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**STANDING COMMITTEE  
ON DEFENCE  
(2009-2010)**

**FIFTEENTH LOK SABHA**

**MINISTRY OF DEFENCE**

**DEMANDS FOR GRANTS  
(2010-2011)**

**SIXTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 2010/Chaitra, 1932 (Saka)*

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STANDING COMMITTEE ON DEFENCE  
(2009-2010)

(FIFTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS  
(2010-2011)

*Presented to Lok Sabha on 15.4.2010  
Laid in Rajya Sabha on 15.4.2010*



LOK SABHA SECRETARIAT  
NEW DELHI

*April, 2010/Chaitra, 1932 (Saka)*

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COMPOSITION OF THE STANDING COMMITTEE  
ON DEFENCE (2009-10)

Shri Satpal Maharaj — *Chairman*

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*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Shri H.D. Devegowda
5. Shri Varun Gandhi
6. Dr. Sucharu Ranjan Haldar
7. Shri Ramesh Jigajinagi
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18. Shri Ijyaraj Singh
19. Shri Kalyan Singh
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21. Rajkumari Ratna Singh

*Rajya Sabha*

22. Shri R.K. Dhawan
23. Prof. P.J. Kurien
24. Shri Mukut Mithi
25. Shri Prakash Javadekar

(iv)

26. Shri K.B. Shanappa
27. Shri T.K. Rangarajan
28. Shri Munquad Ali
29. Shri M.V. Mysura Reddy
30. Smt. Shobhana Bhartia
31. Shri Sanjay Raut

SECRETARIAT

- |                        |   |                            |
|------------------------|---|----------------------------|
| 1. Shri T.K. Mukherjee | — | <i>Joint Secretary</i>     |
| 2. Smt. Sudesh Luthra  | — | <i>Director</i>            |
| 3. Shri N.S. Hooda     | — | <i>Additional Director</i> |
| 4. Smt. J.M. Sinha     | — | <i>Under Secretary</i>     |

## INTRODUCTION

1. I, the Chairman of the Standing Committee on Defence (2009-2010), having been authorised by the Committee to submit the report on their behalf, present this Sixth report on 'Demands for Grants (2010-2011)' of the Ministry of Defence.

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

3. The Demands for Grants were laid in Lok Sabha on 15 March, 2010. The Committee considered the Demands for Grants and took evidence of the representatives of the Ministry of Defence on 31 March and 1 April, 2010.

4. The report was considered and adopted by the Committee at their sitting held on 8 April, 2010. Minutes of the related sittings are given in appendix to the Report.

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

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

NEW DELHI;  
08 April, 2010  

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18 Chaitra, 1932 (Saka)

SATPAL MAHARAJ,  
Chairman,  
Standing Committee on Defence.

## REPORT

### PART I

#### CHAPTER I

##### GENERAL DEFENCE BUDGET

###### **Introductory**

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, JAKLI etc. and Defence pensions are provided in two separate Civil Demands for Grants of the Ministry of Defence, *viz.* Demand No. 20—Ministry of Defence (Civil) and Demand No. 21—Defence Pensions. These are not included in the overall defence allocation of Rs 1,47,344 crore in BE 2010-2011. 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)

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

1.5 The 'running' or 'operating' expenditure of the three Services and other Departments *viz.* DRDO, DGOF, DGQA, NCC, DGAQA and Directorate of Standardisation, are provided under the 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 their miscellaneous expenditure.

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

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

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

1.9 The provisions in RE 2009-10 and BE 2010-11 under Demand No. 20 are given below. Major components of gross Revenue expenditure in Revised Estimates 2009-10 are CSD (Rs. 8334.32 crores), Defence Accounts Department (Rs. 980.66 crores), Coast Guard Organisation (CGO) (Rs. 604.34 crores), MOD Secretariat (Rs. 101.98 crores), Defence Estates Organisation (DEO) (Rs. 208.51 crores), Jammu & Kashmir

Light Infantry (J&K LI) (Rs. 562.07 crores) and Armed Forces Tribunal (AFT) (Rs. 27.64 crores), etc. In the Capital outlay of Rs. 1257.90 crores in the Revised Estimates 2009-10, the major allocations are for the Capital Outlay on other fiscal services-customs in respect of Coast Guard Organisation (Rs. 1100.00 crores), housing and office buildings (Rs. 82.00 crores) and Miscellaneous Loans for PSUs and URC (Unit Run Canteens) by CSD (Rs. 75.90 crores), etc.

(Rs. in crores)

	2008-09			2009-10		2010-11
	BE	RE	Actuals	BE	RE	BE
Gross Revenue	7757.21	8363.46	8390.73	9896.17	10822.59	11246.13
Capital	1006.68	804.98	578.40	1473.83	1257.90	1181.72
Gross Expenditure	8763.89	9168.44	8969.13	11370.00	12080.49	12427.85
Receipts (CSD) (-)	6393.07	6780.00	6869.50	-8200.00	-8500.00	-9000.00
Net Expenditure	2370.82	2388.44	2099.63	3170.00	3580.49	3427.85

#### Grant No. 21—Defence Pensions

1.10 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.

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

(Rs. in crores)

Actual 2008-09	20233.27
BE 2009-10	21790.00
RE 2009-10	24000.00
BE 2010-11	25000.00
Percentage variation in BE 2010-11 over BE 2009-10	14.73
Percentage variation in BE 2010-11 over RE 2009-10	4.17

1.12 As informed by the Ministry of Defence, the requirement of additional amount of Rs. 2210.00 crores in RE 2009-10 over BE 2009-10 is due to payment of 60% of the arrears consequent upon implementation of recommendations of the 6th Pay 11 Commission and increase in number of pensioners during the 2009-10. Increase in BE 2010-11 to RE 2009-10 is Rs. 1000.00 crores, which is mainly due to normal growth in number of pensioners and pensionary benefits during 2009-10 & 2010-11.

**The Projections made by the three services, allocations and expenditure made**

1.13 The information in regard to the projections made by the three services, allocations made and expenditure incurred from the year 2006-07 to 2009-10 and projections and allocation during the year 2010-11 is as under:—

(Rs. in crores)

Year	Service	Projection	Allocation	Expenditure
2006-07	Army*	45018.63	42316.61	39577.85
	Navy#	16653.21	16141.03	16198.16
	AF	26639.41	24864.91	24272.24
2007-08	Army*	49809.00	45316.54	45803.35
	Navy#	18387.80	17529.44	15885.41
	AF	28073.38	27021.74	23593.95
2008-09	Army*	54862.22	49228.23	57676.91
	Navy#	20166.39	19506.77	17248.01
	AF	34812.78	30126.98	29271.06
2009-10	Army*	83284.84	76117.23	58968.71 <sup>@</sup>
	Navy#	21352.59	20604.02	15859.30 <sup>@</sup>
	AF	37242.01	34432.26	25996.90 <sup>@</sup>
2010-11	Army	83867.64	74019.95	
	Navy	25945.54	21467.51	
	Air Force	49151.16	40462.45	

\*includes NCC.

#includes Jt. Staff.

<sup>@</sup>upto February 2010.

1.14 The details of the additional allocation sought by the Services/ Organizations during 2010-11 are as under:—

(Rs. in crore)			
Service	BE 2009-10	BE 2010-11 (Projected)	Additionality sought
Army	76117.23	83867.64	7750.41
Navy	20604.02	25945.54	5341.52
Air Force	34432.26	49151.16	14718.90
DGOF	1505.45	1247.79	-257.66
R&D	8481.54	11753.52	3271.98
DGQA	562.50	628.05	65.55
Total	141703.00	172593.70	30890.70

1.15 The above tables depict the gap the allocation *vis-a-vis* projections made by the services in each year and growth of allocation for the three services. There is growth in the outlays for the three services in all the years except for Army. The allocation for Army has decreased from Rs. 76117.23 crore (BE 2009-10) to Rs. 74019.95 crore (BE 2010-11). The reduction is of Rs. 2097.28 crore. Notwithstanding the growth in the allocation, the outlays do not match the projections made by the three services and there is underutilisation of the allocations made to them in all the years. From 2006-07 to 2010-11 against the projection of Rs. 316842.33 crore Army has got the allocation of Rs. 286998.56 crore, its gap being of Rs. 29843.77 crore. Against the allocation the expenditure is Rs. 202026.82 crore upto February 2010. The unspent amount is Rs. 84971.74 crore. From 2006-07 to 2010-11 against the projection of Rs. 102505.53 crore Navy has got the allocation of Rs. 95248.77 crore a reduction of Rs. 7256.76 crore. Against the allocation the expenditure is Rs. 65190.88 crore upto February 2010 the unspent amount is Rs. 30057.89 crore. Against the projection of Rs. 175918.74, the allocation of Air Force is Rs. 156908.34 crore. The gap being Rs. 19010.40 crore. Against, this actual expenditure is Rs. 103136.15 upto February 2010. The unspent amount is Rs. 53772.19 crore.

1.16 When asked to state the areas where compromises have been made or likely to be made by the reduced budgetary allocations

against the projections made by the three services, the Ministry in their written reply stated as under:—

“In so far as the revenue budget is concerned, after providing for obligatory payments on pay & allowances, the remaining allocation is made for purchase of ordnance and other stores, transportation, revenue works and maintenance, as 13 also miscellaneous expenditure, etc. All of these are impacted by reduced allocation. In addition, there are other activities and schemes, such as new raisings, Ex-servicemen Health Scheme, etc. that are likely to be impacted.

As regards capital budget, reduced allocation is likely to impact acquisition of land and capital works to varying extent. Some of the modernization schemes may also have to be deferred, though it is difficult to identify such schemes at this stage as reprioritization of acquisition schemes is a continuous process.”

1.17 Elaborating on the issue as why the projections have been kept higher when the Ministry is not in a position to utilise the given allocations, during deposition before the Committee Defence Secretary has clarified as under:—

“If you see in absolute terms the expenditure has been rising continuously. In fact, if you take the expenditure of the last five years and in relation to the earlier five years, it would almost be double if you take it together. The expectation of the Budget is what we project. Then the Ministry of Finance, the Ministry of Defence sit together and then decide the allocation based on the past experience..... What I was trying to reply was that when we project, this is what the Armed Forces feel is what they require and when you are asking, as I said, while the essential needs are never sacrificed, there is always some scope in certain areas, which if they get it they would be more comfortable.”

1.18 The Annual Report 2009-10 of the Ministry has particularly highlighted about the engagement of China in building its Comprehensive National Power encompassing economic and military development, which would enable her to play a dominant role in global affairs. With regard to Pakistan, the Annual Report has highlighted about continued infiltration across the LoC and the existence of terrorist camps across the India-Pakistan border. The information pertaining to China's Defence Expenditure as furnished by the Ministry reveal that its defence expenditure budget does not include expenses for strategic forces, foreign acquisitions, military related research & development (R&D) and paramilitary forces. Therefore, China's defence budget is actually much more than the declaration made in their official budget.

1.19 When asked about steps being taken by the Government to build the effective deterrent capability to safeguard the nation in the context of military capability of neighbouring countries *viz.*, Pakistan, China and Bangladesh, the Ministry in its written reply has stated as under:—

“Government is taking steps to ensure that the capabilities of the Armed Forces are enhanced in a well planned and integrated manner. Such measures include the induction of equipment and platforms, the strengthening of infrastructure and induction and deployment of skilled manpower.”

1.20 The details of the heads/service/departments under which there was underspending/overspending of the outlay provided at final grant stage is as under:—

(Rs. in crores)

Service/Deptt.	2007-08			2008-09		
	Final Grant	Actuals	Under spending	Final Grant	Actuals	Under-spending
Army	45753.98	45803.35	-49.37	58616.28	57676.91	939.37
Navy	15953.17	15885.41	67.76	17238.45	17248.01	-9.56
Air Force	23889.81	23593.95	295.86	28648.15	29271.06	-622.91
DGOF	87.09	-38.89	125.98	1709.60	1834.91	-125.31
R&D	6256.81	6104.54	152.27	7739.14	7699.05	40.09
DGQA	355.57	331.92	23.65	525.54	493.34	32.20
Total	92296.43	91680.28	616.15	114477.16	114223.28	253.88

#### Defence Services Estimates

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

(Rs. in crores)

Sl.No.	Demand	BE 2009-10	RE 2009-10	BE 2010-11
1	2	3	4	5
1.	Army (Revenue expenditure of Army, NCC and DGQA)	60270.83	59434.29	58995.19
2.	Navy (Revenue expenditure of Navy and Joint Staff)	8404.11	9439.56	9455.03

1	2	3	4	5
3.	<b>Air Force</b> (Revenue expenditure of Air Force)	14911.10	15274.75	15803.65
4.	<b>Defence Ordnance Factories</b> (Revenue expenditure of Ordnance Factories)	2496.95	3834.32	1999.84
5.	<b>Research &amp; Development</b> (Revenue expenditure of R&D)	4787.67	4379.25	5260.42
6.	<b>Capital Outlay on Defence Services</b> (Capital expenditure of all Services/Departments)	54824.00	47824.00	60000.00
	<b>Total (Gross)</b>	<b>145694.66</b>	<b>136264.00</b>	<b>151514.13</b>
	<b>Receipt/Recoveries</b>	<b>3991.66</b>	<b>3922.17</b>	<b>4170.13</b>
	<b>Total (Net)</b>	<b>141703.00</b>	<b>136264.00</b>	<b>147344.00</b>

1.22 The details of the actual expenditure till date under different heads/services/departments during the year 2009-10 is as under:—

(Rs. in crores)

Service/ Department	Revenue	Capital Outlay	Total
Army	50714.19	8823.35	59537.54
Navy	8128.65	7730.65	15859.30
Air Force	12291.38	13705.52	25996.90
DGOF	2115.20	122.81	2238.01
R&D	3756.99	2933.58	6690.57
<b>Total</b>	<b>77006.41</b>	<b>33315.91</b>	<b>110322.32</b>

Note: Army includes NCC & DGQA and Navy includes Joint Staff.

1.23 Since the year 2007-08 to 2009-10, there has been reduction in the allocation from BE to RE and there has been under utilization of the allocation provided at the RE stage. The difference between BE and RE during the year 2007-08 is Rs. 3500 crore and the unspent amount of allocation given in RE is Rs. 819.72 core. There was an increase of Rs. 9000 crore at RE stage during the year 2008-09 in comparison to BE.

1.24 The unspent amount of allocation given in RE was Rs. 376.72 crore. The increase at RE was mainly in the revenue side. The net revenue budget for BE 2008-09 was Rs. 57,593 crore, which was increased by Rs. 16,007 crore, to bring RE 2008-09 at Rs. 73600 crore to mainly cater to the additional requirement on account of pay and allowances of Services/Departments for implementation of Sixth Central Pay Commission's recommendations and hike in the prices of petroleum product etc. However, there was reduction of Rs. 7007.00 crore in the Capital Budget which has come down from Rs. 48,007 crore at the BE to Rs. 41,000 crore at RE stage. The BE net during the year 2009-10 for the Ministry of Defence was Rs. 1,41,703 crore which was reduced to Rs. 1,36,264 crore at RE stage *i.e.* a reduction of Rs. 5,439.00 crore over BE 2009-10. In the Capital outlay there is a reduction of Rs. 7000.00 crore which has come down from Rs. 54,824 crore at the BE stage to Rs. 47,824 crore at RE Stage. The net revenue budget from BE 2009-10 was Rs. 86,879 crore which has been increased by Rs. 1561 crore to bring RE 2009-10 at Rs. 88440 crore. The increase in revenue is mainly to cater for additional requirement on account of payment of revised pay and allowances and 60% of the arrears of revised pay & allowances consequent upon implementation of VI Central Pay Commission recommendations. The BE 2010-11 is Rs. 147344.00 crore. In comparison to BE of 2009-10, the increase is only Rs. 5641 crore *i.e.* 3.98% growth. In comparison to RE 2009-10, the growth is only Rs. 11080 *i.e.* 8.13% increase. When asked, to comment on the marginal hike in the defence budget during the year 2010-11 as compared to the previous year particularly in the context of the challenges before the country, the Ministry in its written reply has stated that:—

“The hike has to be seen in the light of the fact that 60% of the arrears of the pay & allowances increased on the basis of the recommendations of the Sixth Pay Commission were paid during the year 2009-10. The allocation for 2009-10 included this amount. The allocation for 2010-11 has to be seen with reference to the allocation for the last year minus the amount paid by way of arrears. However, it is a fact that the allocation made by the Ministry of Finance for the FY 2010-11 is less than the projection made by the Ministry of Defence, necessitating thinner spread of allocation over various budgetary heads.”

1.25 During oral evidence, the Defence Secretary further clarified the issue as under:—

“In this year's Budget you would find that while on the capital acquisition in relation to the RE, we have been able to increase



nearly about 24 per cent, but as far as the revenue side is concerned there is a negligible increase. We had projected for more but the ways and means position was difficult and the argument that the Ministry of Finance had given which we had brought out also in our presentation was that last year the Sixth Pay Commission arrears had to be paid and they found a sizeable chunk and this year those payments have not to be made and therefore that saving is available and therefore on the revenue side what they have said is, because we are doing certain accretion to the Armed Forces in the North East to strengthen our deterrent capability in that area we would require funds so we have been told that depending on the trends of funds they would be prepared to meet our requirements. I want to assure the Members that while the increment is less but we are continuously in touch with the Ministry of Finance and they have said that depending on your capability to spend and your requirement the Government will be more than willing to consider."

1.26 When asked about the reasons for reduction of Rs. 7000 crore under the capital head at RE stage during 2009-10 and how far it would affect the modernisation programme of the three services, the Ministry in their written reply has stated:—

"The Ministry of Finance reduced the allocation at the RE stage in January 2010 based on its own assessment of what the Ministry of Defence would be able to spend by the end of the financial year. This reduction would necessitate shifting of some schemes to the FY 2010-11."

1.27 While furnishing a brief note on supplementary grants and excess grants presented to the House during the previous year and for what purpose the amount spent so far, the Ministry has stated as under:—

"Last year (2008-09), additional amount of Rs. 16,007 crores was allocated by the Ministry of Finance at the RE stage under the revenue budget to meet increased requirement under 'pay & allowances' and 'stores', for which supplementary grant was obtained. The overall defence budget was increased by Rs. 9,000 crores, *i.e.* from Rs. 1,05,600 crores to Rs. 1,14,600 crores at RE stage. The revenue was increased by Rs. 16,007 crore whereas capital was decreased by Rs. 7,007 crores."

1.28 The expenditure position in absolute and percentage term during the first, second, third and fourth quarter of financial years of 2008-2009 and 2009-10, is as under:—

(Rs. in crores)

Year	BE	RE	Expenditure during the Quarter					
			1st	2nd	3rd	4th	Total	
2008-09	105600	114600	Amount	14943.13	20976.91	28900.85	49402.85	114223.28
			% of RE	13.04	18.30	25.22	43.11	99.67
2009-10	141703	136264	Amount	25678.22	33261.81	35391.66	—	—
			% of RE	18.84	24.41	25.97	—	—

1.29 The information provided in the above table shows that expenditure pattern in the fourth quarter of the financial years has been skewed. In 2008-09 about 43% of the budget was spent in the last quarter. However, it is encouraging to note that there seems to be an improvement as in the year 2009-10, the expenditure is expected to be 31% in the last quarters. When asked about the reasons for unequal trend of expenditure in the 1st, 2nd, 3rd and 4th quarters, the Defence Secretary during oral evidence stated as under:—

“The point about skewed expenditure that you have said is a valid point. We are trying to address this. This is not a problem exclusive to Defence. It pervades all the Ministries in Government of India. ....”

### Revenue Capital Ratio

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

	Revenue Ratio	Capital Ratio
IXth Defence Plan (Average)	74	26
Xth Defence Plan (Average)	64	36
2006-2007 (Actual)	60	40
2007-2008	59	41
2008-2009	64	36
2009-2010 (RE)	65	35
2010-2011 (BE)	59	41

1.31 Broad category-wise spread of revenue budget during BE and RE 2009-2010 and BE 2010-2011 in absolute and percentage term is as under:—

Revenue	BE 09-10	RE 09-10	BE 10-11	BE 09-10	RE 09-10	BE 10-11
Pay & allces.	52876	57080	53938	60.86 (37.31)	64.54 (41.89)	61.75 (36.61)
Stores & Eqpt.	21479	18674	20084	24.72 (15.16)	21.11 (13.70)	22.99 (13.63)
Transportation	2400	2498	2450	2.76 (1.69)	2.83 (1.83)	2.81 (1.66)
Misc. charges	3423	3074	4047	3.94 (2.42)	3.48 (2.26)	4.63 (2.75)
Revenue Works	6701	7113	6825	7.71 (4.73)	8.04 (5.22)	7.81 (4.63)
Total Revenue	86879	88440	87344	100 (61.31)	100 (64.90)	100 (59.28)
Capital	54824	47824	60000	100 (38.69)	100 (35.10)	100 (40.72)
Total Defence	141703	136264	147344			

(Figures in brackets are with reference to the total Defence Budget)

1.32 From the tables shown above, it is inferred that the revenue capital ratio has been improving towards the capital side as during IX Plan, the average ratio was 74:26 during X Plan, the average ratio was 64:36 during XI Plan. It has further increased as 60:40 during the year 2006-07, 59:41 during the year 2007-08, 64:36 during 2008-09, 65:35 during 2009-10 to 59:41 during 2010-11. The increase in revenue is largely due to salary increase and one time arrears due to implementation of Sixth Central Pay Commission's recommendations.

1.33 From the broad classification of revenue budget it is seen that the allocation under sub-head stores and equipment that is Rs. 21479 crore at BE 2009-10 has been reduced to Rs. 18674 at RE. The BE 2010-11 is Rs. 20084 crore Stores play a pivotal role in maintaining the equipment, machineries and clothing etc.

### Capital Outlay

1.34 The capital outlay provides allocation for land and construction works, Married Accommodation Project, DGOF issues, DRDO, and other Defence Departments and Capital Acquisition.

1.35 The break-up of allocation during BE, 2010-11 for capital outlay is as under:—

1.	Land & works of three services and Joint Staff	5159.26
2.	Married Accommodation Project	1805.12
3.	DGOF issues	3426.48
4.	DRDO, DGOF and other Defence Departments	5809.93
5.	Capital Acquisition Committee Liabilities New Schemes	43799.21

#### **Defence Procurement Policy (DPP)**

1.36 In their First report on Demands for Grants (2009-10), the Committee had observed the remarks of C&AG in its report Nos. CA 17 & 18 of 2008-09 that due to procedural delay in acquisition of various equipment and associate spares, many surveillance equipment could not be put to effective operational use and let to enormous increase in the project cost. Therefore, the Committee had recommended to take all the desired actions to streamline the procurement procedures and increase the Capital Outlay.

1.37 In this connection, when asked about the steps taken, the Ministry in its written reply has stated as under:—

“Modernisation of Armed Forces is a continuous process based on threat perception, technological changes and available resources. The modernisation is undertaken through procurement of defence equipment/platforms in accordance with the provisions of Defence Procurement Procedure (DPP). However, delays sometimes occur in some of the defence procurement projects due to several reasons such as insufficient and limited vendor base, non conformity of the offers to the Request for Proposal (RFP) conditions, field trials, complexities in contract negotiations, limited indigenous capability and long lead time for indigenisation etc. Further, the market for state-of-the-art defence equipment and platforms being circumscribed by denial regimes, limited availability of required type of material, complexities in construction and manufacturing involving integration of large number of systems, assemblies and sub-assemblies also cause delays. To counter systemic and institutional delays, procedures and process are continuously refined on the basis of experience gained during the procurement process. All procurements are guided by the Defence Procurement Procedure (DPP) and time-lines are being followed in consonance with the DPP. Adequate funds are made available for capital acquisition.”

1.38 Despite of the amendments in the Defence Procurement Procedure various important projects such as Aircraft Carrier Admiral Gorshkov, scorpene submarines, Advance Jet Trainers, LCA and Kaveri engine for and Hawk etc. are being delayed and the Ministry has been surrendering the allocation provided for defence modernisation. The LCA was sanctioned in the year 1983 and delayed for 26 years.

1.39 When asked to suggest some more amendments in the DPP to curb the delay, the representative of Ministry of Defence during oral evidence has stated that:—

“If there is an insufficient vendor base or a limited vendor base, then no guideline can help. The only solution is we have to see whether the vendor base can be increased. That is why we are identifying more foreign OEMs or having our own indigenous production capability in India....There is already a provision in the DPP for taking clearance of the DAC for purchase on a single vendor basis...Where other vendors are not available or where it is a propriety item, there is a provision in the DPP that we take the approval of the DAC for the single vendor case...”

1.40 When asked when there is no vendor or when there is a single vendor or the vendor base is limited, whether the guidelines required to be changed. The Defence Secretary during deposition before the Committee Stated that:—

“Our view is that the present DPP procedure covers this and change in guidelines would not really help to that extent. This is our considered view but Parliamentary Committee can take a view, if you feel it necessary.”

1.41 When asked why can not we implement some kind of a time-limit on the decision making process, while procuring items, the representatives of Ministry of Defence during oral evidence stated:—

“It is so because in respect of many items, when they come, we do not know about them.....If there is a problem in limited vendor base, suppose people do not respond, we expect a multi-vendor base, then we may go in for another tender. So, it will take some time. You asked for a certain specification. This happens in private sector also. It is not something unusual. You go for a tender for various reasons. Because of difficulty, because of something else, people do not respond to that tender. Then, we try it again. So, the process of trying again will take some time.”

1.42 When asked as to how can have a little more pro-active approach in trying to find out the vendors and doing the prior market research instead of waiting for the vendors to come to us, the representatives of Ministry of Defence during oral evidence stated:—

“That is there. The RFI has been introduced only for that purpose. It has been introduced in the DPP based on this suggestion. You are saying that we must float an RFI for complex systems and try to find out what kind of vendors are there.”

1.43 The break up of capital acquisition made from indigenous sources and capital goods imported during the last three years (service wise):—

<b>Army</b>			(Rs. in crores)
Year	Capital Goods from Indigenous Sources	Capital Goods from Foreign Sources	
2006-07	2929.79	815.22	
2007-08	3866.22	2829.32	
2008-09	3572.66	1832.25	
<b>Navy</b>			(Rs. in crores)
Year	Capital Goods from Indigenous Sources	Capital Goods from Foreign Sources	
2006-07	5991.75	3107.33	
2007-08	6431.41	1972.36	
2008-09	4774.99	4054.49	
<b>Air Force</b>			(Rs. in crores)
Year	Capital Goods from Indigenous Sources	Capital Goods from Foreign Sources	
2006-07	12347.03	1563.03	
2007-08	7319.59	5321.68	
2008-09	11390.76	4270.24	

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

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

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

#### **Recommendation of 13th Finance Commission**

1.45 To improve the quality and efficiency of defence expenditure, the 13th Finance Commission has recommended as under:—

“We (the Thirteenth Finance Commission) are of the view that there exists considerable scope to improve the quality and efficiency of defence expenditure through increased Private Sector engagement, import substitution and indigenisation, improvements in procedures and practices and better projects management, within the parameters of Government of India’s Policy. Efforts in this direction will further expand the fiscal space available for defence spending.”

#### **Married Accommodation Project**

1.46 The capital outlay provides allocation for Married Accommodation project. The allocation during 2010-11 is Rs. 1805.12 crore. The Committee during 14th Lok Sabha had examined the subject ‘status of Married Accommodation in Defence and Allied Services’ in depth and made several recommendations in their 30th report. In their action taken report, the Committee have made the following comments:

- (i) “To meet the pressing demands for the married accommodation for all ranks in the armed forces, the

Committee had specifically desired the Ministry to draw a realistic time schedule for expeditious completion of all the four phases of MAP without any intervening period among these.

- (ii) They had further recommended for de-centralization of project execution to the Level for their early completion.
- (iii) Even after reducing the dwelling units for construction during Phase I of MAP from 61,658 to 58,391 and extension of period of Phase I from 2005-06 to January 2009, the Ministry could construct only 41,088 dwelling units as on 31 October 2009 leaving a huge gap of 20,570 dwelling units in comparison to original Phase I targets.
- (iv) The Committee further note that the Ministry has fixed 31 March 2012 as the probable date of completion of Phase II and it has not drawn any time schedule for the remaining phases of MAP *i.e.* Phase III and IV as they are waiting to review the progress of Phase II.

So far as the recommendation of the Committee for construction of requisite number of dwelling units in Jammu and Kashmir and North-Eastern States is concerned, the same is proposed to be met by the construction under MAP. However, the Ministry has neither prescribed any time-frame for completion of married accommodation project in Jammu and Kashmir and North-Eastern areas nor has shown any progress made in this regard. Although, certain initiatives have been taken by the Ministry to obviate the delay in construction under MAP as indicated in the reply, the information supplied by the Ministry do not convince the Committee about the adequacy of the measures taken and their farsightedness about the accommodation problems faced by the Armed Forces personnel posted in these areas. In the absence of futuristic planning for the remaining phases of MAP and the tardy progress of work under Phase I, the Committee strongly believe that there will be inordinate delay in meeting the pressing demands for the married accommodation for the armed forces personnel more so for PBORs, sailors, airmen etc. Therefore, the Committee reiterate their earlier recommendations to chalk out the programme for the remaining phases without any intervention of time and then adhere to the prescribed time schedule by taking adequate measures for their expeditious completion in all the stations including Jammu & Kashmir and North-Eastern States. They further strongly feel that it will be in right perspective if the married accommodation project execution is decentralized to the Command Level for its speedy completion.



### **Outcome Budget**

1.47 While examining Demands for Grants (2009-10) the Committee were informed that:—

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

1.48 The Committee were further informed about the reasons for inadequacy for preparing Outcome Budget, as under:—

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

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

“The proposed new Demand for Grant should be entirely outcome oriented. However, even those service-specific organizations and establishments, such as workshops, repair organizations, naval dockyards and depots, which will remain within the Demand for Grant of the Service concerned, should immediately be brought under the regimen of outcome budgeting. Efforts have been made by some of the identified organizations to prepare outcome budget for the year 2008-09. A workshop should be conducted at the Institute for Defence Studies and Analyses to discuss these documents by bringing together experts and those dealing with

the subject in the Ministry of Defence and the Services Headquarters. Outcome orientation would not be possible unless the procedures are rationalized and there is need-based full delegation of powers. While the procedural aspect has been recently taken care of in the Defence Procurement Manual 2009, there is a need to review the existing delegation of financial and even administrative powers. The feasibility of delegating full powers to the organizations and establishments, which must adopt outcome budgeting should be considered."

1.50 When enquired about the present status of preparation of Outcome Budget, the Ministry in its background paper has stated:—

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

1.51 In their first report on Demands for Grants (2009-2010), the Committee had recommended for preparing Outcome Budget and present the same to the Parliament during the 2010-2011 at least for selected establishments *e.g.* Ordnance Factories, DPSUs, Naval Dockyards and depots etc. to begin with when asked about the steps taken in this direction, the Ministry in its written reply has stated:—

"The Hon'ble Committee has been apprised in the past of the efforts made by the Ministry of Defence in this regard and the inadequacies in the outcome documents prepared by the identified organizations in the light of the recommendations of the Committee, the matter was examined de-novo and it has been decided to renew the effort by getting Outcome Budget prepared in respect of National Cadet Corps (NCC) and the Married Accommodation Project (MAP). Orders in this regard have been issued on 18th February 2010."

### **Defence Planning**

1.52 During examination of Demands for Grants (2009-10), the Committee observed in regard to reasons for so much delay in finalisation of Long Term Integrated Perspective Plan (LTIPP) for the period 2007-2022, as under:—

"LTIPP 2002-17 exists. This vision document has five action sections in the form of Defence Five Years Plan. Based on these action

documents, the Annual Acquisition Plan for Capital procurement is culled. Currently, the recast 11th Defence Five Year Plan (2007-12) is in place and ratified by DAC. The next five year plan (2012-17) is also in place.

Post the DAC meeting of June 2006, it was decided to evolve fresh LTIPP covering the period 2012-27. A five stage process towards formulation of LTIPP is in advance stage. Preparation of LTIPP is a pioneering effort and involves seeking and incorporating comments from a host of agencies involved. The scope of these documents calls for a deliberate effort and any attempt to rush these documents is likely to prove counterproductive."

1.53 Pertaining to the present status, the Ministry in its written reply stated as under:—

"The LTIPP (2012-27) is in the final stages of preparation. It is awaiting certain inputs from Service HQs. The final draft will be put up to Defence Acquisition Council for approval shortly."

#### **11th Five Year Defence Plan**

1.54 Keeping in view the delay in finalization of 11th Defence Five Year Plan, the Committee in their earlier reports on Demands for Grants have been recommended for its early finalization. In this context when asked to state the present status of 11th Defence Five Year Plan, the Ministry in its written reply has stated:—

"1. The formulation of the 11th Plan was a result of review of the 10th Defence Plan's fructification and practical moderation of financial allocation.

2. The consultative process within the Services HQs was facilitated by HQ IDS and initial draft of the 11th Defence Plan document was forwarded to MoF in February 2006. The period of March to June 2006 involved a series of meetings to finalise, a capability relationship with a practical financial outlay for the three Services taking into consideration the major concerns of the Service HQs. This accommodation within financial expectations was possible through the tools of integration, sharing of developmental expenditure and suppressing the revenue segment to the barest minimum.

3. The 11th Defence Plan was presented to the Hon'ble RM and COSC under the aegis of FA(DS), in sessions involving presentations

by HQ IDS and the Service HQs. While giving the approval, the Hon'ble RM had stressed on ensuing maintenance of the planned course and taking stock of the situation in October and December each year so that revisions as needed could be incepted.

4. The present status of implementation of 11th Defence Plan and the year-wise status of Capital Acquisition Budget of 11th Defence Plan is as under:—

- (a) **FY 2007-08.** Actual expenditure known.
- (b) **FY 2008-09.** Actual expenditure known.
- (c) **FY 2009-10.** At RE Stage.
- (d) **FY 2010-11.** Projected BE worked out as per guidelines of MoD (Fin.) @ 15.55% increment over BE of FY 2009-10.
- (e) **FY 2011-12.** Projected BE worked out as per guidelines of MoD (Fin.) @ 15.11% increment over BE of FY 2010-11."

#### **Advance planning for the next Five Year Plan**

1.55 It has been mentioned in the Budget brief of the Ministry that the action to prepare the next Five Year Plan covering the period 2012-13 to 2016-17 would be initiated next year. With regard to Eleventh Five Year Plan, it has been mentioned that the Eleventh Plan is yet to be brought before the CCS as there has been difference of opinion between MoD and MoF regarding the plan size. Fourth year of the Eleventh Plan is shortly to begin from 1st April 2010.

1.56 When asked to elaborate on the basic differences between the Ministry of Defence and Ministry of Finance with regard to plan size, the Ministry has stated as under:—

"The 11th Plan projection made by the Ministry of Defence in July 2006 entailed annual average growth of 12.35% — with the growth under revenue and capital segments being 9.10% and 16.30% respectively. In September 2006, the Ministry of Finance advised the Ministry of Defence that it would be realistic to proceed on the assumption of about 8% assured minimum growth for the defence budget, which may go upto 10% if there is additional resource mobilization. The matter was again taken up with the Ministry of Finance and in May 2007, it was communicated by them that the projected outlay for the 11th Plan could be fixed by taking BE 2007-08 (first year of 11th Plan period) as the base and assuming 10% assured minimum year-on-year growth, with an annual growth of 6.5% for revenue expenditure and 13.64% under capital expenditure.

In February 2009, revised indicative growth rates that could be assumed were sought from the Ministry of Finance in the wake of implementation of the Sixth Pay Commission recommendations, and also keeping in view the fact that the first two years of the Plan period had elapsed and the BE for the third year had been fixed in March 2009. In response, it was intimated that the same growth rate of 6.5% could be assumed under the revenue segment on the higher base of RE 2008-09 and BE 2009-10, under capital segment growth rates for the remaining two years of the Plan period could be assumed to be 15.55% and 15.121% respectively, resulting in overall growth rate of 10%. It was also added by the Ministry of Finance that the actual allocation would depend, *inter alia*, on availability of resources with the Government at the relevant point of time, capacity of the Ministry to utilize the funds, pace of expenditure, contractual agreements and other committed liabilities.

The exercise carried out late last year to review the projections for the remaining two years of the Plan period resulted in the figures that entail growth of 35.96% and 17.13% under capital segment for the year 2010-11 and 2011-12 over the BE of 2009-10. Under the revenue segment, the revised projections resulted in a growth of 12.58% over BE 2009-10 for the remaining two years."

1.57 When asked as to how the Ministry would justify their planning process in view of the fact that the Eleventh Plan proposals could not be finalized even when three precious years of the Eleventh Plan are already over, the Ministry stated as under:—

"Insofar as the process of formulation of the Plan is concerned, it is submitted that the Five Year Plan finalized and the matter referred to the Ministry of Finance in July 2006, eight months before the commencement of the Plan period with effect from 1st April 2007."

#### **Zero Based Budgeting (ZBB)**

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

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

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

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

1.60 In their first report on Demands for Grants (2009-10), the Committee had recommended for preparing Demands for Grants based on zero-based budgeting approach. Apprising the Committee about the steps taken in this direction, the Ministry in its written reply stated:—

“Ministry of Finance with whom the matter was taken up has intimated that the Zero Based Budgeting exercise is being done by the Planning Commission. The entire defence budget being non-plan budget is, however, not subject to any scrutiny by the Planning Commission. However, it is submitted that the budgetary projections are finalized by the Ministry after a rigorous process of scrutiny at various levels to keep expenditure strictly as per requirement.”

#### **Defence Estate Organisation (DEO)**

1.61 During the year 2008-09, Rs. 70.44 crore were spent for Defence Estates Organisation (DEO). During the year 2009-10 BE was Rs. 88.52 crore which was increased to Rs. 207.58 crore at RE stage. Further during the year 2010-11 a provision of Rs. 189.06 crore has been made in this regard.

1.62 When asked to furnish the number of corruption cases during the last three years in defence and the disciplinary action taken against the errant officers, the Ministry has stated that:—

“During the last three years, three cases of corruption have been registered. Two of the three officers have been placed under suspension. In one case where investigation is still being done by CBI, the officer has been transferred out of the station.”

1.63 About the Sukna Land scam and the details of the case and the officers indicted and the action taken in this regard the Ministry has stated:—

“Eastern Army Command had convened a Court of Inquiry (COI) to inquire into the circumstances under which ‘No Objection Certificate’ for setting up Educational Institution with residential facility in the land within the Chumta Tea Estate, Sukna was conveyed. The land belongs to State Government of West Bengal. The Court of Inquiry in its findings and opinion found a number of officers blameworthy. The disciplinary and administrative proceedings against various officers found blameworthy were initiated. Two officers involved had filed applications before the Principal Bench of the Armed Forces Tribunal at New Delhi, *inter alia*, challenging the Court of Inquiry proceedings. In the case of one officer, the Tribunal has directed to reconvene the Court of Inquiry pertaining to officer. In the meanwhile, one of the officers has filed a SLP in the Hon’ble Supreme Court which was heard on 16.03.2010. The matter is now listed for 29.03.2010 in Hon’ble Supreme Court. Thus, the matter is sub-judice in Hon’ble Supreme Court. No similar case as above has been reported earlier.”

1.64 About the extant procedure with regards to issue of NOC for the use of defence land for commercial purposes, the Ministry has stated that:—

“There is no provision in the land policy of the Ministry of Defence for issue of No Objection Certificate for the use of defence land for commercial purposes. The policy, however, provides for grant of lease of defence land to public institutions such as Post Offices, Banks, Schools and Public Utility Concerns like Petrol Pumps, Cafeterias, etc. subject to the condition that the land can be spared.”

1.65 When asked whether the Ministry has ever thought of having a regulator for the huge Defence Estates in the country particularly in view of the recent scams notices in this regards, the Ministry has stated in their written reply as under:-

“Defence Estates Officers in the Defence Estates organisation maintain the record of all Defence lands. The Defence land is placed under immediate control and management of various agencies/ departments of the Ministry of Defence e.g. the Services, DRDO, Ordnance Factory Board, DGQA, Defence Accounts Department, etc., as per its usage. Lands given on lease/grants are under the management of respective Defence Estates Officers. The authorities

entrusted with the control and management of Defence lands are also responsible for prevention/removal of encroachment there from. The Defence Estates organisation also acts as the facilitator for acquisition/hiring of lands for Defence purposes. There is thus no need of a separate regulator.”

### **One Rank One Pension (OROP)**

1.66 Hon’ble President in her address to Parliament on 22.2.2010 stated that the recommendations regarding substantial improvements in the pensionary benefits of Personnel Below Officers Rank (PBOR) and Commissioned officers have been accepted. During the examination of Demands for Grants 2009-10, the Committee had been informed that the Committee headed by Cabinet Secretary on the issue OROP had made recommendations to substantially improve the pensionary benefits of pre 1.1.06 PBOR which have been accepted by the Government. The issue was discussed, 30 in the House also, where Hon’ble Prime Minister responded in positive. The Committee also asked for a note indicating the status of each of the recommendation with regard to OROP made by the said Committee and the status of their implementation and to state clearly whether the issue of one rank one pension has been accepted.

1.67 On this issue, the Ministry submitted as under:—

“The Committee headed by Cabinet Secretary made the following recommendations which have been accepted by the Government.

- (i) bringing parity between pension of pre and post 10.10.1997 PBOR pensioners.
- (ii) Inclusion of Classification allowance for PBOR from 1.1.2006.
- (iii) Further improving PBOR pensions based on award of GoM, 2006.
- (iv) Removal of linkage of full pension with 33 years from 1.1.2006.
- (v) Revision of Lt. General pension after carving out separate pay scale for them.
- (vi) Broad banding of percentage of disability/war injury pension for pre 1.1.2006 disability/war injury pensioners.
- (vii) Removal of gap on war injury element of pension in the case of disabled pensioners belonging to Category ‘E’.



1.68 The status of their implementation is as under:—

“The recommendations at (ii), (iv), (v), (vi) and (vii) stand implemented by issue of Government letters dated 30.10.2009, 19.1.2010 and 20.1.2010. Recommendations at (i) and (iii) have also been implemented by issue of letter dated 8th March 2010. Implementations of these orders will not only significantly reduce the gap between the Post and the current pensioners but will also considerably improve the pension of ex-servicemen including disabled ex-servicemen.

Recommendation No. (i) and (iii)	Average monthly increase in pension of pre- 1.1.06 PBOR will be in the range of around Rs. 800- Rs. 14001 for GPY depending on the rank and years of service.
Recommendation No. (ii)	Average increase in pension of PBOR is estimated to be Rs. 60 p.m. in basic pension.
Recommendation No. (iv)	Pension would increase by about Rs. 3000/- p.m.
Recommendation No. (v)	Pension would increase by about Rs. 8,800/- p.m.
Recommendation No. (vi) and (vii)	Total outgo would be to the tune of Rs. 43.67 crores p.a. Benefit to the individual would vary according to the percentage of disability.”

1.69 The Ministry further submitted:—

“After considering all aspects of the issue, the Committee did not find it administratively feasible to recommend One Rank One Pension, as such.”

1.70 On the financial impact of these recommendations, the Ministry submitted as under:—

“The financial implication on implementation of the recommendations would be to the tune of Rs. 2,200 crores p.a. approximately.”

1.71 During the oral evidence, a representative of the Ministry stated as under:—

“As we all know one rank one pension employees, equal pension for armed forces personnel retiring in the same rank with the same length of service irrespective of the date of retirement and any future enhancement in the rates of pension to be passed on to all the past pensioners and their families, etc. The Committee set up for the purpose is the Committee on OROP and related matters, and not just OROP. There were four land mark events that informed the deliberations of the Committee.

The first was the Fourth Central Pay Commission’s Report which in view of various reasons, found it difficult to recommend OROP. The second was the Fifth Central Pay Commission Report which for the same reasons did recommend OROP. After this was the Interministerial Committee of 2003 which is came to the same conclusion. Finally, the GoM constituted in January, 2005 also concluded similarly. The Committee took all these into consideration while examining the issue in its entirety and came to the conclusion that for various administrative financial and legal reasons OROP can not be recommended but substantial enhancements as was done by the GoM in the past where recommended and accepted by the Government.

The Law Ministry in July, 2008 has relied *inter-alia* on Supreme Court judgements in the case of Rathi and Nakara while giving their opinion on the subject, they have stated that the present system has stood the test of judicial scrutiny and hence recommend OROP as such can not be accepted.

One hon. Member had also mentioned about the financial implications. This Committee had recommended seven enhancements which are going to cost about Rs. 2200 crores the cost of OROP for all past and present pensioners was not been worked out because the Committee did not go in for that recommendation and also for the reason that it would have had to be also calculated for all civilian pensioners which are about twice in number. So, it is just a guess that it would be atleast a five digit thousand crore figure. In this background, the Committee decided to make seven recommendations which involve about Rs. 2200 crore and for which Government orders have been issued. These recommendations cover officer as well as personnel below officers rank. For all of them, orders have been now passed.”

1.72 In the supplement replies the Ministry has stated that:—

“Acceptance of the principle of One Rank One Pension has substantial financial implications estimated at Rs. 8000-9000 crore per annum.”

#### **Security of the Defence Network**

1.73 In present days Computer Hacking is one of the greatest threat to countries security. Our neighbouring countries are capable enough to take out strategic information from the computers being used by the Defence Services. When asked about the steps taken by the Government the representatives of the Ministry during oral evidence has stated as under:-

“The Government has constituted a Committee under the Cabinet Secretary to look into the matter relating to cyber security with regard to strategic data being maintained in computers by the Defence services and the Secretaries of various concerned Ministries including the Defence Ministry and Department of Information and Technology are members of this Committee. The Tri Services are also looking after this matter. We do not allow to upload projects in detail on internet.”

## CHAPTER II

### ARMY

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

#### Budgetary Allocation

2.1 The projections made by the Army Headquarters and allocation made for Budget Estimates 2010-11 and BE and RE of 2009-10 are given below:—

(Rs. in crores)

Head	FY 2009-10		FY 2010-11		Diff. with BE 2009-10
	BE	RE	Proj. BE	Alloc. BE	
Revenue	57,252	56,710 (-1%)	61,322	55,828	-1,424 (2%)
Capital					
• Acquisition	9,891	6,324 (-36%)	11,211	8,957	-934 (9%)
• Other than Acquisition	8,102	6,481 (-20%)	10,794	8,265	163 (2%)
Total	17,993	12,805 (-29%)	22,005	17,222	-771 (4%)
Grand Total	75,244	69,515 (-8%)	83,327	73,050	-2,194 (3%)

(Excluding DGQA & NCC)

2.2 The following figures submitted by the Ministry show minor head wise allocation of Revenue Budget, which is less than the projected amount, except Pay and Allowances:—

(Rs. in crores)

Head	2009-10		2010-11		Diff. with BE 2009-10
	BE	RE	Proj. BE	Alloc. BE	
Pay & Allces.	37,776	36,738	34,925	34,9224	-1,852
Tn.	1,468	1,550	1,673	1,417	-51
Mil. Farms	215	205	248	215	0
ECHS	690	870	1,180	901	211
Stores	11,439	9,703	13,820	11,229	-210
Wks.	4,232	4,589	6,243	4,289	57
RR	2,627	3,081	3,036	2,934	307
Other Expdr.	1,420	1,491	1,856	1,578	158
Total	57,252	56,710	61,322	55,827	-1,425

2.3 The 'Stores' is largest single head under Revenue after Pay and Allowances. The break-up of 'Stores' head and likely impact of less allocation is given below:—

(Rs. in crores)

Stores	2009-10		2010-11		Diff. with	
	BE	Re	Proj. BE	Alloc. BE	BE 2009-10	Proj. BE
ASC	3,636	3,340	3,714	3,623	-13	-91
AOC	6,625	5,178	5,580	6,444	-181	-2,136
Animals	0.20	39	2.50	0.20	0	-2.3
Med. & Vet.	440	460	526	451	11	-75
Engr.	195	178	347	188	-7	-159
Airframe & Engs.	196	183	247	189	-7	-58
Avn.	18	17	20.70	17	-1	-3.7
IT	325	305	375	314	-11	-61
Total	11,439	9,703	13,820	11,229	-210	-2,591

“The revenue budget will be utilized for:—

- (i) Accreditations planned in North East and other sectors.
- (ii) Ordnance inventory including ammunition.
- (iii) Welfare and hygiene needs for troops.
- (iv) J&K, NE and Siachen.

However, the additional funds are required for:—

- (i) Creation of six Disaster Relief bricks.
- (ii) Establishment of OTA, Gaya.
- (iii) Full compliment of chartered flights for troops.
- (iv) Meeting complete expenditure of ECHS.”

2.4 In the allocated Capital (Acquisition), the Ministry projected allocation of Rs. 11,211 crore while it was allocated only Rs. 8,957 crore, which is short of Rs. 2,254 crore. Minor head wise distribution of Capital Budget of Army (other than acquisition) as per the data submitted by the Ministry, is given below:—

(Rs. in crores)

Head	2009-10		2010-11		Diff. with BE 2009-10
	BE	RE	Proj. BE	Alloc. BE	
Hy. & Med. veh.	499	602	1,959	662	163
Other eqpt.	2,764	2,560	3,049	2,764	0
Land	72	62	134	72	0
Constr. wks.	4,722	3,238	5,597	4,722	0
ECHS	37	11	44	37	0
Mil. Farms	8	8	11	8	0
<b>Total</b>	<b>8,102</b>	<b>6,481</b>	<b>10,794</b>	<b>8,265</b>	<b>163</b>

2.5 The position of under spending is indicated in the data below:

(Rs. in crores)

Head	2007-08			2008-09			2009-10	
	BE	Expdr.	%	BE	Expdr.	%	BE	Expdr. upto 28 Feb. 10
Revenue	33269.16	33472.92	100.61	35431.65	46408.19	130.98	57251.69	49415.92
Capital	11621.02	11917.07	102.55	13307.82	10644.80	79.99	17992.64	8855.67
<b>Total</b>	<b>44890.18</b>	<b>45389.99</b>	<b>101.11</b>	<b>48739.47</b>	<b>57052.99</b>	<b>117.06</b>	<b>75244.33</b>	<b>58271.58</b>

### Shortage of Officers in Army

2.6 The sanctioned and held strength of Officers in Army is 46614 and 35158 respectively. There is a shortage of 11,456 officers in Army. As per the information given by the Ministry, there is no significant shortage of Personnel Below Officer Rank in Army.

2.7 The Ministry was asked to submit the information about sanctioned and available manpower in Army in all ranks. It has submitted the following data:—

“A number of steps have been taken to address the issue of shortage of officers. All officers including Short Service Commission Officers are now eligible for substantive promotion to the rank of Captain, Major and Lieutenant Colonel after 2, 6 and 13 years of reckonable service respectively. The tenure of SSC officers has also been extended from 10 years to 14 years. A total of 750 posts of Lieutenant Colonels have been upgraded to Colonel towards implementation of A.V. Singh Committee Report (Phase I). Further, 1896 additional posts in the ranks of Colonel, Brigadier, Major General and Lieutenant General and their equivalents in the other two Services have been upgraded towards implementation of A.V. Singh Committee Report (Phase II). The implementation of the recommendations of the Sixth Central Pay Commission with substantial improvements in the pay structure of officers of Armed Forces will also go a long way in making service in the Armed Forces more attractive.

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

### National Cadet Corps (NCC)

2.8 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 defence 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.

2.9 When asked about sudden enhancement in BE (2010-11) of Rs. 190 crore over RE (2009-10) of Rs. 159.60 crore under NCC, the Ministry submitted that the following are the main reasons for sudden higher allocation in RE (2009-10) over BE (2009-10) of Rs. 88.54 crore and still higher allocation in BE (2010-11) over RE (2009-10) as under:—

- “(a) Consequent to the placement of over 1400 Officers of the rank of Lt. Col. and equivalents in PB-4, higher allocation was made at RE stage (2009-10).
- (b) Arrears on account of (a) above were booked in September, 2009.
- (c) Grant of 6th CPC Pay & Allowances to 110 Whole Time Lady Officers (WTLOs) were made w.e.f. July, 2009.
- (d) There are 529 vacancies available in NCC. The process of filling up of these vacancies has already been initiated. The enhanced BE (2010- 2011) includes the probable expenditure to be incurred thereon.”

2.10 On the steps taken to make NCC popular in all schools and colleges, the Ministry submitted the following information:—

“NCC is already quite popular amongst the students of schools and colleges. Presently, 8770 schools and 5521 colleges are having NCC training in the country. The number of schools and colleges in the waiting list for NCC are 3780 and 2326 respectively.

Further, following activities have been undertaken by the Directorate General, NCC to motivate students in Schools and Colleges:—

- (a) Increased participation in Sports and Adventure activities viz., Mountaineering, Horse riding, Shooting, River rafting, Para sailing, Microlight flying etc. and also introduction of Hot Air Ballooning.
- (b) Expansion of Youth Exchange Programme with friendly foreign countries.
- (c) Additional motivational programmes instituted to encourage cadets to join Defence Forces.
- (d) IT exposure in all camps.



- (e) Training in Public Speaking, Personality Development and Career Counselling etc.
- (f) Increased NCC participation in Social and Community Development Programmes."

2.11 During the oral evidence, on being asked about the impediments faced by the Ministry to increase the strength of NCC. Further, the representatives of Ministry of Defence submitted before the Committee as under:—

"... We are happy if the NCC strength goes up from 15 or 17 to 20 lakhs more. But there are certain inherent requirements for a force of this nature. Number of cadets is no problem. Budget is also not a major problem. The problem is of the supervisory staff which are from the Army, Navy and Air Force. All these three services have a crunch as far as the officer cadre is concerned. The minute these three services can provide us with the supervisory staff of the Army, Navy and Air Force, we can increase them to almost any level. In fact, just for the sake of information, NCC was made compulsory, as we are all aware, in 1963. Thereafter, it was discontinued in 1968, the reasons being that the supervisory staff fell short of the expectations because they could not manage such a large crowd.

As of now, the schools enrolled are 8790, out of which 6928 are government schools and 1842 are private schools. Similarly 5521 colleges are enrolled, out of which 4417 are government and 1104 are private colleges."

### **Recruitment Rallies**

2.12 The Ministry on being asked about the recruitment procedure in respect of Jawans submitted the following:—

"Recruitment to the Indian Army is based on merit and is equally open to every citizen of the country, irrespective of caste, creed, tribe or religion. The recruitment of Personnel below Officers Rank (PBOR) is done through open rally system. Rallies are held at various locations and an attempt is made to cover each district of the country at least once in a recruiting year. The candidates are tested for physical standards and medical fitness at the rally site. The medically fit candidates are put through the written test. Merit list is then drawn up and candidates enrolled as per the existing vacancies. The selected candidates are dispatched to training Centres after due verification."

### Support to Families of Gallantry Awards Winners

2.13 The Ministry submitted the following information on the support being provided by the Government to Gallantry award winners:—

“The quantum of monetary grants to recipients of various gallantry award winners irrespective of rank and income is as follows:—

Particular of Gallantry Award	Monetary Allowance (Rs. per month)
Param Vir Chakra	3000
Ashok Chakra	2800
Maha Vir Chakra	2400
Kirti Chakra	2100
Vir Chakra	1700
Shaurya Chakra	1500

Each Bar to the decoration carries the same amount of monetary allowance as admissible to the original award.”

2.14 The Ministry further submitted:—

“Besides the monetary grants attached with the gallantry awards paid by the Central Government, there are various welfare schemes extended to the families of gallantry award winners. Salient features of which are given as under:

- (a) Preferential admission into MBBS/BDS colleges to the wards of the Gallantry awardees.
- (b) Rail travel in I-Class/II-AC Class to the recipients of PVC, Ashok Chakra, MVC, Kirti Chakra, Vir Chakra and Shaurya Chakra and the widows of posthumous winners of these Gallantry Awards alongwith a companion.
- (c) Air Travel Concession: 75% concession to recipients of Gallantry Awards of class I & II *viz.* PVC, Ashok Chakra, MVC and Kirti Chakra, Victoria Cross, George Cross, Distinguished Service Cross, Military Cross, Distinguished Flying Cross and George Medal.
- (d) Full concession in normal rental charges of MTNL telephone connections.

- (e) Financial Assistance under Armed Forces Flag Day Fund/ Raksha Mantri Discretionary Fund Schemes for various purposes *viz.* daughter marriage, education grant, House repair and medical treatment.
- (f) Scholarship under PM Scholarship scheme.”

#### **Benefits to Ex-Servicemen, War Widows and Disabled Soldiers**

2.15 There are number of grievances pertaining to war widows and disabled soldiers as well as Ex-servicemen(ESM), the Committee suggested that Ministry should have a toll free number for better grievance redressal, to this the Ministry in its written reply stated as under:—

“The Rajya Sainik Boards (RSBs) and Zila Sainik Boards (ZSBs) at the state and District level respectively assist KSB in implementation of the welfare/resettlement agenda of the Government. Besides, other officers and staff in KSB, an officer (Joint Director–Grievances) exclusively looks into the Grievances of ex-servicemen, War Widows and Disabled soldiers. In addition, the Department is also in the process of setting up a computerised Grievance Redressal mechanism. This will ensure quick response to ESM grievances including war widows and disabled soldiers. The important telephone numbers of the officers of Kendriya Sainik Board (KSB) are given in all the publications issued by KSB and also on the Director General Resettlement (DGR) website ([dgrindia.com](http://dgrindia.com)) as well as in the telephone directories of the three Service Headquarters. Therefore, a toll free number for the purpose of grievance redressal of war widows and disabled soldiers is not being considered.”

2.16 On disseminating of information about benefits being given to war widows and disabled persons, the Ministry in its written reply submitted as under:—

“Kendriya Sainik Board/MoD issue various periodical publications, Posters, Calendars and Diaries which include information on all important benefits and concessions for the welfare of ESM extended by the Central and State Government. This publicity material is distributed in sufficient quantity to the three Service headquarters, 32 RSBs and all the Zila Sainik Boards for further dissemination to the lowest level. The posters and calendars are used for publicity by placing them in almost all areas like CSD canteen, clubs, MI Rooms/ECHS Poly clinics, offices of ZSB and RSB which are frequented by the ESM community. In addition, all special important events like holding of ESM rallies etc. are given wide

publicity through local newspapers as well. The Department of Ex-Servicemen Welfare is in the process of entering into an agreement with Doordarshan/AIR for telecast/airing of documentaries/programmes which will highlight the welfare and resettlement activities/policies of the Government for welfare of ex-servicemen."

### **Ordnance Factories**

2.17 Ordnance Factories are an integrated organisation for indigenous production of defence hardware and equipment. Indian Ordnance Factories organisation has several old as well as state-of-the-art Factories. The first Ordnance Factory was established in 1801 at Cossipore, near Kolkata. At present, there are 39 Ordnance Factories. Two new factories are being set up.

2.18 The allocation made for Renewal and Replacement Head in the current budget for modernisation of Ordnance Factories, is Rs. 325 crore which seems to be very less. On this, the Ministry explained the position as under:—

"In Ordnance factories, the expenditure on Modernisation is booked under two heads namely RR (Renewal & Replacement) & NC (New Capital). While the expenditure under RR head broadly relates to the annual depreciation charged in costing, the expenditure under NC head is mostly against sanctioned projects. Army has worked out and intimated their long term requirement of ammunition and Armoured Vehicles. The investment plans for modernization and capacity augmentation have accordingly been formulated. Investment proposals of Rs. 388.89 Cr. for T-72 variants, Rs. 78.91 Cr. for BMP-II, Rs. 1514.95 Cr. for large Caliber weapon and Rs. 47.73 Cr. for Mine Protected Vehicles are being progressed. Due to limited availability of vendors (world wide) for supply of the explosives manufacturing and automatic explosives filling plant, the investment plan for explosive plant could not be finalized. Investment proposal worth Rs. 2300 Cr. are being pursued for procurement of explosives manufacturing plant such as Single Base Propellant Plant, Nitro Cellulose Plant, Picrite Plant, Nitro Glycerine Plant, Small Arms Ammunition Plant etc."

2.19 During oral evidence, on the issue of modernisation of Ordnance Factories, a representative of the Ministry of Defence submitted as under:—

"We have looked at it in our reviews in the months past. We have asked the Ordnance Factories to draw up projects for faster modernisation and for expansion of capacity. Expansion of capacity

is required especially in the field of tanks and Armoured Personnel Carriers. So, they are working out projects for automating and getting it done faster. There are difficulties because in many of the machines we are finding that there is only one vendor.

For example, for making specialist ammunition you need specialist machines. They have tendered. They have come across to a single vendor cases. These have not been able to progress because they have not been able to actually establish the reasonableness of the price. So, we have had discussions on that. I have asked them to progress these cases. They have tendered twice and still not got any more vendors. I have asked them to progress these cases. So, we are trying to expedite the process.

There is also a question of not trying to take on too much at the same time; take on only that which can be accomplished within a timeframe instead of spreading it very far and wide."

2.20 During oral evidence, on the issue of export, a representative of the Ministry of Defence submitted as under:—

"I think, gradually we will move into that direction of having greater exports. Currently, the capacity itself is a constraint. We have found that the ordnance factories have not really been able to meet the requirements of the Defence forces in full. They are very busy. They are just meeting the requirements of our own Defence Forces. Once we have a higher capacity, then probably we will be able to think of exports in a bigger way. Right now, the Ordnance factories and the DPSUs are finding handful just to meet the requirements of our own Forces."

### **Border Roads Organization**

2.21 Border Roads Organisation develop and maintain operational road infrastructure in border areas and contribute to socio-economic development in border States. The border roads are very important for the defence of the country as they help in fast movement of personnel and equipment.

2.22 On the augmentation of the defence infrastructure on India's border, the Ministry submitted as under:—

"To augment the Defence infrastructure on the India's Borders, MoD has taken a holistic view and following three plans have been prepared covering these borders:—

- (a) Long Term Perspective Plan (LTPP) Priority-I with Probable date of completion (PDC) 2012. LTPP1 consist of 130 roads of total length 4881 Kms.

- (b) Long Term Perspective Plan (LTPP) Priority-II with PDC 2022. LTPP-II consists of 255 roads of total length 10104 Kms.
- (c) Indo-China Border Roads (ICBR): 73 roads with total length of 3678 Km have been identified as part of development of roads along Indo-China Borders roads, for development in a fast track manner. Out of these 73 roads 61 roads of total length 3429 km are with BRO. Out of these 61 roads, 12 roads of length 512 Kms have been completed, 07 roads of length 163 Km will be completed by 2010, 08 roads of length 237 Km will 43 be completed by 2011, 19 roads of length 1273 Km will be completed by 2012, 09 roads of length 694 Km will be completed by 2013 and 06 roads of length 544 Km will be completed after 2013."

2.23 In reply to a question regarding problems being faced by BRO, the Ministry forwarded the following reply:—

- “(a) Delay in forest clearance cases: Total about 2200 Km of road stretches on 74 roads are affected due to delay in forest clearances.
- (b) Shortage of Airlift causing inadequate logistic feeding and inadequate deployment of machinery resulted into delay/slow progress.
- (c) Limited working season availability in the high altitude areas due to early & prolonged winter/snow season.
- (d) Hard rock strata on some of the stretches causing slow progress.
- (e) Working in J&K and North Eastern states, which are disturbed due to prevailing militancy and insurgency, resulted into time over run and cost over run.
- (f) Shortage of competent and willing contractors in high altitude areas.
- (g) Gorkha Janmukti Morcha (GJM) often calls bandh and stops works by BRO and interrupts movements of machines/equipment in Sikkim and West Bengal regions.”

2.24 The Ministry was asked about any special power given to army/BRO to clear forest. It submitted the following:—

“No special power is given to army/Border Roads Organization. An Interlocutory Application No. IA-2626 was filed in

Supreme Court seeking permission for the maintenance and the construction of the roads within 50 Km. of the Indian Border/ LOC/LAC without obtaining the approval under the Forest (Conservation) Act, 1980. The matter is presently sub-judice.”

2.25 On sufficient allocation made, the Ministry submitted as under:—

“Sufficient allocation is made in this year’s budget for maintenance/ Upgradation and new construction of roads in border areas/states. Total Rs. 2883.61 Cr. has been allocated for the Financial Year 2010-11. Length of roads planned for construction in Financial Year 2010-11 is about 920 Km in total.”

2.26 During oral evidence, a representative of the Ministry submitted as under:—

“...As far as BRO Indo-China roads are concerned, they have been assigned the highest priority and it is also true that forest clearance and wild life clearance has been one of the issues with which we are grappling. So basically, we have to comply with the law of the land and there is no way to circumvent that or by-pass that. So, at the level of Cabinet Secretary periodic meetings are taken and sub-committee has been formed in our Ministry under the Chairmanship of Additional Secretary. Then we have got people from the Forest Department, the State Government concerned and others who meet once in 15 days or so.

As a result of continuous persuasion, out of 96 cases, we have got final clearance in 49 cases and in principle approval for remaining 32 cases. So, altogether about 77 or 78 cases are there. Five are going to be cleared very shortly and about 16 cases are pending.”

## CHAPTER III

### AIR FORCE

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

The role of Indian Air Force is:—

- Air Defence of Nation
- Wage War if called upon
- Provide Assistance to civil Administration

The objectives of Indian Air Force are:—

- Look Farthest
- Reach Fastest
- Hit Hardest
- Protect

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

- Increased Surveillance and Automation of Air Defence (AWACS, AEROSTATS & RADARS)
- Enhancement of Strategic Reach (FRAs, Buddy Refuelling PODS).
- Sustaining Combat Force Levels.
- Precision Guided Munitions (PGMs), UAVs & EW Systems.
- Upgradation & Modernization of combat and support squadrons.
- Replacement of Vintage SAM Systems.
- Development of Network Centric Operations Capability.
- Modernization of Airfields & Infrastructure.
- Focus on Training, Simulators and Development of Human Resource.



**Projections made by Air Force Headquarters and allocations made during the year 2010-11.**

3.3 The amount projected by Air Headquarters and the budget allocation made during the year 2010-11 are as follows:—

(Rs. in crore)

	Projected BE	Sanctioned BE	% of Allocations to projections
Revenue	17483.60	15210.73	91.63
Capital Budget	31667.56	25251.72	79.77

3.4 The percentage of Air Force Budget (both revenue and capital) to the total Defence budget during the last three years is as under:

(Rs. in Crore)

FY	Defence Budget		Air Force Budget				
			Capital		Revenue		Total
	Allocation	%	Allocation	%	Allocation	%	
2007-08	96000	16828.73	17.53	10193.01	10.62	27021.74	28.15
2008-09	105600	19271.42	18.25	10855.56	10.28	30126.98	28.53
2009-10	141703	20114.08	14.19	14318.18	10.10	34432.26	24.30

3.5 With regard to financial allocation of Air Force during the first three years of the Eleventh plan, the following data was made available in the Committee:

Year	Allocation	Actuals	Rs. in crore unspending
2007-08	27021.74	235993.95	3427.27
2008-09	30126.96	29271.06	855.90
2009-10	34432.26	25996.90 (upto February 2010)	6435.36

3.6 When ensured about the reasons for unspending the representative during the course of oral evidence stated as under:

“There are some slippages on the part of the Air Force. xxx The reasons are that the projections are given around five months before

the allocation. Thereafter, the review is carried out based on how the schemes are fructifying. When the schemes make progress sometimes there may be some procedural delays.”

3.7 The representative during the course of oral evidence further submitted that during the current year (2009-10) whatever has been allocated has been fully utilised.

3.8 When ensured about the details of unspending item-wise, the representative stated:—

“Sir, it is difficult for us to give you each and every area where it happened.”

#### **Shortage of officers in Indian Air Force**

3.9 The Ministry had informed the Committee that the sanctioned strength of Air Force officers is 12,183 and the present strength of officers is 10,840. The sanctioned strength of PBOR in the IAF is 1,31,174 and the present strength is 1,25,763 as on 01 March 2010.

3.10 In a written reply to a query regarding steps taken to fill the gap between the required and existing strength of officers and PBORs in Air Force, the Ministry of Defence stated as under:—

“In respect of officers, concerted efforts are made by the Government to carry out a proactive publicity campaign to reach the target group across the country, such as (i) participation in career fairs and exhibitions to enhance one-to-one interaction; (ii) Advertisement in print and electronic media including recruitment and career related articles; (iii) motivational lectures in schools/colleges; (iv) distribution of publicity material to target group; (v) visuals/signages at vantage points all over the country at strategic locations. The Short Service Commission for Flying Branch has been modified to make Men eligible for this branch. Earlier only women were eligible for applying for Short Service Commission for flying branch. The implementation of the recommendations of VIth Central Pay Commission shall also go a long way in attracting youth.

In respect of PBORs, efforts are also on to induct and train more air warriors to make good the deficiencies through Scheduled Tests and Recruitment Rallies. Presently 7200 PBORs are being inducted every year. It is planned to bring the strength at par with the establishment by the year 2011.”

3.11 When enquired about the measures taken by the Government to ensure adequate motivation/morale of Air Force personnel, the Ministry in a written reply submitted as under:—

“Adequate steps are being taken to ensure that the motivational level of Air Force personnel remains all time high. Improvement in job profile and service conditions is a continuous process. The implementation of Ajay Vikram Singh Committee (AVSC) Phase-I and Phase-II recommendations and the implementation of 6th Pay Commission recommendations have gone a long way in improving the motivation level of Air Force personnel. The implementation of the New Pension Scheme is also a step in this direction.”

3.12 Elaborating on the impact of the implementation of Sixth Pay Commission recommendations, the representatives of Air Force during the course of oral evidence submitted:—

“To overcome the shortage of pilots, we have very recently started short service commission for fighter pilots also. Initially it was only for lady officers; now it has been started for fighter pilots. After 14 years, they would also given an opportunity to leave. This has started recently and for the information of the august gathering here, last month when I was there in the Air Force Academy, it was very nice to note that qualified doctors, qualified engineers, people employed in MNCs have started joining the Air Force directly into the flying jobs which is very encouraging, thanks to the Pay Commission and other incentives that have been started.”

#### **Light Combat Aircraft Development Project**

3.13 Light Combat Aircraft (LCA) Development Programme for building six Prototypes was sanctioned in August 1983 at a rough cost of Rs. 560 Cr. and this cost was to be finalized after completion of Project Definition Phase (PDP). The PDP was completed in the year 1988. Building of seven LCA Prototype Vehicles (PVs) was recommended during Development phase. In 1990, a decision was taken to undertake LCA development in two phases — in the first phase to build two Technology Demonstrators (TDs) along with development of critical technologies including Multi Mode Radar (MMR) and in the second phase to build rest of the PVs, integrate Weapons, Sensors and flight test the aircraft leading to Initial Operational Clearance (IOC) and Final Operational Clearance (FOC).

3.14 The Committee have been apprised that the first phase of Tejas was completed on 31 March, 2004. The likely date of completion of second phase was 31 December 2008, which was spilled over to 31 December, 2012 with additional fund reserves of Rs. 2475.78 crore.

**Tejas (Light Combat Aircraft) Full Scale Engineering Development (FSED) Programme**

**3.15 FSED Phase 1**

Sanctioned cost	: Rs. 2188 Cr. (inclusive of rough estimate of Rs. 560 Cr.)
Probable date of completion	: 30 June 1998
Total expenditure	: Rs. 2188 Cr.
Actual date of completion	: 31 March 2004

**FSED Phase 2**

Sanctioned cost	: Rs. 3301.78 Cr.
Probable date of completion	: 31 December 2008
Revised PDC	: 31 December 2012 (with additional fund of Rs. 2475.78 Cr.)

In November 2009, sanction has been accorded for continuing Full Scale Engineering Development of LCA till 31 December 2018 with an estimated additional cost of Rs. 5302.98 crore.

**Major achievements**

Flight Test Phase on LCA, Tejas initiated on 04 January 2001. Overall objectives of Tejas FSED Phase I have been achieved in March 2004 with completion of 202 flight tests on Tejas (TD1, TD2 & PV1) demonstrating critical technologies identified during PDP. As on 15 March 2010, total 1324 flight tests (776 hrs: 59 mins flight duration) have been completed utilizing 08 Tejas aircraft. Handling quality is adjudged as "very good" by 15 test pilots of IAF and Indian Navy. Maiden flight of the first two-seater (Trainer) version Prototype Vehicle"- Tejas (PV5) occurred on 26 November 2009. Presently, LCA Phase 2 activities leading to Initial Operational Clearance (IOC) are in progress. GE F404 IN20 Engine and Martin Baker Mk 16G Ejection Seat installed & functional on Tejas. External Stores (800 ltr. & 1200 ltr. Drop Tank) identified for IOC integrated and flight tested. Air-to-Ground weapons, like Practice Bombs and 1000 lb Bombs integrated and dropped successfully. Air-to-Air Close Combat Missile (R73E CCM) released from Tejas. Sea level trials completed at

Arrakonam & Goa. Hot weather trials (Phase 1) completed at Nagpur. Cold weather flight trials (Phase 1) carried out successfully at Leh. Night flying trials (Phase 1) completed. Crosswind take off and landing carried out successfully. Initial Operational Clearance (IOC) is scheduled to be completed by Dec. 2010”.

3.16 During evidence, the Committee were further apprised that our Light Combat Aircraft is Fourth Generation technology which is considered to be state of the art aircraft. Fifth Generation aircraft are still on the drawing board in the world. It is the United States of America alone which has the Fifth Generation Aircraft, F-22.

3.17 The Committee had further been informed that the engine for Tejas was running into some problem. When enquired whether the option of either importing an engine for Tejas replacing Kaveri engine has been explored and if so, whether final decision in this regard had been taken, the Ministry of Defence in their written reply stated as under:—

“The final decision to import suitable engines in place of ‘Kaveri’ Engine is taken. Request for Proposal (RFP) in this regard is floated. RFP response received. Technical Evaluation of the offers received is under progress.”

#### **Accidents of aircraft in Air Force**

3.18 When asked to furnish the accident data of Indian Air Force for the last five years along with the basic reasons identified for such accidents Aircraft wise, the Ministry of Defence stated as under:—

“During the last five years (FY 2004-05 to 2008-09) and current financial year (*i.e.* 01.04.2009 to 15.03.2010) 74 accidents involving IAF Aircraft took place. The main reasons for these accidents are Human Error, Technical Defects and Bird Hits.”

3.19 On being enquired about the percentage of accidents due to technical defects, human failure as well as bird hit, the Ministry of Defence furnished the following statistics:—

“The percentage of accident due to Technical Defect, Human Failure and Bird Hits for the last five years (FY 2004-05 to 2008-09) and the current Financial Year ( 01 Apr. 2009 to 15 Mar. 2010) is as follows:—

(a) Technical Defects	:	41.89%
(b) Human Failure	:	44.59%
(c) Bird Hits	:	6.76%

3.20 Regarding remedial actions taken/proposed to be taken to minimize such accidents, the Ministry of Defence stated as under:—

“The Indian Air Force has taken various measures to reduce aircraft accidents. These measures relate to invigoration of Aviation safety organization, 51 streamlining of accident/incident reporting procedure, analytical studies and quality audits of the aircraft fleets to identify vulnerable areas and institute remedial measures. Ornithology cell, which carries out bird surveys at flying bases and suggests bird prevention modules, has been established at the Dte of Aviation Safety. Also, Avian radars are being procured which provide real time data on birds like height number, collision course etc. to aircraft for taking necessary evasive action. Air Force System on Error Management (AFSEM), which would help IAF in predicting and preventing accidents, is proposes to be implemented. Visit of all flying bases by senior Aviation safety functionaries of IAF has been undertaken to apprise & caution the operating units about the causes of the accidents and to get views towards enhancing Aviation safety. Measures like Operational Risk Management (ORM) and Crew Resource Management (CRM) have been implemented to generate a safe flying culture. Also, accident prevention programmes have been given an added thrust to identify risk prone/hazardous areas specific to the aircraft fleets and operational environment to ensure safe practices/procedures.”

3.21 During oral evidence the representative of the Indian Air Force stated:—

“We have a continuous process of analysis of our accidents in comparison to the Modern Air Forces of the world our economic started building up post Nineties where the Government could give us money to go in for latest technology on aviation related issues. Prior to that, we had first generation objects of Fifties, which we are still flying by the way.”

3.22 With regard to the problems being faced by the Air Force in respect of trainer aircraft, the representative of Air Force during the course of deliberations informed as under:—

“Our basic trainer aircraft is HPT-32 about which you must have all read often in the newspapers a few months back that we had some problems. This aircraft has been manufactured by HAL. We have had problems of the engine and airframe meeting over the years. A decision was taken a few months back, after the latest accident that we ground this aircraft till the time we find a technical

solution. At the same time, the Government has been very kind to allow us to go in for a certain number of aircrafts for global purchase, and the rest will be manufactured by Hindustan Aeronautics Ltd."

3.23 With regard to acquisition of Jet Trainer Aircraft, the Ministry in the written note has informed that it took nearly 20 years to finalise the procurement. This was the time taken to assess the various aircraft available for induction as Advanced Jet Trainer for the IAF and subsequently negotiate the price and terms for transfer of technology. The Ministry has further informed that CCS approval was finally accorded in September 2003 and the contract was signed in March 2004. The Airforce is facing problem with regard to upgradation of simulators. In this regard, the following information was furnished by the Ministry:—

"The older trainer aircraft held by the IAF are of the 70-80s vintage, specific technology for simulators on these account were not readily available at the time of purchase and thus no suitable simulators were inducted earlier for training. A number of crude, early generation simulators faced upgrade inabilities due to obsolescence. The Kiran simulator at Air Force Academy was one of these with old valve type technology. Replacement of this was not available even in world markets. The IAF through its efforts coordinated with DRDO for the upgrade and DRDO accepted the task of the Kiran Simulator upgradation at AFA. After taking an advance of Rs. 99 Lakhs, they expressed their inability to upgrade the simulator. The loss of Rs. 99 Lakhs in the process had been placed under objection by CAG. That simulator thereafter never got upgraded. In its endeavour to ensure that quality training is imparted to its trainees, IAF carried out a market research and identified a private vendor (M/s. TSL Technologies Limited) with whom contract was signed in March 2004 for development and supply of 09 Cockpit Procedure Trainers (CPT) and 09 Practice Procedure Platforms (PPP) for the Kiran and HPT-32 trainer account of the IAF. The contract was however, frozen in July 2006 bases on an advisory from MoD since the credentials of M/s. TSL Technologies had come under scrutiny and re-cleared subsequently in June 2008 to facilitate delivery and installation of the contracted simulators at the Training Establishments. These have been operationalized at all FTEs operating the aircraft and are being effectively utilized for training of pilots."

### **Acquisition of Advanced Jet Trainers, etc.**

3.24 From the information made available, the Committee noted that the Government had proposed acquisition of Advanced Jet Trainer and Advanced Light Helicopters on fast track. However, the proposal of acquisition of mid-air refuellers had been turned down by Finance Ministry. When asked to furnish the reasons for the same, the Ministry of Defence in their written reply stated as under:—

“Contract for the procurement of 66 Hawk Advanced Jet Trainer aircraft was signed in March 2004. Of these 24 aircrafts were procured directly from M/s. BAES, UK and 42 were to be produced under license by M/s. HAL. A proposal for procurement of additional aircraft from M/s. HAL is currently being progressed.”

3.25 When the Committee ascertained from the Ministry of Defence whether it was a fact that it took twenty two years to finalise contracts towards fulfilling the felt need for inducting an aircraft to meet essential training requirement of the Indian Air Force pilots, the Ministry of Defence clarified as under:—

“It is admitted that it took nearly 20 years to finalise the procurement. This was the time taken to assess the various aircraft available for induction as Advanced Jet Trainer for the IAF and subsequently negotiate the price and terms for transfer of technology.”

3.26 When asked about the steps taken by the Ministry to ensure that such delays do not recur in future, the Ministry of Defence elaborated as under:—

“Defence procurements are now conducted in accordance with the Defence Procurement Procedure (DPP) which prescribes a stage-wise time frame for progressing of cases. The DPP now envisages a time frame of about 20 to 34 months for finalisation of major procurement cases.

#### **Advanced Light Helicopter**

The last contract for procurement of Advanced Light Helicopter was signed in 2007 which are yet to be delivered.

#### **Flight Refueller Aircraft (FRA)**

The IAF took up a case for procurement of FRAs to meet the growing air-to-air refuelling task in the IAF and the Navy. In



response to the RFP, two vendors *viz.*, M/s ROE, Russia and M/s. EADS, Spain submitted their techno-commercial proposal. The commercial proposal of M/s. ROE was found to be non-compliant with the requirements of the RFP. The remaining proposal of M/s. EADS, Spain was thereafter progressed. At the stage of seeking CFA approval, it was felt that the competitiveness of the bids and the reasonability of the final negotiated price were in doubt. It was therefore decided to withdraw the RFP and issue a fresh RFP. Air Headquarters is progressing the proposal accordingly."

3.27 When further asked about the completion of the process of procuring Advanced Jet Trainers and Advanced Light Helicopters, the Ministry of Defence in their written reply stated as under:—

"The proposal for the procurement of additional Advanced Jet Trainers is likely to be submitted shortly for consideration of the CCS. Thereafter the contract with HAL will be signed. Aircraft delivery is likely to commence from 36 months after date of signing of contract. Procurement of Advanced Light Helicopters contracted earlier is likely to be completed by 2013."

3.28 As regards the outlay required for this purpose, the Ministry of Defence clarified as under:—

"The total cost of procuring AJTs and associated equipment for IAF is Rs. 6459.89 cr. The cost of procuring Advanced Light Helicopters for the IAF is Rs. 2,753 crore out of which Rs. 981 crore has been expended as per the contract terms."

#### **Modernisation of Airfield Infrastructure (MAFI)**

3.29 During examination of Demands for Grants for the year 2009-10, the Ministry had replied that the proposal of Modernisation of Airfield Infrastructure (MAFI) project Phase-I had been progressed.

3.30 When enquired about the date by when the Phase-I of the said project will be concluded, the Ministry of Defence in their written reply stated as under:—

"The MAFI phase-I project is to be concluded within three and half years of signing of the contract. The proposal is presently at the commercial discussion stage."

3.31 When asked about the difficulties being faced by Air Headquarter in this regard, the Ministry of Defence clarified as under:—

"The MAFI phase-I project is currently progressing on schedule. M/s. Selex, the L2 bidder for MAFI project, has filed a Writ Petition

in the Delhi High Court. No stay order has been passed for the case. The next hearing for the case is scheduled in 19 April 2010. The proposal is presently at the commercial discussions stage."

3.32 Regarding the time-frame for commencement and completion of the Phase-II of MAFI project, the Ministry of Defence stated as under:—

"The MAFI project is divided into two Phases *i.e.* Phase-I comprising 30 IAF airfields and Phase-II comprising balance IAF, Army, Navy, Coast Guard, etc. airfields. Phase-I will commence at contract signing and is expected to take 3<sup>1</sup>/<sub>2</sub> years for completion. Based on the experience gained during Phase-I implementation, the requirements in respect of balance (Phase-II) airfields will be consolidated and the case initiated. Time for completion of Phase-II will also be approximately 3<sup>1</sup>/<sub>2</sub> years."

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

"The modernisation of airfields project is a MAFI project. The pilot study has been done, contract is almost finalised and we shall start some time in the middle of this year and hope to complete it in two years' time, the complete overhaul of all our airfields."

#### **Replacement of Obsolete Radars**

3.34 In this regard, the Ministry has stated as under:—

"IAF had initiated the case for replacement of radars in 1993. While the proposal for replacement of radars was held up during 1996-97 and 1997-98 due to lack of budgetary support, it was actively progressed thereafter and CCS approval was accorded on 15 January 2002. The existing radars were functional and used by the IAF with restrictions on flying activity during adverse weather conditions.

Insofar as air Defence radars are concerned, it may be added that IAF is maintaining 12 High Power Radars. In case of Medium Power Radars, a contract has been signed with M/s. ELTA Israel in October 2007 for MPRs whose delivery would commence from August 2010 onwards. In addition, eight radars are being developed by DRDO. Further, a contract for the procurement of 19 Low Level Transportable Radars was signed on 29 July 2009 and a further 18 are to be manufactured indigenously by M/s. BEL. A contract was also signed with M/s. BEL for 30 additional ROHINI radars on 15 July 2009."

## CHAPTER IV

### DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION

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

#### **Expenditure on Research and Development**

4.2 The funds allocated to Deptt. of Defence R&D and utilisation during the last three years is as under:—

Year	Defence R&D Allocation (Rs. in Cr.)	Defence R&D Utilisation (Rs. in Cr.)
2007-08	6256.81 (MA)	6104.55
2008-09	7737.64 (MA)	7694.55
2009-10	8514.81 (RE)	6696.70 <sup>#</sup>
2010-11	9808(BE)	

<sup>#</sup>Expenditure is based on CGDA compilation upto February 2010.

4.3 Percentage of Defence R&D budget to the overall Defence Budget during the last three years is as under:—

Year	% of R&D budget to the overall Defence Budget
2007-08	6.66%
2008-09	6.74%
2009-10	6.25%

#### **Challenges of Terrorism**

4.4 In a press meeting held recently, the DRDO Chief had stated that DRDO will accord priority to developing systems to meet challenges of terrorism and low intensity conflicts.

4.5 When enquired about the current position in this regard and how far they have been successful in developing systems for controlling terrorism, the Ministry of Defence stated as under:—

“DRDO has interacted with the internal Security Forces to understand their requirements for the Low Intensity Conflict (LIC) operations, so that the available defence technology and products can be customized for LIC operations”.

4.6 Regarding the armour and communication systems that are likely to be fully developed to operate effectively in a low-intensity conflict scenario, the Ministry of Defence submitted as under:—

“Currently, the requirements are being consolidated. DRDO is keeping a time frame from two to four years for developing such systems.”

#### **Strengthening of Core Competence, etc. by DRDO**

4.7 The Committee had recommended in its earlier reports that DRDO should strengthen its core competence, reduce long gestation periods and cut down time and cost overruns.

4.8 When enquired about the steps being taken by the DRDO to give effect to this recommendation of the Committee, the Ministry of Defence in their written reply stated as under:—

“DRDO has taken various steps to strengthen its core competence, reduce long gestation periods and cut down time and cost overruns

such as concurrent engineering approach, involvement of Industries including private industries, involvement of users during the development process, collaborative development with foreign partners, audit and consultancy by international experts, etc. Periodic reviews and monitoring are being carried out at various levels to complete ongoing programmes/projects on time.”

### **Trail Testing and Induction**

4.9 When asked about the progress made regarding trial testing and induction of unmanned combat aerial vehicle, Airborne Early Warning and Control System and Kaveri engine for airforce, the Ministry of Defence elaborated as under:—

#### **“Unmanned Combat Aerial Vehicle**

Feasibility Study has been initiated by DRDO based on requirements projected by the users.

#### **Airborne Early Warning and Control (AEW&C) System**

All the sub-systems of AEW&C System are at various stages of readiness. A dual segment version of Primary radar which is a major sub-system of this AEW&C System is now being tested on roof-top. Preliminary results match the theoretically estimated performance. The first build of tactical software has been completed. Sub-systems, like CSM, etc. are undergoing qualification. IFF System is undergoing flight testing on HS748 Aircraft. The final modified aircraft Embraer 145 is expected in August 2011, after which the systems will be integrated with this aircraft and trials will follow. The first system is expected in first half of 2012 for flight trials.

### **Kaveri Engine**

4.10 Kaveri Engine has successfully completed Official Altitude Testing at CIAM, Russia. The engine is being integrated for Flying Test Bed Evaluation at GFRI, Russia. When asked about the steps being taken by the DRDO to ensure that there is no delay in its induction and deployment in Indian Air Force, the Ministry of Defence stated as under:—

“All efforts technically, managerially and financially are being taken for induction of MR-SAM in Indian Air Force as per schedule.”

The Secretary, Defence Research during the course of evidence, further added:—

“Sir, Kaveri engine was also a part of the system. As part of the LCA programme itself we have started the Kaveri engine also. In

1989, we had a full scale programme for developing the Kaveri. In 1988 when the LCA phase one started, Kaveri has now completed the high altitude testing. It has reached its specifications. But as it has happened, the drag on the LCA is slightly more. The number of weapons which we are putting on the LCA is more. So, Kaveri, test to weight ratio is not adequate."

### **Arjun Tank**

4.11 When asked whether is it a fact that the Arjun Tank is undergoing another series of revaluations *vis-à-vis* the Russian T-90 tanks, the Ministry of Defence stated as under:—

"Comparative trials between MBT Arjun *vis-à-vis* the Russian T-90 tank has been undertaken with an aim to evaluate the operational performances. Comparative trials conducted in various phases encompassing fire power, survivalability, protection, reliability and miscellaneous issues has just concluded."

4.12 On the number of Arjun Tanks have been rolled out, the Ministry of Defence clarified as under:—

"Out of total tanks (Arjun) indented; supplies are expected to be completed by March end this year (2010)."

4.13 With regard to the effect of civil-nuclear deal on level of export control on DRDO, the Scientific Advisor to Raksha Mantri during deposition before the Committee stated as under:—

"We were expecting that this particular treaty or the deal will reduce the level of export controls which the advanced countries have been imposing, particularly on DRDO. In some areas, there have been some improvement; some of our labs have been removed from the entity list, but still there are some labs like the missile labs which are in that list. The Government of India has been repeatedly bringing out that issue and all our discussions with the advanced countries are in this direction – to make sure that the benefits of this deal are given across the board, but the process is on."

### **Rama Rao Committee**

4.14 When asked whether the Committee, headed by the Defence Secretary, constituted to examine the responses and suggestions by various stakeholders on the recommendations of Rama Rao Committee,

has submitted its report, and if so, what are its major recommendations and their implementations made so far, if any; the Ministry of Defence replied as under:—

“The Committee, headed by the Defence Secretary, constituted to study the responses and suggestions by various stakeholders has examined the recommendations of the Rama Rao Committee. Presently, the Committee is finalising its report. The recommendations are with respect to how DRDO should be organized internally to meet the requirements of the system. How DRDO should cluster the Lab, empower the labs for efficient development of the technology and how the industry and DRDO should interact.”

4.15 The Defence Secretary during the course of evidence further added:—

“We have completed the deliberations and the report is under preparation. We will be submitting it in this month to the Minister for his consideration.”

## CHAPTER V

### NAVY, JOINT STAFF AND COAST GUARD

The Indian Navy is responsible for securing the large maritime borders of the country. It has always responded swiftly and efficiently to the challenges faced on our sea frontiers or sea trade.

5.2 The budgetary allocation for Navy is contained in Demand No. 23 of the Ministry of Defence which also includes the Budget for Joint Staff. The BE allocation for Navy for the year 2010-11 are Rs. 21467.51 crore which comprises of Revenue Expenditure of Rs. 9329.67 crore and Capital outlay of Rs. 12137.84 crore.

5.3 The gross projections and allocations under Revenue and Capital Heads in the BE and RE as well as expenditure during the first three years of Eleventh Plan and the allocation at BE stage during 2010-11, *i.e.* the fourth year of Eleventh Plan for Navy, are as under:

(Rs. in crores)

Year		Projections	BE	RE	Actual expenditure
2007-08	Revenue		6968.25	7092.19	6950.25
	Capital		10561.19	8944.19	8935.16
	Total	18387.80	17529.44	16036.38	15885.41
2008-09	Revenue		7421.19	8034.19	7790.76
	Capital		12085.58	9278.58	9457.25
	Total	20166.39	19506.77	17312.77	17248.01
2009-10	Revenue		8322.11	9312.90	8128.65*
	Capital		12281.91	11895.59	7730.65*
	Total	21352.59	20604.02	21208.49	15859.30*
2010-11	Revenue		9329.67		
	Capital		12137.84		
	Total	23825.57	21467.51		

\*Upto February 2010.



### Share of Naval Budget including Joint Staff to the total Defence Budget

5.4 The percentage share of Naval Budget including Joint Staff to total Defence Budget separately for Revenue and Capital outlays during the first four years of the Eleventh Plan are as given below:—

(Rs. in crores)

	Total Defence Budget			Naval Budget (including Joint Staff)		
	Revenue	Capital	Total	Revenue	Capital	Total
2007-08	54218.61	37461.67	91680.28	6950.25	8935.16	15885.41
% share				12.82	23.85	17.33
2008-09	73304.80	40918.48	114223.28	7790.76	9457.25	17248.01
% share				10.63	23.11	15.10
2009-10 (RE)	88440.00	47824.00	136264.00	9312.90	11895.59	21208.49
% share				10.53	24.87	15.56
2010-11 (BE)	87344.00	60000.00	147344.00	9329.67	12137.84	21467.51
% share				10.68	20.23	14.57

5.5 The Committee during the course of oral evidence have been apprised that for the year 2010-11, the additional requirement in the capital head would be to the tune of Rs. 2881 crore which include Rs. 2760 crore for modernization and Rs. 121 crore for land and works. The trend of the overall allocation made to Navy as well as revenue and capital budget over the years indicates that percentage share of Navy overall as well as for both the heads Revenue and Capital are declining over the years. So far as the position of overall budget of Navy, the percentage share which was 17.45 per cent during the year 2007-08 has declined to 13.32 per cent during the year 2010-11. With regard to revenue budget, the share has declined from 12.03 during the year 2007-08 to 9.48 during the year 2010-11. Similarly for capital head the share has declined from 24.43 percent during 2007-08 to 18.89 per cent during the year 2010-11.

Similarly for revenue head, the Committee have been apprised that Rs. 1600 crore additional would be required due to Enhanced P&A and Travel entitlements; Prevailing inflation and fuel costs; Increase in cost of tariffs and raw materials; and Increased cost of maintenance and spares.

5.6 When enquired about the impact of the reduced allocation to Navy, the representative of Navy during the course of oral evidence submitted as under:—

“It is true that in the last five years the Navy’s allocations have dropped. At the same time it is also true that whenever there are

new and important projects in the pipeline, the Ministry makes funds available. Particularly in this year all projects which are in the final stages could go through because additional funds were made available last month and this month. Experience in the past says that despite best efforts the Navy's share of allocation is reducing gradually. Funds for essential projects are made available."

#### Analysis of the outlay exclusive for Navy

(Rs. in crore)

	BE 2010-11 Projections by Navy	BE 2010-11 Approved	%age of BE allocations against Projections
Revenue	9605.42	8286.65	86.27%
Capital	14220.15	11339.14	79.74%

5.7 During the oral evidence of the Ministry of Defence, the representatives of Navy have informed the Committee that due to declining trend of budgetary allocations to Navy there is a shortfall of funds in the year 2010-11. Under the Capital Head there is a shortfall of Rs. 2881 crore and under Revenue Head there is a shortfall of Rs. 1600 crore. The shortage under Capital Head includes Rs. 2760 crore against Modernisation and Rs. 121 crore against land and works. It is pertinent to mention here that the reduced fund allocation against Modernization will affect Navy's long term Maritime Capability Plan. The additional fund under Revenue Head were said to be required due to:

- Enhanced P&A and Travel entitlements;
- Prevailing inflation and fuel costs;
- Increase in cost of tariffs and raw materials; and
- Increased cost of maintenance and spares.

#### Manpower Strength

5.8 The sanctioned and borne strength of manpower separately for officers and sailors in the Indian Navy is as given below:

##### (a) Officers (as on 28 Feb. 10)

Branch	Sanctioned Strength	Borne Strength	Shortage	%
1	2	3	4	5
Executive	4184	3587	-597	-14.3
Engineering	1799	1527	-272	-15.1

1	2	3	4	5
Electrical	1558	1325	-233	-15.0
Education	341	251+39 CEIs	-51	-15.0
Medical	535	502	-33	-6.2
Dental	25	22	-3	-12.0
Special Duties	851	601	-250	-29.4
Total	9293	7854	-1439	-15.5

**(b) Sailors (as on 31 Jan. 10)**

Cadre	Sanctioned Strength	Borne Strength	Trainees	Shortage	%
Artificers	7284	6300	1291	-984	-13.5
Senior Secondary Recruits (SSRs)	40343	35228	3081	-5115	-12.6
Matric Recruits/Non-Matric Recruits	6690	5606	585	-1084	16.2
Total	54317	47134	4957	-7183	-13.2

5.9 The Ministry of Defence have informed about the various measures initiated by it for meeting the shortage of manpower. These include increased publicity and candidate friendly recruitment procedures to attract more number of candidates. In addition to general publicity, the Navy is also carrying out focussed publicity drives in various institutions to attract potential candidates. Motivational drives are also conducted in various colleges/institutions in order to widen the scope of targeted recruitable population.

**Effect of Various Measures in Addressing Shortage of Officers**

5.10 When asked about the effect of various measures/initiatives started by Navy, the Ministry of Defence, in a written reply has stated as under:

“Whilst the mitigation of existing shortages of manpower is likely to take time, however, following has been observed:—

- (a) The visibility of Navy has increased as a result of Image Projection Campaigns.
- (b) Volunteer response has increased for most entries of officers. In the year 2009, a record number of 534 officers were inducted.

- (c) Enhanced training and selection infrastructure has provided us the flexibility to induct additional officers, when available.
- (d) Direct induction of officers through SSC entries in the Observer, Pilot and Naval Architecture Cadres have improved induction rates.
- (e) Inductions through University Entry Scheme have substantially increased."

### **Modernization of Navy**

#### **5.11 Naval Fleet Strength**

The emergency Committee of the Cabinet had accepted a force level of 138 ships for the Indian Navy in 1964. The present strength of fleet of Indian Navy as on date is 129. The details in respect of ships/submarines as informed to the Committee are as follows:

- (a) Major War Vessels (Carrier, Destroyers, Frigates) – 37
- (b) Submarines – 16
- (c) Minor War Vessels – 59
- (d) Auxiliary Ships – 17

5.12 According to Comptroller and Auditor General of India's Report No. CA18 of 2008-09 relating to Defence Services (Air Force and Navy), our Naval Submarine fleet is only two-third of 1985 Plan and serviceability of these is down to half.

5.13 When asked about the reasons for lagging behind the number of submarines from the 1985 level which has been already a very old plan, the Ministry of Defence in their written replies have submitted as under:

"The Government of India had approved a 30 years Long Term Submarine Plan in 1999 which entails indigenous construction of 24 modern Conventional Submarines by 2030. The service life of a submarine is normally around 30 years. The service life of a ship/submarine is, however, reviewed periodically, based on overall material state. The induction of submarines has not kept pace with the de-induction schedule. Nominated submarines have undergone life extensions/modernizations at various stages so as to enhance their life and combat effectiveness."

### **Scorpene Submarine**

5.14 It has been informed by the Ministry that the financial outgo of Rs. 1500 crore (Budgetary) is envisaged toward Project 75 (Scorpene submarines) in the year 2010-11. These submarines are being constructed under Transfer of Technology ( ToT) from M/s DCNS, FRANCE. The ToT is being provided by means of Technical Data Package Information System and Transfer of design documentation. It is stated that construction of four of the six submarines has already commenced. Further, MDL has indicated that the construction of the 5th submarine would commence in March 2010. The ToT involves supply of design, ship building and engineering know-how, drawings and computerized 3D model, standard and norms and all other data and information, training and advice/assistance required for the licence production of six submarines in India. The ToT is being provided by means of Technical Data Package Information System and Transfer of Design Documentation. Six Scorpene submarines are presently under construction at Mazagon Docks Limited (MDL) and would be delivered commencing 2015.”

During oral evidence the representatives of the Ministry apprised the Committee that as far as Scorpenes are concerned, these had to be supplied by 2017 end. Due to certain contractual issues with the French Company the supply was delayed. They have now been resolved and it is expected that though the first two submarines would be delayed yet the entire fleet of submarines that have to come should be available to us by the end of 2018.

### **Gorshkov**

5.15 As per the information made available by the Ministry of Defence, the aircraft carrier was originally scheduled to be delivered in August 2008. The ship’s delivery has been re-scheduled and will now be delivered in December, 2012. The Government has approved revision in the cost of the project from US Dollars 974 million to US Dollars 2330 million. While replying about the reasons for delay the Ministry has stated that rescheduling of the ship’s delivery and revision in its cost were necessitated due to emergence of Additional Works projected, detailed agreed scope of trials, etc.

5.16 During evidence when the Committee desired to know about the status of commissioning of Gorshkov in Indian Navy, the representatives of the Ministry informed as under:—

“The final deed has been signed and the Russians have promised to deliver this ship by 2012. The work package, training part, etc.

has been finalized now. The CNC was going on for one year by the Ministry of Defence and the Navy and a team from Russia. All issues have been discussed threadbare and put in a paper signed by both. We are quite sure that the ship will be delivered by December, 2012.”

5.17 In one of the earlier recommendations the Committee had desired that revised agreement in regard to Admiral Gorshkov and all the future deals should have an in-built provision for automatic transfer of upgraded technology without the liability of additional royalty payment. While replying to this issue the Ministry has informed as under:—

“The issue regarding in-built provision for transfer of upgraded technology was discussed with the Russian Side during the recently concluded contract negotiations. After discussions, an Article has been included in the Supplementary Agreement to Repair & Re-equipping Contract which stipulates that the SUPPLIER shall regularly provide information to the CUSTOMER on change, safety, and upgradation of the Aircraft Carrier equipment to facilitate upgradation of the equipment.”

#### **Nuclear Submarine**

5.18 The first submarine in this regard was launched in July 2009. While replying about the reasons for delay in acquisition of nuclear submarines, the Ministry has stated as under:—

“The existing Russian and German design submarines have undergone/are undergoing extensive modernization to significantly enhance their role-worthiness and combat effectiveness. It may be noted that the market for state-of-the-art defence equipment and platforms being circumscribed by denial regimes, limited availability of required type of material, complexities in construction and manufacturing involving integration of large number of systems, assemblies and sub-assemblies cause delays.”

#### **Aircraft projects**

	BE 2009-10	RE 2009-10	Expenditure Booked till 28 February 2010	BE 2010-11
Aircraft	2448.98	3753.04	1276.83	2078.22

5.19 As informed by the Ministry, the RE allocation for the financial year 2009-10 included a planned outgo of Rs. 2230 crore towards contractual payments of 29 MIG 29K (under Option Clause). The allocation for 'Aircraft' in 2009-10 fiscal was increased at the RE stage to cater for the additional requirement of advance payment. The approval for the same under the Option Clause was accorded by the Government in early December 2009. The allocation for 'Aircraft' in FY 2010-11 includes the planned outgo based on the stage payments for various ongoing project *viz.* Long Range Maritime Reconnaissance Aircraft (LRMR), Kamov 31, MiG 29K, TU 142, IL 38 and Dornier.

The Ministry has informed that the RE allocations will be fully utilized under the head 'Aircraft' as the balance amount are of Rs. 2476.21 crore will be utilized for contractual payments for ongoing schemes of TU, MiG 29K, Sea harrier upgrade, Dornier and IL38 besides new scheme of Additional MiG 29Ks (under Option Clause) in March 2010.

#### **Naval Communication Satellite**

5.20 The Ministry has informed that Indian Navy will have naval communication satellite next year which will improve connectivity and also increase surveillance capabilities. The cost of the Project as per Memorandum of Understanding signed with ISRO is Rs. 950 crores. As per inputs available, the planned launch window of the Satellite is scheduled during December 2010—March 2011.

#### **Hindustan Shipyard Limited**

5.21 The Hindustan Shipyard Limited yard has been transferred to Ministry of Defence by way of amendment of the Allocation of Business Rules on 23rd February, 2010.

The Committee was informed that the transportation charges under the head hire of vessels were 10 crore at BE 2009-10 which was reduced to 9 crore at RE stage. 68 However, the BE for 2010-11 has been fixed at Rs. 15 crore. The increase has been explained to be used for hiring additional vessels to meet coastal security requirements till induction of the Fast Interceptor Crafts (FICs). In addition to Coastal security requirements, certain vessels such as tankers etc. are also hired for participation in various exercises conducted by the Navy.

5.22 When the Committee asked about the projects presently undergoing at the Hindustan ship yard, the Ministry informed the Committee through a written reply as under:—

Sl.No.	Type of Vessel Owner	Value in Rs. Crs.
1.	53,000 DWT Diamond series Handy max Bulk Carriers for M/s Good Earth Maritime Ltd., Chennai (VC11136)	113.600
2.	-do-(VC11137)	121.940
3.	-do-(VC11138)	130.160
4.	-do-(VC11139)	129.870
5.	-do-(VC11140)	129.870
6.	-do-(VC11141)	129.870
7.	Inshore Patrol Vessel for Indian Coast Guard (VC11154)	46.238
8.	-do-(VC11155)	46.238
9.	-do-(VC11156)	46.238
10.	-do-(VC11157)	46.238
11.	-do-(VC11158)	46.238
12.	50 Ton Bollard Pull Tugs for Visakhapatnam Port Trust (VC11160)	39.988
13.	-do- (VC11161)	39.988
Total value for 13 vessels		1066.476

**(b) Ship Repairs:**

Ship repair division having orders worth Rs. 441.518 crores pertaining to repairs on 6 vessels of various types belonging to Indian Navy, ONGC etc.

**(c) Major Repairs (MR) of INS Sindhukirti (EKM):**

Medium repairs cum upgradation of INS Sindhukirti (EKM Class Submarine) : Rs. 684.00 Crs.

Expected date of Refit completion : 30th June, 2011



**Joint Staff**

5.23 The current allocations for 2010-11 *vis-à-vis* the projections made by Joint Staff, are as under:—

(Rs. in Crores)

B.E. 2010-11 (Projections)			B.E. 2010-11 (Allocations)		
Revenue	Capital	Total	Revenue	Capital	Total
1198.87	1001.63	2200.50	1043.02	798.70	1841.72

5.24 The allocations *vis-à-vis* the projections made by Joint Staff during the last three years, are as under:—

(Rs. in Crores)

Year	Projections			Allocations		
	Revenue	Capital	Total	Revenue	Capital	Total
2007-08	587.12	320.29	907.41	459.18	320.67	779.85
2008-09	649.98	358.65	1008.63	489.03	358.65	847.68
2009-10 (RE)	658.34	488.78	1147.12	619.55	408.13	1027.68

5.25 The Committee has been informed that the increase in the Joint Staff budget for 2010-11 is on account of the modernization requirements of the A&N Command and Signal Intelligence, as also on account of infrastructure growth of the Tri-service Training Institutes.

5.26 During the oral evidence, when asked whether any evaluation of last 10 years since inception of Joint Staff have been done, the representatives of the Ministry has intimated as under:—

“Sir we had started with a structure, which was envisioned in 2001. This year, we have carried out an internal restructuring. We have already finished the exercise, and we have restructured the force completely.”

**Coast Guard Organisation Budgetary provision**

5.27 The Budgetary allocation for Coast Guard Organisation is covered under Demand No. 20 (Civil Estimates).

5.28 Allocations for Coast Guard Organisation and actual expenditure incurred during last four years is given below:—

	BE	RE	Actuals
2006-07	645.00	440.84	338.35
2007-08	735.21	461.81	255.38
2008-09	947.97	700.00	506.43
2009-10	1300.01	1100.00	NA
2010-11	1100.00	NA	NA

5.29 The Committee have been informed that the Coast Guard Organisation, at present, has 27 stations in Coastal States and it is planning to set up 14 new Coast Guard Stations. These new stations are being planned at Pipavav and Mundra (Gujarat); Dahanu, Murudjanjira & Ratnagiri (Maharashtra); Androth & Minicoy (Lakshadweep Island); Karaikal (Tamil Nadu); Nizampatnam & Krishnapatnam (Andhra Pradesh); Gopalpur (Orissa); Frezergunj (West Bengal); Mayabunder & Kamorta (A&N Island).

The cost involved in setting up of each station is about 50 crore which includes acquisition of land, transport, infrastructure development, Stores, weapon and armament.

#### **Roles and Functions**

5.30 As per section 14 of Coast Guard Act, 1978, the duties and functions of the Coast Guard are as under:—

- (i) Safety and protection of artificial islands and offshore terminals, installations and devices.
- (ii) Protection and assistance to fishermen at sea while in distress.
- (iii) Preservation and protection of marine environment.
- (iv) Prevention and control of marine pollution.
- (v) Assistance to customs and other authorities in anti-smuggling operations.
- (vi) Enforcement of enactments being in force in the maritime zones.

5.31 The Committee have been apprised that a number of decisions have been taken by the Government for enhancing India's coastal security in order to meet threats from the sea. These include:—

- (a) "Establishment of Coastal Radar Chain by the Indian Coast Guard to keep India's the territorial waters off our coastline under continuous surveillance. The network when established and operational will be at par with Coastal Surveillance Network established by other countries in the world.
- (b) Establishment of Automatic Identification System (AIS) chain along India's coastline by the Director General Lighthouses. This will also keep the sea area off our coastline under surveillance.
- (c) Establishment of National Command Control Communication and Intelligence (NCCCI) Network to integrate the surveillance data from all coastal surveillance assets and involve all maritime stake holders towards developing a common operating picture for real time information dissemination and decision making.
- (d) Fitment of tracking transponders on all vessels, which includes fishing vessels, to enable detection, identification and tracking by maritime enforcement agencies."

### **Coastal Surveillance**

5.32 The Committee have been informed that realizing that numerous agencies are handling coastal security issues directly or indirectly, an integrated approach has been put in place. The coastal surveillance and patrolling has been enhanced. Joint operational exercises are taking place on regular basis between Navy, Coast Guard, Coastal Police, Customs and others to check the effectiveness of the new systems. Further, continuous review and monitoring mechanism for coastal security have been established by the Government at different levels by involving various agencies, including the State/ Union Territory authorities.

5.33 Further in order to coordinate and effectively monitor the implementation of various decisions, the Government has constituted 'National Committee on Strengthening Maritime and Coastal Security against threats from the Sea' with Cabinet Secretary as the Chairman and the following as members:—

- (a) Chief of Naval Staff.
- (b) Defence Secretary.

- (c) Home Secretary.
- (d) Secretary (Border Management), MHA.
- (e) Secretary, Department of Shipping.
- (f) Secretary, Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture.
- (g) Secretary, Ministry of Petroleum and Natural Gas.
- (h) Chief Secretaries of Coastal States and Union Territories.
- (i) Director Intelligence Bureau.
- (j) Director General Indian Coast Guard.

5.34 While replying to the concerns of the Committee about proper communication among these different agencies, the representative of the Ministry stated that the Cabinet Secretary holds regular meetings. The Navy is also having exercises with the State Governments. Recently there was an exercise between Tamil Nadu Government and the Navy. The attempt is to strengthen this and it continues to be a priority area.

## PART II

### OBSERVATIONS/RECOMMENDATIONS

*Analysis of the overall allocation of the Ministry of Defence for the year 2010-11 vis-a-vis performance of the Ministry during the year 2009-10 in the context of Demands for Grants*

1. The Committee note that the Budget Estimates (net) for the year 2010-11 are for Rs. 147344 crore which include Rs. 87344 crore as revenue outlay and Rs. 60,000 crore as capital outlay. The allocations made at BE stage during 2010-11 are far less than the projections made by the three services. The additional allocations sought by the Ministry during 2010-11 as compared to the BE of 2009-10 are to the tune of Rs. 30352.02 crore whereas the actual enhancement in BE 2010-11 is just Rs. 5641 crore. The Committee during the course of examination of Demands for Grants have been informed that the Government is taking steps to ensure that the capabilities of the Armed Forces are enhanced in a well planned and integrated manner. Such measures include the induction of equipment and platforms, the strengthening of infrastructure and induction and deployment of skilled manpower. The Committee further observe that the exercise carried out late last year to review the projections for the remaining two years of the Eleventh Plan resulted in the figures that entail growth of 35.96 per cent and 17.13 per cent respectively under capital segment for the years 2010-11 and 2011-12 over the BE of 2009-10. The Ministry has further apprised that under the revenue segment, the revised projections resulted in a growth of 12.58 per cent over BE of 2009-10 for the remaining two years. Not only that, the Ministry of Finance has indicated growth rate of 6.5 per cent under the revenue segment on the higher base of RE 2008-09 and BE 2009-10. Under capital segment growth rates for the remaining two years of the Plan period have been indicated as 15.55 per cent and 15.121 per cent respectively, resulting in overall growth rate of 10 per cent. The 74 additionality of just Rs. 5641 crore as provided during 2010-11 as compared to BE of previous year is just 3.8 per cent which apparently is far less than projections as well as the indicated growth rate by the Ministry of Finance. Not only that, the Ministry has informed that the allocations lesser than the projections would necessitate thinner spread of allocations over various budgetary heads resulting into

compromises under various important heads including Defence modernization. The Committee find that India is surrounded by the difficult neighbours and it is of utmost importance for the country to build the deterrent capabilities to safeguard the nation. In view of this the Committee strongly recommend that the allocations made by the Ministry of Finance should be commensurate to the projections made by the Ministry of Defence. As such the additionality sought by the Ministry for the year 2010-11 should be made available to the Ministry of Defence so that the modernization plan of the services do not suffer for want of resources.

2. With regard to the performance of the Ministry in the context of financial achievement during the year 2009-10, the Committee find that 68 per cent of the expenditure was made during the first three quarters thus leaving 31.78 per cent of the allocations in the last quarter of the year. The spending of substantial part of the allocations during the last quarter of the year is the general trend with the Ministry. The Committee are concerned to note that when the issue was raised during the course of oral evidence, the Defence Secretary stated that this was the case with almost all the Ministries. The Committee do not appreciate the way the trend of utilization of the substantial allocations in the last quarter was defended by the Ministry. In this context the Committee may like to highlight that the outlay of Rs. 141703 crore provided at BE stage during the year 2009-10 was reduced to Rs. 136264 crore at RE stage. There was a reduction of Rs. 7,000 crore under the Capital Section. The trend of utilization clearly indicates that the cut may be imposed keeping in view the pace of expenditure during the first six months of the year. The Committee strongly recommend that the allocations provided at Budget Estimates stage should not be reduced at RE stage particularly under the capital section. While recommending for not imposing cut at RE stage, the Committee would also like the Ministry to ensure utilization of resources in a phased manner during the year so that the Ministry can present their case effectively at the Revised Estimates Stage to avoid substantial reduction of outlay.

#### *Revenue Budget*

3. The Committee note that Revenue Capital Ratio has been improving towards the capital side. The average ratio was 74:26 during IX Plan. During X Plan, the average ratio was 64:36. In the XI Plan, during the year 2007-08 the ratio was 59:41, in 2008-09, the ratio was 64:36, in 2009-10 the ratio was 65:35, now during 2010-11

(BE) it is 59:41. The increase in 2008-09 and 2009-10 is largely due to salary increase and one time payment of arrears due to implementation of Sixth Central Pay Commission's recommendations. While appreciating the trend of improvement in the revenue capital ratio more towards capital side barring the years 2008-09 and 2009-10 due to implementation of Sixth Pay Commission's recommendations, the Committee once again desire the Ministry to find out ways and means to avoid wasteful expenditure in order to provide more resources for modernisation programme and their maintenance and repair.

4. The Committee were informed that the examination of the Comprehensive Report of Defence Expenditure Review Committee, to curb wasteful expenditure is still going on in the Ministry of Defence. As the recommendations of the said Committee will have far reaching implications and will definitely reform various polices of the Ministry to bring economy in its expenditure. As such, the Committee once again recommend to complete the task urgently and inform accordingly.

5. Further, the Committee observe from the broad classification of revenue budget that the allocation under the store and equipment i.e. Rs. 21479 crore at BE 2009-10 has been reduced to Rs. 18674 at RE stage. The reduction is of Rs. 2805 crore. In the BE 2010-11, the allocation made is Rs. 20084 crore. In comparison to BE 2009-10 it is less than Rs. 1395 crore. As stores and equipment are of paramount importance, reduction in the allocation will have an adverse impact on the modernisation programme. Therefore, the Committee recommend that adequate budgetary allocation should be provided at RE stage under this Head.

*Defence Procurement Policy (DPP)*

6. From the information furnished by the Ministry with regard to various acquisitions in Navy and Air Force, the Committee find that there are considerable delays under various projects having a great impact on the cost of the projects. To quote a few, the aircraft carrier Admiral Gorshkov was to be delivered in August, 2008, now the delivery has been rescheduled to December, 2010 and the cost of the project has increased from USD 974 million to USD 2330 million. The other such projects are scorpenes, nuclear submarines in Navy Advanced Jet Trainer, Tejas and Kaveri Engine, Hawk in Air Force. During the course of the deliberations, the Secretary apprised that under Defence procurement procedure every activity has been clearly marked out and a complex and large acquisition

takes about 29 months. The Committee note that inspite of clear cut provisions of the period of every activity under DPP, the acquisitions are taking much longer period as stated above. The Committee are concerned to note that inspite of considerable delays in acquisition, the stand of the Defence Service that 'the change in guidelines would not really help to that extent' is not understandable. The Committee are of the firm view that there is an urgent need to further streamline the acquisition procedures, so as to avoid long delays in acquisitions.

7. The Committee, during the course of deliberations, have been apprised that the long delays in Defence acquisitions systems occur due to several reasons such as limited vendor base, non conformity of the offers to the RFP conditions, field trials, complexity in contract negotiations, limited indigenous capability and long lead time for indigenization etc. The Ministry has apprised that there is a provision under DPP whereby RIF has to be issued for complex systems to find out the kind of vendors available in the country as well as internationally. The Committee find that the aforesaid system is not sufficient particularly in the areas where single vendor or few vendors are available. There is an urgent need to play a proactive role by the Ministry in this regard. The Ministry should evolve a structured mechanism for market research whereby a team of experts can be appointed for the purpose. Such a system would definitely solve the problem of the single vendor/few vendors in the specific technology and would help to contain the long delays in acquisitions.

8. The Committee would also like to recommend that the urgent steps should be taken by the Ministry to ensure transparency and accountability in Defence acquisitions. The provisions in this regard should be contained in the DPP itself. The Committee urge that the action on the suggested line should be taken by the Ministry.

*Indigenisation in Defence Production*

9. The Committee note that during the year 2008-09 to buy capital goods from foreign sources, Army had spent Rs. 1832.25 crore, Navy, Rs. 4054.49 crore and Air force Rs. 4270.24 crore. The total amount spent was Rs. 10,156.98 crore. The Committee in their earlier reports have repeatedly emphasised on the need for achieving self-reliance in Defence production by strengthening R&D in Defence sector. The Committee in this regard may like to highlight the recommendations of the 13th Finance Commission as given under:—

“We (the Thirteenth Finance Commission) are of the view that there exist considerable scope to improve the quality and



efficiency of defence expenditure through increased Private Sector engagement, import substitution and indigenisation, improvements in procedures and practices and better projects management, within the parameters of Government of India's Policy. Efforts in this direction will further expand the fiscal space available for defence spending."

While appreciating the fact that there is an urgent need to use the capacity of Defence Public Sector Undertakings and Ordnance factories optimally primarily, for meeting the urgent operational procurements of the three services, the aforesaid data indicates that a lot of money is spent to acquire the equipments from foreign countries. As such the Committee recommend that concerted action should be taken for the involvement of private sector in line with the recommendation of the 13th Finance Commission.

*Married Accommodation Project*

10. The Committee note that Married Accommodation Project (MAP) has been launched to meet the deficiencies of married accommodation that is to the tune of 280,992 dwelling units as on 2001. The aforesaid project would be undertaken in four phases. The Committee in their 30th report on Married Accommodation in Defence and Allied services had observed that there was considerable delay in execution of Phase I which would be followed by the subsequent phase. The Committee find that due to the shortage of married accommodation, the Defence personnel have to stay away from their families for a long period of time. In view of this, the Committee again emphasize that all the phases of the Married Accommodation Project should be completed within a stipulated time frame so that the Defence personnel including those staying in the difficult areas like Jammu & Kashmir and Northern Eastern Areas can stay with their families.

*Outcome Budget*

11. The Committee in their 29th and 35th reports (Fourteenth Lok Sabha) had recommended that the Ministry should identify the areas and organizations for which the Outcome Budget could be prepared and present the same to Parliament at least from the year 2009-10. However, Outcome Budget was not presented for the year 2009-10. The Committee were expecting that at least the Ministry would now prepare Outcome Budget for the year 2010-11. However, the Committee are again disappointed to note that the same has not been done by the Ministry. The Ministry has now stated that orders

have been issued on 18.2.2010 to renew the efforts by getting Outcome Budget prepared in respect of National Cadet Corps (NCC) and the Married Accommodation Project (MAP). The Committee feel that some of the other areas like ordnance factories, PSUs, Naval Dockyards and depots and some other selected establishments should also be identified and ensure that the Outcome Budget 2011-12 is presented to Parliament for the year on a pilot basis followed by the comprehensive Outcome Budget in the coming years.

*Early Finalization of Long Term Integrated Perspective Plan (LTIPP) and Eleventh Plan*

12. The Committee have repeatedly been recommending to finalize the Long Term Integrated Perspective Plan (LTIPP). Till date, the LTIPP has not been finalized. Now the Ministry has stated that the Plan is in the final stage of preparation. Certain inputs from service headquarters are still awaited. With regard to Eleventh Defence Plan, the Committee find that precious three years of the plan period have been lost because of the differences of the Plan size between the Ministry of Defence and Ministry of Finance. Since the major part of year is already over, now the projections for the remaining two years have been settled with the Ministry of Finance. The Committee are constrained to observe the way long-term Plans are being drawn by the Ministry particularly when it relates to the security of the nation. While expressing unhappiness over the adhocism in the planning process, the Committee would like to strongly recommend that at least now the LTIPP should be finalized without any further delay. Besides the Committee would also like to emphasize that all the precautions should be taken by the Ministry so as to ensure that the consultation process for Twelfth Plan is started well ahead so as to avoid such delays in the Twelfth Plan.

*Zero Based Budgeting*

13. The Committee observe that the Ministry of Defence do not feel the need to follow Zero Based Budgeting as a tool for Defence planning. Earlier, the Committee were informed that due to complexity and size of Defence services, it was not possible. Now to the surprise of the Committee, the Ministry has changed its stand. The Committee have now been informed that the entire Defence Budget being non-plan budget is not subject to any scrutiny by the Planning Commission. While agreeing to the fact that the allocations made to the Ministry of Defence are entirely under non-plan head,

the Committee find that almost 40 per cent of the allocations are under the capital segment. Not only that, under the revenue segment also the substantial part of the allocations are utilized for maintenance and repairs of assets under the three services and the headquarters. As such the exercise of Zero Based Budgeting is more required in case of Ministry of Defence. Moreover, the Committee are not inclined to accept the plea of the Ministry that the Zero Based Budgeting exercise is not necessary since the allocations are under the non-plan budget. The Committee strongly emphasize that the Ministry should adhere to Zero Based Budgeting in future.

*One Rank One Pension*

14. The Committee find that ex-servicemen are demanding One Rank One Pension which implies that uniform pension be paid to the Armed Forces personnel retiring in the same rank with the same length of service irrespective of their date of retirement and any future enhancement in the rates of pension to be automatically passed on to the past pensioners. In this context, a Committee headed by Cabinet Secretary was constituted which submitted its report on 30 June, 2009. On the issue of One Rank One Pension the Ministry has stated that the Committee headed by Cabinet Secretary did not find it administratively feasible to recommend One Rank One Pension. The Ministry also elaborated that the concept of One Rank One Pension was not accepted by Fourth and Fifth Central Pay Commissions, inter-ministerial Committee, 2003 and GoM set up in January, 2005 due to administrative, financial and legal reasons. As stated by the Ministry, acceptance of the principle of One Rank One Pension has substantial implications estimated at Rs. 8000-9000 crore per annum. Not only that the Supreme Court on the issue of grant of 'One Rank One Pension' has also claimed that 'OROP' is not tenable. From the aforesaid position, the Committee conclude that One Rank One Pension has not been accepted by the Government. However, the pensionary benefits of ex-servicemen including disabled ex-servicemen have considerably been improved by implementation of seven recommendations of the Committee. While noting the aforesaid position the Committee urge that the Government should again consider the issue of one rank one pension in holistic manner so that large number of ex-serviceman can be benefitted and also ensure that the various benefits provided to the ex-servicemen due to implementation of the recommendation of the Committee headed by the Cabinet Secretary along, with the arrears if any, are paid expeditiously.

*Sukna Land Scam*

15. The Committee find that recently a lot of controversies with regard to the use of Defence land have been reported in the media including the latest Sukna land scam which involved the matter regarding issue of No Objection Certificate by Army for setting up educational institution with residential facility in the land which belong to State Government of West Bengal. On the suggestion of the Committee to have a regulator for huge Defence estates in the country which emerged during the deliberations the Ministry was of the view that the existing system was adequate and there was no need of a separate regulator. The Committee are of the strong view that land scams such as Sukna land scam affects the image of Army and the Defence services as a whole and as such it is utmost necessary that the country should have the fool proof system to regulate the Defence estates. In spite of internal mechanism to regulate the Defence estates such incidents are happening. As such the Committee recommend that their suggestion of having an independent regulator should be considered by the Ministry positively and the Committee apprised about the action taken in this regard.

*Security of the Defence Network*

16. The Committee during the course of deliberations have been apprised that the Government has constituted a Committee under the Cabinet Secretary to look into the matter relating to cyber security with regard to strategic data being maintained in computers by the Defence services. The Committee have also been apprised that the Secretaries of various concerned Ministries including the Defence Ministry and Department of Information and Technology are members of this Committee. The Committee note that the aforesaid mechanism is a step in the right direction. Besides all the initiatives should be taken by involving various technical agencies like C-DoT and cyber experts in the country to ensure the fool proof security of the Defence data being maintained in computers and servers by the Defence services.

17. The Committee further find that security over the years is becoming a multi functional area of specialization which includes terrorism, information warfare in space and communication network etc. In view of this, all the desired initiatives should be taken by the Ministry to enhance the capabilities of the Armed Forces in dealing with unconventional conflict scenario which include inter alia asymmetric warfare, low intensity warfare, cyber warfare etc.

through imparting proper training to the Armed Forces as well as by taking all other desired initiatives.

*Budgetary Allocation for Army*

18. From the data furnished by the Ministry it is seen that Army HQs projected a demand of Rs. 61,322 crore for 2010-11 under Revenue head, while, it was allocated only Rs. 55,828 crore, which is Rs. 5,494 crore less than the amount demanded for. Even the amount allocated in the current BE is Rs. 1,424 crore less than the previous year BE (09-10) of Rs. 57,252 crore. The Committee note that there is apparent gap between the projected and the allocated outlay under the revenue segment in certain important heads like ECHS, works, transportation and stores. In view of the aforesaid position, the Committee strongly recommend that the additional requirement of Rs. 7748 crore which include Rs. 5494 crore under the Revenue head and Rs. 2254 crore under the Capital head should be provided so that the major activities under the Revenue head and the acquisitions under the Capital head are not affected due to shortage of resources.

19. The Committee find from the data made available that there was under-spending to the tune of Rs. 2663.02 crore during the year 2008-09 under the Capital head. During the year 2009-10, the expenditure under the Capital head is Rs. 8855.67 crore out of the allocation of Rs. 17992.64 crore upto 28 Feb. 2010. While recommending for the outlay as projected by the Army, the Committee emphasize that all the initiatives should be taken to ensure that the resources made available under Capital head are effectively utilized to enable the Army to present their case for the enhanced allocations. The Committee should be kept apprised about the initiatives taken in this regard.

*Shortage of Officers in Army*

20. The Committee have been apprised that the existing shortage of officers in Army is 11,456. Various steps to meet the shortage are being taken by the Ministry which include sustained image projection and publicity campaign, participation in career fairs and exhibitions, advertisements in print and electronic media, counselling and motivational talks in schools, colleges and NCC camps etc. The Committee feel that all these are steps in the right direction and need to be taken in a more effective way. Besides the Committee find that there is an urgent need to give more attention to the National Cadet Corps whose main objective is to groom the youth

into disciplined and patriotic citizens. The Committee while debating the issue during the course of the deliberations had the feeling that the desired focus in this regard is not being given. The basic impediment being faced in this regard as elaborated by the representative of the Ministry is shortage of supervisory staff which primarily have to be provided by the three services. In this connection, the Committee recommend that the Ministry can think of having a pool of officers from Ex-servicemen. The retired officers of the three services, can be inducted into the aforesaid pool.

21. The Committee would also like to emphasize that on the one hand, the Government needs the services of some of the officers of the three services which could not be spared due to already continuing shortage of these officers, on the other hand, it is also a fact that NCC training would definitely help the three services in solving the problem of shortage of officers. In view of this, the Committee are of the firm view that there is an urgent need to enrol more schools and colleges both Government and private for NCC. The Committee would also like to recommend that the Ministry should undertake a survey to know the percentage of number of NCC students who have actually joined the three services. Besides, the impact of the implementation of the recommendations of the Sixth Pay Commission on recruitment of officers in Army should also be watched.

*Recruitment Rallies for Jawans*

22. The Committee note that the rallies for the purpose of recruitment of Jawans in the Armed Forces are being conducted at various places to meet the shortage of personnel in armed forces. In this connection, the expenditure with regard to tent, light refreshment etc. is being borne by the District Administration. The district administration sometimes does not show interest because of the expenditure involved in this regard. As such, the Committee strongly recommend that all the expenditure involved in conducting recruitment rallies should be borne by the Ministry of Defence and allocation for the purpose should separately be earmarked in the outlay of the Ministry of Defence. The Committee also recommend that for such rallies, wide publicity should be given through mass media, wall posters and village panchayats of that area.

*Light Weight Bullet Proof Jackets and Shoes, Helmets Etc. to Defence Personnel*

23. The Committee in the First Report had strongly recommended to purchase the deficient quantity of the bullet proof jackets *i.e.*

1,86,138 units through fast track procedure. The Ministry in the action taken reply has stated that based on revised GSQR, approval of the Defence Acquisition Council (DAC) has been obtained in October 2009 for procurement of quantity 3,53,765 BPJs and quantity 1,86,168 BPJs to be procured in the 11th Army Plan. Presently, vetting of Request for Proposal (RFP) is in progress. Same will be issued to Indian vendors shortly and the procurement is likely to fructify soon. The Committee again emphasize that while procuring bullet proof jackets, shoes and helmets for the soldiers, it should be ensured that these are light weight and of international standard so that it does not affect the agility and mobility of soldiers in war like situations as well as during counter insurgency operations particularly in unfriendly terrains and mountainous region etc.

*Cash Support to Gallantry Awards Winners and their Families*

24. The Committee note that cash support being provided by the Government to the Gallantry Awards Winners and their families has not been revised since a long time and they are getting only Rs. 1500 for Shaurya Chakra to the maximum of Rs. 3000 for Paramveer Chakra. Although these soldiers have fought wars with the enemies and laid down their lives solely to defend their motherland and never thought of any monetary consideration in lieu of their bravery, it is the duty of the nation to show its gratitude towards them by honouring them suitably. As the Government is looking into the matter to raise the amount of different gallantry awards, the Committee strongly recommend that there should be a decent increase in the monthly amount being given to these awardees.

*Benefits to Ex-servicemen, War Widows and Disabled Soldiers*

25. The Committee while examining the Demands for Grants of the previous year had noted that the Government has not maintained any data with regard to war-widows and disabled soldiers who had laid down their lives and disabled pensioners who had lost their limbs to safeguard their nation, even though certain benefits are being provided to them. The Ministry in the action taken note has stated that action is in progress for getting the data of disabled/war disabled pensioners. The Committee again emphasize that urgent action in this regard should be taken and the data made available on the internet. The data may also be furnished for the information of the Committee.

26. The Committee again emphasize that besides maintaining data of the war-widows, pensioners, the Committee feel that there is an urgent need to disseminate the information about the various benefits being given to them. In this regard, the Government can disseminate information through print and electronic media. The mechanism of meetings of Gram Sabha can also be used to disseminate the information in this regard.

27. The Committee further note that sometimes there are grievances of war-widows and disabled pensioners with regard to various facilities being provided to them. Besides, they may also have some queries related to these benefits. In this regard, the Committee through a question have asked the comments of the Ministry on a toll free number for the purpose of grievance redressal of war-widows and disabled soldiers. The Ministry in an insensitive manner has flatly refused to consider the suggestion of the Committee. The Committee are of the firm view that a toll free number would definitely help these categories of persons. As such, the Ministry should consider the suggestion and take the desired action.

*Ordnance Factories*

28. The Committee note that besides expenditure on annual depreciation under the head Renewal & Replacement, Ordnance Factories have the investment plans for modernization and capacity augmentation. The investment proposals of Rs. 388.89 Cr. for T-72 variants, Rs. 78.91 Cr. for BMP-II, Rs. 1514.95 Cr. for large Caliber weapon and Rs. 47.73 Cr. for Mine Protected Vehicles are being progressed. The Committee also note that due to limited availability of vendors (world wide) for supply of the explosives manufacturing and automatic explosives filling plant, the investment plan could not be finalized. During the oral evidence, a representative of the Ministry informed the Committee that due to one vendor situation to supply plant and machinery, the modernisation of Ordnance Factories is not coming through. On the issue of exports, representative of the Ministry himself admitted that currently, the capacity itself is a constraint and the ordnance factories have not really been able to meet the requirements of the Defence forces in full. The Committee, after taking into consideration these facts and the current state of health of Ordnance Factories, recommend that to meet the growing needs of armament for internal security as well as defence, the factories should have optimum utilisation of available infrastructure/machinery and manpower. To achieve the



objective, these factories should be restructured and re-oriented. The Committee are of the view that they could also turn to be major foreign exchange earners, if capacity enhancement and modernisation can be done.

*Border Roads Organization*

29. The Committee note that on the issue of augmentation of the defence structure of India's border, the Ministry has taken a holistic view and three plans *viz.* (i) LTPP Priority-I considering of 130 roads of total length 4881 Kms with probable date of completion (PDC) 2012; (ii) Long Term Perspective Plan (LTPP) Priority-II considering of 255 roads of total length 10104 Kms.; and (iii) 73 roads with total length of 3678 Kms on Indo-China Borders have been prepared. The main hurdle in construction of Border roads is the forest clearance and wild life clearance as stated by the representative of the Ministry. To address the problem, at the level of Cabinet Secretary, periodic meetings are being taken and Sub-Committee has been formed in the Ministry under the Chairmanship of Additional Secretary. Representatives of various Central and State level Departments concerned also meet once in 15 days or so. The Committee while appreciating the aforesaid mechanism would like to strongly recommend that all the desired allocation should be made for the border roads on a priority basis. Besides, the Committee emphasise that Border Roads should be given top most priority on the issue of forest and wild life clearance and these clearances should be accorded in a time bound manner so that these roads are constructed expeditiously.

*Allocation of Funds to Indian Air Force*

30. The Committee observe that there are gaps in the projected outlay and sanctioned outlay of Air Force during the year 2010-11. Under the revenue section against the projected BE of Rs. 17483.60 crore, sanctioned BE is Rs. 15210.73 crore, leaving a gap of Rs. 2272.87 crore. Similarly under the capital segment against the projected BE of Rs. 31667.56 crore, the sanctioned BE is 25251.72 crore, the gap being Rs. 6415.84 crore. The trend of percentage allocation to Air Force out of the total Defence Budget during the last three years of Eleventh Plan indicates that the allocation under the revenue head has declined from 10.62 per cent during the year 2007- 08 to 10.1 per cent during 2009-10. Under the capital segment, the aforesaid percentage was 17.53 per cent during the year 2007-08 which increased to 18.25 per cent during the year 2008-09. However during

the year 2009-10 it has declined considerably to 14.19 per cent. Keeping in view the fact that the acquisitions for some of the aircrafts like Advance Jet Trainers, Advance Light Helicopters and Flight Refuelling Aircrafts are in the pipeline, the Committee strongly recommend that additional requirement particularly under the capital head *i.e.* to the tune of Rs. 6415.84 crore as per projections, should be made available to Air Force so that the important projects do not suffer for want of resources.

31. The examination of the data provided by the Ministry with regard to the financial performance during the first three years of Eleventh Plan indicates that there is under-spending during each of the year. Such under spending was Rs. 3427.79 crore during 2007- 08, Rs. 855.90 crore during 2008-09. During the year 2009-10, if the financial performance is seen in the light of the expenditure position upto February, 2010, there was under spending to the tune of Rs. 6435.36 crore. The Committee have, however, been informed during the course of oral evidence that all the allocations provided during these years 2009-10 have been utilized. While recommending for adequate resources to Air Force, the Committee would also like to emphasize that the resources made available to Air Force should be effectively utilized so that the Ministry of Defence can present their case effectively to the Ministry of Finance for getting the adequate allocations. The Committee also recommend that the position of expenditure met and under-spending of the outlay during a year itemwise should be indicated in all the Budget documents so as to have a clear position of the performance of various projects during a given year.

*Shortage of Officers in Indian Air Force*

32. As per the information made available by the Ministry, against the sanctioned strength of Air Force officers *i.e.* 12183, the present strength is 10840, thus the shortage being of 1343 officers. In case of Persons Below Officer Rank (PBOR), the sanctioned strength is 131174 and the present strength is 125763, the shortage being 5411 as on March 2010. The Committee find that various initiatives are being taken by the Government to meet the shortage of officers and PBOR. Such initiatives include participation in career fair, exhibitions, advertisement in print and electronic media, motivational lectures in schools, colleges, visuals/signages all over the country at strategic locations. Besides, the Government has recently started short service Commission for fighter pilots. Initially it was only for women officers. The Committee note with satisfaction

that there is positive impact of implementation of Sixth Pay Commission's recommendations and qualified doctors, engineers and those employed in MNCs have started joining the Air Force directly into the flying job. The Committee note that the steps initiated by the Government are in the right direction and hope that the initiatives would result in meeting the shortage of pilots, other officers and PBOR in Air Force. Besides, the Committee would also like to recommend that the impact of the recommendations of Sixth Pay Commission should be carefully watched.

*Light Combat Aircraft (LCA)*

33. The Committee during the course of examination of Demands for Grants of the previous year had noted that LCA project was sanctioned in the year 1983 with the original cost of Rs. 560 crore. The first phase of the project was completed on 31st March, 2004 with the cost of Rs. 2188 crore which include rough estimates of Rs. 560 crore. The sanctioned cost of the second phase was Rs. 3301.87 crore and probable date of completion was 31 December 2008. The Ministry has further informed that in November 2009, sanction has been accorded for continuing full scale engineering development of LCA till 31st December 2018 with an additional cost of Rs. 5302.98 crore. The various trials have been completed and cross wind take off and landing has also been carried out successfully. The initial operational clearance is scheduled to be completed by December 2010. With regard to engine of Tejas, the Committee during the course of examination of Demands for Grants of the previous years had been informed that Tejas was running into serious problems and option of either to import an engine or persist with the Kaveri were being explored. The Committee have now been informed that the final position to import suitable engine in place of Kaveri engine is taken. Request for proposal in this regard has been floated and RFP response received. Technical evaluation of the offers received is under progress. With regard to the relevance of technology particular when 27 years have passed since the LCA project was sanctioned in 1983, the representative of DRDO apprised to the Committee that LCA has all the features of the fourth generation aircraft which is available in the world. From the aforesaid position, the Committee conclude that this is a very sorry state of affairs. Even when 27 years have passed since LCA was sanctioned, it has still to see the light of the day. The Committee emphasise that the various problems being faced with Tejas engine should be sorted out expeditiously. The Tejas should be commissioned expeditiously either by choosing the option of

importing the engine or persisting with Kaveri. All the desired steps should be taken so that Tejas is operational by the stipulated time frame and there is no further cost escalation.

*Accidents of Aircraft in Air Force*

34. The Committee note with concern that as many as 74 accidents involving Indian Air Force aircraft have so far taken place. 41.89 per cent of accidents were due to technical defects and 44.59 per cent were due to human failure and 6.76 per cent due to bird hits. The Committee note the various initiatives being taken by Air Force to reduce aircraft accidents which include invigoration of Aviation safety organization, streamlining of accident/incident reporting procedure, analytical studies and quality audits of the aircraft fleets to identify vulnerable areas and institute remedial measures. From the data provided with regard to the reasons for accidents, the Committee find that most of the accidents *i.e.* 44.59 per cent are due to human failure. In this regard, the Committee find that proper training of the pilots can play an important role. The Committee's examination has revealed that Air Force is facing problem in respect of trainer aircraft and simulators. Due to some problems basic trainer aircraft *i.e.* HPT 32 has been grounded. The Committee have been informed during the course of deliberations that Air Force has adequate number of Kiran Simulators. The Committee's examination has further revealed that Air Force is facing problem with regard to upgradation of Kiran Simulators. From the aforesaid scenario it is apparent that Indian Air Force is facing problems in respect of trainer aircraft and simulators. The Committee strongly recommend that all the steps should be taken to acquire/upgrade the trainer aircraft and simulators so that adequate training is provided to pilots which would definitely result in reduction of accidents due to human failure. Besides adequate allocations should be provided for the proposed acquisitions/upgradations so that these projects do not suffer due to lack of resources.

35. The Committee in their first report had strongly recommended that life extension of fighter aircraft should not go beyond a certain years and not more than one life extension be recommended. While reiterating their earlier recommendation, the Committee would like to recommend that the strategy of life extension of existing fleet should be reconsidered in the light of the recommendation made by the Committee. The decision taken in this regard should be communicated to the Committee accordingly.

*Modernization of Airfield Infrastructure (MAFI)*

36. The Committee note that the proposal of modernization of Airfield Infrastructure (MAFI) project Phase-I comprising thirty-one Indian Air Force airfields is to be concluded within three and a half years of signing of the contract. The proposal is presently at the stage of commercial discussion stage and currently progressing on schedule. The Committee further note that based on the experience gained during Phase-I implementation, the requirements in respect of Phase-II of balance (Indian Air Force, Army, Navy, Coast Guard, etc.) Airfields will be consolidated and the modernization process will be initiated. The time required for completion of Phase-II will also be approximately three and a half years. As Air Force requires airfields from strategic point of view, the Committee emphasize that commercial negotiations for Phase-I and also of Phase-II projects be completed expeditiously within a fixed time frame. The Committee should be kept apprised of the progress made in this regard.

*Replacement of Obsolete Radars*

37. The Committee find that the proposal for replacement of radars was held up during 1996-97 and 1997-98 due to lack of budgetary support. However it actively progressed thereafter and CCS approval was accorded on 15 January 2002. The existing radars were functional and used by the IAF with restrictions on flying activity during adverse weather conditions. From the information provided by the Ministry, the Committee find that IAF is maintaining 12 High Power Radars. Besides, the acquisitions for more radars are in pipeline. In addition, 8 radars are being developed by DRDO. The Committee strongly recommend that all the steps should be taken to ensure that there is no delay in acquisition of radars which are in pipeline and adequate allocation is ensured for the purpose.

*Allocation of Funds to DRDO*

38. The allocation for Defence Research and Development Organization for the year 2010-11 is Rs. 9809.72 crore. *i.e.* 6.25% of the overall defence budget. From the allocation and expenditure trend, it is observed that since 2007-08, the utilization is less than the allocation. The percentage allocation to DRDO has been reduced from 6.74% to 6.25%. The aforesaid trend of declining percentage of allocation and under utilization of allotted amount is a matter of serious concern. The Committee also note that the Ministry has

given priority to develop systems to meet challenges of terrorism and low intensity conflicts and has taken various steps to strengthen long gestation period of major projects, LCA, Kaveri Engines, Unmanned Combat Aerial Vehicles, Airborne Early Warning and Control System and Arjun Tanks. The Committee, therefore, strongly recommend that the Ministry should fully utilize the allocation as provided to them and seek additional amount at RE Stage and complete the R&D programme in time to enhance the defence modernization.

39. The Committee during the course of deliberations have been informed that after the civil-nuclear deal, in some areas with regard to the export control in DRDO, there have been some improvement. But there are some laboratories like the missile laboratories which are affected by the export controls by advance countries. The Committee have also been informed that Government is having discussions with these advanced countries in this direction to make sure that the benefits of these deals are given across the board. Appreciating the efforts of the Ministry, the Committee desire them to pursue this matter of national importance expeditiously.

*Rama Rao Committee Report*

40. The Committee note that the Ministry has completed the deliberations on the recommendations of Rama Rao Committee for restructuring of DRDO and the Report will be submitted to the Minister in this month for his considerations. The Committee expect the Ministry to complete the task at the earliest. The development in this regard should accordingly be communicated to the Committee.

*Analysis of Naval Budget*

41. The Committee note that the allocations at BE stage exclusively to Navy during the year 2010-11 are for Rs. 19625.79 crore against the projections of Rs. 23825.57 crore. The gap between the projected allocation and BE during 2010-11 is of Rs. 4481 crore *i.e.* Rs. 2881 crore under the capital head and Rs. 1600 crore under the revenue head. The additional requirement under capital head *i.e.* gap between the projected outlay and BE is to the tune of Rs. 2760 crore for modernization and Rs. 121 crore for land and works. Similarly under the revenue head, the additional requirement to the tune of Rs. 1600 crore is needed for enhanced P&A and travel entitlements; prevailing inflation and fuel costs; increase in cost of tariffs and raw materials; and Increased cost of maintenance

and spares. The analysis of the data provided by the Ministry further indicates that the Navy's share of budgetary allocations to the total Defence Budget is decreasing over the years. The percentage share in this regard which was 17.45 per cent during the year 2007-08 has decreased to 13.32 per cent during 2010-11. If the aforesaid trend is seen separately for revenue and capital head, the data indicates that under the revenue head, the aforesaid share has declined from 12.03 per cent during the year 2007-08 to 9.48 per cent during the year 2010-11. Under the capital head, the said share has decreased from 24.43 per cent to 18.89 per cent during the aforesaid period. The Committee further note that the overall long-term maritime capability plan includes ships, submarines and aircrafts which are very crucial for the preparedness of Navy. As such the Committee strongly recommend that the Navy should be provided allocations during the year 2010-11 as per their projections. The additional requirement of Rs. 4481 crore *i.e.* Rs. 2881 crore under the capital head and Rs. 1600 crore under the revenue head as stated above should be made available to the Navy so that the modernization programme of Navy is not affected due to non-availability of resources.

42. While recommending for allocations to Navy as per their requirements, the Committee observe that additional requirements are being made available to Navy whenever there are new and important projects in the pipeline as stated by the representative of Navy. On the one hand, representative of the Navy has submitted before the Committee that sustained budgetary support is necessary to realize the envisaged force level, on the other hand, the Governments' policy of making the allocation of funds when asked for at the Revised Estimates stage has been defended by the Ministry. While appreciating the fact that the additional demands of Navy are considered favourably by the Government and due priority is given to Defence, the Committee feel that there is an urgent need to provide adequate allocations at BE stage itself. Providing the required allocation at RE stage lead to adhocism in the various plans of the Government. Moreover, as stated by the representative of Navy, sustained budgetary support is necessary to realize the envisaged force level. In view of this, the Committee feel that Navy as well as the Ministry of Defence need to project their allocations forcefully before the Government, so that adequate allocation is made available to them at the BE stage itself, particularly when there is no scope for compromise on the issue of Defence allocation.

43. The Budgetary allocation for Navy is contained in Demand No. 23 of the Ministry of Defence which also includes the Budget

for Joint Staff. While indicating the trend of increase/decrease in naval budget over the years, the combined data is given in various Budget documents which do not truly reflect the trends of allocations exclusively for Navy. As such the Committee strongly recommend that the allocations for Navy and Joint Staff should separately be indicated in future in the Budget documents, so as to understand the increase/decrease in allocations separately for both.

*Manpower Shortage in Navy*

44. The Committee note that the Indian Navy is suffering from shortage of manpower. There is shortage of 1439 officers and 7183 sailors as per the information made available to the Committee. As stated in the written note during the year 2009, a record number of 534 officers were inducted. Besides, Navy is expecting good induction of officers & sailors due to revised pay package provided after the implementation of the recommendations of Sixth Pay Commission. The Committee recommend that the favourable impact of implementation of Sixth Pay Commission's recommendations on induction of manpower in Navy should be watched carefully. Besides, the Committee would also like to recommend that NCC Naval Wing should be further strengthened so that more and more sailors could be recruited from the schools. Similarly, more officers can be inducted from the college wing with requisite training certificates. Besides, the recent salaries and allowances as well as post service benefits including pension provided to sailors and officers with the implementation of the recommendations of the Sixth Pay Commission as well as the adventurous nature of service in Navy, should be widely publicized through print and electronic media. In rural areas, publicity should be given through exhibitions and audio visual techniques. The Committee hope that all these initiatives would help Navy in meeting the shortfall. The Committee would also like to recommend that a deadline should be fixed to fill the gap between the sanctioned and existing strength of officers and PBOR.'

*Modernization of Indian Navy*

45. The Committee note that maritime security includes the exclusive maritime zones measuring 2 million sq. km. area which is regularly kept under vigil by the Coast Guard and Navy. For effective patrolling and keeping a vigil on such a large sea area, there is an urgent need to have adequate number of ships and aircrafts. In this connection, the Committee find that the emergency Committee of the Cabinet had accepted a force level of 138 ships



for the Indian Navy in 1964. Even after the expiry of 46 years, the country is still to get 138 ships. The present strength of naval fleet is only 129. Further, the Committee find that the Government had approved a 30 year longterm submarine plan in 1999 which entails indigenous construction of 24 modern conventional submarines by 2030. The six Scorpene submarines which were earlier scheduled to be delivered to Navy from 2012 till 2017, one each in one year, has been delayed and first submarine will now be commissioned only in 2015. The Ministry has acknowledged that induction of submarines has not kept pace with the de-induction schedule. In addition the aircraft carrier Gorshkov which was due for induction in August, 2008 is now likely to be delivered by Russia in December, 2012. The aircraft modernization plan also includes MIG 29K, Long Range Maritime Reconnaissance Aircraft, Kamov 31, TU 142, IL 38 and Dornier. The aforesaid scenario of the force level in Navy indicates that there are huge delays in procurement of ships and aircrafts. It is a matter of concern that the country could not achieve a force level that was accepted by Cabinet 46 years back in 1964. Since then a lot of challenges particularly in the field of naval security have emerged in the aftermath of November, 2008 terrorist attacks in Mumbai. The Committee strongly recommend that there is an urgent need to find out the reasons for delay in acquisitions and take adequate steps which include streamlining the acquisition process. Besides, the Committee would also like to emphasise that the adequate outlay should be provided for the modernisation plans of Indian Navy.

*Hindustan Shipyard Limited*

46. The Committee appreciate that the Government has transferred Hindustan Shipyard Limited (HSL) from the Ministry of Shipping to the Department of Defence Production, Ministry of Defence by way of amendment of the Allocation of Business Rules on 23rd February, 2010. The Committee hope that with the shipyard coming under the Ministry of Defence, the issue of National Security requirement of building strategic vessels for Indian Navy would be adequately addressed. The Navy would be in a better position to monitor the pace of ships under construction. Not only that, the amount spent in hiring charges for vessels would also be saved.

*Joint Staff*

47. The Committee note that the allocations for the Joint Staff has considerably been enhanced during the year 2010-11. Under the revenue head, the allocations during the year 2010-11 are for

Rs. 1043.02 crore against Rs. 619.55 crore provided during the previous year. Under the capital head also the allocations have been enhanced from Rs. 408.13 crore to Rs. 798.70 crore during the year 2010-11. The Joint Staff office was started in 2001. The Ministry has informed that the considerable enhancement in the allocation is on account of the modernisation requirements of the A&N Command and Signal Intelligence, as also on account of infrastructure growth of the Tri-service Training Institute. The Committee hope that allocations would be effectively utilised and the Joint Staff is modernised. The Ministry has informed that an internal restructuring was carried out and the force has been restructured completely. In this regard the committee would like to emphasize that an evaluation of the working of the Joint Staff should be done since the system has been working for last ten years.

*Modernization of Coast Guard Organization*

48. The Committee note that the BE for 2010-11 for Coast Guard Organisation has been fixed at Rs. 1100 crore which is same as RE of 2009-10. From the information made available, the Committee find that at present Coast Guard Organization has 27 stations in coastal States and is planning to set up 14 new stations. The establishment of Coastal Radar chain, Automatic Identification System, National Command Control Communication and Intelligence (NCCCI) Network and Fitment of Tracking Transponders on all vessels, are other planned projects to meet threats. Besides, modernization of coast guards is also going on and interceptor boats, speed boats and other vessels are to be acquired. As such the Committee strongly recommend that adequate allocation should be provided to Coast Guard Organization during the year 2010-11 so that the aforesaid projects do not suffer for want of resources. Besides, keeping in view the threat from sea particularly after the Mumbai attacks it should be ensured by the Government that the various projects, new stations and other modernization Plans are completed within a definite time frame. The Committee should also be kept informed about the progress made in this regard.

*Coastal Surveillance*

49. The Committee note that numerous agencies are handling coastal security issues directly or indirectly. To ensure integrated approach in this regard various steps have been taken by the Government. To quote a few, Joint operational exercises are taking place on regular basis between Navy, Coast Guard, Coastal States and others to check the effectiveness of the systems and continuous

review and monitoring mechanism of coastal security have been established by involving various agencies including the State/UT authorities. In addition to this, to coordinate and effectively monitor the implementation of various decisions, the Government has constituted National Committee on strengthening Maritime and Coastal Security against threats from the sea with Cabinet Secretary as Chairman and Chief of Naval Staff and Defence Secretary and Secretaries of other related Ministries and Chief Secretaries of Coastal States and UTs and Director, IB, Director, Coast Guard as members. The Committee feel that all these steps are in the right direction and should be continued.

NEW DELHI;  
08 April, 2010  

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18 Chaitra, 1932 (Saka)

SATPAL MAHARAJ,  
Chairman,  
Standing Committee on Defence.

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

The Committee sat on Thursday, the 18th March, 2010 from 1100 hrs. to 1130 hrs. in Room No. 'G-074', Parliament Library Building, New Delhi.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Dr. Sucharu Ranjan Haldar
5. Shri Arjun Ram Meghwal
6. Dr. Prasanna Kumar Patasani
7. Shri A.T. Nana Patil
8. Shri Amarnath Pradhan
9. Shri Bajju Ban Riyan
10. Shri Ijyaraj Singh
11. Shri Kalyan Singh
12. Shri Mahabali Singh
13. Rajkumari Ratna Singh

*Rajya Sabha*

14. Shri R.K. Dhawan
15. Shri Mukut Mithi
16. Shri Prakash Javadekar
17. Shri K.B. Shanappa
18. Shri T.K. Rangarajan
19. Shri M.V. Mysura Reddy
20. Smt. Shobhana Bhartia

## SECRETARIAT

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

## WITNESSES

## REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri Pradeep Kumar — Defence Secretary
2. Dr. V.K. Saraswat — Secretary (R&D)
3. Smt. Neelam Nath — Secretary (ESW)
4. Smt. Indu Liberhan — Secretary (Def. Finance)
5. Shri Ajoy Acharya — Spl. Secretary (DP)
6. Shri S.K. Sharma — DG (Acq.)
7. Shri Shekhar Agarwal — Addl. Secretary (A)
8. Shri R.K. Mathur — Addl. Secretary (M)
9. Shri S. Chandrasekaran — FA (Acq.)
10. Shri G. Elangovan — CCR&D (R&M)
11. Shri Anand Misra — JS(E)
12. Shri Subhash Chandra — JS (G/Air)
13. Shri A.K. Gupta — JS (C&W)
14. Shri Binoy Kumar — JS (O/N)
15. Shri Amit Cowshish — JS &Addl. FA (A)
16. Shri Ramesh Kumar — JS &Addl. FA (R)

**Armed Forces Headquarters**

17. Air Mshl. S.C. Mukul — CISC
18. Lt. Gen. P.C. Bhardwaj — VCOAS
19. Vice Adml. D.K. Dewan — VCNS
20. Air Mshl. P.K. Barbora — VCAS
21. Lt. Gen. J.P. Singh — DCOAS (P&S)
22. Air Mshl. J. Neri — AOM
23. AVM R.K. Sharma — ACAS (Plans)
24. V. Adml. Anil Chopra — DG CG
25. R. Adml. Girish Luthra — ACNS (P&P)

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|------------------------------|-----------------------|
| 26. Cmde. A.B. Singh         | — PDNP                |
| 27. Cmde. R.B. Pandit        | — PDSR                |
| 28. Cmde. Gangesh Kumar      | — DACIDS (Bud.)       |
| 29. IG K. Natarajan          | — TM DDG (P&P)        |
| 30. Wg Cdr Munish Mehtra     | — Project Officer     |
| 31. Cde. A.V. Joshi          | — JDNP                |
| 32. Air Cmde. Swapan Samadar | — Offg. ACAS (Fin. P) |
| 33. Wing Cdr. S.K. Singh     | — JD (Fin. P)         |
| 34. Col. Rajesh Kundra       | — Dir PP (MP)         |

At the outset, the Hon'ble Chairman welcomed the members to the sitting of the Committee and apprised them of the status of receipt by the Secretariat/circulation to members of various documents/material related to Demands for Grants 2010-11 of the Ministry of Defence.

The replies to one set of list of points was received on 17 March, 2010 which on the same day circulated to the members of the Committee. The other related documents as received from the Ministry were circulated on 16 March, 2010. He further informed that replies to the second set of list of points that was a detailed questionnaire based on the budgetary provisions of the Ministry of Defence, Annual report 2009-10, Action Taken Notes to the First Report of the Committee on Demands for Grants 2009-10 which are the crucial documents for the detailed scrutiny of the Demands had not been furnished by the Ministry so far. The Hon'ble Chairman also apprised the Committee that the trend of seeking extension of time for replies was continuing since the constitution of the Committee during Fifteenth Lok Sabha. The Hon'ble Chairman thereafter invited the suggestions of the Committee to devise the strategy of the deliberations at the sitting of the Committee.

2. The Committee deliberated at length the issue of non-receipt/late receipt of replies and other Budget documents as stated above from the Ministry. The Committee noted that examination of Demands for Grants is the onerous task performed by the Standing Committees. It is a mandatory exercise which needs to be completed within the recess period between the Budget Session of Parliament. Further as per the decision taken by the Business Advisory Committee, the Demands for Grants of the Ministry of Defence is the first item to be taken up for discussion and voting on Demands for Grants (General) for 2010-11 by the House when it would reassemble on 12 April, 2010.

Keeping in view the aforesaid position, the members were of the view that detailed scrutiny would not be possible in the absence of the crucial documents/material. The Committee unanimously decided to postpone the oral evidence.

*[The witnesses were then called in]*

3. The Chairman welcomed the representatives of the Ministry. The Committee thereafter placed on record their displeasure on the non-receipt/late receipt of the replies and other Budget documents. The decision of the Committee to postpone the deliberations was also communicated to the representatives of the Ministry. The Defence Secretary was requested to ensure that replies to the list of points, Action Taken Notes and Annual Report 2009-10 are furnished by the Ministry by 22 March, 2010 positively. Thereafter the Committee would hold the sittings which would be communicated to the Ministry.

*[The witnesses then withdrew]*

4. The Committee then decided that the next sittings of the Committee for the purpose of taking oral evidence of the representatives of the Ministry would now be held on 31 March and 1 April, 2010. The Committee also decided that a letter should go from Chairman to Hon'ble Defence Minister communicating the displeasure of the Committee.

5. The copy of verbatim record of the proceedings has been kept.

*The Committee then adjourned.*

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

The Committee sat on Wednesday, the 31st March 2010 from 1100 hrs. to 1300 hrs. in Committee Room Number '53', Parliament House, New Delhi.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Dr. Sucharu Ranjan Halder
5. Shri Arjun Ram Meghwal
6. Dr. Prasanna Kumar Patasani
7. Shri A.T. Nana Patil
8. Shri Bhaskarrao Bapurao Patil
9. Shri Amarnath Pradhan
10. Shri C. Rajendran
11. Shri Bajju Ban Riyan
12. Shri Ijyaraj Singh
13. Shri Kalyan Singh
14. Shri Mahabali Singh
15. Rajkumari Ratna Singh

*Rajya Sabha*

16. Shri R.K. Dhawan
17. Shri Prakash Javadekar
18. Shri K.B. Shanappa
19. Shri T.K. Rangarajan
20. Shri M.V. Mysura Reddy
21. Smt. Shobhana Bhartia
22. Shri Sanjay Raut



## SECRETARIAT

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3. Shri N.S. Hooda — *Additional Director*

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3. Dr. V.K. Saraswat — Secretary (R&D)
4. Smt. Neelam Nath — Secretary (ESW)
5. Shri S.K. Sharma — DG (Acq.)
6. Shri R.K. Mathur — Addl. Secretary (M)
7. Dr. A.S. Pillai — CCR and D and CEO,  
Brahmos
8. Dr. Prahlada — CCR and D (SI)
9. Dr. W. Selvamurthy — CCR and D (LS)
10. Shri G. Elagovan — CCR and D (R&M)
11. Shri S. Sundaresh — CCR and D (ACE)
12. Dr. K. Sekhar — CCR and D (MS & LIC)
13. Dr. R. Sreehari Rao — CCR and D (ECS)
14. Dr. J. Narayana Das — CCR and D (NS & HR)
15. Dr. S.K. Vasudeva — CCR and D (SS)
16. Shri Amit Cowshish — Joint Secretary and Additional  
FA (A)
17. Shri R.K. Ghose — Joint Secretary and AM (Air)
18. Shrimati Shobana Joshi — Joint Secretary and Additional  
FA (S)
19. Dr. S.C. Pandey — Joint Secretary and Additional  
FA (S)
20. Shri Subash Chandra — Joint Secretary (Air)

## REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

1. Air Mshl. S.C. Mukul — CISC
2. Lieutenant General P.C. Bhardwaj — Vice-Chief of Army Staff

- |                                       |   |                           |
|---------------------------------------|---|---------------------------|
| 3. Vice Admiral D.K. Dewan            | — | Vice-Chief of Naval Staff |
| 4. Air Marshal P.K. Barbora           | — | Vice-Chief of Air Staff   |
| 5. Lieutenant General<br>J.P. Singh   | — | DCOAS                     |
| 6. Air Marshal N.V. Tyagi             | — | DCAS                      |
| 7. Air Marshal J. Neri                | — | AOM                       |
| 8. Air Marshal J.N. Burma             | — | AOA                       |
| 9. Air Vice Marshal<br>D.B. Ajgaonkar | — | ACAS (Lgs)                |
| 10. Air Vice Marshal<br>R.K. Sharma   | — | ACAS (Plans)              |
| 11. Wing Commander<br>Munish Mehta    | — | Project Officer           |

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The Chairman initiated the discussion by asking the representatives of the Ministry of Defence about present status of utilization of outlay and the reasons for marginal hike in Defence Budget Estimates in comparison with the double digit inflation, changing security scenario and action to be taken for defence modernization.

3. Thereafter, the representatives of the Ministry of Defence through a power point presentation briefed the Committee on overall defence budget (2010-11) and Ministry of Defence (Civil). The Committee then held discussion on various issues which included delegation of financial and administrative powers to different authorities, indigenization, infrastructure development, preparation of outcome budget, zero based budget and Sukna Land Scam etc.

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

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

*The Committee then adjourned to meet again on 31.03.2010 at 1430 hrs.*

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

The Committee sat on Wednesday, the 31st March 2010 from 1430 hrs. to 1630 hrs. in Committee Room Number '53', Parliament House, New Delhi.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Dr. Sucharu Ranjan Halder
5. Shri Arjun Ram Meghwal
6. Dr. Prasanna Kumar Patasani
7. Shri A.T. Nana Patil
8. Shri Bhaskarrao Bapurao Patil
9. Shri Amarnath Pradhan
10. Shri C. Rajendran
11. Shri Bajju Ban Riyan
12. Shri Ijyaraj Singh
13. Shri Kalyan Singh
14. Shri Mahabali Singh
15. Rajkumari Ratna Singh

*Rajya Sabha*

16. Shri R.K. Dhawan
17. Shri Prakash Javadekar
18. Shri K.B. Shanappa
19. Shri T.K. Rangarajan
20. Shri M.V. Mysura Reddy
21. Smt. Shobhana Bhartia
22. Shri Sanjay Raut

## SECRETARIAT

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

## WITNESSES

## REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri Pradeep Kumar — Defence Secretary
2. Shrimati Indu Liberhan — Secretary (Def. Finance)
3. Dr. V.K. Saraswat — Secretary (Research and Development)
4. Smt. Neelam Nath — Secretary (ESW)
5. Shri R.K. Singh — Secretary (DP)
6. Shri S.K. Sharma — Director-General (Acquisition)
7. Shri Shekhar Agarwal — Addl. Secretary (A)
8. Shri R.K. Mathur — Additional Secretary (M)
9. Shri Subhash Chandra — Joint Secretary (G/Air)
10. Shri Binoy Kumar — Joint Secretary (O/N)
11. Shri Anand Misra — Joint Secretary (E)
12. Shri Upamanyu Chatterjee — Joint Secretary (Trg) & CAO
13. Shri Amit Cowshish — Joint Secretary & Addl. FA (A)
14. Smt. Shobana Joshi — Joint Secretary & Addl. FA (S)

## REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

1. Air Marshal S.C. Mukul — CISC
2. Lieutenant General P.C. Bhardwaj — Vice-Chief of Army Staff
3. Vice Admiral D.K. Dewan — Vice-Chief of Naval Staff
4. Air Marshal P.K. Barbora — Vice-Chief of Air Staff
5. Lieutenant General J.P. Singh — DCOAS
6. Lt. Gen. R.K. Karwal — DG NCC
7. Lt. Gen. Gurdeep Singh — DGFP
8. Maj. Gen. S. Ravi Shankar — ADGFP
9. AVM G.P. Singh — Addl. DG (A)

- |                          |   |
|--------------------------|---|
| 10. Brig. A.K. Sehgal    | — DDGFP (A)                             |
| 11. Brig. R.K. Singh     | — DDG (Lgs.)                            |
| 12. Brig. Ranjit Singh   | — Inspecting Officer                    |
| 13. Shri Rabindra Prasad | — Dy. Secy. & Hon., Secy. SS<br>Society |

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The Chairman initiated the discussion by asking the representatives of the Ministry the reasons for reduced percentage of allocation to Navy including Joint Staff and how for it would affect the Capital acquisition plan of Navy keeping in mind the importance of Coastal Security of the country.

3. Thereafter, the representatives of the Ministry of Defence through a power point presentation briefed the Committee on Defence Budget (2010-11) pertaining to Navy, Joint Staff, Army, NC and Sainik Schools. The Committee then held discussion on various issues, which included delayed procurement of Naval submarines, shortage of manpower in Indian Navy, piracy through the sea passage, coordination mechanism among various agencies for coastal security and restructuring of Joint Staff.

4. The Committee also discussed issues related to budgetary allocation for Army, increase in amount for gallantry awardees, One Rank One Pension, Forest Clearance for Border Road and private sector participation in Defence Production.

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

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

*The Committee then adjourned.*

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

The Committee sat on Thursday, the 1st April, 2010 from 1100 hrs. to 1345 hrs. in Committee Room Number '62', Parliament House, New Delhi.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Dr. Sucharu Ranjan Halder
5. Shri Arjun Ram Meghwal
6. Shri A.T. Nana Patil
7. Shri Bhaskarrao Bapurao Patil
8. Shri C. Rajendran
9. Shri Bajju Ban Riyan
10. Shri Iyyaraj Singh
11. Shri Kalyan Singh
12. Rajkumari Ratna Singh

*Rajya Sabha*

13. Shri R.K. Dhawan
14. Shri Prakash Javadekar
15. Shri K.B. Shanappa
16. Shri T.K. Rangarajan
17. Shri M.V. Mysura Reddy
18. Shrimati Shobhana Bhartia

SECRETARIAT

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

## WITNESSES

## REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri Pradeep Kumar — Defence Secretary
2. Shrimati Indu Liberhan — Secretary (Def. Finance)
3. Dr. V.K. Saraswat — Secretary (Research and Development)
4. Shri S.K. Sharma — Director-General (Acquisition)
5. Shri R.K. Mathur — Additional Secretary (M)
6. Dr. A.S. Pillai — CCR and D and CEO, Brahmos
7. Dr. Prahlada — CCR and D (SI)
8. Dr. W. Selvamurthy — CCR and D (LS)
9. Shri G. Elagovan — CCR and D (R&M)
10. Shri S. Sundaresh — CCR and D (ACE)
11. Dr. K. Sekhar — CCR and D (MS & LIC)
12. Dr. R. Sreehari Rao — CCR and D (ECS)
13. Dr. J. Narayana Das — CCR and D (NS & HR)
14. Dr. S.K. Vasudeva — CCR and D (SS)
15. Shri Amit Cowshish — Joint Secretary and Additional FA (A)
16. Shri R.K. Ghose — Joint Secretary and AM (Air)
17. Shrimati Shobana Joshi — Joint Secretary and Additional FA (S)
18. Dr. S.C. Pandey — Joint Secretary and Additional FA (P)
19. Shri Subash Chandra — Joint Secretary (Air)

## REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

1. Air Marshal S.C. Mukul — CISC
2. Lieutenant General P.C. Bhardwaj — Vice-Chief of Army Staff
3. Vice Admiral D.K. Dewan — Vice-Chief of Naval Staff
4. Air Marshal P.K. Barbora — Vice-Chief of Air Staff
5. Lieutenant General J.P. Singh — DCOAS
6. Air Marshal N.V. Tyagi — DCAS

7. Air Marshal J. Neri — AOM
8. Air Marshal J.N. Burma — AOA
9. Air Vice Marshal — ACAS (Lgs.)  
D.B. Ajgaonkar
10. Air Vice Marshal — ACAS (Plans)  
R.K. Sharma
11. Wing Commander — Project Officer  
Munish Mehta

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The Chairman initiated the discussion by asking the representatives of the Ministry the reasons for reduced percentage of allocation to Air Force and how far it would affect the Defence preparedness of the country. Further, he requested the Ministry to inform whether the allocation provided for the research and development sector would be sufficient in view of the research work required in it.

3. Thereafter, the representatives of the Ministry of Defence through a power point presentation briefed the Committee on Defence Budget (2009-10) pertaining to Air Force and Defence Research and Development Organisation. The Committee then held discussion on various issues, which included number of airfields covered by air surveillance; shortage of officers; aid to civilian authorities; acquisition of Advanced Jet Trainers etc. in respect of Indian Air Force.

4. Regarding Defence Research and Development Organisation, the Committee discussed about its restructuring, implementation of the recommendations of Rama Rao Committee, comparative trials done between Arjun Tanks and the Russian T-90 tanks.

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

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

*The Committee then adjourned.*



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

The Committee sat on Thursday, the 1st April, 2010 from 1430 hrs. to 1630 hrs. in Committee Room Number '62', Parliament House, New Delhi.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Dr. Sucharu Ranjan Halder
5. Shri Arjun Ram Meghwal
6. Shri A.T. Nana Patil
7. Shri Bhaskarrao Bapurao Patil
8. Shri C. Rajendran
9. Shri Bajju Ban Riyan
10. Shri Iyyaraj Singh
11. Shri Kalyan Singh
12. Rajkumari Ratna Singh

*Rajya Sabha*

13. Shri R.K. Dhawan
14. Shri Prakash Javadekar
15. Shri K.B. Shanappa
16. Shri T.K. Rangarajan
17. Shri M.V. Mysura Reddy
18. Shrimati Shobhana Bhartia

SECRETARIAT

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

## WITNESSES

## REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri Pradeep Kumar — Defence Secretary
2. Shri R.K. Singh — Secretary (DP)
3. Shri S.K. Sharma — Director-General (Acquisition)
4. Shrimati Indu Liberhan — Secretary (Def. Finance)
5. Dr. V.K. Saraswat — Secretary (R&D)
6. Shri Ajay Acharya — Spl. Sect. (DP)
7. Shri R.K. Mathur — Additional Secretary (M)
8. Shri S. Chandrasekaran — FA (Acq.)
9. Smt. Anuradha Mitra — JS & Addl. FA (AM)
10. Shri P.K. Mishra — JA & Addl. FA (M)
11. Shri Amit Chowshish — JS & Addl. FA (A)
12. Shri Manoj Saunik — JS (Aero)
13. Shri V. Somasundaran — JS (LS)
14. Shri Gyanesh Kumar — JS (NS)
15. Shri Satyajeet Rajan — JS (ES)
16. Shri T. Ramachandru — JS (MS)
17. Shri A.K. Aggarwal — DGOFF & Chairman, OFB
18. Shri Ashok Nayak — Chairman, HAL
19. Shri Ashwani Kumar Datt — CMD, BEL
20. Shri VRS Natarajan — CMD, BEML
21. Maj. Gen. (Retd.)  
Ravi Khetrapal — CMD, BDL
22. Shri M. Narayana Rao — CMD, Midhani
23. R Adm. K.C. Sekhar — (Retd.) CMD, GRSE
24. Cmde. Naresh Kumar — (Retd.) CMD, HSL
25. Shri S. Ananthasayanam — Offg. CMD GSL

## REPRESENTATIVES OF THE ARMED FORCES HEADQUARTERS

1. Air Marshal S.C. Mukul — CISC
2. Lieutenant General P.C.  
Bhardwaj — Vice-Chief of Army Staff
3. Vice Admiral D.K. Dewan — Vice-Chief of Naval Staff
4. Air Marshal P.K. Barbora — Vice-Chief of Air Staff

5. Lieutenant General J.P. Singh — DCOAS
6. Lt. Gen. UK Ganguli — DGQA
7. Lt. Gen. Baljeet Singh — DGWE
8. Rear Adml. Girish Luthra — ACNS (P&P)
9. AVM R.K. Sharma — ACAS (Plans)

2. At the outset, the Chairman welcomed the members of the Committee and the representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The Chairman initiated the discussion by asking the reasons for delay in various procurements procedures.

3. Thereafter, the representatives of the Ministry of Defence through a power point presentation briefed the Committee on budgetary provision and their utilization on capital budget, various provisions of procurement policy, DPSUs and Ordnance Factories etc.

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

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

*The Committee then adjourned.*

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

The Committee sat on Thursday, the 8th April, 2010 from 1500 hrs. to 1600 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Satpal Maharaj — *Chairman*

MEMBERS

*Lok Sabha*

2. Shri Harish Choudhary
3. Shri Kamal Kishor 'Commando'
4. Dr. Sucharu Ranjan Haldar
5. Shri Ramesh Jigajinagi
6. Shri Kapil Muni Karwaria
7. Shri Arjun Ram Meghwal
8. Dr. Prasanna Kumar Patasani
9. Shri A.T. Nana Patil
10. Shri Bhaskarrao Bapurao Patil
11. Shri C. Rajendran
12. Shri Bajju Ban Riyan
13. Shri Ijyaraj Singh
14. Shri Mahabali Singh
15. Rajkumari Ratna Singh

*Rajya Sabha*

16. Shri R.K. Dhawan
17. Shri Prakash Javadekar
18. Shri K.B. Shanappa
19. Shri M.V. Mysura Reddy
20. Shrimati Shobhana Bhartia

## SECRETARIAT

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

2. At the outset, the Chairman welcomed the members to the sitting of the Committee. The sitting was commenced by paying homage to departed souls of CRPF jawans, who recently sacrificed their lives in Dantewada, Chhattisgarh, recently while fighting with naxalites and observed silence for two minutes as mark of respect to the departed souls. The Committee then took up for consideration the draft Report on 'Demands for Grants (2010-11)' of the Ministry of Defence and adopted the same with slight modifications in Para Nos. 14, 22, 29 and 38 of Part-II of the Report.

3. The Committee, then authorized the Chairman to finalize the above Draft Report in the light of the factual verifications made by the Ministry and present the same to the House on a date convenient to him.

*The Committee then adjourned.*