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

FIFTEENTH LOK SABHA

MINISTRY OF DEFENCE

*[Action Taken by the Government on the Recommendations/Observations of the
Committee contained in their First Report (Fifteenth Lok Sabha) on
Demands for Grants (2009-10)]*

SEVENTH REPORT



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

May, 2010/Vaisakha, 1932 (Saka)

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*[Action Taken by the Government on the Recommendations/Observations of the
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Presented to Lok Sabha on 7.5.2010

Laid in Rajya Sabha on 7.5.2010



LOK SABHA SECRETARIAT
NEW DELHI

May, 2010/Vaisakha, 1932 (Saka)

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* Not included in cyclostyled version of the report

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

Shri Satpal Maharaj — *Chairman*

MEMBERS

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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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21. Rajkumari Ratna Singh

Rajya Sabha

22. Shri R.K. Dhawan
23. Prof. P.J. Kurien
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26. Shri K.B. Shanappa
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28. Shri Munquad Ali
29. Shri M.V. Mysura Reddy
30. Smt. Shobhana Bhartia
31. Shri Sanjay Raut

SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Smt. J.M. Sinha — *Deputy Secretary*

INTRODUCTION

I, the Chairman of the Standing Committee on Defence (2009-10), having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on action taken by the Government on the Recommendations/Observations contained in the First Report (Fifteenth Lok Sabha) on 'Demands for Grants (2009-10) of the Ministry of Defence'.

2. The First Report was presented to Lok Sabha on 16 December, 2009 and laid on the table of Rajya Sabha on the same day. The Ministry furnished their Action Taken Notes on the Recommendations/Observations contained in the First Report on 22 March, 2010.

3. The Report was considered and adopted by the Committee at their sitting held on 5 May, 2010.

4. For facility of reference and convenience, the Recommendations/Observations of the Committee have been printed in bold in Chapter-I of the report.

5. An analysis of action taken by the Government on the Recommendations/Observations contained in the First Report (Fifteenth Lok Sabha) of the Committee is given at Annexure-II.

NEW DELHI;
5 May, 2010

15 Vaisakha, 1932 (Saka)

SATPAL MAHARAJ,
Chairman,
Standing Committee on Defence.

CHAPTER I

REPORT

This Report of the Standing Committee on Defence deals with action taken by the Government on the recommendations/observations contained in their First Report on Demands for Grants (2009-2010), which was presented to Lok Sabha and laid in Rajya Sabha on 16.12.2009.

2. The Committee's First Report contained recommendations/observations on the following aspects:—

Para No.	Subject
(1)	(2)
1.	Overview
2.	Growth in Defence Budget
3.	Revenue Outlay
4.	Capital Outlay
5.	Capital Acquisition Expenditure
6.	Outcome Budget
7.	Indigenization of Defence Equipment
8.	Early Finalization of Long Term Integrated Perspective Planning
9.	11th Defence Five Year Plan
10.	Implementation of Offset Clause
11.	Zero Based Budgeting
12.	Indian National Defence University
13.	Modernization of Army
14.	Shortage of Officers in Army
15.	Bullet Proof Jackets
16.	Stipend to National Defence Academy Cadets
17.	Sainik Schools
18.	National Cadet Corps
19.	One Rank One Pension
20.	Educational facilities to wards of Ex-servicemen

(1)	(2)
21.	Pension to war-widows and disabled soldiers
22.	Lateral Induction of Ex-servicemen
23.	Modernization of Ordnance Factories
24.	Budgetary Allocation for Navy
25.	Shortage of Manpower
26.	Modernization of Indian Navy
27.	Construction of Air Defence Ship
28.	Joint Staff
29.	Maritime Surveillance of Navy
30.	Budgetary allocations for Air Force
31.	Squadron Strength for Indian Air Force
32.	Modernization of Air Fields
33.	Operational clearance for Light Combat Aircraft (LCA) – Tejas
34.	Acquisition of Radars for Air Force
35.	Trainer aircraft for Indian Air Force
36.	Shortage of Officers in Indian Air Force
37.	Defence Research and Development Organization

3. Action taken replies have been received from the Government in respect of all the recommendations/observations contained in the Report. These replies have been examined and categorized as follows:—

- (i) Recommendations/observations, which have been accepted by the Government (Please *see* Chapter II):

Para Nos. 1, 2, 13, 14, 15, 18, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36 and 37

(21 Recommendations)

- (ii) Recommendations/observations, which the Committee do not desire to pursue in view of the replies of the Government (Please *see* Chapter III):

Para Nos. 10 and 20

(02 Recommendations)

- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration (Please *see* Chapter IV):

Para Nos. 3, 4, 5, 6, 7, 9, 11, 17, 19, 21 and 22

(11 Recommendations)

- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited (Please *see* Chapter V):

Para Nos. 8, 12 and 16

(03 Recommendations)

4. The Committee desire that the Ministry's response to their comments made in Chapter-I and final replies to the recommendations/ observations mentioned in chapter-V of this Report be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.

5. The Committee will now deal with the action taken by the Government on some of their recommendations in the succeeding paragraphs.

A. Revenue Outlay

Recommendation (Para No. 3)

6. The Committee had recommended as under:—

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

year is 50.85 per cent over BE and 18.04 per cent of RE of the previous year. The revenue allocation has increased due to the implementation of the Sixth Pay Commission's recommendations.

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

7. The Ministry in its action taken reply, has stated as under:—

"Given the elaborate procedure followed for sanctioning expenditure, both under revenue and capital, as also limited availability of the revenue budget, the possibility of any wasteful expenditure being incurred consciously is rather remote. Nevertheless, the Defence Expenditure Review Committee had been set up to examine and suggest ways of improving the efficiency of expenditure. As communicated to the Committee in the past, various officers in the Ministry of Defence have been assigned the responsibility of looking into the recommendations of the Committee. These are at different stages of examination/implementation. The Committee would be apprised of the developments after the process is completed".

8. Instead of implementing the recommendations of the Defence Expenditure Review Committee (DERC) on the issue of curbing avoidable wasteful expenditure, the Ministry has tried to emphasized that the possibility of any wasteful expenditure being incurred consciously is remote both under revenue and capital outlay. This clearly indicates the unwillingness on the part of the Ministry to implement the recommendations made in the DERC. While deploring the way the

Department is delaying the implementation of the recommendations of DERC, the Committee again emphasize for early implementation of the recommendations of the Committee so that the duplication of expenditure can be avoided and revenue expenditure is contained.

B. Capital Outlay

Recommendation (Para. No. 4)

9. The Committee had recommended as under:—

“The Capital Outlay during the Budget Estimates stage in the year 2008-09 was for Rs. 48007 crore which was, Rs. 6085 crore more than BE of 2007-08. The outlay of Rs. 48007 crore during the year 2008-09 was however, reduced to Rs. 41000 crore thus amounting to the reductions of Rs. 7007 crore at RE stage. During the year 2009-10, the outlay provided at BE stage is Rs. 54824 crore which is Rs. 13824 crore more, if compared to RE of the previous year. Said increase comes to Rs. 6817 crore if the current year’s BE is compared to the BE of the previous year. Although in absolute terms, capital outlay during the current year has been enhanced by 14.20 per cent, if compared to BE and 33.72 per cent, if compared to the RE of the previous year, the revenue capital ratio that was 55:45 during BE 2008-09 stage, has come to 61:39 at BE 2009-10 stage. With regard to the cut of Rs. 7007 crore at RE stage, the Committee are concerned to note that the outlay was reduced keeping in view the pace of expenditure at that time. The representative during the course of oral evidence has acknowledged that there were slippages in delivery schedules due to certain contracts not getting finalized. The Committee are seriously concerned to note the incapacity of the Ministry to utilize the outlay provided under the Capital section which is primarily for the modernization of the Services. The Committee feel that apparently there are problems in execution of projects due to procedural bottlenecks. Therefore, the various shortcomings need to be identified and the corrective actions taken, so that the trend to reduce the outlay at RE stage does not repeat during the current year due to the inefficiency of the Ministry. The Committee would also like to recommend that the capital revenue ratio should be corrected so that more allocation is provided on the capital side. While recommending for higher outlay under the capital side, certainly the Committee expect the Ministry to increase the capacity to utilize the outlay since this is the area where no compromises can be made. The desired action on the suggested line should be taken and the Committee be apprised accordingly”.

10. The Ministry, in its action taken reply, has stated as under:—

“The Committee has basically observed that the revenue to capital ratio should be improved and corrective steps be taken to remove procedural bottlenecks in capital procurements.

In so far as the revenue to capital ratio, it may be mentioned that during the years 2008-09 and 2009-10, the main reason for increase in the revenue expenditure was implementation of the recommendations of the Sixth Pay Commission, which resulted in increase in pay and allowances and payment of arrears. Capital procurements also result in increase in revenue expenditure on account of operational exploitation and maintenance of the capital assets. Revenue budget is also utilized for maintaining reserves of arms and ammunition. These factors impose a serious limitation on containing revenue expenditure. However, all out efforts are made to keep the projections of revenue requirement at the bare minimum level.

As regards the corrective steps be taken to remove procedural bottlenecks in capital procurements, it may be mentioned that the capital acquisitions are made as per the procedure laid down in the Defence Procurement Procedure (DPP), which was last revised in 2008 and amended in 2009. The prescribed procedure aims at expeditious procurement of approved requirements of the Defence Services in terms of capability sought within the time-frames prescribed in the DPP by optimally utilizing the allocated budgetary resources. All major decisions are being taken at the time of initiation of the case at the highest level in a time-bound manner to reduce the overall lead time for procurement. All major deviations are also monitored at the highest level. Following salient provisions exist in DPP 2008 to expedite capital procurements:—

- (a) Maximum time stipulation for issue of RFP within two years of Acceptance of Necessity (AON). In cases beyond two years, fresh AON is considered only after re-examination of available technology and operational necessity.
- (b) Extension of time for submission of offers is restricted to eight weeks.
- (c) In multi-vendor cases, once L-1 vendor has been identified, normally there would be no need for any further price negotiations,
- (d) Increased delegation of financial powers to the Services Headquarters”.

11. The Committee's main concern in the recommendation was the cut of Rs. 7007 crore at RE stage under the capital outlay of the Ministry of Defence keeping in view the pace of expenditure at that time. As such the Committee had emphasized to increase the capacity to utilize the outlay earmarked under the capital section. The Ministry in the action taken reply has nowhere responded to the aforesaid concern of the Committee. The Committee again emphasize that the Ministry has to increase its capacity to utilize the outlay under the capital head to get the adequate allocation under the capital section and also to ensure that the outlay earmarked at BE stage is not reduced at RE stage. This would automatically result into correction in the existing revenue to capital ratio of the Ministry. While reiterating the earlier recommendation, the Committee would like the Ministry to take the concrete action and inform the Committee accordingly.

C. Capital Acquisition Expenditure

Recommendation (Para No. 5)

12. The Committee had recommended as under:—

“The Capital outlay of the Ministry comprises Land and Works of three services, Married Accommodation Project, DGOF, DRDO and other Defence Departments as well as Defence acquisitions. Almost 75 to 80 per cent of the capital outlay is for capital acquisition expenditure. The percentage share of defence acquisition of the capital outlay was 78.30 per cent during the year 2007-08, which declined to 78.08 per cent during 2008-09. During the current year, the percentage share has further declined to 73.63 per cent. The information furnished by the Ministry further reveal that the expenditure on committed liabilities is more than the new schemes. The Committee are concerned to note that the findings of C&AG as per its report numbers CA 17 and 18 of 2008-09, according to which due to procedural delays in acquisition of various equipments and associates spares, many surveillance equipments could not be put to effective operational use and led to enormous increase in the project cost. Some of the areas pointed out by C&AG are, (i) the objective of inducting an aircraft carrier in time to fill the gap in Indian Navy could not be achieved and the cost of acquisition has been more than doubled at Rs. 7,207 crore in four years, (ii) the Ministry took nine years to conclude a contract for the construction of six submarines. The inordinate delay led to enormous increase in the project cost to the extent of Rs. 2,838 crore. (iii) five radars imported at a cost Rs. 24.88 crore

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

13. The Ministry, in its action taken reply, has stated as under:—

“The objective of the Defence procurement procedure (DPP) is to ensure expeditious procurement of the approved requirements of the Armed Forces in terms of capabilities sought and time frame prescribed by optimally utilizing the allocated budgetary resources. While achieving the same, it demonstrates the highest degree of probity and public accountability, transparency in operations, free competition and impartiality. However, delays sometimes occur in some of the defence procurement cases due to several reasons such as insufficient and limited vendor base, non-conformity of the offers to the request for proposals (RFP) conditions, field trials, complexities in contract negotiations, limited indigenous capability and long lead time for indigenization etc. Further the market for state-of-the-art defence equipment and platform 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 institutional delays, procedures and processes and continuously refined on the basis of experience gained during the procurement process. Following provisions exist in DPP-2008 (Amendment 2009) to expedite capital procurements:—

- (a) Maximum time stipulation for issue of RFP within two years of accordances of AON. In cases beyond two years, fresh AON will be considered only after re-examination of available technology and operational necessity.
- (b) Extension of time for submission of offers restricted to eight weeks.

- (c) In multi vendor cases once L1 vendor has been identified, normally there would be no need for any further price negotiation.
- (d) Increased delegation of financial powers of Service Headquarters.

Service HQ maintains a requirement based balance between allocation for new schemes and committed liabilities while seeking allocation of funds under Capital outlay”.

14. The Committee note that even after the implementation of DPP 2008 and subsequent amendment to the procurement policy, there are long delays in acquisitions resulting into cost escalation of the projects. As such there is an urgent need to further streamline the procurement procedures. Even when the aforesaid issue was raised in the recommendation, the Ministry has not given heed to the recommendation of the Committee and has simply reproduced the provisions that exist in DPP 2008 as amended. The Committee express serious concern over the way the Ministry has addressed to one of the important recommendations. The Committee again emphasize to look into the matter and take the desired action to streamline the procurement procedures further. Besides, as recommended in Sixth Report of the Committee, the Committee would like to emphasize that urgent steps should be taken by the Ministry to ensure transparency and accountability in defence acquisitions.

D. Outcome Budget

Recommendation (Para No. 6)

15. The Committee had recommended as under:—

“The Committee in their 29th and 35th Reports (Fourteenth Lok Sabha) had recommended that the Ministry should identify the areas and organizations for which the Outcome Budget could be prepared and present the same to Parliament at least from the year 2009-10 onwards. The Ministry, however, could not present the same in the Budget Session of the current year. During the course of the examination of Demands for Grants of the current year, the Committee have been informed that the areas and organizations for preparation of Outcome Budget were identified. Although these organizations prepared the Outcome Budget, the same was considered inadequate. The concept being new, there was lack of conceptual clarity with regard to the methodology to be followed for the preparation of the Outcome Budget. The Committee further

note that the Defence Expenditure Review Committee set up to study the issue of curbing wasteful expenditure has also recommended that the proposed Demands for the year 2009-10 should be entirely outcome oriented and a workshop may be conducted to finalise the methodology. Even then, the Ministry could not present the Outcome Budget during the year 2009-10. The Committee are unhappy to note the casual attitude of the Ministry in the matter. The Committee feel that the matter should not be delayed further. To begin with the Outcome Budget for the selected activities *viz.* Ordnance Factories, PSUs, Naval Dockyards and depots and some other selected establishments as decided may be prepared on a pilot basis followed by the comprehensive Outcome Budget. The Committee hope that the Outcome Budget of the Ministry would be presented to Parliament for the year 2010-11.

16. The Ministry in its action taken reply, has stated as under:—

“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 has been 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. However, it may not be appropriate to place the outcome budgets in the public domain or present them to the Parliament till such time as sufficient experience is gained to ensure that quality and contents of the outcome budget reach an acceptable level of excellence”.

17. The Committee do not agree with the reply of the Ministry that due to inadequate methodology, the outcome documents could not be prepared by the identified organizations. However, on February, 2010, orders have been issued to prepare outcome budget in respect of NCC and MAP. The Committee note with concern that the Ministry has not conducted any workshop to finalize the methodology to prepare outcome budget, nor it has learnt any lessons from other Ministries which are preparing outcome budget. The experience and level of excellence in terms of quality and contents of the Outcome Budget will be achieved only when the Ministry will prepare that.

The Committee deplore the way the presentation of Outcome Budget is being delayed by the Department without taking any concrete

action as consistently been recommended by the Committee and the Expenditure Review Committee. The Committee while reiterating their earlier recommendation would like the Ministry to cover some other areas like Ordnance Factories, PSUs, naval dockyards and some other selected establishments and ensure that Outcome Budget 2011-12 is presented to Parliament followed by a comprehensive Outcome Budget in the coming years.

E. Indigenization of Defence Equipment

Recommendation (Para No. 7)

18. The Committee had recommended as under:—

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

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

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

19. The Ministry in its action taken reply, has stated as under:—

“Several indigenous programmes for development of weapons, sensors, propulsion equipment, communication and EW equipment, etc. are in progress.

DRDO is concentrating on development of strategic, complex and security sensitive systems. DRDO has developed a number of systems/products/technologies worth Rs. 30,000 crore which have already been inducted into Armed Forces, besides a large number of items are in the process of development, production and induction.

Further, Policy and procedural steps have been initiated towards enhancing self reliance. Joint development and transfer of technology have been encouraged by recent amendments to Defence Procurement Procedure (DPP) 2008, in November 2009, which aims to provide the procedural framework and detailed guidelines for enhancing self reliance. A new category ‘Buy and Make Indian’ has been included in DPP 08 (Amendment-2009). This change in DPP-08 would enable pro-active participation of Indian industry in manufacturing defence products through co-production arrangements, such as Joint Venture (JV), with foreign manufacturers and through transfer of technology”.

20. During examination of DFG 2009-10, the Committee had observed that sizeable proportion of procurement takes place through the ordnance factories and DPSUs which are indigenous sources but have to depend on import for manufacturing the finished products. Therefore, they had recommended to strengthen the R&D in all defence production agencies and provide adequate budgetary support to that effect. The Ministry has not addressed to the aforesaid issue raised in the recommendation. The Committee would like the Ministry to take the concerted action as suggested and inform the Committee accordingly.

F. Early Finalization of Long Term Integrated Perspective Planning and 11th Defence Five Year Plan

Recommendation (Para Nos. 8 and 9)

21. With regard to LTIPP, the Committee had recommended as under:—

“The Committee note that GoMs in its report, on ‘Review of National Security system’, had recommended that the Five Year

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

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

22. With regard to 11th Defence Five Year Plan, the Committee had recommended as under:—

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

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

23. The Ministry in its action taken reply, has stated as under:—

“Currently, the Long Term Integrated Defence Perspective Plan (LTIPP) 2012-17, as approved by Raksha Mantri, is in vogue. The changing security scenario and the perceived environment will impact the capability development strategy, plans and procurement priorities of the Armed Forces for the next three Plan periods, beyond March 2012. Hence, a need has been felt for recasting of acquisition proposals to meet the prospective operational needs of the Armed Forces. The finalization of the LTIPP 2012-27, which is being undertaken in the above background, will also factor in a Technology Road Map for this period. The Ministry and the Services Headquarters are fully conscious of the imperative need for early finalization of the LTIPP 2012-27 and are attending to this work with all seriousness.

It may be mentioned at the outset that the Eleventh Defence Plan for the period 2007-12 was prepared and the projections sent to the Ministry of Finance in July 2006 itself. However, the Plan could not be taken to the Cabinet Committee on Security (CCS) – as was done in respect of some of the Five-year Plans in the past – because of the difference in the Plan size in monetary terms, as projected by the Ministry of Defence and as accepted by the Ministry of Finance. Meanwhile, capital acquisitions are being made as per the Annual Acquisition Plans, which are based on the 11th Defence Plan, subject to availability of budgetary allocations”.

24. The Committee have repeatedly been recommending to finalize the Long Term Integrated Perspective Plan LTIPP (2012-27). Till date, the LTIPP has not been finalized. Now the Ministry has stated that the finalization of the LTIPP will also factor in a Technology Road Map for this period. The Ministry and the Services Headquarters are fully conscious of the imperative need for early finalization of the LTIPP 2012-27 and are attending to this work with all seriousness. 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. 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 stress that all the initiatives should be taken by the Ministry to ensure that the preparation work for Twelfth Plan is started well ahead so as to avoid such delays in the Twelfth Plan.

G. Zero Based Budgeting

Recommendation (Para No. 11)

25. The Committee had recommended as under:—

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

26. The Ministry in its action taken reply, has stated as under:—

“In so far as the 11th Defence Plan is concerned, the position has been explained in response to Para No. 9 of the Report of the Committee.

It is re-treated that 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”.

27. The Committee are not convinced with the reply of the Ministry that defence budget being non-plan budget and not subject

to any scrutiny by the Planning Commission, should not follow the principle of zero based budgeting. While agreeing to the fact that the Defence allocations are entirely under non-plan head, the Committee find that almost 40 per cent of the allocation are under the capital segment. Not only that, under the revenue segment also the substantial part of the allocations are utilized for maintenance and repair of assets under the three services and the headquarter. As such the exercise of zero based budgeting is more required in the case of the Ministry of Defence. Moreover, the underlying principles and advantages of zero based budgeting are enormous, as it helps any organization, to identify the alternatives methods of performing each activity which will lead to optimum level of spending in comparison to the current operating level.

In view of the above advantages and to save the country's scarce resources, the Committee once again recommend the Ministry to follow the principle of zero based budgeting.

H. Sainik Schools

Recommendation (Para No. 17)

28. The Committee had recommended as under:—

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

29. The Ministry in its action taken reply, has stated as under:—

“The recommendation of the Standing Committee has been examined in detail. It is submitted that the Sainik Schools are conceived as joint ventures of Central Government and the State Governments set up primarily with the aim to remove regional imbalance in officer cadre of armed forces. 67% of the seats in each Sainik School are reserved for boys from the State in which the Sainik School is located to attract children of that State/region into the armed forces. The Sainik Schools are unique assets of the State Governments. They provide land free of cost, build and maintain the schools infrastructure. In addition, they award scholarships on merit-cum-means basis. The importance, therefore, of the role of the State Government in running the School should not be done away with.

2. Sainik schools were expected to be financially self-sufficient institutions. These depend mainly on fees paid by the parents. It is seen that the schools that the regularly getting funds from the State Government are better run. The schools such as Bijapur and Kodagu (Karnataka), Ghorakhal (Uttarakhand), Gopalganj and Nalanda (Bihar) and Kunjpura (Haryana) are getting regular funds from respective State Governments at an average of Rs. 2 cores per year during the last three year.
3. Sainik Schools and Kendriya Vidyalayas are not comparable in the matter of objective, organizational set up, source of budget/finance, provision of land, status of employees etc. Kendriya Vidyalayas have been set up to cater to the educational needs of the children of transferable employees of Central Government/State Government/PSUs. Whereas the aim of Sainik Schools is to prepare boys academically, physically and mentally for entry into the National Defence Academy and to remove regional imbalance in the officer cadre of the defence services. Further, the Kendriya Vidyalayas are day schools and the Sainik Schools are residential Schools. Hence, it would not be possible to accept the recommendations of the Standing Committee that entire funding of all Sainik Schools should be made by the Central Government on the pattern of Kendriya Vidyalayas/Navodaya Vidyalayas.
4. The Central Government is fully committed to the improved functioning of Sainik Schools. The Central Government is actively considering the modification of the scheme to provide more funds to the Sainik Schools. It may also be pointed, in

recent times, the following specific steps have been taken by the Central Government to improve the quality of the Sainik Schools:

- (a) At present, Ministry of Defence awards Scholarships on merit-cum-means basis to the wards of defence personnel including ex-servicemen, Centre Share to the cadets who are in receipt of State Scholarship and subsidy in the form of NDA incentive/sharing of burden. The amount of scholarship and subsidy is proposed to be enhanced substantially.
- (b) 80% funding has been provided for meeting the additionality in respect of salaries and pension consequent upon acceptance of recommendations of the Sixth Central Pay Commission. Proposal has been initiated to increase this amount of 80% to 100%.
- (c) Letters at the level of RRM have been regularly issued to the Chief Ministers and Members of Parliament to provide funds for better infrastructural facilities of the Sainik Schools.
- (d) While it is felt that taking over the Sainik Schools by the Centre on the pattern of Kendriya Vidyalayas might not be viable because it would tend to lessen the involvement and commitment of the State Governments to these institutions, at the same time it is reiterated that the Centre is actively considering certain amendments to the scheme whereby it would contribute more funds in certain key areas to facilitate the improved running of these schools without diluting the responsibility of the State Government towards them”.

30. While noting that the administration of Sainik Schools is ailing from variety of maladies the Committee had consistently been recommending that entire funding of all Sainik Schools should be made by the Central Government on the pattern of Kendriya Vidyalaya/ Navodaya Vidyalaya. Instead of taking the desired action on the suggested lines, the Ministry has chosen not to agree to the recommendation of the Committee on the pretext that Sainik Schools are conceived as joint venture of the Central Government and State Governments. The Committee again emphasize that the Sainik Schools are facing various problems which include lack of financial support from the State Governments. As such there is an urgent need to implement the aforesaid recommendation of the Committee particularly

when these schools are very important for the Defence services which are facing acute shortage of officers and PBORs. The Committee while reiterating their earlier recommendations would like the Ministry to change the funding pattern of the Sainik Schools on the line of Kendriya Vidyalayas/Navodaya Vidyalayas and entire funding of all Sainik Schools should be made by the Central Government.

I. One Rank One Pension (OROP)

Recommendations (Para No. 19)

31. The Committee had recommended as under:—

“The Committee notes that the Ex-servicemen are demanding OROP for a long time which is being denied by the Government on one pretext or the other. This year, Finance Minister in his Budget Speech mentioned about a Committee headed by Cabinet Secretary on the issue, which submitted its report on 30.06.09. This Committee made recommendations to substantially improve the pensionary benefits of pre-1.1.2006 Personnel Below Officer Rank (PBOR) which have also been accepted by the Government. The Ministry has further clarified that the said Committee has not recommended OROP formula. As regards the status of implementation of the recommendations made by the Committee, the Ministry has informed that two of the recommendations stand implemented with the issuance of letter dated 30.10.09 with regard to OROP. The Committee would like to recommend that all recommendations made by the aforesaid Committee should be implemented expeditiously. Besides, the Committee may like to emphasize that OROP is the long over due demand of the ex-servicemen. Even after implementation of recommendations of the 6th CPC, the demand of OROP still persists.

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

32. The Ministry in its action taken reply, has stated as under:—

“After the report of the 6th CPC was accepted by the Government the matter regarding One Rank One Pension was examined in the light of the observations/recommendations made by various

Committees/Commissions which did not recommend the demand of OROP. The matter was taken up with the Ministry of Law. Relying on the judgment of Supreme Court in the case of D.S. Nakara, [1983(2)SCR 165], K.L. Rathi [SLJ 1997(3)/2007] and All India Ex-servicemen League (AIR 1991 SC 1182), Ministry of Law did not recommend the demand of OROP.

On the directions of PMO, a Committee was set up under the Chairmanship of Secretary to look into the issue of OROP and other related matters. After a series of meetings, the Committee submitted its report on 30.6.09.

After considering all aspects of the issue, the Committee did not find it administratively feasible to recommend OROP as such. However, keeping in mind the spirit of the demand several other recommendations to substantially improve pensionary benefits of PBORs and Commissioned Officers have been made, which have been accepted by the Government.

- (i) Inclusion of classification Allowance for PBOR from 1.1.2006.
- (ii) Removal of linkage of full pension with 33 years from 1.1.2006.
- (iii) Revision of Lt. General pension after carving out a separate pay scale for them.
- (iv) Bringing parity between pension of pre and post 10.10.97 PBOR pensioners.
- (v) Further improving PBOR pensions based on award of GOM 2006.
- (vi) Broad banding percentage of disability/war injury pensions for pre-1.1.2006 disability/war injury pensioners.
- (vii) Removal of cap on war injury element of pension in the case of disabled pensioners belonging to Category E.

These are in various stages of implementation.”

33. 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 the Ministry has informed that after the report of the 6th CPC was accepted by the Government the matter regarding One Rank One Pension was examined in the light

of the observations/recommendations made by various Committees/ Commissions which did not recommend the demand of OROP. The matter was taken up with the Ministry of Law. Relying on the judgment of Supreme Court in the case of D.S. Nakara, [1983(2)SCR 165], K. L. Rathi [SLJ 1997(3)/2007] and All India Ex-servicemen League (AIR 1991 SC 1182), Ministry of Law did not recommend the demand of OROP. 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. The Committee still recommend that the Government should implement One Rank One Pension in a holistic manner so that large number of ex-servicemen can be benefitted. The Government should 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.

J. Pension to war widows and disabled soldiers

Recommendation (Para No. 21)

34. The Committee had recommended as under:—

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

The Committee further note that various benefits are being provided to pre-1.1.2006 and post-1.1.2006 cases of disabled pensioners. However, in calculating pension of disabled pensioners, there is an element of disparity between the two. While the pre-1.1.2006 are getting a fixed amount, the post-1.1.2006 retirees are getting it

@30% of emoluments last drawn. The Committee, therefore, would like to recommend that the pre-1.1.2006 retirees may also be given disability pension at the revised rates as recommended by the 6th CPC and accepted by the Government of India.

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

35. The Ministry in its action taken reply, has stated as under:—

"Para 21 highlights following 3 parts:

- (i) of maintaining centralized data in regard to war disabled pensioners and widows by the regimental centres.
- (ii) Pre-1.1.2006 disabled retirees may also be given disability pension at the revised rates as recommended by 6th CPC in r/o post-1.1.2006 disabled retirees.
- (iii) For the purpose of disability pension and other related benefits, any type of injury sustained in performance of duty by any military personnel may be treated at par with war injury.

2. The position is as under:

- (i) Action is in progress for getting the data of disabled/war disabled.
- (ii) The matter regarding provision of modified parity to the 1.1.2006 disability pensioners at the maximum of the pre-revised pay scales is also under consideration.
- (iii) Since injury sustained during war has a special connotation for the individual who makes supreme sacrifice of his life during war or war-like situation, it cannot be equated with injury suffered during normal performance of duty. It is likely to dampen the morale of the Armed Forces personnel going on the war-front.

In view of the position, part of the recommendation of the Hon'ble Committee is not acceptable to that extent."

36. The Committee do not accept the logic of the Ministry in regard to unequal treatment of soldiers sustaining injury while performing duty and war injury for the purpose of disability pension

and other related benefits as it is likely to dampen the morale of the Armed forces personnel going on the war front.

Rather, the Committee strongly feel that waiving of the present disparity will motivate the young talented aspirants to join the Armed forces which will be helpful in minimizing the existing shortage of manpower in the armed forces and will attract talents. Therefore, the Committee desire the Ministry to reconsider the issue and take the desired action.

K. Lateral Induction of Ex-servicemen

Recommendation (Para No. 22)

37. The Committee had recommended as under:—

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

38. The Ministry in its action taken reply, has stated as under:—

“The Central and State Governments provide a number of concessions to Ex-servicemen (ESM) for their re-employment in

Central/State Government Departments. These include reservation of posts/relaxation in age and educational qualifications, exemption from payment of application/examination fees and priority in employment to the disabled ESM and dependants of deceased service personnel on compassionate grounds.

2. As regard the resettlement of ESM, Persistent efforts of the Department with the dual aim of increasing awareness amongst the Corporate Sector on the availability of valuable human resources in Ex-Servicemen and enhance job opportunities for ESM in Corporate/Private Sector have borne fruits with major demands now coming up from the Corporate Sector/PSUs.
3. Apart from the above, the Government has formulated several Self-employment ventures for rehabilitation and resettlement of Ex-servicemen and their families. The Self-employment schemes are as follows:—
 - (i) Allotment of Army Surplus Vehicles
 - (ii) Coal Tipper Scheme
 - (iii) Allotment of Oil Product Agency
 - (iv) Mother Dairy Milk Booths and Fruit and Vegetable (Safal) shops
 - (v) Management of CNG Station by ESM (Officers) in NCR
 - (vi) Management of Toll Plaza under NHAI
4. The issue of lateral transfer of army personnel into Central Paramilitary Forces (CPMFs) has been under correspondence with Ministry of Home Affairs. The issue is yet to be resolved.”

39. The Committee are distressed to not that despite its several recommendations from time to time and GoMs Report in ‘Reforming National Security System in 2001, highlighting the advantages of lateral induction of ex-servicemen into Central Para Military Forces’, the issues are yet to be resolved in consultation with the Ministry of Home Affairs.

In view of the savings to be accrued in terms of Finance, training, expertise and precious time by re-employment of young retired soldiers, the Committee desire the Ministry to expedite the matter to resolve the lateral induction of ex-servicemen in Central Para Military Forces, Public Sector Banks and Undertakings and State Police Departments.

L. Squadron strength for Indian Air Force

Recommendation (Para No. 31)

40. The Committee had recommended as under:—

“The Committee note that Indian Air Force needs 42 fighter squadrons for achieving strategic balance on both the fronts *viz.* China and Pakistan. In this regard only 35 squadrons out of the required strength of 42 have so far been planned to be raised and that too upto 12th Plan *i.e.* by 2017. The Committee have been informed that as an interim measure, four pronged strategy has been proposed which includes upgradation and life extension of the existing fleet, inductions of force multipliers and additional combat and squadrons. From the data made available to the Committee with regard to accidents of aircraft of Indian Air Force, the Committee find that 68 category 1 accidents have taken place during the last five years. The percentage of accidents due to technical defects, human failure and bird hit during this period are 27.94 and 36.76 (64.7%) per cent respectively. In view of the position of accidents of air force aircraft, the Committee strongly feel that the strategy of life extension of existing fleet need a relook. Life extension of fighter aircraft should not go beyond a certain years and not more than one life extension be recommended.

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

taken so that the required strength of squadrons is available expeditiously and the required allocations should be provided.”

41. The Ministry in its action taken reply, has stated as under:—

“The Government is fully cognizant of the imperative need to modernize the Air Force and augment its operational capabilities. The IAF is presently in the process of augmenting and modernizing its fleet by development and procurement of various aircraft including Medium Multi Role Combat Aircraft, the indigenous Light Combat Aircraft, Airborne Warning and Control System Aircraft and Fifth Generation Fighter Aircraft. It is also upgrading its existing aircraft to enhance their combat capabilities.”

42. The Committee note that IAF is presently in the process of augmenting and modernizing its fleet by development and procurement of various aircraft to enhance their combat capabilities. Since the depleted strength of squadrons is a matter of serious concern, the committee desire the Ministry to complete the task in a time-bound manner.

M. Modernization of Air Fields

Recommendation (Para No. 32)

43. The Committee had recommended as under:—

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

44. The Ministry in its action taken reply, has stated as under:—

“The proposal for modernization of air fields is being progressed as per the Defence Procurement Procedure 2006 and is presently at the Contract Negotiations stage”.

45. The Committee desire the Ministry to fix a prescribed time limit for modernization of Airfields and strictly adhere to that time schedule.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS, WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 1)

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

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

Reply of the Government

This para does not contain any actionable point or recommendation and, therefore, no action is called for.

Recommendation (Para No. 2)

The Committee note that the Defence outlay (BE) for the year 2009-10, is of Rs. 141703 crore against the projections of Rs. 154156.42 crore thus leaving a gap of Rs. 12453.42 crore between the projections and Budget Estimates. If the BE of the current year is compared to the RE of the previous year *i.e.* 2008-09, the increase is to the tune of Rs. 27503 crore. Looking at the defence expenditure in absolute term, the data provided by the Ministry indicates that it has increased from Rs. 35278 crore during the year 1997-98 to Rs. 141703 crore during the year 2009-10. With regard to the position of defence expenditure as percentage of Central Government expenditure, it was 17.81 per cent during the year 1988-89.

It has gradually declined over the years and the lowest is 12.72 per cent in the year 2008-09. For the year 2009-10, it has slightly been increased to 13.88 per cent. In terms of defence expenditure as percentage of GDP, it was highest during the year 1988-89 and then declined over the years. It was lowest as 1.94 per cent during the year 2007-08 and subsequently increased to 2.15 per cent during the year 2008-09 and 2.42 per cent during the current year. The Ministry feel that the co-relation of defence expenditure with GDP is just an indexation and has no bearing on defence preparedness. The Ministry further seem to be contended with the growth of the defence budget in absolute terms. The Committee strongly feel that while comparing the data of different years, the rate of inflation also need to be taken into account. More so, the defence budget as percentage of the overall Government spending and GDP are the true indicators of the growth of the defence budget. The recent Mumbai attack has given an entirely new dimension to the security scenario and defence preparedness. There are big challenges before the country and the declining share of defence as percentage of GDP as well as total Government expenditure are a matter of concern. The Committee strongly recommend that the adequate outlay should be provided for the defence sector.

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

Reply of the Government

The observation/recommendation of the Committee was referred to the Ministry of Finance on 31.12.2009 with the request that it may be kept in view while finalizing the budgetary ceilings for 2010-11 and the subsequent years.

As regards the observation that the Committee would like the Ministry to have the system of maintaining updated information about the day to day happenings in the world about the defence preparedness in different countries, it is submitted that the Services do carry out analyses of the capabilities of our friends and adversaries. Defence Planning is based on threat perception and the capabilities required to meet those threats, which are then converted into specific acquisition/modernization programmes. The requirement of funds is assessed on the basis of these programmes and the revenue expenditure required for maintaining the force levels, infrastructure and manpower.

Headquarters Integrated Defence Staff has been tasked to maintain data pertaining to defence expenditure of various countries. This would henceforth be regularly monitored in the Ministry of Defence. Information on other matters relating to defence preparedness of different countries is also being regularly monitored by Armed Forces Headquarters/MoD.

Recommendation (Para No. 13)

The Committee find that the outlay provided at BE stage for Army for the year 2009-10 is Rs. 76117.23 crore which includes Rs. 58097.29 crore as revenue and Rs. 18019.94 crore as capital outlay. The projections in this regard were for Rs. 83284.84 crore which comprised of Rs. 61704.07 crore for revenue and Rs. 21580.77 crore for capital. For the Revenue Section, the percentage of allocations against projections is 94.15 per cent, whereas for the Capital Section it is 83.50 per cent. The Committee find that during the year 2008-09, outlay amounting to Rs. 49228.23 crore was provided. During the Revised Estimates stage the outlay was increased to Rs. 59058.57 crore. The actual expenditure was Rs. 57667.91 crore. Thus, during the previous year, Rs. 1381.66 crore remained unspent. There is enhancement of Rs. 17058.66 crore, if the BE of 2009-10 is compared to RE of the previous year. The enhancement is primarily to meet the impact of the Sixth Pay Commission's recommendations. The average revenue capital ratio of the total Defence Budget during the Eleventh Plan is 74:26 against 64:36 during the Tenth Plan. In the case of Army for the year 2009-10, the revenue capital ratio is 76:24. The Committee note that for the capital expenditure of the Army, the ratio during the

current year is even lesser than the overall average percentage provided for the Defence Budget. From the information provided by the Ministry, the Committee note that in the current plan, the aim is to procure modern medium guns, Ultra Light Howitzers, Tracked and Wheeled Self Propelled guns, Multiple Barrel Long Range Rocket Systems, Cruise Missiles and Surveillance Systems. The Committee are of the firm view that, the country cannot afford compromises with regard to modernization programme of the Army. As such there is an urgent need to provide adequate outlay under the Capital Section. The revenue and capital ratio for the Army should be corrected so that capital outlay at any cost is not lesser than the overall capital average of the total Defence Budget so as to enable the Ministry to implement the modernization plan efficiently.

Reply of the Government

The concern of the Parliament Standing Committee is well appreciated. However, it is submitted that although the proportion of the capital expenditure may be 24%, the modernization process of the army is in no way compromised. A large portion of the revenue expenditure constitutes salary and allowances. The Indian Army, being a manpower intensive force, it is natural that the revenue budget would be huge. The revenue budget has gone up further due to revision in the salary and allowances as a result of the implementation of the recommendations of the Sixth Pay Commission. In addition to this, a number of small weapons and equipment, and also consumable stores/ammunitions are procured under the revenue budget.

The five year Army Plans incorporate the weapons and equipment that the Army would procure over the next five years and annually. Based on these procurement plans, the BE is projected for a financial year. Although, the proportion of the capital budget was only 24% of the total Army budget; in figures, the allocation to capital expenditure was Rs. 18,019.94 crore for 2009-10. As per the Army Plan, under which the modernization of the Army is taking place, this amount is considered sufficient to meet the annual requirements of the Army for its modernisation. However, as stated earlier, the ratio of revenue to capital budget has become skewed towards the revenue side, due to hike in the salary and allowances of the personnel.

Recommendation (Para No. 14)

From the data provided by the Ministry, the Committee note that present strength of Army officers is 35131 against the sanctioned strength of 46614. Thus, there is a shortage of 11483 officers which is approximately 24 per cent of the sanctioned strength. The Committee find that a lot of

initiatives are being taken by the Ministry to attract talented youth to join Armed Forces. As recommended by A.V. Singh Committee report, all officers including Short Service Commission officers are now eligible for substantive promotion to the rank of Captain, Major and Lt. Colonel after 2,6 and 13 years of service respectively. Besides a total of 754 posts of Lt. Colonel have been upgraded to Colonel rank. In addition, the tenure of SSC officers has also been extended from 10 years to 14 years. With regard to creating awareness among the youth, a lot of initiatives are being undertaken by the Ministry as informed during the course of examination of Demands for Grants. The Committee note that all the aforesaid initiatives being taken by the Ministry are in the right direction and should be continued. The Committee feel that with substantial improvement in pay and structure of officers of armed forces after implementation of Sixth Pay Commission recommendations, army would certainly be a favoured career option for the youth. Besides, the Committee also feel that there is an urgent need to undertake survey to find out the inhibitions of the youth to join the Armed Forces. Once the reasons for not joining the Armed Forces are known, the corrective action can be taken to make the Armed Forces as an attractive option for the talented youth. The action on the suggested lines should be taken and the Committee be informed accordingly.

Reply of the Government

The Ministry has been continuously taking steps to address the issue of shortages of officers. Important steps already taken in this regard include implementation of recommendations of AV Singh Committee report (phase I). Where by all officers including Short Service Commissioned officers are now eligible for substantive promotion to the rank of Captain, Major and Lt. Col. after 2, 6 and 13 years of reckonable service, upgradation of a total of 750 posts of Lieutenant Colonels to Colonel's rank, reduction in the qualifying service required for promotion as Colonel to 15 years as against 20 years earlier, increase of the tenure of SSC officers from 10 to 14 years, upgradation of a total of 1896 additional posts in the ranks of Colonel, Brigadier, Major General and Lieutenant General (and equivalent) in the three Services towards implementation of AV Singh Committee report (phase II), implementation of the recommendations of the VI Central Pay Commission with substantial improvements in the pay structure of officers of Armed Forces etc. These measures will go a long way to make service in the Armed Forces more attractive which will contribute towards reduction in shortages.

2. Ministry of Defence have further gone into the issue of addressing Shortage of officers in the Armed Forces in its entirety. A Multi pronged approach has been adopted for addressing the entire gamut of issues

involved. It is a continuous process and is being monitored on a regular basis.

3. However, as suggested by the Committee, steps have been initiated for undertaking a survey on the interest of the youth in joining the Armed Forces.

Recommendation (Para No. 15)

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

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

Reply of the Government

Briefly it is brought out that in March 04, quantity 3,53,765 Bullet Proof Jackets (BPJs) were authorized to Indian Army. Upto January, 2006 quantity 2,35,624 BPJs were procured on need basis. Subsequently, in May 2009, Infantry Directorate formulated the revised General Staff Qualitative Requirements (GSQR) for BPJs. Based on revised GSQR, approval by the Defence Acquisition Council (DAC) has been obtained in October 2009 for procurement of quantity 3,53,765 BPJs with quantity 1,86,168 BPJs to be procured in the 11th Army Plan. Presently, vetting of Request for Proposal (RFP) is in progress. Same will be issued to Indian vendors shortly and the procurement is likely to fructify soon.

2. Fast Track Procedure (FTP) is invoked for procurement of equipment of operational urgency wherein extensive trials are not required to be carried out. However, in this case, as the numbers are large, it is considered essential to have extensive trials prior to induction of the equipment. However, to meet the immediate requirement of BPJs for Quick Reaction Teams (Ghatak), quantity 8232 is being procured through FTP.

3. Regarding the Committee's concern about the BPJs being very heavy, it is informed that the soldiers in field are exposed to various kinds of operational environment. With the varying operational environment, the threat level also varies from low to high. Changing threat level ensures different kinds of protection level for a soldier. The proposed design of BPJ, which is under procurement, encompasses the various levels of protection that a soldier requires under various threat levels. The proposed modular natured BPJ can be configured as per the threat levels envisaged and protection level required by the soldiers.

4. The various kinds of Threat levels configuration and protection levels are listed in the following table:—

Sl No.	Threat Level	Configuration	Components	Protection Against
1.	Low 1	Basic	Complete Jacket with trauma pad to include all round Soft Armour Panel (SAP) including front, sides, back, collar and neck.	9x19 mm parabellum (KF) fired from 9mm SAF Carbine (Indian) at 05 metre/MP 5 from 05 metre.
2.	Low 2	Upgrade 1	Including Hard Armour Plate (HAP) for front and sides.	7.62 mm x 39 mm mild steel core ammunition of AK-47 from 10 metre.
3.	Medium	Upgrade 2	Additional one HAP in rear.	
4.	High	Upgrade 3	Additional Upper Arm SAP, Groin Hard Armour Plate (HAP) and Throat HAP.	SAP as per Sl.No. 1 and HAP as per Sl.No. 2 and 3 above.

5. The maximum weight of the BPJ when all the components are worn ranges from 10.5 kgs. to 11.5 kgs (depending on the size of the BPJ). However, if the threat level is Low1 as given in the table above, the weight of BPJ under procurement will be much lesser (less than 4 Kgs.)

as compared to the existing BPJ which is of 6.62 Kgs. The proposed BPJ is mission specific, modular in nature, provides maximum protection, ergonomically designed, snug fit and user friendly.

6. Thus, it can be seen that the weight of the BPJ is incremental from less than 4 Kgs to a maximum of 11.5 Kgs, based on level of threat. The soldier is not required to wear the BPJ at its maximum weight under low threat levels.

Recommendation (Para No. 18)

During the year 2008-09, Rs. 74 crore were provided at BE stage for Central procurement of retention clothing, life cycle items and tentage with accessories. Due to emergent requirements, an additional requirement of Rs. 10 crore were projected at RE stage. As such, Rs. 84 crore were available during the year 2008-09 for the aforesaid items. The utilization status as informed to the Committee is just Rs. 41 crore thus leaving Rs. 43 crore as unspent. The Committee have further been apprised that reduction in training period from 3 to 2 years from the training year 2007-08 resulted in an increase in the requirement of clothing for approx. 90,000 cadets. As such the projections were retained at RE stage and additional allocation of Rs. 12 crore were also provided for local purchase. The Committee are unhappy to note that even when the amount was increased at RE stage, the Ministry failed to utilize the outlay effectively, the reason being non-processing of orders for retention clothing items due to change over from the procedure of Central Government to rate contract system and also due to delay in finalization of rate contracts. Another reason given for under utilization of outlay is non-acceptance of counter offered rates by the vendors with regard to a few life cycle items and tentage with accessories. The Committee conclude that due to certain procedural problems, the Ministry failed to utilize the allocated amount. Not only that, the additional intake of NCC cadets have been deprived of the uniforms and other clothing items. All these explains inefficiency on the part of the Ministry with regard to an important issue. While expressing unhappiness over the way the Ministry has acted, the Committee would like to emphasize that the remaining retention clothing items should be purchased without any further delay.

Reply of the Government

Supply Orders worth Rs. 23.53 crore (approximately) for retention clothing items were placed in September/October, 2009 against which supplies have been materializing. Action for procurement of the remaining quantity has also been initiated and the remaining supply orders worth Rs. 40 crore will be placed in the current financial year.

2. In addition procurement through local purchase has been resorted to at the State Directorates level to meet emergent requirements of deficient retention clothing items to the tune of Rs. 10 crore (approximately) based on the availability of funds.

3. The directions of the Committee have been noted for future compliance. It is emphasized that in future procurements, it will be our endeavour to utilize the allotted budget.

Recommendation (Para No. 23)

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

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

The Committee note from the information provided by the Ministry that there is only one instance of participation by private sector with Ordnance Factories. The Committee are of the view that Ordnance Factories should involve private sector in Research and Development also for joint development and manufacturing of products so that fresh

ideas and better management techniques can be learnt from them to produce state of the art products. The private sector participation can be a boon due to better reach of private sector to market Ordnance Factory products internationally.

Reply of the Government

The primary responsibility of Ordnance Factories is to supply arms, ammunition and other weapon systems to Indian Defence Forces. It is after meeting the requirement of Indian Defence Forces, there is any surplus available production capacity then export markets are explored. The product basket of OFB also consists of some products the technology for which has been taken from foreign OEMs. These technologies are transferred by foreign OEMs with restrictions on exports to other countries.

OFB has worked out a detailed plan for modernization of plant and machinery during XIth and XIIth plan. It has been planned to invest Rs. 1707.50 cr. in XI Plan and Rs. 2100 cr. in XII plan. OFB is in continuous touch with the latest technology providers in the world to make sure that its manufacturing infrastructure remains upgraded and modernized so that the organization remains vibrant and efficient and produces world class products. Ministry is seized of the issue in delay in modernization of Ordnance Factories. It has been planned to send two teams of officers to various manufactures of ammunition and explosive in European Countries to study latest technology and process of production and manufacturing, latest plant and machinery available the degree of automation available and use of robotics, implementation for quality control and process control. These team will make and submit an integrated plan of modernization after study. Funds as required for modernization will be made available subject to budgetary provisions OFB has been procuring raw material, sub assemblies, components etc. from private sector depending on the nature of requirement. The quantum of procurement is quite high ranging from 51% to 69%.

Recommendation (Para No. 24)

The Committee note that Indian Navy along with Coast Guard and other agencies is responsible for safety and security of 7517 Kms. of coastline and 2.02 million Sq. Kms. of exclusive economic zone. Budgetary allocations to Navy during the year 2009-10 are Rs. 20604.02 crore which is comprised of Rs. 8322.11 crore under the Revenue Section and Rs. 12281.91 crore under the Capital Section. There is gap between the projected outlay and the allocations provided for the year 2009-10. Under the Revenue Section, the outlay provided is Rs. 521.80 crore lesser than

the projections. Further, under the capital head, such gap is of Rs. 226.77 crore. With regard to the percentage of naval budget under Revenue and Capital section, the Committee note that the share of Navy is declining over the years. Under the Revenue Section during the year 2007-08 and 2008-09, the share of Navy was 12.89 per cent which has declined to 9.58 per cent during the year 2009-10. Further under the Capital Section, the said share was 25.19 per cent during the year 2007-08 which declined to 25.17 per cent during 2008-09 and in 2009-10 it has further, been decreased to 22.40 per cent. In respect of percentage of total budget, Navy has the lowest allocation which is 14.54 per cent of the total budget. The aforesaid analysis indicates that adequate emphasis is not being given to the Navy of providing substantial budgetary allocation.

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

Reply of the Government

1. The Allocation of funds is made after careful consideration of the requirements projected by the three Services. Due importance is given to the Navy for budgetary allocation based on its requirement.

2. Every effort is made for complete utilization of finds allotted in a Financial Year. Utilization of the Naval Budget is reviewed regularly at the highest levels in the Service Headquarters and the

Ministry of defence. The requirement of funds is rationalized at various Budgetary Review Stages (ER/MAR) based upon the actual progress of the schemes/projects. Budgetary projections were reduced at the RE stage in Financial Year 2007-08 and 2008-09 under the Capital Budget due to delays/slippages in the progress of New Schemes that were targeted for contract conclusion.

3. With reference to post 26/11 actions, Navy's efforts are being supplemented by Coast Guard. The Coastal security is being addressed by an integrated approach adopted by Navy, Coast Guard, Ministry of Shipping, Ministry of Home Affairs and Ministry of Agriculture. Thus necessary infrastructure is being funded by other Ministries also.

Recommendation (Para No. 25)

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

Reply of the Government

1. The Committee has been informed that the Indian Navy has taken various actions to attract the youth to join Indian Navy *viz.* focused publicity in several institutions and launched an Image Projection Campaign (IPC) through TV advertisements, internet, hoardings etc. Besides, one additional Services Selection Board (SSB) at Diamond Harbour has been approved and new entry schemes for induction of officers have been introduced.

2. Indian Navy is pursuing the 'Image Projection Campaign' continuously for the last two years and it is proposed to continue it during 2009-10 also. The Image Projection Campaign generally focuses the career options available in Indian Navy with the inherent spirit of patriotism and adventure.

3. The training facilities of Indian Navy and Coast Guard are already integrated as Coast Guard does not have separate training infrastructure for their officers and yantriks.

Recommendation (Para No. 26)

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

Reply of the Government

Modernisation of the Indian Navy and review of the existing Force Level is an ongoing process. This is based on capabilities to be achieved, prevailing security environment, threat perceptions, emerging technologies and availability of funds. The Navy has formulated the Maritime Capability Perspective Plan which follows a Capabilities Dominant and Mission Based approach. The long-term, short-term and annual plans for modernisation are reviewed and monitored regularly at the highest levels in Service Headquarters and the MoD.

Recommendation (Para No. 27)

The Committee in the earlier reports had strongly been emphasizing on meeting the need of minimum three aircraft carriers, one each for the Eastern and Western coast and the third one to address the maintenance/repair needs of the other two carriers. With regard to existing position, the country has only one aircraft carrier INS Viraat that too was to be decommissioned in 2008. However, since the acquisition of Ex-Admiral Gorshkov was being delayed and the other aircraft carrier was under construction at Cochin Shipyard Ltd., the functioning of the INS Viraat has been extended till 2012. Keeping in view the security scenario in the country, the Committee note that the existing state of affairs is of serious concern. The Committee again strongly recommend that the completion

of construction of aircraft carrier at Cochin Shipyard Ltd. should be completed expeditiously by providing all the required allocations. Besides, the issue related to Ex-Admiral Gorshkov project for automatic transfer of upgraded technology without liability of additional royalty payment, wherever applicable, should be settled with the Russian side during the negotiations so that the delivery acceptance of the ship is not further delayed beyond the scheduled date *i.e.* December, 2012.

Reply of the Government

1. The progress of construction of the Aircraft Carrier at M/s Cochin Shipyard Limited (CSL), Kochi, is being monitored by Empowered Apex Committee (EAC) headed by Defence Secretary. Since, an Aircraft carrier is being constructed for the first time in India, numerous issues of integration, ordering of complex equipment etc. are being addressed by the EAC. All efforts are being made to ensure delivery of the ship by Dec. 2014. Fund allocations are being made as per requirements projected by CSL.

2. The issue regarding inbuilt provision for transfer of upgraded technology was discussed with the Russian Side during the recently concluded contract negotiations regarding the Admiral Gorshkov Project. After discussions, an Article has been included in the Supplementary Agreement to Repair & Re-equipping Contract of the Gorshkov Project 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."

Recommendation (Para No. 28)

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

Reply of the Government

The ceiling fixed by the Ministry of Finance for Defence Budget (BE 2009-10) was less than the projections made by the Ministry of Defence and, therefore, the allocation made to various Services and Departments was proportionately reduced with reference to their projections. The revenue budget allotted to Joint Staff (Rs. 619.55 crores) constituted 94.10% of the requirement projected by it. However, the allocation has been suitably enhanced in RE 2009-10.

Recommendation (Para No. 29)

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

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

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

motivating these State Governments. Concrete action on the suggested lines should be taken and the Committee apprised accordingly.

Reply of the Government

1. In Feb. 09, the Indian Navy was designated as the authority responsible for overall maritime security which includes coastal security and offshore security. As directed, the Indian Navy is to be assisted by the Coast Guard, State marine police and other Central and State agencies for the coastal defence of the nation. A number of actions have been initiated as directed by the CCS. Apart from periodic reviews being conducted at the highest levels in concerned Ministries, the Government has also constituted a "National Committee for Strengthening Maritime and Coastal Security against Threats from the Sea" under the Chairmanship of the Cabinet Secretary to ensure timely implementation of all decisions of the CCS. The first meeting of the Committee was held on 04 Sep. 09 and attended by the Chief of Naval Staff, Secretaries and officials from the Ministries of Home Affairs, Defence, Shipping and Agriculture, Director General Coast Guard and officials of Intelligence agencies.

2. To improve on ground coordination between various agencies involved in coastal surveillance a number of coastal security exercises have been conducted by the Indian Navy in close coordination with the Coast Guard, State Marine Police, Port authorities, Customs, Immigration and Fisheries authorities in all coastal States and UTs. These exercises have been controlled from the Joint Operation Centres that have been established at Mumbai, Kochi, Visakhapatnam and Port Blair and are jointly manned by the Indian Navy and Coast Guard. Further, the Standard Operating Procedures (SOPs) that are to be followed between the Indian Navy and the Coast Guard for coastal security, have been finalised. Similarly, SOPs between security agencies and State Governments/agencies have been formulated and are being examined by States prior finalization.

3. All coastal security exercises have been conducted with active involvement of the respective State Marine Police. The necessity for early establishment of marine police stations as per the coastal security scheme 2005 of the Ministry of Home Affairs has been reiterated to the Ministry of Home Affairs and State administration by the Indian Navy during various review meetings as also debrief of various coastal security exercises.

4. Procurement of Fast Interceptor Crafts, boats and other equipment for Navy and Coast Guard is an on-going process and top priority is being attached to this item of work.

Recommendation (Para No. 30)

The Committee note that the allocations for the Air Force at the BE stage during the year 2009-10 are Rs. 34432.26 crore which comprises Rs. 20114.08 crore as the capital outlay and Rs. 14318.18 crore as the revenue outlay. The aforesaid allocation is against the projections of Rs. 37242.01 crore (Rs. 22026.09 crore under the Capital Section and Rs. 15215.92 crore under the Revenue Section). Thus the gap between the projections and allocations made at BE stage is Rs. 2809.75 crore (Rs. 1912.01 crore under the Capital Section and Rs. 897.74 crore under the Revenue Section). As regards the percentage share of Air Force out of the total Defence budget, the Committee note that during the year 2009-10, the percentage share has declined from 28.53 per cent to 24.30 per cent as compared to the previous year. During the course of examination of Demands for Grants, the Committee have been apprised that various new acquisitions which include Mirage-2000 upgrade 3UAV Schemes Intermediate Jet Trainer etc. are in pipeline during the year 2009-10. Besides, many major acquisition contracts like Akash, Rohini Radar and SU-30 Block IV etc. have been signed during the years 2008-09 and 2009-10. In view of the acquisition plans and the acquisition contract signed, the Committee recommend that adequate allocation should be provided to Air Force so that the various projects do not suffer for want of allocations.

Reply of the Government

Adequate funds are being provided to meet the requirements of the Air Force.

Recommendation (Para No. 31)

The Committee note that Indian Air Force needs 42 fighter squadrons for achieving strategic balance on both the fronts *viz* China and Pakistan. In this regard only 35 squadrons out of the required strength of 42 have so far been planned to be raised and that too upto 12th Plan *i.e.* by 2017. The Committee have been informed that as an interim measure, four pronged strategy has been proposed which includes upgradation and life extension of the existing fleet, inductions of force multipliers and additional combat and squadrons. From the data made available to the Committee with regard to accidents of aircraft of Indian Air Force, the Committee find that 68 category 1 accidents have taken place during the last five years. The percentage of accidents due to technical defects, human failure and bird hit during this period are 27.94 and 36.76 (64.7%) per cent respectively. In view of the position of accidents of air force aircraft, the Committee strongly feel that the

strategy of life extension of existing fleet need a relook. Life extension of fighter aircraft should not go beyond a certain years and not more than one life extension be recommended.

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

Reply of the Government

The Government is fully cognizant of the imperative need to modernize the Air Force and augment its operational capabilities. The IAF is presently in the process of augmenting and modernizing its fleet by development and procurement of various aircraft including Medium Multi Role Combat Aircraft, the indigenous Light Combat Aircraft, Airborne Warning and Control System Aircraft and Fifth Generation Fighter Aircraft. It is also upgrading its existing aircraft to enhance their combat capabilities.

Comments of the Committee

(Please see para 42 of Chapter-I of the report)

Recommendation (Para No. 32)

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

Reply of the Government

The proposal for modernization of air fields is being progressed as per the Defence procurement Procedure 2006 and is presently at the Contract Negotiations stage.

Recommendation (Para No. 33)

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

Reply of the Government

Twenty Light Combat Aircraft (LCA) have already been contracted for in March 2006 in Initial Operational Clearance (IOC) configuration. The delivery of the first batch of two LCA is expected in March 2011. Subsequently, M/s. Hindustan Aeronautics Limited (HAL) would produce 08 aircraft every year and all the aircraft are expected to be delivered by March 2014. A proposal for additional twenty LCA in Final Operational Clearance (FOC) configuration is also being progressed. As regards the LCA engine, the decision to import the GE 404 IN 20 engines has already been finalized for IOC configuration. Engine selection for LCA Mk II programme is currently in progress.

Recommendation (Para No. 34)

The Committee have been informed that Contract for Low Level Transportable Radars (LLTRs) has been signed on 29 July, 2009. Besides

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

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

Reply of the Government

Various steps have been taken to meet our Defence requirement. Delivery of the Low Level Transportable Radars (LLTRs) is expected to commence from October 2011 and all 19 radars are to be delivered by February 2016. Delivery of Low Level Light Weight Radars (LLLWRs) is expected to commence from April 2010 and will be completed by May 2011. In addition a contract had also been signed in October 2007 for four Medium Power Radar (MPR) which are expected to be delivered by December 2011. Further, a case for additional Aerostate radar system is also being progressed.

Recommendation (Para No. 35)

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

should take the desired action so that desired number of squadron aircrafts are raised expeditiously.

Reply of the Government

IAF is taking all steps for early induction of SARAS aircraft. In the course of flight testing, SARAS Prototype-2 aircraft was involved in fatal accident on 06 March 2009. While the investigation in the accident has been completed, the formal report from the Director General of Civil Aviation (DGCA) is awaited. Based on the report, requirement of any design changes prior to recommending flight tests and production of the aircraft will be examined.

Recommendation (Para No. 36)

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

Reply of the Government

The current shortage of officers in the AIF is 1312 as on 01.12.2009. The earlier steps taken included participation in career fairs and exhibitions, advertisement, motivational lectures in the schools, colleges, fast track selection etc. have been yielding results and are being continued. The same is being followed up vigorously in the target groups. Fast track selections on the lines of campus placements were carried out by Air Force during the preceding two months at different locations across the country.

Recommendation (Para No. 37)

The Committee note that during the year 2009-10, Rs. 8481.54 crore have been made available for R&D against the allocations of Rs. 7737.64 crore during the previous year. Defence R&D Budget as percentage of Defence budget was 6.82 per cent during the year 2007-08 which declined to 6.75 per cent during the year 2008-09. The percentage has further

declined to 5.98 per cent during the year 2009-10. The aforesaid trend of declining percentage of allocation for R&D is a matter of serious concern. The Committee strongly recommend that adequate allocation should be provided for R&D and the fund constraint should not be the handicap for taking up various R&D activities by DRDO.

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

Reply of the Government

‘Defence Budget’, ‘Defence R&D Budget’ and ‘Defence R&D Budget as % age of Defence Budget’ during the last three years are given below:—

(Rs. in crore)

Year	Defence Budget	Defence R&D Budget	Defence R&D Budget as %age of Defence Budget
2007-08	91680 (RE)*	6256.81 (MA)***	6.82%
2008-09	114600 (RE)	7737.64 (MA)	6.75%
2009-10	141703 (BE)**	8471.54 (BE)	5.98%

* RE : Revised Estimate

** BE : Budget Estimate

*** MA : Modified Appropriations.

Defence R&D Budget when compared to total Defence Budget indicate the decline in percentage because of quantum of increase in Defence Budget. However, Defence R&D Budget has increased in absolute terms by 35.56% for the year 2009-10 w.r.t. 2007-08. Government has always allocated additional funds, whenever required by Department of Defence R&D.

Independent Review Committee under the chairmanship of Dr. P. Rama Rao was constituted by the Government to suggest measure for improving the functioning of DRDO *inter-alia* Ministry of Defence,

and Services. The Committee submitted its report to the Government on 5th March 2008. Another Committee under the Chairmanship of Defence Secretary was formed by the Government to look into the responses and suggestions made by the various stakeholders on the recommendations of the Rama Rao Committee and is in the process of finalizing its recommendations.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS, WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLIES OF THE GOVERNMENT

Recommendation (Para No. 10)

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

In view of the above loss of benefit to Indian Defence Industry, the Committee recommend that the Ministry should ensure that the DPP provisions are strictly implemented in all capital acquisition cases.

Reply of the Government

The Defence Procurement Procedure 2006 stipulates that offset would be applicable for all procurement proposals where the indicative cost is above Rs. 300 crore and where the schemes are categorized as 'Buy Global'. The issue of categorization was deliberated by Defence Acquisition Council and it was decided to categorise the proposal as 'Buy Indian' from M/s. Hindustan Aeronautics Limited (HAL) as these aircrafts were being assembled by M/s. HAL from technical kit under licence from OEM. Offset stipulations are not attracted under procurement cases under 'Buy Indian' category. It may be added that decision to procure these additional 40 SU-30 MKI from M/s. HAL instead of from the foreign OEM encourages indigenous capability to manufacture such high technology aerial platform, enhances self-reliance and reduces dependence on foreign OEMs.

Recommendation (Para No. 20)

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

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

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

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

Reply of the Government

2. The recommendations made by the Committee regarding bearing the cost of training at technical Institutes run by the Armed Forces and other institutions for wards of Personnel Below Officers Ranks (PBORs) is not considered necessary in view of the fact that complete reimbursement of tuition fee till 1st degree level for children of armed forces personnel killed, missing or permanently disabled is made by Government of India through the respective Service HQrs. Besides this Army Welfare Education Society awards scholarships from Class IXth up to the Post Graduate level of education @ Rs. 5000/- per annum. Besides this financial assistance from Raksha Mantri Discretionary Fund (RMDF) is given for vocational training and under the Prime Minister's Scholarship Scheme 4000 scholarships are given to the wards of defence personnel @ Rs. 15,000/- for boys and Rs. 18,000/- for girls for technical and professional courses and the case for increasing the number of scholarships from 4,000 to 10,000 and scholarship rate from Rs. 15,000/- to Rs. 25,000/- for boys and Rs. 18,000/- to Rs. 30,000/- for girls is under process. It is, therefore, felt that there is no specific requirement for bearing the cost of technical courses for the wards of PBOR.

3&4. As may be seen from the above, there are various schemes under which financial grants in the form of scholarship and assistance is provided to the wards of ex-servicemen/widows (PBORs) for pursuing their higher education/professional courses both technical and non-technical. Besides these State Governments also provide education grants to the children of ESM/widows which vary from State to State. Moreover, educational loans from nationalized banks for pursuing higher technical and non-technical education are easily available. Army Welfare Education Society (AWES) which is a registered society under the Society Registration Act caters for the educational needs of the children of serving army personnel, ex-army personnel and war widows/widows. The infrastructure for the educational institutions run by the AWES is created from the Army's Welfare Fund, which is a non public fund. Army HQr. is not in favour of allotting public funds to AWES for opening of more professional colleges due to legal reasons since funding by Government will involve following Government instructions/reservations for various categories which would deprive the wards of serving army personnel, ex army personnel, widows, war widows of their legitimate due. It is, therefore, felt that there is no specific requirement for creating a new

Civil Budget Head to cater to financial needs of wards of ESM etc. for pursuing higher education. As regards exclusive reservation for wards of war widows/ex-servicemen in professional colleges/institutes under Government of India is concerned, it is stated that such reservations already exist in Medical/Dental and Engineering colleges including IITs. However, the matter of increasing such reservation up to 5% has been taken up at the highest level with Ministry of Human Resource Development whose response is awaited.

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation (Para No. 3)

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

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

stipulated time frame so that the duplication of expenditure can be avoided and revenue expenditure is contained. The Committee should be kept apprised about the status of implementation in this regard.

Reply of the Government

Given the elaborate procedure followed for sanctioning expenditure, both under revenue and capital, as also limited availability of the revenue budget, the possibility of any wasteful expenditure being incurred consciously is rather remote. Nevertheless, the Defence Expenditure Review Committee had been set up to examine and suggest ways of improving the efficiency of expenditure. As communicated to the Committee in the past, various officers in the Ministry of Defence have been assigned the responsibility of looking into the recommendations of the Committee. These are at different stages of examination/implementation. The Committee would be apprised of the developments after the process is completed.

Comments of the Committee

(Please *see* para 8 of Chapter-I of the report)

Recommendation (Para No. 4)

The Capital outlay during the Budget Estimates stage in the year 2008-09 was for Rs. 48007 crore which was Rs 6085 crore more than BE of 2007-08. The outlay of Rs. 48007 crore during the year 2008-09 was however reduced to Rs. 41000 crore thus amounting to the reductions of Rs. 7007 crore at RE stage. During the year 2009-10, the outlay provided at BE stage is Rs. 54824 crore which is Rs. 13824 crore more if compared to RE of the previous year. Said increase comes to Rs. 6817 crore if the current year's BE is compared to the BE of the previous year. Although in absolute terms, capital outlay during the current year has been enhanced by 14.20 per cent if compared to BE and 33.72 per cent if compared to the RE of the previous year, the revenue capital ratio that was 55:45 during BE 2008-09 stage, has come to 61:39 at BE 2009-10 stage. With regard to the cut of Rs. 7007 crore at RE stage, the Committee are concerned to note that the outlay was reduced keeping in view the pace of expenditure at that time. The representative during the course of oral evidence has acknowledged that there were slippages in delivery schedules due to certain contracts not getting finalized. The Committee are seriously concerned to note the incapacity of the Ministry to utilize the outlay provided under the Capital section which is primarily for the modernization of the Services. The Committee feel that apparently there are problems in execution of projects due to procedural bottlenecks.

Therefore, the various shortcomings need to be identified and the corrective actions taken, so that the trend to reduce the outlay at RE stage does not repeat during the current year due to the inefficiency of the Ministry. The Committee would also like to recommend that the capital revenue ratio should be corrected so that more allocation is provided on the capital side. While recommending for higher outlay under the capital side, certainly the Committee expect the Ministry to increase the capacity to utilize the outlay since this is the area where no compromises can be made. The desired action on the suggested line should be taken and the Committee be apprised accordingly.

Reply of the Government

The Committee has basically observed that the revenue to capital ratio should be improved and corrective steps be taken to remove procedural bottlenecks in capital procurements.

In so far as the revenue to capital ratio, it may be mentioned that during the years 2008-09 and 2009-10, the main reason for increase in the revenue expenditure was implementation of the recommendations of the sixth pay commission, which resulted in increase in pay and allowances and payment of arrears. Capital procurements also result in increase in revenue expenditure on account of operational exploitation and maintenance of the capital assets. Revenue budget is also utilized for maintaining reserves of arms and ammunition. These factors impose a serious limitation on containing revenue expenditure. However, all out efforts are made to keep the projections of revenue requirement at the bare minimum level.

As regards the corrective steps be taken to remove procedural bottlenecks in capital procurements, it may be mentioned that the capital acquisitions are made as per the procedure laid down in the Defence Procurement Procedure (DPP), which was last revised in 2008 and amended in 2009. The prescribed procedure aims at expeditious procurement of approved requirements of the Defence Services in terms of capability sought within the time-frames prescribed in the DPP by optimally utilizing the allocated budgetary resources. All major decisions are being taken at the time of initiation of the case at the highest level in a time-bound manner to reduce the overall lead time for procurement. All major deviations are also monitored at the highest level. Following salient provisions exist in DPP 2008 to expedite capital procurements:

- (a) Maximum time stipulation for issue of RFP within two years of Acceptance of Necessity (AON). In cases beyond two years, fresh AON is considered only after re-examination of available technology and operational necessity.

- (b) Extension of time for submission of offers is restricted to eight weeks.
- (c) In multi-vendor cases, once L-1 vendor has been identified, normally there would be no need for any further price negotiations,
- (d) Increased delegation of financial powers to the Services Headquarters.

Comments of the Committee

(Please see para 11 of Chapter-I of the report)

Recommendation (Para No. 5)

The Capital outlay of the Ministry comprises Land and Works of three services, Married Accommodation Project, DGOF, DRDO and other Defence Departments as well as Defence acquisitions. Almost 75 to 80 per cent of the capital outlay is for capital acquisition expenditure. The percentage share of defence acquisition of the capital outlay was 78.30 per cent during the year 2007-08, which declined to 78.08 per cent during 2008-09. During the current year, the percentage share has further declined to 73.63 per cent. The information furnished by the Ministry further reveal that the expenditure on committed liabilities is more than the new schemes. The Committee are concerned to note that the findings of C&AG as per its report numbers CA 17 and 18 of 2008-09, according to which due to procedural delays in acquisition of various equipments and associates spares, many surveillance equipments could not be put to effective operational use and led to enormous increase in the project cost. Some of the areas pointed out by C&AG are, (i) the objective of inducting an aircraft carrier in time to fill the gap in Indian Navy could not be achieved and the cost of acquisition has been more than doubled at Rs. 7,207 crore in four years, (ii) the Ministry took nine years to conclude a contract for the construction of six submarines. The inordinate delay led to enormous increase in the project cost to the extent of Rs. 2,838 crore. (iii) five radars imported at a cost of Rs. 24.88 crore could not be installed for more than three to five years after their acquisition and in the process, the radars have not only lost 50 per cent of their life but also remained unavailable for operational purpose and (iv) despite almost a decade in developmental effort and spending Rs. 27.88 crore, DRDO has not been able to provide a radar as per the requirement of the army. Even when the Ministry has introduced Procurement Policy since 2002 and the policy is being updated periodically, the aforesaid findings indicate that still a lot needs to be done to streamline the procurement procedures. The Committee

strongly recommend the Ministry to take all the desired actions to streamline the procurement procedures. Besides, the declining trend of percentage allocation for acquisition out of the capital outlay should be reversed. More and more outlay need to be provided for the new projects.

Reply of the Government

The objective of the Defence procurement procedure (DPP) is to ensure expeditious procurement of the approved requirements of the Armed Forces in terms of capabilities sought and time frame prescribed by optimally utilizing the allocated budgetary resources. While achieving the same, it demonstrates the highest degree of probity and public accountability, transparency in operations, free competition and impartiality. However, delays sometimes occur in some of the defence procurement cases due to several reasons such as insufficient and limited vendor base, non-conformity of the offers to the request for proposals (RFP) conditions, field trials, complexities in contract negotiations, limited indigenous capability and long lead time for indigenization etc. Further the market for state-of-the-art defence equipment and platform 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 institutional delays, procedures and processes and continuously refined on the basis of experience gained during the procurement process. Following provisions exist in DPP-2008 (Amendment 2009) to expedite capital procurements:—

- (a) Maximum time stipulation for issue of RFP within two years of accordance of AON. In cases beyond two years, fresh AON will be considered only after re-examination of available technology and operational necessity.
- (b) Extension of time for submission of offers restricted to eight weeks.
- (c) In multi vendor cases once L1 vendor has been identified, normally there would be no need for any further price negotiation.
- (d) Increased delegation of financial powers of Service Headquarters.

Service HQ maintains a requirement based balance between allocation for new schemes and committed liabilities while seeking allocation of funds under Capital outlay.

Comments of the Committee

(Please see para 14 of Chapter-I of the report)

Recommendation (Para No. 6)

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

Reply of the Government

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 has been 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. However, it may not be appropriate to place the outcome budgets in the public domain or present them to the Parliament till such time as sufficient experience is gained to ensure that quality and contents of the outcome budget reach an acceptable level of excellence.

Comments of the Committee

(Please see para 17 of Chapter-I of the report)

Recommendation (Para No. 7)

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

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

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

Reply of the Government

Several indigenous programmes for development of weapons, sensors, propulsion equipment, communication and EW equipment, etc. are in progress.

DRDO is concentrating on development of strategic, complex and security sensitive systems. DRDO has developed a number of systems/products/technologies worth Rs. 30,000 crore which have already been inducted into Armed Forces, besides a large numbers of items are in the process of development, production and induction.

Further, Policy and procedural steps have been initiated towards enhancing self-reliance. Joint development and transfer of technology have been encouraged by recent amendments to Defence Procurement Procedure (DPP) 2008, in November 2009, which aims to provide the procedural framework and detailed guidelines for enhancing self reliance. A new category 'Buy and Make Indian' has been included in DPP 08 (Amendment-2009). This change in DPP-08 would enable pro-active participation of Indian industry in manufacturing defence products through co-production arrangements, such as Joint Venture (JV), with foreign manufacturers and through transfer of technology.

Comments of the Committee

(Please *see* para 20 of Chapter-I of the report)

Recommendation (Para No. 9)

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

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

Reply of the Government

It may be mentioned at the outset that the Eleventh Defence Plan for the period 2007-12 was prepared and the projections sent to the Ministry of Finance in July 2006 itself. However, the Plan could not be taken to the Cabinet Committee on Security (CCS) — as was done in respect of some of the Five-year Plans in the past — because of the

difference in the Plan size in monetary terms, as projected by the Ministry of Defence and as accepted by the Ministry of Finance. Meanwhile, capital acquisitions are being made as per the Annual Acquisition Plans, which are based on the 11th Defence Plan, subject to availability of budgetary allocations.

Comments of the Committee

(Please *see* para 24 of Chapter-I of the report)

Recommendation (Para No. 11)

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

Reply of the Government

In so far as the 11th Defence Plan is concerned, the position has been explained in response to Para No. 9 of the Report of the Committee.

It is re-terated that 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.

Comments of the Committee

(Please *see* para 27 of Chapter-I of the report)

Recommendation (Para No. 17)

During the course of deliberations, the Committee was informed that as per MoU signed between the Central Government and the State

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

Reply of the Government

The recommendation of the Standing Committee has been examined in detail. It is submitted that the Sainik Schools are conceived as joint ventures of Central Government and the State Governments set up primarily with the aim to remove regional imbalance in officer cadre of armed forces. 67% of the seats in each Sainik School are reserved for boys from the State in which the Sainik School is located to attract children of that State/region into the armed forces. The Sainik Schools are unique assets of the State Governments. They provide land free of cost, build and maintain the schools infrastructure. In addition, they award scholarships on merit-cum-means basis. The importance, therefore, of the role of the State Government in running the School should not be done away with.

2. Sainik schools were expected to be financially self-sufficient institutions. These depend mainly on fees paid by the parents. It is seen that the schools that the regularly getting funds from the State Government are better run. The schools such as Bijapur and Kodagu (Karnataka), Ghorakhal (Uttarakhand), Gopalganj and Nalanda (Bihar) and Kunjpura (Haryana) are getting regular funds from respective State Governments at an average of Rs. 2 crores per year during the last three year.

3. Sainik Schools and Kendriya Vidyalayas are not comparable in the matter of objective, organizational set up, source of budget/finance, provision of land, status of employees etc. Kendriya Vidyalayas have been set up to cater to the educational needs of the children of transferable

employees of Central Government/State Government/PSUs. Whereas the aim of Sainik Schools is to prepare boys academically, physically and mentally for entry into the National Defence Academy and to remove regional imbalance in the officer cadre of the defence services. Further, the Kendriya Vidyalayas are day schools and the Sainik Schools are residential Schools. Hence, it would not be possible to accept the recommendations of the Standing Committee that entire funding of all Sainik Schools should be made by the Central Government on the pattern of Kendriya Vidyalayas/Navodaya Vidyalayas.

4. The Central Government is fully committed to the improved functioning of Sainik Schools. The Central Government is actively considering the modification of the scheme to provide more funds to the Sainik Schools. It may also be pointed, in recent times, the following specific steps have been taken by the Central Government to improve the quality of the Sainik Schools:

- (a) At present, Ministry of Defence awards Scholarships on merit-cum-means basis to the wards of defence personnel including ex-servicemen, Centre Share to the cadets who are in receipt of State Scholarship and subsidy in the form of NDA incentive/sharing of burden. The amount of scholarship and subsidy is proposed to be enhanced substantially.
- (b) 80% funding has been provided for meeting the additionality in respect of salaries and pension consequent upon acceptance of recommendations of the Sixth Central Pay Commission. Proposal has been initiated to increase this amount of 80% to 100%.
- (c) Letters at the level of RRM have been regularly issued to the Chief Ministers and Members of Parliament to provide funds for better infrastructural facilities of the Sainik Schools.
- (d) While it is felt that taking over the Sainik Schools by the Centre on the pattern of Kendriya Vidyalayas might not be viable because it would tend to lessen the involvement and commitment of the State Governments to these institutions, at the same time it is reiterated that the Centre is actively considering certain amendments to the scheme whereby it would contribute more funds in certain key areas to facilitate the improved running of these schools without diluting the responsibility of the State Government towards them.

Comments of the Committee

(Please see para 30 of Chapter-I of the report)

Recommendation (Para No. 19)

The Committee notes that the Ex-servicemen are demanding OROP for a long time which is being denied by the Government due to one pretext or the other. This year, Finance Minister in his Budget Speech mentioned about a Committee headed by Cabinet Secretary on the issue, which submitted its report on 30.06.09. This Committee made recommendations to substantially improve the pensionary benefits of pre-1.1.2006 Personnel Below Officer Rank (PBOR) which have also been accepted by the Government. The Ministry has further clarified that the said Committee has not recommended OROP formula. As regards the status of implementation of the recommendations made by the Committee, the Ministry has informed that two of the recommendations stand implemented with the issuance of letter dated 30.10.09 with regard to OROP. The Committee would like to recommend that all recommendations made by the aforesaid Committee should be implemented expeditiously. Besides, the Committee may like to emphasize that OROP is the long over due demand of the ex-servicemen even after implementation of recommendations of the 6th CPC, the demand of OROP still persists.

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

Reply of the Government

After the report of the 6th CPC was accepted by the Government the matter regarding One Rank One Pension was examined in the light of the observations/recommendations made by various Committees/Commissions which did not recommend the demand of OROP. The matter was taken up with the Ministry of Law. Relying on the judgement of Supreme Court in the case of D.S. Nakara, [1983(2)SCR 165] K.L. Rathi [SLJ 1997(3)/2007] and All India Ex-servicemen League (AIR 1991 SC 1182), Ministry of Law did not recommend the demand of OROP.

On the directions of PMO, a Committee was set up under the Chairmanship of Cabinet Secretary to look into the issue of OROP and other related matters. After a series of meetings, the Committee submitted its report on 30.6.09.

After considering all aspects of the issue, the Committee did not find it administratively feasible to recommend OROP as such. However, keeping in mind the spirit of the demand several other recommendations to substantially improve pensionary benefits of PBORs and Commissioned Officers have been made, which have been accepted by the Government.

- (i) Inclusion of classification Allowance for PBOR from 1.1.2006.
- (ii) Removal of linkage of full pension with 33 years from 1.1.2006.
- (iii) Revision of Lt.General pension after carving out a separate pay scale for them.
- (iv) Bringing parity between pension of pre and post 10.10.97 PBOR pensioners.
- (v) Further improving PBOR pensions based on award of GOM 2006.
- (vi) Broad banding percentage of disability/war injury pensions for pre-1.1.2006 disability/war injury pensioners.
- (vii) Removal of cap on war injury element of pension in the case of disabled pensioners belonging to Category E.

These are in various stages of implementation.

Comments of the Committee

(Please see para 33 of Chapter-I of the report)

Recommendation (Para No. 21)

The Committee are unhappy to note that the Ministry has not maintained any data with regard to widows of the soldiers who had laid down their lives and disabled pensioners, who had lost their limbs to safeguard the nation, even though certain benefits are being provided to them. The Committee desire that the Government should seriously look into this aspect and maintain a centralized data of these categories. Besides there is an urgent need to disseminate the information about the benefits being given to the war widows and disabled pensioners particularly when they are the most vulnerable and there may be a possibility that the

benefits announced may not trickle down to them due to lack of access to information. The Committee are of the opinion that to update the data regarding war widows and disabled pensioners, the Ministry can take the help of respective Regimental Centers and Pension Payment Order Records.

The Committee further note that various benefits are being provided to pre-1.1.2006 and post-1.1.2006 cases of disabled pensioners. However, in calculating pension of disabled pensioners, there is an element of disparity between the two. While the pre-1.1.2006 are getting a fixed amount, the post-1.1.2006 retirees are getting it @30% of emoluments last drawn. The Committee, therefore, would like to recommend that the pre-1.1.2006 retirees may also be given disability pension at the revised rates as recommended by the 6th CPC and accepted by the Government of India.

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

Reply of the Government

Para 21 highlights following 3 parts:—

- (i) Urgency of maintaining centralized data in regard to war disabled pensioners and widows by the regimental centres.
- (ii) Pre-1.1.2006 disabled retirees may also be given disability pension at the revised rates as recommended by 6th CPC in r/o post-1.1.2006 disabled retirees.
- (iii) For the purpose of disability pension and other related benefits, any type of injury sustained in performance of duty by any military personnel may be treated at par with war injury.

2. The position is as under:—

- (i) Action is in progress for getting the data of disabled/war disabled.
- (ii) The matter regarding provision of modified parity to the 1.1.2006 disability pensioners at the maximum of the pre-revised pay scales is also under consideration.

- (iii) Since injury sustained during war has a special connotation for the individual who makes supreme sacrifice of his life during war or war-like situation, it cannot be equated with injury suffered during normal performance of duty. It is likely to dampen the morale of the Armed Forces personnel going on the war-front.

In view of the position, part of the recommendation of the Hon'ble Committee is not acceptable to that extent.

Comments of the Committee

(Please *see* para 36 of Chapter-I of the report)

Recommendation (Para No. 22)

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

Reply of the Government

The Central and State Governments provide a number of concessions to Ex-servicemen (ESM) for their re-employment in Central/State Government Departments. These include reservation of posts/relaxation in age and educational qualifications, exemption from payment of application/examination fees and priority in employment to the disabled ESM and dependants of deceased service personnel on compassionate grounds.

2. As regard the resettlement of ESM, Persistent efforts of the Department with the dual aim of increasing awareness amongst the Corporate Sector on the availability of valuable human resources in Ex-Servicemen and enhance job opportunities for ESM in Corporate/Private Sector have borne fruits with major demands now coming up from the Corporate Sector/PSUs.

3. Apart from the above, the Government has formulated several Self-employment ventures for rehabilitation and resettlement of Ex-servicemen and their families. The Self-employment schemes are as follows:—

- (i) Allotment of Army Surplus Vehicles
- (ii) Coal Tipper Scheme
- (iii) Allotment of Oil Product Agency
- (iv) Mother Dairy Milk Booths and Fruit and Vegetable (Safal) shops
- (v) Management of CNG Station by ESM (Officers) in NCR
- (vi) Management of Toll Plaza under NHAI

4. The issue of lateral transfer of army personnel into Central Para Military Forces (CPMFs) has been under correspondence with Ministry of Home Affairs. The issue is yet to be resolved.

Comments of the Committee

(Please *see* para 39 of Chapter-I of the report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation (Para No. 8)

Early Finalization of Long Term Integrated Perspective Planning (LTIPP)

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

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

Reply of the Government

Currently, the Long Term Integrated Defence Plan (LTIPP) 2012-17, as approved by Raksha Mantri, is in vogue. The changing security scenario and the perceived threat environment will impact the capability development strategy, plans and procurement priorities of the Armed Forces for the next three Plan periods, beyond March 2012. Hence, a need has been felt for recasting of acquisition proposals to meet the prospective operational needs of the Armed Forces. The finalization of the LTIPP 2012-27, which is being undertaken in the above background,

will also factor in a Technology Road Map for this period. The Ministry and the Services Hqrs. are fully conscious of the imperative need for early finalization of the LTIPP 2012-27 and are attending to this work with all seriousness.

Comments of the Committee

(Please *see* para 24 of Chapter-I of the report)

Recommendation (Para No. 12)

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

Reply of the Government

The directions/views of the Committee have been noted and action is being taken to expedite setting up of the University at the earliest.

Recommendation (Para No. 16)

The Committee note that the NDA cadets are not given any salary/stipend during their training at NDA. The stipend is an amount given to a trainee to enable him to meet his daily needs. The Committee feel that there is an urgent need to consider stipend of the trainees of NDA particularly in view of the shortage of officers in the services. The provision of stipend would not only help the trainee to take care of their day to day needs but would also attract youngsters to join NDA which would ultimately help in solving the problem of shortage of officers in the three services.

The Committee further note that induction of officers in three services is done through competitive examination. After the recruitment, the candidates join the different institutes like IMA, OTA and Naval Academy for getting training in the respective field. Though the stipend is given in IMA, OTA and Naval Academy, the period of training, is not considered as being on the job training. The Committee note that in respect of Civil Servants who also come through competitive examination,

the period of training is considered on the job training. The Committee note that the training given by these institutes is very tough, risky and life threatening. As such at par with Civil Servants, the period of training in all the Armed forces institutes should be considered as on the job training. All these measures would go a long way in solving the problem of shortage of officers in the services.

Reply of the Government

The matter is under consideration.

NEW DELHI;
5 May, 2010

15 Vaisakha, 1932 (Saka)

SATPAL MAHARAJ,
Chairman,
Standing Committee on Defence.

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

The Committee sat on Wednesday, the 05th May, 2010 from 1500 to 1545 hrs. in Committee Room 'B', 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 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. Rajkumari Ratna Singh

Rajya Sabha

14. Shri Mukut Mithi
15. Shri Prakash Javadekar
16. Shri K.B. Shanappa
17. Shri T.K. Rangarajan
18. Shri M.V. Mysura Reddy

SECRETARIAT

1. Shri T.K. Mukherjee — *Joint Secretary*
2. Smt. Sudesh Luthra — *Director*
3. Smt. J.M. Sinha — *Deputy Secretary*

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

*** *** *** *** ***

3. The Committee then considered and adopted the draft Action Taken Report on the First Report (Fifteenth Lok Sabha) on 'Demands for Grants (2009-10)' with modifications at Para Nos. 30 and 33 contained in Chapter-I of the Report.

4. *** *** *** *** ***

5. The Committee, then, authorized the Chairman to finalize the above draft report and present the same to the House on a date convenient to him.

The Committee then adjourned.

APPENDIX

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THE FIRST REPORT OF THE STANDING COMMITTEE ON DEFENCE

		Percentage of Total
1.	Total number of recommendations	37
2.	Recommendations/Observations which have been accepted by Government	
	Para Nos. 1, 2, 13, 14, 15, 18, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37	21 56.75
3.	Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government	
	Para Nos. 10 and 20	02 5.40
4.	Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee and which require reiteration	
	Para Nos. 3, 4, 5, 6, 7, 9, 11, 17, 19, 21 and 22	11 29.72
5.	Recommendations/Observations in respect of which final replies of the Government are still awaited (Please <i>see</i> Chapter V)	
	Para Nos. 8, 12 and 16	03 8.13