&W)
17. Shri V.K. Mukhopadhyay, JS & Addl. FA(M)
18. Shri Kanwaldeep Singh, Dir. (Fin./Budget)

DEFENCE FINANCE

19. Smt. Priti Mohanty, Secretary (Def. Finance)
20. Smt. Shobana Joshi, AS & FA (Acq.)
21. Shri P.K. Kataria, JS & Addl. FA (K)
22. Shri Rajnish Kumar, JS & Addl. FA (RK)
23. Smt. Veena Prasad, JS & Addl. FA (VP)
24. Shri V.K. Mukhopadhyay, JS & Addl. FA(M)
25. Shri Kanwaldeep Singh, Dir. (Fin./Budget)

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27. Lt. Gen. R.M. Mittal, DG FP
28. Maj. Gen. A.B. Shivane, ADG PP

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30. Air Mshl. S. Sukumar, DCAS
31. Air Cmdr. E.P.P. Nambiar, PD Fin. (P)

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33. Rear. Admiral A.K. Chawla, ACNS (P&P)
34. Cmdr. Dinesh K. Tripathi, PDNP
35. Cdr. K.S. Paranjape, JDNP

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37. Addl. D.G. Rajendra Singh
38. IG K. Natarajan, DDG (P&P)
39. IG K.R. Nautiyal, DDG (Ops & CS)

40. Lt. Gen. N.C. Marwah, CISC
41. R. Adm. S.Y. Shrikhanded, ACIDS (FP)
42. Cmdr. O.P. Kaura, DACIDS (Budget)
43. Col. Ranjan Mahajan, Dir. (Budget)

2. After lunch break, the representatives of Sainik Schools were invited to give their presentation on Demands for Grants 2013-14. The presentation was followed by queries from Members regarding opening of more Sainik schools in the country, particularly in the State of Uttar Pradesh.

(Representatives of the Sainik Schools then withdrew)

3. The representatives of BRO were then called in to present their view points on Demands for Grants which was followed by queries from Hon'ble Members on certain issues of BRO which included cadre management and maintenance of roads in Uttarakhand etc.

(Representatives of the BRO then withdrew)

4. Thereafter, the representatives of Air Force were requested to give their presentation on Demands for Grants. The presentation was followed by discussions on various matters such as reduction in budget, negligible allocation for new schemes, modernization of Air Force, depleting squadron strength, unavailability of trainer aircraft, etc.

(Representatives of the Air Force then withdrew)

5. The Committee thereafter held discussions with the representatives of Ministry of Defence on procurement policy and Joint Staff matters. Due to paucity of time, the discussion on Ex-serviceman welfare was truncated and the Ministry was asked to send written material on the same.

(The Witnesses then withdrew)

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE THIRTEENTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2012-13)

The Committee sat on Wednesday, the 4th April, 2013 from 1100 hrs. to 1715 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Raj Babbar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kamal Kishor 'Commando'
3. Shri Mithlesh Kumar
4. Shri Saugata Roy
5. Shri A.T. Nana Patil
6. Shri C.R. Patil
7. Smt. Mala Rajya Laxmi Shah
8. Shri Mahabali Singh
9. Rajkumari Ratna Singh
10. Shri R. Thamaraiselvan

Rajya Sabha

11. Shri Naresh Gujral
12. Shri Prakash Javadekar
13. Shri Hishey Lachungpa
14. Shri Mukut Mithi
15. Dr. E.M. Sudarsana Natchiappan
16. Shri C.M. Ramesh
17. Shri T.K. Rangarajan

SECRETARIAT

- | | | |
|--------------------|---|-----------------------------|
| 1. Dr. R.K. Chadha | — | <i>Additional Secretary</i> |
| 2. Shri R.K. Jain | — | <i>Joint Secretary</i> |
| 3. Shri D.S. Malha | — | <i>Director</i> |

Part I

(From 1100 hrs. to 1315 hrs.)

WITNESSES

LIST OF WITNESSES FROM THE MINISTRY OF DEFENCE

1. Shri R.K. Mathur, Secretary (DP)
2. Shri A.K. Gupta, Addl. Secy. (DP)
3. Smt. Shobhana Joshi, AS&FA (Acq.)
4. Shri Rajnish Kumar, JS&Addl. FA (RK)
5. Shri P.K. Kataria, JS&Addl. FA(K)
6. Smt. Priti Mohanty, FA (DS)
7. Shri Kanwaldeep Singh, Director (Fin./Budget)
8. Shri R.S. Agarwal, Sr. AO (Budget)
9. Air Mshl. D.C. Kumaria, VCAS
10. Lt. Gen. S.K. Singh, VCOAS
11. Vice Adm. R.K. Dhowan, VCNS
12. Smt. Sanhita Kar, Member/Finance
13. Col. Jaidev Singh, PO(MS)
14. Shri H.S. Chaudhury, DGOF & Chairman OFB
15. Shri Ravi Kant, Secretary, OFB
16. Shri Ravikant, JS (MS)
17. Shri Rakesh Kumar, UDC/OFBND0
18. Shri P.K. Mishra, Joint Secretary (ES)
19. Ms. Kusum Singh, Joint Secretary (P&C)
20. Shri K.K. Pant, Joint Secretary (AS)
21. Shri A.K.K. Meena, Joint Secretary (NS)
22. Shri P.K. Kataria, Addl. FA (K) & Joint Secretary
23. Lt. Gen. V.A. Bhat, Director General Quality Assurance
24. Dr. R.K. Tyagi, Chairman (HAL)
25. Shri Anik Kumar, CMD (BEL)
26. Shri P. Dwarakanath, CMD (BEML)
27. Shri S.N. Mantha, CMD (BDL)

28. R. Adm. A.K. Verma (Retd.), CMD (GRSE)
29. R. Adm. Vineet Bakshi (Retd.), CMD (GSL)
30. R. Adm. N.K. Mishra (Retd.), CMD (HSL)
31. R. Adm. R.K. Shrawat (Retd.), CMD (MDL)
32. Shri M. Narayana Rao, CMD (MIDHANI)
33. Shri Sartaj Singh, Addl. DGOF and Member, OFB
34. Shri M.C. Bansal Addl. DGOF & Member, OFB
35. RADM A.K. Verma, (Retd)
36. Dr. S. Sundaresh, CCR&D (ACE&SI) & DS
37. Lt. Gen. Anoop Malhotra, CCR&D (R&M and Imp.)
38. Shri Ravin Kulshrestha, OSD (LS)
39. Maj. Gen. S.K. Kalra, Addl. DGQA(V)
40. Shri Sandeep Verma, Director
41. Cdr. A.K. Gupta, DPO (NS-G)
42. Shri A.K. Singhal, Adviser (Cost)

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. Thereafter, the representatives of the Ministry of Defence were called in along with the representatives of DPSUs. The Chairman drew attention of representatives to the Direction 58 of the Directions by the Speaker, Lok Sabha. A detailed discussion was held on various issues which included optimum capacity utilization, inhouse Research and Development in DPSUs, foreign direct investment in defence sector, delays in delivery schedules, scope for enhancement in exports etc. The representatives of DPSUs replied to various queries raised by Members of the Committee.

(The representatives of DPSUs then withdrew)

3. The representatives of DGQA were called in. They gave their power-point presentation which was followed by a brief discussion on the subject.

(The representatives of DGQA then withdrew)

4. Thereafter, the officials of Ordnance Factory Board were called in to show their presentation. There was a brief discussion on Ordnance Factories with regard to optimum capacity utilization, declining production, poor quality of products etc.

(The Witnesses then withdrew)

Part II

(From 1430 hrs. to 1715 hrs.)

WITNESSES

LIST OF WITNESSES FROM THE MINISTRY OF DEFENCE

1. Shri Shashi Kant Sharma, Defence Secy.
2. Smt. Priti Mohanty, FA (DS)
3. Smt. Shobhana Joshi, AS & FA (Acq.)
4. Dr. V.K. Saraswat SA to RM
5. Dr. A.S. Pillai, CCR&D and CEO, Brahmos & DS
6. Shri Avinash Chander, CCR&D (MSS) & DS & DS
7. Dr. S. Sundaresh, CCR&D (ACE&SI) & DS
8. Dr. Tamilmani, CCR&D (Aero) & DS
9. Dr. V. Bhujanga Rao, CCR&D (NS&IC) & DS
10. Dr. G. Malakondaiah, CCR&D (HR&M) & DS
11. Shri S.S. Sundaram, CCR&D (ECS&LIC) & DS
12. Dr. K.D. Nayak, CCR&D (MED, MIST & CS) & DS
13. Dr. Manas K. Mandal, CCR&D (LS) & OS
14. Lt. Gen. Anoop Malhotra, CCR&D (R&M and Imp.)
15. Shri R.G. Vishwanathan, JS&Addl. FA
16. Dr. J.P. Singh, Associate Director, Plan & Coord.
17. Shri Vipul Gupta, Jt. Director, Plan & Coord.

CSD

18. Shri Shankar Aggarwal, Addl. Secretary(A)
19. Lt. Gen. S.K. Singh, VCOAS
20. Lt. Gen. Munish Sibal, QMG
21. Capt. Rahul Ghoshal, ADC to VCOAS
22. Shri P.K. Kataria, JS & Addl. FA
23. Brig. Mukesh Kumar, Offg. GM
24. Shri Raj Kumar, Director (Q)
25. RADM O.P.S. Rana, DGNAI
26. Brig. S. Jakhar, DDG (CS)

2. After lunch break, the representatives of the Ministry of Defence were called in along with the representatives of CSD to give presentation on CSD. The Committee was shown presentation on CSD and held discussions thereon. Afterwards, there was a discussion on DGQA, Navy and Joint Staff. It was followed by presentation and subsequent discussions on DRDO. Members posed several queries to representatives of DRDO concerning low budget in R&D, modernization of DRDO labs, attracting best brains in country and abroad, private participation etc.

(The Witnesses then withdrew)

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2012-13)

The Committee sat on Thursday, the 5th April, 2013 from 1100 hrs. to 1315 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. E.M. Sudarsana Natchiappan — *In the Chair*

MEMBERS

Lok Sabha

2. Shri Sameer Bhujbal
3. Shri Kamal Kishore 'Commando'
4. Shri Mithlesh Kumar
5. Shri Saugata Roy
6. Smt. Mala Rajya Laxmi Shah
7. Rajkumari Ratna Singh
8. Shri R. Thamaraiselvan

Rajya Sabha

9. Shri Naresh Gujral
10. Shri Prakash Javadekar
11. Shri Mukut Mithi
12. Shri C.M. Ramesh
13. Shri T.K. Rangarajan

SECRETARIAT

- | | | |
|--------------------|---|-----------------------------|
| 1. Dr. R.K. Chadha | — | <i>Additional Secretary</i> |
| 2. Shri R.K. Jain | — | <i>Joint Secretary</i> |
| 3. Shri D.S. Malha | — | <i>Director</i> |

WITNESSES

1. Shri Shashi Kant Sharma, Defence Secretary
2. R.K. Mathur, Secretary (DP)

3. Dr. S.B. Agnihotir, DG (Acq.)
4. Shri Shankar Aggarwal, Addl. Secretary
5. Shri Anuj Kumar Bishnoi, Addl. Secretary
6. Shri Rajnish Kumar, J & Addl. FA (RK)
7. Shri P.K. Kataria, JS & Addl. FA (K)
8. Smt. Preeti Sudan, JS & AM (MS)
9. Dr. S. Sundaresh, CCR & D (ACE & SI) & DS
10. Lt. Gen. Narendra Singh, DCOAS (P&S)
11. Maj. Gen. A.B. Shivane, ADG PP
12. Lt. Gen. S.K. Singh, VCOAS
13. Shri A.K. Bal, JS&AM Air
14. Shri Umanyu Chatterjee, JS&AM (LS)
15. Shri H.S. Chaudhury, DGOF & Chairman OFB
16. Dr. R.K. Tyagi, Chairman (HAL)
17. Shri Anil Kumar, CMD (BEL)
18. Air Mshl. D.C. Kumaria, VCAS
19. Smt. Priti Mohanty, FA (DS)
20. AVM S.B.P. Sinha, ACAS (Plans)
21. Vice Adm. R.K. Dhowan, VCNS
22. Smt. Shobhana Joshi, AS&FA (Acq.)
23. Maj. Gen. Jagbir Singh, ADG Proc.
24. Lt. Gen. N.C. Marwah, CISC
25. AVM M. Bahadur, ACIDS (PP&FS)
26. Col. Devindar Kumar, Dir (LTFS)
27. Maj. Gen. Sanjeev Shukla, TM (LS)
28. Rear Admiral Pritam Lal, TM (MS)
29. AVM R.K. Dhir, TM (Air)
30. Smt. Arti Bhatnagar, FM (MS)
31. Shri R.K. Arora, FM (Air)
32. Shri Vishvajit Sahay, FM (LS)
33. Cmdr. Dinesh K. Tripathi, PDMP
34. Shri P. Praveen Siddharth, Dy. Secy. (N-II)
35. Dr. V. Bhujanga Rao, CCR&D (NS&IC)
36. Lt. Gen. Annop Malhotra, CCR&D (R&M)

37. Vice Admiral Anurag G. Thapliyal, DGICG
38. ADG Rajendra Singh, Addl. DG CG
39. IG K. Natrajan, DDG (P&P)
40. DIG S. Paramesh, D (Ops.)

2. At the outset, the Chairman welcomed the Members and the representatives of Defence to the sitting of the Committee and drew their attention to Direction 58 of the Directions by the Speaker, Lok Sabha. Thereafter, presentation was given by Coast Guard Organisation on DFG and Coastal Security. The representatives of the Ministry of Defence including three Services, also gave presentation on modernization of the three services and other departments of Defence. Subsequently, a detailed discussion was held on various issues including long term perspective plans, budgetary constraints etc. which was followed by presentation on Coast Guard Organisation. Thereafter, a detailed discussion was held on coastal security, piracy in sea, protection to fishermen, surveillance etc.

(The Witnesses then withdrew)

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (2012-13)

The Committee sat on Wednesday, the 17th April, 2013 from 1500 hrs. to 1530 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Raj Babbar — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kamal Kishor 'Commando'
3. Shri R. Dhruvanarayana
4. Shri P. Karunakaran
5. Shri Mithilesh Kumar
6. Shri Saugata Roy
7. Shri C.R. Patil
8. Smt. Mala Rajya Laxmi Shah
9. Shri Mahabali Singh
10. Shri Uday Singh

Rajya Sabha

11. Shri Naresh Gujral
12. Shri Mukut Mithi
13. Dr. E.M. Sudarsana Natchiappan
14. Shri C.M. Ramesh
15. Shri T.K. Rangarajan

SECRETARIAT

- | | | |
|------------------------|---|-----------------------------|
| 1. Dr. R.K. Chadha | — | <i>Additional Secretary</i> |
| 2. Shri R.K. Jain | — | <i>Joint Secretary</i> |
| 3. Shri D.S. Malha | — | <i>Director</i> |
| 4. Shri Sanjeev Sharma | — | <i>Additional Director</i> |

