

**FUNCTIONING OF A.D.G.E.S. RADAR, PROCUREMENT
OF SPECIAL CLOTHING AND MOUNTAINEERING
EQUIPMENT AND DELAY IN EXECUTION/
RENEWAL OF LEASE**

MINISTRY OF DEFENCE

**PUBLIC ACCOUNTS COMMITTEE
(2009-2010)**

TWELFTH REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

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MINISTRY OF DEFENCE



*Presented to Lok Sabha on 29 April, 2010
Laid in Rajya Sabha on 29 April, 2010*

LOK SABHA SECRETARIAT
NEW DELHI

April, 2010/Vaisakha, 1932 (Saka)

PAC No. 1907

Price: Rs. 36.00

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Thirteenth Edition) and Printed by the General Manager, Government of India Press, Minto Road, New Delhi-110 002.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009-2010)

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* Appointed as the Chairman of the Committee *w.e.f.* 6th January, 2010 *vice* Shri Jaswant Singh resigned from the Chairmanship of the Committee.

\$ *Vice* Shri Ashwani Kumar retired from Rajya Sabha *w.e.f.* 9th April, 2010.

COMPOSITION OF SUB-COMMITTEE-V OF THE PUBLIC ACCOUNTS
COMMITTEE (2009-2010)

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4. Shri Prasanta Chatterjee

*Ceased to be a Member of the Committee/Sub-Committee on expiry of his term in Rajya Sabha
w.e.f. 9th April, 2010.

INTRODUCTION

1. I, the Chairman, Public Accounts Committee as authorised by the Committee, do present this Twelfth Report (15th Lok Sabha) on 'Functioning of A.D.G.E.S. Radar, Procurement of Special Clothing and Mountaineering Equipment and Delay in Execution/ Renewal of Lease' based on Chapter 1 of C&AG Report No. PA 5 of 2008 (Air Force and Navy), Para No. 3.1 of C&AG Report No. CA 4 of 2008 (Army) and Para No. 2.1 of C&AG Report No. 4 of 2007 (Army) respectively, relating to the Ministry of Defence.

2. The above-mentioned Reports of the Comptroller and Auditor General of India were laid on the Table of the House on 24th October, 2008, 14th March, 2008 and 14th May, 2007 respectively.

3. Taking cognizance of the inordinate delay on the part of various Ministries/ Departments in furnishing the Action Taken Notes on the Non-selected Audit Paragraphs/Chapters/Reports within the stipulated time frame, the Public Accounts Committee (2009-2010) took up the subject for detailed examination and report. A Sub-Committee was specially constituted for the purpose. In due consultation with the Audit, it was decided to examine the position in respect of the Ministry of Defence alongwith some other Ministries/Departments.

4. In the process of the scrutiny of the Audit Paragraphs/Chapters/Reports pending with the Ministry of Defence, the Sub-Committee came across certain pending Paragraphs/Chapters on very important issues and considered it prudent to examine and report the same alongwith the Non-Compliance issue. Accordingly, the Sub-Committee took up the above-mentioned Chapter/Paragraphs of the respective Audit Reports for indepth examination.

5. The Sub-Committee took evidence of the representatives of the Ministry of Defence on 15th February, 2010. The Committee considered and adopted this Report at their sitting held on 26th April, 2010. Minutes of the Sittings form Appendices to the Report.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

7. The Committee thank the Sub-Committee for their efforts in examining the subject in detail and finalizing and placing the Report before the main Committee.

8. The Committee would also like to express their thanks to the officers of the Ministry of Defence for tendering evidence before the Sub-Committee and furnishing information that the Sub-Committee/Committee desired in connection with the examination of the subject.

9. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
26 April, 2010
6 Vaisakha, 1932 (Saka)

GOPINATH MUNDE,
Chairman,
Public Accounts Committee.

REPORT

PART I

Introductory

The Finance Accounts and the Appropriation Accounts of the Union Government for a particular financial year as well as various transactions in those accounts are audited by the Comptroller and Auditor General of India (C&AG) in accordance with the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. C&AG certifies these accounts and also submits separate Audit Reports there on to the President in terms of Article 151 of Constitution of India. In addition, C&AG has also been submitting Performance Audit Reports on important Schemes and Programmes of the Union Government which are laid on the Table of the House and stand referred to Public Accounts Committee. These Reports after being laid in Parliament in accordance with Article 151 of the Constitution of India, stand referred to the Public Accounts Committee for their scrutiny. As it becomes practically impossible for the Public Accounts Committee to examine each and every paragraph contained in the Audit report, the Committee adopt a selective approach and take up a few relatively more important paragraphs for in depth examination at the beginning of the term every year. As regards the paragraphs which are not formally selected for examination by the Committee, these are dealt with by means of a procedure where by the Ministries/Departments are required to furnish the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure).

2. But as there was inordinate delay on the part of the Ministries/Departments in furnishing the remedial/corrective Action Taken Notes, the Committee in their 105th Report (Tenth Lok Sabha) had recommended that with effect from 31st March, 1996 the Action Taken Notes on all the Paragraphs of the Reports of the C&AG, which are not formally taken up by the PAC for examination, should be furnished to the Committee within four months of the laying of the Audit Reports.

3. During 2000-01, *vide* their 9th Report the Committee decided that the remedial/corrective Action Taken Notes furnished by the respective Ministries/Departments should be categorized by the Audit under three broad heads namely 'Accepted', 'Partially Accepted' and 'Not Accepted'. In subsequent developments, the Committee also decided that a brief of those Action Taken Notes which are categorized as 'Not Accepted' should be furnished by the Office of C&AG, clearly indicating the reasons for such categorization as well as the points of difference between Audit and the Ministry/Department concerned. After categorization by Audit, these remedial Action Taken Notes along with the briefs on "**not accepted**" paras are circulated to the Members for their perusal.

4. It has come to the notice of the Committee that various Ministries/Departments have not furnished the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure) within the prescribed time line of four months. For example, as on 15th September, 2009 remedial/corrective Action Take Notes on a total number of 2827 Chapters/Paragraphs were pending with various Ministries/Departments.

5. Against this backdrop, the Committee took up the subject for detailed examination during the year 2009-10. A Sub-Committee was constituted to go deep into the matter, prepare separate Reports on each of the eight Ministries/Departments concerned with the subject and place the same before the Main Committee for their consideration. In the process, the Sub-Committee obtained Background Notes/Preliminary Material and Written Replies from the Ministries/Departments concerned. The Sub-Committee also took separate evidence of the representatives of the Ministries/Departments on different dates.

II. Pendency of Audit Paragraphs of Ministry of Defence

6. This Report pertains to the remedial/corrective Action Taken Notes on the Audit Paragraphs pending with the Ministry of Defence. Supplying the latest figures the Ministry of Finance — Department of Expenditure (Monitoring Cell) intimated the position as of 15.03.2010. Out of the 4934 Chapters/Paragraphs for the period 1997-98 to 2007-08 pending with various Ministries/Departments 202 Paragraphs pertained to the Ministry of Defence where Action Taken Notes had not been furnished to the Committee and as such they did not reach finality keeping in view the procedure devised by the Public Accounts Committee and as highlighted in the opening paragraphs of this Report.

7. At the instance of the Committee the Audit also supplied the latest figures in regard to the audit paragraphs/Performance Audit reports on which Action Taken Notes (ATNs) are pending. As regards the status of ATNs pending as on 28th February, 2010 Audit informed that total paras/Performance Audit reports on which ATNs were pending stood at 3450. These pertained to the period 1995-96 to 2008-09. Out of these, 229 audit paras pertain to the Defence Wing. The break up being ATNs not received even for the first time — 62; ATNs received but returned with observations by Audit and re-submission is awaited — 70; finally vetted by audit but not submitted to PAC — 60 and ATNs under vetting in Audit — 37.

8. The Sub-Committee considered it prudent to examine three cases pertaining to Ministry of Defence, as a test case, to gauge the compliance of the Ministry to the Audit observations/suggestions contained therein, alongwith the status of remedial/corrective Action Taken Notes to be furnished by the Ministry. These three cases are "Functioning of Air Defence Ground Environment System (ADGES) Radar in signal units in the Indian Air Force", "Procurement of Special Clothing and Mountaineering Equipment" and "Delay in Execution/Renewal of Lease". The full details of these Audit Paragraphs are contained in the succeeding paragraphs where in each case is examined separately.

9. When enquired from the Ministry to indicate the exact number of audit paragraphs pending with them, and the reasons for not complying to the limit of four months, a representative of the Ministry during evidence stated:

"I do not know whether my answer will be correct or not but since the impression which I gathered from going into these three cases was, since paragraphs were selected by the PAC for detailed examination and the questionnaire was received, the Ministry replied to the questionnaire. In one case, I had observed that where the questionnaire was sent, the ATN was not vetted by the Director General of Audit Defence Services (DGADS). So, when the questionnaire was received, we started giving replies to it. It appears so from the records. But I agree that the ATN should have been sent on time."

He further added:

"The subject-matter was confined to these three. But still I carry this statement and probably on this 61 ATN I will definitely investigate why there is a delay. We will come out with a specific timeframe and that we will intimate."

When asked specifically why furnishing of ATNs was not done within four months the Special Secretary Director General (Acquisition) informed the Committee as under:

".....as far as the Department is concerned, we have furnished all the relevant details to the audit para up to May, 2008 to the Ministry of Defence because we are not supposed to furnish the ATN, it is for the MoD."

The witness also stated:

"It may be there that ATNs have not been submitted in time or the questionnaire have not been replied on time but on each of the subject-matter, there has been substantial progress. The Ministry has taken steps sincerely to look into the observations and take remedial measures where it was possible to improve the system."

In this connection, the witness clarified to the Sub-Committee that Ministry of Defence had a wrong impression that if the subject-matter had been selected for oral evidence and replies to the advance information etc. had been sent there was no need to send the ATNs on paras so selected. The witness was in fact referring to Report No. PA 5 of 2008 (Air Force and Navy) 'Functioning of ADGES Radar in Signal Units in the Indian Air Force' which was Tabled in Parliament in October, 2008. The subject was subsequently selected for detailed examination by the Public Accounts Committee and a questionnaire was issued to the Ministry in January/February 2009. The reply to this questionnaire was received only in December 2009. No ATN was received by the Committee within the four month period *i.e.*, by February, 2009.

10. Asked to indicate the exact number of Audit Paragraphs pending, the Ministry, in a written note intimated that there were 212 Audit Paras in respect of which ATNs had not been sent to the Monitoring Cell. In regard to query to indicate the final date by which these ATNs would be submitted for compliance, the Ministry in a written reply assured that Action Taken Notes in respect of remaining audit

paragraphs would be furnished by the end of May. When enquired whether any responsibility had ever been fixed for not furnishing remedial Action Taken Notes on the pending audit paragraphs, the Ministry, in a post-evidence reply stated:

"The existing instructions require compliance and non-compliance is viewed seriously."

11. The Sub-Committee desired to know about the mechanism devised or proposed by the Ministry to ensure timely submission of ATNs within the stipulated time frame (of four months) and whether any constraints/difficulties were encountered in this regard. The Ministry, in a written note stated as under:

"As per existing instructions, the administrative wing is required to take action for preparation of the ATNs on the audit paragraphs appearing in the C&AG's Report. The draft ATNs prepared by the administrative wing are sent to the Finance Wing for vetting before they are sent to the Audit Authorities. The Finance Wing periodically reviews the pendency of ATNs and reminders are sent on regular basis to the administrative wing for compliance.

The Defence Ministry is perhaps the largest Ministry in the Government of India. There are large number of offices situated in remote parts of the country. In many cases information required for the ATNs have to be collected from such formations. Collection of information takes a very long time as the information has to be vetted and approved by the superior officers at various levels. It has also been seen that the information furnished by the various field formations are often not complete and requires additional inputs. Collection of such additional inputs has to again follow the same process, as a result of which, the ATNs cannot be furnished within the stipulated four weeks time."

12. In regard to the non-furnishing ATNs in respect of paragraph on 'Procurement of Special Clothing and Mountaineering Equipment', (discussed in detail in the succeeding paragraphs) Audit has stated in regard to the Non-Compliance that Action Taken Note (ATN) was received by Audit in November 2008 but the same was returned to the Ministry with certain observation. The revised ATNs have not since been received by Audit for vetting.

13. The Sub-Committee wanted to know the specific reasons for delay in furnishing the revised ATN. The Minister in a written reply intimated that this audit para was received in the last week of March, 2008 and the draft ATN was sent to DGADS on 10.11.2008 after getting it vetted by Defence (Finance). DGADS vetted the ATN on 15.1.2009 and thereafter a meeting was held with DGADS on 17.2.2009 in which it was decided to take immediate steps for responding to audit criticism. The matter was reviewed again in February, 2010 and after appending the vetting comments in the ATN it was sent on 12.2.2010.

14. Taking note of the inordinate delay in furnishing of the ATNs the Committee opined that the time limit for furnishing the ATNs cannot be open ended and a situation where submission is inordinately delayed needs to be viewed seriously.

III. Chapter I of C&AG's Report No. PA 5 of 2008 (Defence Services—Air Force and Navy) Relating to "Functioning of Air Defence Ground Environment System (ADGES) Radar in Signal Units in the Indian Air Force".

15. In the light of the pendency of the Audit Paragraphs on which remedial action by Ministry of Defence did not reach the stage of finality, the Committee decided to enquire into the above-mentioned Chapter as that first case pertaining to Indian Air Force and two other Chapters pertaining to Army and Ordnance Factories and Defence Services respectively the details of which are contained in the succeeding paragraphs.

16. The Audit Chapter focusses on the 'Functioning of ADGES Radar in Signal Units in the Indian Air Force'. It has been stated by audit that the Air Defence Ground Environment System (ADGES) is an integrated network of surveillance radars, air defence control centres, air and missile basis and anti aircraft guns intended to provide an efficient and reliable defence against air attacks. This System, which functions within the IAF, came into existence in 1976 and continues to be at the heart of the nation's Air Defence (AD) system. The radars deployed under this system are of three types *i.e.* High Power Radar (HPR), Medium Power Radar (MPR) and Low Level Transportable Radar (LLTR). Each category of radar differs in its role, range, height detection and mobility. Working in concert, these are designed/structured to provide the country with round-the-clock, gap-free AD cover. Deployment of AD radars at various locations in the country is aimed at providing a conducive flying environment, adequate surveillance and effective command and control of AD assets. The present inventory of these radars was acquired at an aggregated cost of Rs. 1031 crore.

Audit examination disclosed weaknesses in planning and deficiencies in performance/functioning of radar units of the IAF. In addition, modernization and replacement activities were not commensurate with the needs of the IAF. Repair and maintenance activities also revealed significant delays and an unstructured approach towards unertaking tasks.

Radar Availability and Performance

17. Audit has brought out that Air Defence is critical to nation's security. Despite this, the IAF is holding less than adequate number of surveillance radars needed for providing efficient and reliable detection.

Audit scrutiny revealed that none of the plans prepared after 1971 received approval of the Government. Some of the elements of the ADGES plans have, however, been sanctioned on piece-meal basis from time to time. Acquisitions and replacements have thus been few, unplanned, *ad-hoc* and delayed, creating a serious mismatch between availability and IAF's requirements of radar systems.

According to Audit, the Ministry did not furnish explanation/reasons for non-approval of the revised AD Plans submitted by IAF.

18. The Sub-Committee desired the Special Secretary and Director General (Acquisition) to give a brief background on the weaknesses in planning and

deficiencies in performance, functioning of radar units in the Indian Air Force. Explaining the position on behalf of the Ministry of Defence the witness stated:

".....it was observed in the (Audit) Report that modernization and replacement activities were not commensurate with the needs of IAF...The plans which are made for the ADGES are revised on the basis of re-assessment of the threat perception, operational requirements and emerging technologies. A long term perspective plan which includes the ADGES plan for the period covering up to 2022 has also been formulated. In the meantime several major acquisitions have been completed to strengthen the Air Defence system and I will name some of these major acquisitions. Medium Power Radars—A contract for Medium Power Radars was signed in October 2007. Low-Level Transportable Radar—A contract for Low-Level Transportable Radars was signed in July 2009. Rohini Radar—A contract for Rohini Radars was signed with BHEL in March 2006 and thereafter another contract for radars was signed in 2009. Aerostat Surveillance System—In the C&AG's para a mention was made of HPRs. Air Force later on revised its assessment and they opted for the Aerostat Radars and these radars have already been procured and have been installed and a case for four additional Aerostat Radars is presently under process. Low-Level Light Weight Radar which is called LLLWR-A contract for LLLWR has been signed. LLLWR are also being developed indigenously by the DRDO."

19. The witness also informed that the project of integrated air command control system is being installed indigenously and would become operational by the end of 2010.

20. Asked to state the reason for non-approval of the revised Air Defence (AD) and piece-meal sanctions of some of the elements of the Air Defence Ground Environment System (ADGES) Plans, the Ministry intimated the Sub-Committee, through a written replay:

"Two major reviews were carried out on the plan ADGES 1970 by Air HQ (Revised Plan ADGES 1983, updated to plan ADGES 1987 followed by plan ADGES 2000). These reviews envisaged upgrade and new induction consequent to re-appreciation of threat perception, availability of resources and emerging technology. The recommendation of the revised Plan ADGES 2000 were thereafter implemented taking into account availability of funds. The radars that were procured during 1987-2000 period are PSM -33, ST-68, TRS 2215 and INDRA radars."

21. On a query regarding fixing of responsibility on any official for non-approval/ inordinate delay in approval of the revised AD Plans, the Ministry in a written reply stated that the Plans were revised on the basis of re-assessment of threat perception, operational requirements, availability of resources and emerging technology and this cannot be attributed to any lapse on the part of any individual.

22. The Sub-Committee took a serious note of the delay in procuring MPRs and drew attention of the Ministry to the fact that IAF proposed 23 MPRs in June 2002

at an estimated cost of Rs. 2300 crore and the acceptance of the necessity was agreed to by Competent Financial Authority (CFA) in January, 2004. It took virtually one year and eight months for the CFA to give an acceptance of necessity report. To this observation of the Sub-Committee the Special Secretary, DG (Acquisition) candidly admitted during evidence by stating:

"But that is the reality. At times it happens."

Briefing on the changes that have taken place in the procurement procedures, the witness stated:

"The Defence procurement procedure which was being followed in 2001 provided for this type of decision which used to take in files the acceptance of necessity, quantity vetting, etc. After 2005, the Defence procurement procedure was formulated and then it has been revised in 2007-08 and presently, we do not take that much time."

23. Elaborating further the witness added:

"Then the acquisition people come into the picture. But before that the Acquisition Wing's role is there by way of giving inputs, observations, etc. only to facilitate the decision leading to quantify vetting, etc. Once these decisions are taken then Service Headquarters frame a draft Request for Proposal (RFP). Even before that the Service Headquarters is supposed to make a General Staff Qualitative Requirement (GSQR) and the RFP is based on GSQR. Hereafter the timeframe starts."

24. On a query, as to how much time frame was reduced after 2005, the witness intimated that now it was three months.

25. The Committee wanted to know about the risk/threat perception and operational preparedness of Indian Air Force (IAF) to counter threats and also enquired about the time when the threat was last reviewed and whether the current acquisition plans were in line with such perception. To this query of the Sub-Committee, the Ministry through a written reply intimated that threat perception/security environment was influenced by several factors like Emerging World Order, Spread of Information Technology system, Energy aircraft and weapon system and Acquisition plan of enemy etc. They also intimated that last review was carried out in January, 2010 and the current Acquisition plan were in line with the threat perception and also the Acquisition plans is based on the LTPP 2007—22. Five years acquisition plans were culled out of the LTPP.

26. In response to a specific query of the Sub-Committee regarding measures taken for strengthening the AD system, the Defence Ministry stated that a number of state of art Radar systems like Airborne Warning and Control System (AWACS), Aerostats, Medium Power Radar (MPR), Low Level Transportable Radar (LLTR), Low Level Light Weight Radars (LLLWR) and Mountain Radar were being procured/proposed to be procured in order to strengthen the AD system. The procurement process of the above said Radar systems was in different stages of finalization.

27. The Sub-Committee wanted to know about the delivery schedules of those radars for which contracts have been signed and their anticipated commissioning time. To this specific query of the Sub-Committee, the Ministry could not provide any exact schedule/dates.

28. It was also informed in a written reply that a contract has been signed in October, 2007 for MPRs. A contract to procure LLTR was signed on 29.07.09 and the balance was to be manufactured indigenously by M/s BEL through transfer of technology.

29. As regards modernization of AD System during the course of oral evidence, the representative of the Ministry of Defence stated that they were not in a position to give a fixed time frame in regard to the plan to modernize the air defence system.

30. Audit has brought out that Aircraft on Ground (AOG) demands for spares are required to be met within 24 hrs so that the equipment is repaired and made serviceable at the earliest. Only 0.4 per cent of AOG demands were met within 24 hrs. and 59 per cent of AOG demands could be met within 2 to 30 days. During the course of evidence, the Sub-Committee drew attention of the Ministry to the fact that less than 1% of the AOG demands for spares were met within 24 hrs. and asked whether Ministry had any plans to stick to the time frame of 24 hrs. Subsequently, Ministry of Defence intimated through a written reply that the provisioning reviews were carried out to cater for spares for a period of 21 months and lead time of 18 months for the supply. However, due to the unpredictable nature of failure of electronic items, Special Reviews and Aircraft on Ground (AOG) indents were raised by the Base Repair Depot (BRD) on as required basis. Supply and Provisioning CANNON 5B/2001 has been amended in 2008 to facilitate provisioning reviews to be carried out system-wise and Radar-wise instead of one generic category of Air Defence Ground Environment System (ADGES) Radars.

IV. Paragraph No. 3.1 of Chapter III of C&AG's Report No. CA 4 of 2008, Union Government (Defence Services) Army and Ordnance Factories Relating to 'Procurement of Special Clothing and Mountaineering Equipment'

31. The second case which the Sub-Committee decided to enquire in detail is the above-mentioned Chapter on 'Procurement of Special Clothing and Mountaineering Equipment'.

32. Audit has stated that special clothing and mountaineering equipment are provided to the troops posted in the extreme cold climate conditions at Siachen, Kargil and Sikkim etc. Out of the 55 items authorized, 19 critical items such as down feather jackets, trousers, sleeping bags, multipurpose boots, woollen socks, rucksacks etc. were being imported as no indigenous source has emerged.

33. Special clothing is a vital equipment for troops deployed in extreme cold climatic conditions, as in Siachen glacier. Despite the fact that Army HQ has been procuring these clothing items for over two decades, the procedure for formulation of technical

specifications, evaluation of offers and selection of vendors have not been streamlined of ten contracts concluded during 2002—06 for purchase of special clothing for Rs. 48.88 crore, items valuing Rs. 28.81 crore (59%) were rejected either in receipt inspection or by end users.

34. Audit has stated that despite the purchase of special clothing/equipment being in practice for over two decades; Army HQ/MOD has yet to streamline the procedure for formulation of technical specifications, selection of vendors and evaluation of tenders. Asked about the reasons for the unusual delay in streamlining the procedures, the Ministry stated, in written note that several steps have been taken during last 2-3 years for streamlining the procurement process for Special Clothing & Mountaineering Equipment such as constituting an Empowered Committee, making an attempt to formulate broad-based technical specification enabling participation by several vendors, maintaining a database of all standard vendors, revising of procedure laid down for evaluation of tenders and requesting Ordnance Factories Board (OFB) to commence indigenous production of critical items of Special Clothing either through transfer of technology or licensed production.

35. The Sub-Committee stressed upon the fact that although procedures do exist but their application and implementation was improper by citing four specific cases in regard to the rejection of items procured by the Ministry. These were purchase of multipurpose model boots from M/s Koflach—Austria, multipurpose boot model shoveling from a French Company, purchase of socks from LEH Enterprises and supply of boots by an Italian company rejected by the Northern Command. In this connection, the Sub-Committee pointed out that for four items like boots, jackets, vests and socks indigenous capabilities would be developed through DRDO/PSUs/ Ordnance Factories. On this observation a representative of the Ministry stated:

"..... the ground reality is that, although we are making rockets and everything else, a simple thing like socks we have not been able to produce for Siachen. That is the reality on ground.

Secondly, a simple thinking like lower altitude snow boot is not being produced in requisite quality. We are facing a crisis today because for lower altitudes we are getting the boots but I find there are quality issues. They cannot produce these numbers or in the desired quality for me today. Therefore, next week I am putting up an Request for Information (RFI) to even go and import boots for lower altitudes whereas we are supposed to go indigenous on this issue. On this, indigenous vendors have been actually dilly-dallying for the last one year my tenure and a little earlier than that. They have not been able to produce boots with requisite quality. That is the surprising part."

36. The Sub-Committee drew attention of the Ministry to the fact that the procurement process was being done in certain cases between 14 to 16 months and

enquired as to whether such a time period was reasonable. Replying to the query a representative of the Ministry during evidence stated:

"As far as amendment to the procurement procedures is concerned, currently after the bidding process has been done, we place an order on a successful vendor. Currently the option clause is only 50 per cent. If we want to continue the entire flow, I think we need to revisit it; we are taking up the case separately with the Ministry. After studying the system we could have an option clause of 100 per cent and a repeat order for 100 per cent. I can assure you that the time period will come down. In short, what I am recommending is a long term business agreement with the successful vendor."

37. Audit had observed that the Ministry should take appropriate step to formulate General Staff Qualitative Requirement (GSQRs) as well as important qualifying specifications of all items of special clothing and equipment for ensuring purchase of quality items required for protection of troops deployed in hostile climatic conditions. This assumed greater importance in the backdrop of the heavy casualties, 388 in five years. The Sub-Committee wanted to know the steps taken to formulate GSQRs and important qualifying specifications in order to enable the Ministry to achieve imperative requirement of essential items such as special clothing and equipment. To this query of the Committee the Ministry stated in a written reply:

"Considerable progress has been achieved by army HQ in formulating GSQR and important qualifying specifications of special clothing items during the last two years. Both Specific and Desirable QR of most of the items of the special clothing and equipment have been formulated. Based on these, Directorate General of Quality Assurance (DGQA) has already prepared broad technical specifications in respect of 12 out of 19 items being procured ex-import. Specifications in respect of balance seven items also are expected to be ready within next four to six months. Within a period of the last six months, four global RFPs have been issued on these QR for items like Jacket and Trouser Down, Karabiner, Avalanche Victim Detector and Ice Axe and Shovel".

38. The Committee drew the attention of the Ministry to the fact that Ministry had prescribed in their Procurement Manual specified time frames for each activity in relation to procurement and wanted to know whether the Ministry had analysed the reasons for the slippages in adherence to the procedure in respect of the special clothing/equipment. To this query of the Sub-Committee, the Ministry explained in a written reply that delays were mainly attributable to unforeseen developments like failure of advance samples submitted by the vendor or a dispute over technical specification and test methods. Some of the delays could be procedural also. The procurement procedure has been hampered more by rejection of stores on technical grounds rather than delay on any other account. They also stated that an Empowered Committee has been constituted for fast track procurement.

39. During the course of examination the Sub-Committee learnt that one of the major problem in procuring clothings of this nature was the narrow vendor base. When asked to explain the steps taken to expand the vendor base, the Ministry through a written reply intimated that Special Clothing items were highly specialized and very few manufacturers were available worldwide. Even these vendors are

primarily manufacturing for adventure activities. Demand of India Army, though consistent in numbers, may not be enough to sustain commercial production and this was the reason for the reliance on the product which were vendor specific. They also intimated that Ordnance Factories Board (OFB) has been requested to commence indigenous production of critical items of Special Clothing either through transfer of technology or licensed production.

40. The Committee noted that rejection rate of the item purchased was as high as 59% and enquired the Ministry to explain the reasons for the same. Explaining the position on behalf of the Ministry their representative stated:

"..... In majority of the cases, the technical specifications had been worked out based on the sample which had been accepted by the user. At the same time of bulk supply, the vendor or the supplier, somehow or the other, deviated from the specifications which were given, and these deviations, even if it was on one parameter out of 15, 20 or 30 odd parameters on which they were to be tested, then the item was rejected as having not met the laid down specifications."

The witness further added:

"Sir, in the past, the procedures were somewhat different. As of now, what is happening is that we are carrying out a pre-despatch inspection as against a joint receipt inspection which was in force earlier, prior to 2007, since the pre-despatch inspection is being carried out, rejection also takes place in the host country itself, the stocks are not delivered and there are no payments made."

41. The Committee learnt that there were several instances where Ministry procured items from suppliers other than the Original Equipment Manufactures (OEMs) which was against the extant procurement policy of the Ministry. A strange case came to light where procurement continued from vendor M/s Aptec for 15 years despite the fact that Aptec was a vendor registered in Noida and was operated by retired Army Officers. The Army Headquarter realized the fact that M/s Aptec was not Original Equipment Manufactures (OEM) after a lapse of 15 years. Asked whether Ministry have ever enquired into the matter with an angle to find any possible link between the serving and the retired officers in this particular case, replying to the query a representative of the Ministry stated:

"Sir, this is a very old case of 2002, and I also read out about this from the Report. We will look into this part."

Subsequently, the Ministry through a written note informed that verification of Original Equipment Manufacturer (OEM) status is being undertaken regularly through the Defence Attaches/Military Attaches posted at Indian Embassies in various countries. However, Defence Procurement Manual 2009 stipulated that apart from foreign OEMs, procurement could be effected from their authorized vendors/stockists also. In this particular case the Ministry clarified that M/s Aptech was a sole agent of a foreign manufacturer for supply of boots and two contracts were entered with this manufacturer. Subsequently, when the wider base developed this company was de-registered from the list of approved vendors.

42. In context of the clothing requirement by the Army *vis-a-vis* the research undertaken by DRDO, the Ministry intimated through written reply:

"DRDO R&D lab Defence Materials & Stores Research & Development Establishment (DMSRDE) is mandated for clothing items. It has worked on 5 Staff projects over a period of time from 1988 onward pertaining stores clothing/textiles items for Glaciers and high Altitude Areas. These developed clothing items were trial evaluated in 1988 and 11 items were accepted for introduction. The production of various clothing items was done under empowered Committee to meet out emergent requirements of the Army and bulk productions of items were established. In subsequent years DRDO/DMSRDE carried out R&D on clothing items and executed various indents from Army for some such items. Various items were evaluated by the users. Some are accepted and some are under modifications and trials. Out of 55 items authorized/issued to troops in Siachen, only 19 items are procedured ex-import."

43. The Committee were also informed by the Ministry through a written note that Ordnance Clothing Factory, Shahjahanpur had been assigned the task for establishing indigenous production of special clothing items and it was decided to undertake productionisation of the seven Category-I items such as Sleeping bag, Jacket Down, Trouser Down etc. RFP was accordingly issued for three items namely, Jacket Down, Trouser Down and Sleeping bag but Northern Command did not recommend the items for induction into service. Thereafter, it was decided to cancel the present RFP and float a new Global RFP.

44. On specific query to indicate what action did the Ministry propose for disposal of rejected items costing Rs. 28.81 crore, the Ministry informed that in three cases vendor was asked to repair the stores which had been rejected in inspection. The vendor has repaired the stores, but liquidated damages will be imposed for the delay occurred. In one case which pertains to procurement of Thermal Insoles, arbitration proceedings were being initiated against the firm in accordance with the advice of Legal Advisor (Defence). In the case pertaining to Jacket Down, the performance bank guarantee and warranty bank guarantee have not been returned to the firm and validity of the guarantees were being extended to explore the possibility of imposing penalty. In case of Sleeping Bags valued at Rs. 19.6 crore procured from M/s CAMP spa, the vendor has been directed to replace the entire quantity of Sleeping Bags failing which appropriate action would be initiated for recovery of the amount paid.

V. Para No. 2.1 of C&AG Report No. 4 of 2007 (Union Government—Defence Services) On "Delay in Execution/Renewal of Lease"

45. The third important paragraph which the Sub-Committee deemed appropriate to examine is the above-mentioned paragraph relating to 'Delay in Execution/Renewal of Lease'. In this case it has been brought out by Audit that Director General Defence Estates (DGDE) is responsible for management of the defence lands both inside and outside the Cantonments. Total Defence land holding is about 17 lakh acres of this,

Defence has leased out lands at different locations to various public and private users. Audit has reported four cases of inordinate delay of six to 36 years in renewal of lease highlighting inefficiencies at all levels in the DGDE organization and the Ministry. The inaction and lack of monitoring on the part of DGDE and the Ministry resulted in non-recovery of rent and premium of crores of rupees from the lessees/ unauthorized users. Unauthorised occupation of defence land without renewal of lease and without payment of rent continued with the help of the DGDE organization who do not process and decide these cases for decades despite request for renewal of lease by the users. The Ministry in their reply to the Advance Questionnaire of the Committee had stated that as a remedial measure, instructions have been reiterated to all the field offices of Director General Defence Estates (DGDE) to take stock of the expired leases and prepare a calendar of disposal of such cases of renewal of the leases in a time-bound manner.

46. Reiterating on the Audit observations the Sub-Committee drew the attention of the representatives of the Ministry over the fact that from 19 to 36 years there has been no renewal and old rents continued to be paid. In addition to the four cases of non-renewal categorically brought out by Audit *i.e.*, Lease of Defence Land to Madras United Club, Chennai; Lease of land to IOC in Jabalpur Cantonment; Lease of Defence Land to SBI at Avadi, Chennai and Defence Land at Belgaum, the Sub-Committee opined that there would be many more cases of this nature out of the cases awaiting renewal. Agreeing with the observation of the Sub-Committee a representative of the Ministry stated:

".....a very logical inference was drawn that the delay would not be confined only to these four cases and there would be many more. Besides that, they made some observations which were identify all the cases pending for renewal and prescribe a timeframe after finalization; institute a monitoring mechanism for timely renewal of lease before expiry; fixing land value/rental for Defence Land correctly in a transparent manner, provision for periodic enhancement of rent to be made in the long term lease arrangement; unjustified delay in finalization of lease, etc."

47. In regard to the four cases the representative of the Ministry stated:

".....when we talk of petrol pumps and the cases like Madras United Club, Turf Club etc., the fact is that these leases were sanctioned long time back, but there was no in-built clause either for renewal or for enhancement of rent at that point of time. They were initially given for a fixed period. Now they should have been renewed. I absolutely agree with you. There is absolutely no justification or explanation for their non-renewal, as pointed out by the Audit. I am in agreement with you. The fact now is that after the Audit has pointed out, we have taken serious note of it and one by one, we are taking up all these cases. We have also brought three out of these four cases to their logical conclusion. Now we have recovered rent.....in some cases, not all cases, as on today."

48. In regard to a query on the dates of issue of instructions and the current status of renewal of lease in the four cases, Ministry in a detailed written reply have

stated that" The instructions were issued on 25 June, 2007, 12 September, 2007 and 15 January, 2008. 464 leases have been renewed after the issue of these instructions, involving an area of approximately 220 acres. As a consequence of these renewals of expired leases, approximately Rs. 338.5 lakhs have been recovered as lease rent which includes approximately Rs. 305 lakhs on account of lease rent from leases given for petrol pumps. In addition to the rent, approximately Rs. 342 lakhs have been recovered as premium from leases for petrol pumps.

The current status in respect of four cases as pointed out in audit report is as follows:—

(i) Madras United Club

The lease has been renewed upto 31.12.07. As per the sanction, a sum of Rs. 39,585/- has been recovered from the Club on account of rent including arrears.

IOC, Jabalpur

Lease has been renewed for a period of five years *w.e.f.* 4.11.2006. Premium amounting to Rs. 46,68,460/- along with rent of Rs. 9,33,692/- per annum for two years *i.e.* Rs. 18,67,384/- upto 3.11.08 has been recovered from IOC. IOC have represented against the abnormal increase in the quantum of rent and have requested for its recalculation.

(ii) SBI, Avadi

The delay in renewal was primarily on account of non-execution of the lease deed. While initially this was by oversight however, subsequently with the Heavy Vehicle Factory (HVF) having occupied a large part of the leased site unauthorizedly and matter taken up between HVF and SBI for offering an equal area so occupied, the execution of lease could only take place once this area was finalized between HVF and SBI and the Government sanction of 1967 amended. The problem was further compounded by the HVF/Ordnance Factory Board (OFB) insisting that the renewal should be as per the policy guidelines dated 10.8.1990 issued by Ministry of Defence, and the Deptt. of Defence Production treating the case as one of grant of fresh sanction. Since the lease was sanctioned by Ministry of Defence in 1967 in Schedule VIII of the CLAR, 1937 for an initial term of 30 years, and such leases provide for renewal of lease for two similar terms at the option of the lessee by enhancement of rent by a maximum of 50% of the existing rent, therefore, the interpretation of HVF/OFB regarding applicability of the 10.8.1990 guidelines issued by Department of Defence Production guidelines was incorrect. However, the case has now been taken up for finalization of the area, amendment to the Government sanction, execution of the lease agreement and its subsequent renewal.

HVF has requested SBI to execute a fresh lease agreement with rent being fixed at prevailing market rates. This has not been agreed to by SBI, and the matter is being negotiated with them.

However, the SBI is paying the rent as per sanction issued by DGDE *i.e.* Rs. 1125/- per year and they have agreed to pay the difference rent *w.e.f.* 1999. The enhanced rent can be collected after finalization/approval of lease agreement.

(iii) IOC/HPCL at Belgaum

The details of lease renewal and, recovery of rent and premium in respect of each of the five pieces of defence land at Belgaum which were leased to Indian Oil Corporation (IOC) and Hindustan Petroleum Corporation Ltd. (HPCL) are as follows:

Survey No.	Lessee	Lease Premium renewed upto	Rent recovered recovered	
324/A	IOC	22.01.2010	Rs. 21,29,040/-	Rs. 17,03,232/-
303/A	IOC	24.10.2010	Rs. 1,61,980/-	Rs. 1,61,980/-
277/C	IOC	20.06.2011	Rs. 1,55,775/-	Rs. 93,465/-
328/B	HPCL	22.07.2009	Rs. 2,57,640/-	Rs. 2,06,112/-
313/B	HPCL	05.12.2010	Nil*	Nil*
		Total:	Rs. 27,04,435/-	Rs. 21,64,789/-

*HPCL have intimated about discontinuation of use of the land since 1993 when demand was raised. Matter being processed for taking back the site.

49. Asked whether any responsibility has ever been fixed for this lapse of non-renewal of lease within the time frame, the representative of the Ministry stated during evidence that there were various reasons for delay in renewal of expired leases such as inheritance related issues, transfer of leasehold property in violation of lease terms requiring regularization, Defects in transfer document leading to non-mutation, Sub-division of leases requiring regularization, Other breaches of terms of lease and Non-receipt of requests for renewal from the lessee and considering the fact that many agencies/authorities were involved in the process for renewal of leases, it might not be possible to fix responsibility on any individual for the delays.

50. Asked whether the calendar for disposal of cases of renewal been drawn out and whether the achievement in this regard tally with the calendar as drawn, the Ministry, in a written reply stated that the instructions for adopting a calendar by the field offices were with the objective of identification of leases, which would become due for renewal in near future and timely action for renewal to be taken accordingly. It was also meant as a tool to monitor such cases. As a result of this exercise, identification of such leases has been done and wherever possible, leases have been renewed. Leases which could not be renewed for various reasons such as litigation, violation of the conditions of the lease requiring condonation/regularization by the competent authority, non-receipt of complete requisite documents etc. were being regularly monitored and efforts were being made to remove the impediments in renewal of leases.

51. The Committee pointed out that the figures supplied to them in regard to the recovery of rentals pertain to the year 1980. Giving clarification in this regard the Director General, Defence Estate stated:

“.....When I said, 1980, it is only the figure of Rs. 91 lakh which has been given in the presentation. The figure is based taking that particular period into consideration but when we actually recover, the petrol pump leases, for example, every five years, they are supposed to be renewed. So, every five years, the market value of land is taken into consideration and the latest five years which we take into consideration is the latest market value. That is why, there is a disparity between the amounts shown here and what we have recovered. So, we have shown only Rs. 91 lakh when we say recovered, it runs into a few crores. That is why the difference is there.”

52. In the context of the four cases in which renewal was delayed the Committee pointed out that none of the reasons enumerated earlier by the Ministry were applicable in the four cases.

53. In reply to a specific query about the total value of the Defence land the Ministry supplied the figures of market value of the land through a written note as under:—

"The market value *i.e.* Rs. 11,033 crores and the annual rent of about Rs. 2.13 crores is in respect of total defence land given on lease under different types of leases."

54. When asked to provide details of total number of expired lease the Ministry also through a written note stated that the total number of expired leases was 3,780. Age-wise analysis of delay in renewal of leases was as under:—

0-1 year	2-5 years	6-10 years	>10 years	Total
83	267	437	2,993	3,780

55. The Sub-Committee have been informed that in respect of 1800 cases, no request for renewal had been received. According to them this more alarming than the cases where requests received for renewal were pending. Asked to furnish the reasons for not receiving the request in respect of the above cases and what was their categorization the Ministry, in a written reply stated that 1,800 cases of expired leases where no requests for renewal have been received also include leases that were non-renewable which did not have a clause for renewal at the option of the lessee and therefore no request for renewal was required to be made by the lessee. Reasons for non-receipt of requests for renewal in cases of renewable leases would be case specific. These may include, *inter alia*, inheritance related disputes, ignorance of the terms of lease or apathy on the part of the lessees. The leases where requests for renewal were yet to be received were mostly building leases inside the Civil Area of the Cantonments. In the case of sites within the Civil Area, the policy of the Ministry of Defence was that these be converted to freehold.

Age-wise break up of cases where requests for renewal of leases not received, was as under:—

<1 year	1-5 years	5-10 years	>10 years	Total
37	143	160	1,326	1,666

PART II

OBSERVATIONS AND RECOMMENDATIONS

1. As per the system devised by the Public Accounts Committee all Ministries/ Departments are required to furnish to the PAC remedial/corrective Action Taken Notes on all the audit paragraphs which are not formally taken up by the Committee for examination and Reports presented thereon, duly vetted by Audit through the Ministry of Finance (Department of Expenditure) within a period of four months from the date of laying of Audit reports on the Table of the House (starting from 31 March, 1996 onwards).

2. The Committee's examination of the subject has revealed that as on 28th February, 2010 remedial/corrective Action Taken Notes in respect of 3450 Audit Paragraphs were pending with various Ministries/Departments for the period—1996-97 to 2008-09. Since it was not possible to examine a large number of Ministries, the Committee took up for examination only the illustrative cases relating to some of the important paragraphs of some of the Ministries for which remedial/ corrective action taken notes have not been furnished. Three such cases regarding Ministry of Defence are dealt with in the succeeding paragraphs of this report.

3. The Committee note that the figures supplied by the Ministry of Defence in regard to number of audit paragraphs pending with Ministry does not tally with the figures supplied by the Department of Expenditure (Monitoring Cell) and Audit. While the Monitoring Cell had indicated the number of pending paras as 202, the Ministry of Defence stated it to be 212. Audit has, however, shown this figure as 229. The Committee desire that this discrepancy in the number of pending audit paragraphs should be settled by the Ministry of Defence in consultation with the Audit and the Monitoring Cell and correct figures intimated to the Committee whilst furnishing the action taken replies on this Report.

4. The Committee note with concern that the Ministry of Defence did not have a clear idea on the methodology to be followed by them in furnishing the Action Taken Notes to the Committee. This is evident from the fact that the Special Secretary and Director General Acquisition candidly admitted before the Committee that in the opinion of the Ministry, ATNs were not required to be sent to the Committee in regard to the Audit Chapter on 'Functioning of ADGES Radar in Signal Units in the Indian Air Force' as the Committee had selected this subject for examination in 2009. Although, it is a fact that Committee had selected this Audit Chapter/Para in January, 2009 and a questionnaire was issued to the Ministry, but the reply to this questionnaire was received only in December, 2009. Here, it is pertinent to note that the Performance Audit Report on the subject was Tabled in Parliament in October, 2008. This subject was subsequently dropped by the Committee and no

evidence was taken. The Ministry cannot be absolved of this responsibility on the ground that the subject was selected by the Committee and so no ATNs were required to be furnished. The Committee feel that even though, the replies sent in response to the Committee's questionnaire were not the proper ATNs but even in case these were to be treated as substantive. ATNs, these were substantially delayed and were furnished by the Ministry after 14 months, which is unacceptable.

5. The Committee are constrained to observe at the absence of coordination within the Ministry in regard to the furnishing of ATNs. In his own admission, the Special Secretary and Director General Acquisition stated that their Department has sent the ATNs upto May, 2008 to the Ministry of Defence probably implying that the wing which is supposed to collect and furnish ATNs from all the wings of the Ministry of Defence and that their Department cannot furnish them directly to the Committee. Furnishing of ATNs in respect of Audit Paragraph on 'Procurement of special Clothing and Mountaineering Equipment' apparently demonstrate a casual approach on the part of the concerned officials of the Ministry of Defence as is evident from the fact that the audit para on this subject was received in the last week of March, 2008 and the draft ATN was sent to the DGADS on 10.11.2008, after a lapse of eight months. Eventually, this paragraph was sent to audit on 12.02.2010 *i.e.* after 23 months, whereas the procedure stipulates that these are to be sent within four months. The Committee, therefore, recommend that immediate and effective action be taken by the Ministry to streamline the process to deal with Audit Reports/paras within the Ministry. The Ministry should endeavour to reply to all audit observations within the timeframe laid down for the purpose and should not spare any effort to furnish the ATNs to the Audit as prescribed. It is imperative that the Ministry view the ATNs not as a mere formality and submit proper explanations on the remedial measures taken within the timeframe of four months. The Committee, in this regard desire that reasons for the delay in furnishing ATNs to Audit should be investigated and accountability ensured. The Committee would also like to be intimated about a specific timeframe by which the backlog of the pending ATNs would be cleared.

6. The Committee observe that the Air Defence is critical to the nation's security. Even so, IAF possess less than the adequate number of surveillance radars needed for providing efficient and reliable detection. The Committee are surprised to note that none of the Air Defence Ground Environment System (ADGES) Plans prepared after 1971 received approval of the Government although some components have been sanctioned on a piece-meal basis. In totality, a serious mismatch exists between availability and IAF's requirements of Radars System. Although the Ministry have intimated that a long term perspective plan which includes ADGES Plan for the period covering upto 2022 has been formulated but it is not clear whether the plan is as yet operational or not. The Committee are seized of the fact that several contracts for different type of radars have been signed and several cases for procuring the Radars are under process. This includes a project on Integrated Air Command Control System, which would become operational by 2010. The Committee are constrained to point out that even though contracts have been signed in this

regard, the officials could not provide scheduled dates of delivery for the Radars and also by when these would be eventually commissioned and to what extent do these procurements fill the existing gap in the Air Defence system and how will the present threat perception be addressed.

7. The Committee are of the view that existence of formulated and approved plans for timely acquisition, maintenance and replacement of existing assets is absolutely essential to ensure full satisfaction of the critical needs of the Defence establishment. The Committee recommend that Planning for acquisitions and deployment of AD radars be done well in advance, in a manner that would ensure timely purchase as per procurement plan and also take care of emergency requirements so that critical requirement of the armed forces are always satisfied consistent with the need to ensure transparency of procurement procedures. The gap in the Air Defence system in the past is a matter concern. Non-sanctioning of the ADGES Plan and the procedures of procurement of Radars etc. indicate systemic deficiencies which need to be rectified by the Ministry. The Committee, accordingly, feel that the Ministry should review its planning/procurement processes to address the concerns raised here above.

8. The Committee observe that signing of contracts is only the first step in ensuring that Air Defence related security requirements are met. The Committee recommend that procurement of the Radars and equipments for which contracts have been signed, are completed within the stipulated time frame and without delays. To be specific, the Committee would like to emphasise that Commissioning/installation of Medium Power Radars (MPRs)/Low Level Transportable Radars (LLTRs) and completion of associated civil and development projects be expedited so that gaps in provision of AD assets can be avoided. The Committee would also like to be kept informed about the necessary steps taken in this regard.

9. The Committee have learnt of the frequent breakdowns of the existing old radars and non-availability of spares etc. They also note that hours of watch allocated to the units of all types of radars are much below the hours prescribed for these units. The fact that additional radars are being procured itself indicates that the present position regarding planned hours versus what is actually being achieved by existing radars is not adequate for proper air defence coverage of the country. The Committee recommend that utilisation of radars in terms of watch hours may be enhanced through timely replacements, upgradations and efficient product support. It may be ensured that watch hours as prescribed by Government are adhered to once new acquisitions materialise and the IAF does not operate with any shortfalls as on date, thereby eliminating any compromise with security considerations.

10. The Committee also observe that Air Defence radars are facing obsolescence and need urgent upgradation/modernization. The response of the Ministry that the Defence Procurement Procedure is being followed and time taken in processing acquisition cases has been reduced does not satisfy the Committee given the hostile environment in which we live. The fact remains that the need for defence preparedness and capability was never so acute as it is today. It is, therefore,

essential that the purchases are timed and so sequenced that the armed forces are never short of their requirements. In this context, the Committee recommend that the Ministry should ensure that all upgradation programmes of AD system are taken up without any further delay to avoid cost escalation and to ensure that operational efficiency is maintained at all times.

11. The Committee note that against the requirement of spares for Aircraft on Ground (AOG) which are mandatorily to be met within 24 hours so that the equipment is repaired and made serviceable at the earliest, only 0.4 per cent of AOG demands were met within the specified period and 59 per cent of demands could not be met within 2 to 30 days. The Committee are informed that provisional reviews were being carried out by the Ministry to cater to spares for Aircraft on Ground for a period of 21 months and a lead time of 18 months for the supply. The Committee, therefore, desire that the provisioning reviews put in place for spares should be made more efficient so that delays in overhauls, servicing and clearing Aircraft on Ground (AOG) are completely eliminated.

12. A close scrutiny of the examination of the subject on "Procurement of Special Clothing and Mountaineering Equipment" has revealed several deficiencies which merit the attention of the Committee. The Committee learn that the special clothing and mountaineering equipment are provided to the troops posted in the extreme cold climate conditions in Siachen, Kargil, Sikkim etc. to cater to the needs of forces at high altitudes. Out of the 55 items authorised, 19 critical items such as down feather jackets, trousers, sleeping bags, multi-purpose boots, woollen socks, rucksacks etc. were being imported as no indigenous source was available. Special clothing is a vital requirement of the troops deployed in extreme cold climatic conditions like in Siachen Glacier. The Committee are dismayed to learn that despite the fact that Army HQ has been procuring these clothing items for over two decades, the procedure for formulation of technical specifications, evaluation of offers and selection of vendors have not been streamlined so far. The whole approach towards procurement of such supply, appears casual so that neither quality nor timely availability of critical items could be ensured thereby compromising safety as well as comfort of the troops deployed in harsh climatic conditions. The Committee also learnt that there were 388 casualties reported due to cold injuries such as frost bite, chill-blinds etc. The examination of the subject revealed that out of ten contracts concluded during 2002-06 for the purchase of special clothing for Rs. 48.88 crore, items valuing Rs. 28.81 crore (59%) were rejected either in receipt inspection or by end users. The Committee find that the procurement process was fraught with serious delays at every stage impacting on the timely availability of adequate clothing and equipment each time during deployment of troops to Siachen. From the time of raising of demand to the delivery of items to the troops, it took 32 months. This was mainly because of the severe delay in trial evaluation, finalisation of specifications by DGQA, tendering and signing of contract.

13. The Committee have been informed by the Ministry that for streamlining the procedure, the time limits have now been compressed from 32 months to 14 or 15 months. Taking into account all the shortcomings in procurement process, the Committee recommend that the entire procurement procedures be revised so that from the time of recognizing the need for procuring clothing and mountaineering equipment etc. till these are finally delivered to the end users is minimized to the maximum extent consistent with ensuring transparency in procurement process and quality of equipment needed.

14. The Committee also note that Army HQ has not formulated any General Staff Qualitative Requirement (GSQR) so far, for special clothing and mountaineering equipments, even though these items were being procured for the last 20 years. The GSQR would be helpful in the sense that the quality of the product would be ensured so that these could be used at very high altitudes having high wind velocity. The Committee, therefore, urge upon the Ministry to take appropriate steps within a timeframe to formulate GSQR as well as important qualifying specifications of all items of special clothing and equipments for ensuring purchase of quality items required for protection of troops deployed in hostile climatic conditions. The Committee also desire that all technical evaluations of a product should be done prior to price negotiations leading to selection of the suitable vendor in future procurements. The Committee note that Siachen is the world's highest battle ground and even foreign suppliers are at times unable to produce equipment with the requisite features for the security, comfort and operational efficiency of our jawans. In view of this and considering the Indian Army's experience of being stationed at such high altitudes under extreme weather conditions, the Committee recommend that domestic production capabilities be strengthened at least in the Public Sector, even if the Indian Private Sector is not forthcoming ostensibly due to lack of economic viability considerations, as was pointed out. *The defence of the Nation is a non-negotiable national imperative and under no circumstances can commercial and economic considerations be allowed to compromise the Nation's foremost priority. Immediate action be initiated in this regard under intimation to the Committee.*

15. The Committee note with concern the high rate of rejection of defence equipment/spares as brought out in the earlier paragraphs. The Committee find that in majority of cases, technical specifications had been worked out based on the sample accepted by the user at the time of bulk supply. Accordingly, the vendor deviated from the given specifications on several occasions. Of these deviations, even if it was one parameter out of several odd parameters on which they were to be tested, the item was rejected as having not met with the laid down specifications. In this regard the Committee have been informed that as of now, the Ministry are carrying out a pre-despatch inspection (PDI) as against a joint receipt inspection (JRI), which was in force earlier, prior to 2007. In addition to pre-despatch, stage inspection could also be carried out. Since the pre-despatch inspection is being carried out from 2007, rejection also takes place in the host country itself, the stocks are not delivered and there are no payments made. In this connection, the Committee can at this stage only recommend that the trend of pre-despatch inspection

should invariably be followed and enforced and in case of rejections, recovery of payments should be made. The Committee, therefore, desire that efforts for recoveries should now be made in all cases of rejected stocks and action taken thereon be reported to the Committee.

16. *The Committee are dismayed to learn that a country which is capable of successfully launching satellites, manufacturing missiles, tanks and other state-of-the-art defence equipments is still struggling with the problem of a narrow vendor base in the procurement of Special Clothing Mountaineering Equipment and Boots. In the opinion of the Committee there are several Public Sector Undertakings, the Ordnance Factories and Defence Research and Development Organisation (DRDO) who could be encouraged to manufacture these items even if there is no profit to be made on some of the items. The decision of the Ministry to produce them in Ordnance Factories under Transfer of Technology (TOT) is the right step in this direction but the underlying emphasis must be to ensure the creation of domestic capabilities whereby essential equipment can be produced in the country as per request. The Committee also, therefore, desire that the Ministry explore all possibilities to enhance domestic manufacturing capabilities in the area so that the Defence of the country is not compromised in matters of socks, jackets, boots etc. and other requisite equipment required for the troops at high altitudes.*

17. Fixing of responsibility is seen as a very important step for correcting the acts of omissions and commissions. Hence, the Committee would like the Ministry to fix responsibility on all concerned who were found to be responsible for flaws in procurement procedures, technical evaluations and rejection of ordered clothings and equipments. The Committee would like to be informed of the steps taken in this regard within a period of six months. More importantly, corrective measures should be initiated forthwith.

18. The Committee note that the Director General of Defence Estates (DGDE) is responsible for management of the defence lands (about 17 lakh acres) both inside and outside the contonments. The vacant or unused land is leased out by the Ministry of Defence to various public and private users at different locations. An Audit scrutiny of renewal of leases concerning defence land has revealed glaring inaction on the part of the Director General of Defence Estates causing delays ranging from six to thirty six years (as of December 2006) in renewal of leases of Defence lands occupied *inter alia* by Madras United Club at Chennai, Indian Oil Corporation at Jabalpur, State Bak of India at Avadi, Indian Oil Corporation and Hindustan Petroleum Corporation Ltd. at Belgaum. This resulted in non-recovery of substantial amount of rent and premium of several crores of rupees and loss of interest thereon, the exact value of which was yet to be assessed. In all these four cases, the lease period had already expired and the lessees have been occupying the defence land without paying any rent or with valid lease. It is found that after the expiry of the original lease period, the lessees had requested for extension of the lease period but due to serious procedural delays and a rather casual approach on the part of the concerned authorities in initiating processing and finalization/

according renewal of the leases, inordinate delays had occurred in renewal of the leases. In this regard, the Committee have been informed that the Ministry issued instructions on 25.06.2007, 12.09.2007 and 15.01.2008 for renewal of leases following which leases in respect of Madras United Club, IOC Jabalpur, IOC Belgaum and HPCL Belgaum, the leases had been renewed upto 31.12.2007, 04.11.2006, 20.06.2011 and 05.12.2010 respectively, while the case pertaining to SBI Avadi is still under renewal process. No further renewals have been executed in the cases of Madras United Club and IOC Jabalpur though these entities continue to occupy the plots of defence land unauthorisedly. The Committee observe that the much belated execution of lease renewal cannot be condoned and the inexplicable delays/inaction/lapses on the part of the concerned officials have to be accounted for.

19. Further, the Committee find that prevailing system of lease execution of defence lands is afflicted with systemic loopholes. This perception is substantiated by the fact that out of 3780 total number of expired leases involving defence land of an area of about 2500 acres, requests for renewals were received in respect of 899 cases but no proper follow up action has been initiated. In 1800 cases where no request for lease renewal was received, the cases have not been pursued vigorously for eviction of the lessees who have since become trespassers in defence land. Further, in respect of the remaining 1081 cases, no status report has been submitted by the Ministry. The Committee are constrained to note that the Ministry of Defence have not yet put in place a systematic mechanism for streamlining their lease execution/renewal process. The Committee view this to be a serious lacunae requiring immediate/urgent attention of the Ministry. The Committee would also like the Ministry to furnish detailed information regarding follow-up action taken on all the cases where the request for lease renewal was received and also the action taken in respect of the remaining cases alongwith the reasons for non-initiation of any appropriate action wherever necessary.

20. As an essential part of strengthening the lease execution and renewal system in the Ministry of Defence, the Committee desire that the Ministry need to evolve an effective mechanism to ensure that all field offices of DGDE prepare a proper record of the details regarding execution of defence lease deeds and maintains a calendar for disposal of cases of lease renewal to help identifying leases which will become due for renewal in the near future and timely action for renewal. This will help in monitoring timely finalization/renewal of each and every lease before expiry of the previous lease. Besides, the unjustified delays in renewal of lease would be easily identifiable to enable early fixation of responsibility for such lapses and would serve as a deterrent for others. This would also prevent the unauthorized lessees from occupying defence land for long periods without valid lease agreements and the wastage of public money would be minimized drastically. The Committee further recommend the Ministry to identify all cases of lease of defence land or other properties pending for more than six months and prescribe a time frame within which such long pending lease agreements should be finalized by the Ministry.

21. The Committee are dismayed to note that while the annual rent received by the Ministry from their leased out land was Rs. 213 crore, the market value of the land stood at Rs. 11,033 crore. Long term lease rentals must be such as to give reasonable returns to the Government on the value of their assets. The Committee would like the Ministry to adopt a policy of renewing the leases on due dates with an inbuilt clause for reasonable enhancement of rates every five year.

NEW DELHI;
26 April, 2010

6 Vaisakha, 1932 (*Saka*)

GOPINATH MUNDE
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE FIFTH SITTING OF THE SUB-COMMITTEE V OF THE PUBLIC ACCOUNTS COMMITTEE (2009-2010) ON "NON-COMPLIANCE BY MINISTRIES/DEPARTMENTS IN TIMELY SUBMISSION OF REPLIES TO THE AUDIT PARAGRAPHS OF C&AG OF INDIA HELD ON 15TH FEBRUARY, 2010

The Sub-Committee V of the Public Accounts Committee sat on Monday, the 15th February, 2010 from 1500 hrs. to 1700 hrs. in Room No. '62', Parliament House, New Delhi.

PRESENT

Shri Ashwani Kumar — *Convenor*
Member
Lok Sabha

2. Shri Bhartruhari Mahtab

3. Shri Naveen Jindal

Rajya Sabha

4. Shri Prasanta Chatterjee

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*

2. Shri Sanjeev Sharma — *Deputy Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri Gautam Guha — DGADS

2. Shri Sube Singh — Sr. Audit Officer

3. Shri Tejinder Singh — Sr. Audit Officer

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri S.K. Sharma — Spl. Secretary & DG (Acq.)
2. Smt. Indu Liberhan — Secretary (Defence Finance)
3. Shri Shekhar Agarwal — Addl. Secretary
4. Lt. Gen. Vinay Sharma — MGO
5. Air Mshl. N.V. Tygi — DCAS
6. Air Mshl. A.K. Gogoi — DG (Ops)
7. Shri Ashok Kumar Gupta — Joint Secretary (C&W)
8. Shri Subhash Chandra — JS (Air)
9. Shri R.K. Ghose — JS&AM (Air)
10. Shri Binoy Kumar — JS(O)
11. Shri P.K. Mishra — JS & Addl. FA (M)
12. Shri Balsharn Singh — DGDE

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| 13. Shri R.P. Singh | — | Addl. DG |
| 14. AVM R.K. Sharma | — | ACAS (Plans) |
| 15. Air Cmde. Shri V. D. Iswar | — | Pr. Dir (Plans) |

2. At the outset, the Convenor, Sub-Committee V of the Public Accounts Committee, [Hon'ble Ashwani Kumar] welcomed the representatives of the Office of the C&AG of India to the sitting of the Sub-Committee. Thereafter, the Audit Officers and the Secretariat briefed the Sub-Committee on the various issues concerning the subject on "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India". During the internal meeting, Memorandum No. 2 dated 3rd February, 2010 regarding the request of the Ministry of Finance—Department of Expenditure to consider 1092 audit paragraphs as settled and closed was placed before the Sub-Committee. The Sub-Committee considered the request of Ministry and after consideration asked the Audit to summarize all the audit paras in question and submit to the Committee at the earliest.

3. The Convenor then informed the Members that the sitting has been convened for taking oral evidence of the representatives of the Ministry of Defence on the subject relating to "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India". The Convenor also informed the Members that the meeting will proceed with a discussion on (i) Chapter-I of C&AG's Report No. PA 5 of 2008 (Defence Services—Air Force and Navy) relating to '**Functioning of Air Defence Ground Environment System (ADGES) Radar in Signal units in the Indian Air Force**'; (ii) Para 3.1 of C&AG's Report No. CA of 2008, (Compliance Audit) Union Government (Defence Services—Army & Ordnance Factories) on '**Procurement of Special Clothing and Mountaineering Equipment**'; and (iii) Para 2.1 of C&AG's Report No. 4 of 2007, Union Government (Defence Services—Army & Ordnance Factories) on '**Delay in execution/renewal of lease**'.

4. Thereafter, the representatives of the Ministry of Defence were called in and the Convenor welcomed them to the sitting of the Sub-Committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry in timely submission of replies to the Audit paragraphs of C&AG. They also, *inter alia*, threw light on the current status of pending paras in their Ministry. The representatives also explained on the various issues and concerns raised by the Sub-Committee. To certain queries, which the representatives of the Ministry could not give immediate clarification or explanation, the Sub-Committee directed the representatives to furnish written information/replies at the earliest with a view to timely finalisation of the Report on the subject.

5. The Convenor thanked the representatives of the Ministry of Defence for appearing before the Sub-Committee and for furnishing information that the Sub-Committee desired in connection with the examination of the subject.

The witnesses, then withdrew.

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

The Sub-Committee then adjourned.

APPENDIX II

MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10) HELD ON 26TH APRIL, 2010

The Committee sat on Monday, the 26th April, 2010 from 1530 hrs. to 1650 hrs.
in Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Gopinath Munde — *Chairman*

Member
Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Khagen Das
4. Shri Naveen Jindal
5. Shri Satpal Maharaj
6. Shri Bhartruhari Mahtab
7. Dr. K. Sambasiva Rao
8. Shri Yashwant Sinha
9. Shri Aruna Kumar Vundavalli

Rajya Sabha

10. Dr. K. Malaisamy
11. Shri N.K. Singh

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri D.R. Mohanty — *Under Secretary*

REPRESENTATIVES OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Ms. Rekha Gupta — Dy. CAG Central (RC)
2. Shri R.B. Sinha — Director General (Report Central)
3. Ms. Usha Sankar — Director General (Autonomous Bodies)
4. Shri Gautham Guha — Director General of Audit (Defence Services)
5. Shri P.K. Kataria — Pr. Director of Audit, Report Central (RC)
6. Shri K.R. Sriram — Pr. Director of Audit, Report Central (Economic & Services Ministries)
7. Shri R.G. Viswanathan — Pr. Director of Audit (Scientific Departments)

8. Shri C.M. Sane — Principal Director of Audit (Air Force & Navy)
 9. Shri H.K. Dharmadhekari — Pr. Director (State Report Audit)
 10. Shri Rajvir Singh — Accountant General (Audit) Delhi
 11. Ms. Divya Malhotra — Pr. Director of Audit (Railways)

2. At the outset, the Chairman, PAC welcomed the Members of the Committee and the Audit Officers to the sitting of the Committee. The Chairman, then apprised the Committee that out of the eleven Draft Reports stated for consideration, eight have been finalized by Sub-Committee V. Thereafter, the Committee took up the following Draft Reports for consideration and adoption:

- (i) Draft Report of "**Non-compliance by Ministries/Departments in timely submission of Action Taken Notes on Non-selected Audit Paragraphs**" (Ministry of Finance—Department of Expenditure);
- (ii) Draft Report on "**Functioning of A.D.G.E.S. Radar, Procurement of Special Clothing and Mountaineering Equipment and Delay in Execution/Renewal of Lease**" (Ministry of Defence) based on Chapter 1 of C&AG Report No. PA 5 of 2008 (Air Force and Navy), Para No. 3.1 of C&AG Report No. CA 4 of 2008 (Army) and Para No. 2.1 of C&AG Report No. 4 of 2007 (Army) respectively;
- (iii) Draft Report on "**Revenue loss due to delay in levy of Toll Fees**" (Ministry of Road Transport and Highways) based on Chapter XIV of C&AG Report No. CA 2 of 2007;
- (iv) Draft Report on "**Administration of Universal Service Obligation (USO) Fund**" (Ministry of Communications and Information Technology—Department of Telecommunications) based on Chapter 1 of C&AG Report No. PA 1 of 2008;
- (v) Draft Report on "**Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and Non-fulfilment of Export Obligation**" (Ministry of Finance—Department of Revenue) Based on Para No. 3.24.4 of C&AG Report No. 8 of 2007 (Direct Taxes), Para No. 2.2.1 of C&AG Report No. CA 7 of 2008 (Central Excise) & Para No. 7.1 of C&AG Report No. 10 of 1998 (Customs) respectively;
- (vi) Draft Report on "**Disaster Management and Land Management in Indian Railways**" (Ministry of Railways) based on Chapter I and Chapter II respectively of C&AG Report No. 8 of 2008;
- (vii) Draft Report on "**Conservation and Protection of Tigers in Tiger Reserves**" (Ministry of Environment and Forests) based on C&AG Report No. 18 of 2006;
- (viii) Draft Report on "**Procurement of Stores and Inventory Control**" (Department of Space) based on Chapter II of C&AG Report No. PA 2 of 2008;
- (ix) Draft Report on "**Freight and Wagon Management on Indian Railways**" (Ministry of Railways) based on Chapter I of C&AG Report No. 6 of 2007 (Railway—Performance Audit);

- (x) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Fifty-fifth Report (Fourteenth Lok Sabha) on "**Development of Land by Delhi Development Authority**" (Ministry of Urban Development); and
- (xi) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Eighty-third Report (Fourteenth Lok Sabha) on "**Cleanliness and Sanitation on Indian Railways**" (Ministry of Railways).

3. After some deliberations, the Committee adopted the above mentioned Draft Reports with some modifications and authorized the Chairman to finalise these Reports in light of the suggestions made by the Members and the consequential changes arising out of the factual verification by the Audit and present the same to Parliament.

4. The Chairman thanked the Members for their cooperation and active participation in the Committee's deliberations. He also thanked the PAC Secretariat and the Audit Officers for the assistance rendered to the Committee in the examination of the subject and finalization of the Reports.

5. The Members of the Committee thanked the Chairman for his guidance in the smooth conduct of the meetings of the Committee.

The Committee then adjourned.