

FIRST REPORT
STANDING COMMITTEE ON DEFENCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

*[Action Taken by the Government on the recommendations/observations
contained in the Twentieth Report (Fifteenth Lok Sabha) on
'Demands for Grants (2013-2014)']*

*Presented to Lok Sabha on 16.12.2014
Laid in Rajya Sabha on 16.12.2014*



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COMPOSITION OF THE STANDING COMMITTEE
ON DEFENCE (2014-15)

Maj Gen BC Khanduri, AVSM (Retd) – *Chairperson*

MEMBERS

Lok Sabha

2. Shri Suresh C Angadi
3. Shri Shrirang Appa Barne
4. Shri Dharambir
5. Shri Thupstan Chhewang
6. Col Sonaram Choudhary (Retd.)
7. Shri H D Devegowda
8. Shri Sher Singh Ghubaya
9. Shri G Hari
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11. Dr. Murlı Manohar Joshi
12. Km. Shobha Karandlaje
13. Shri Vinod Khanna
14. Dr. Mriganka Mahato
15. Shri Tapas Paul
16. Shri Malla Reddy
17. Shri Rajeev Satav
18. Smt. Mala Rajya Lakshmi Shah
19. Capt Amarinder Singh (Retd.)
20. Shri A P Jithender Reddy
- *21. Shri Hemendra Chandra
- **22. Shri Rajyavardhan Singh Rathore

* Sad Demise on 05.09.2014.

** Ceased to be Member of the Committee on 09.11.2014.

(iv)

Rajya Sabha

23. Shri K R Arjunan
- ***24. Shri Anand Sharma
25. Shri Rajeev Chandrasekhar
26. Shri A U Singh Deo
27. Shri Harivansh
28. Shri Vinay Katiyar
29. Shri Hishey Lachungpa
30. Shri Madhusudan Mistry
31. Smt. Ambika Soni
32. Shri Tarun Vijay
- ****33. Shri Narendra Budania

SECRETARIAT

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2. Shri R K Jain — *Joint Secretary*
3. Shri D S Malha — *Director*
4. Shri Lovekesh Kumar Sharma — *Additional Director*
5. Shri Rahul Singh — *Under Secretary*
6. Smt. Rekha Sinha — *Executive Assistant*

*** Nominated w.e.f. 08.10.2014.

**** Ceased to be Member of the Committee on 08.10.2014.

INTRODUCTION

1, the Chairperson of the Standing Committee on Defence (2014-15) having been authorized by the Committee to submit the report on their behalf, present this First Report on Action Taken by the Government on the Recommendations/Observations contained in the Twentieth Report (Fifteenth Lok Sabha) on 'Demands for Grants (2013-14)', relating to the Ministry of Defence.

2. The Twentieth Report was presented to Lok Sabha on 29 April, 2013 and laid on the Table of Rajya Sabha on the same day. The Ministry furnished their Action Taken Notes on all the Recommendations/Observations contained in the Twentieth report on 12 February, 2014.

3. The Report was considered and adopted by the Committee at their sitting held on 25 November, 2014.

4. For facility of reference and convenience, Recommendations/Observations of the Committee have been printed in bold letters in the Report.

5. An Analysis of Action Taken by the Government on the Recommendations/Observations contained in the Twentieth Report (Fifteenth Lok Sabha) of the Committee is given at Annexure.

NEW DELHI;
16 December, 2014
25 Agrahayana, 1936 (Saka)

MAJ GEN B C KHANDURI, AVSM (RETD),
Chairperson,
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 the Twentieth Report (15th Lok Sabha) on 'Demands for Grants of the Ministry of Defence' for the year 2013-14 which was presented to both the Houses of Parliament on 29 April, 2013.

2. The Committee's Twentieth Report (15th Lok Sabha) contained 84 recommendations/observations on the following aspects:—

Para No.	Subject
1	2
1, 2, 3	Negative growth of Defence Budget
4	Huge difference between projection and allocated budget
5	Larger share of Committed liabilities in comparison with new Schemes
6, 7	Tight fiscal situation and under spending
8	Capital procurement – appointment of authorized representative/distributor
9	Formulation of the General Staff Qualitative Requirement
10	Growing indiscipline in three Services
11	Twelfth Defence Plan
12, 13, 14	Development of Infrastructure in Border Areas
15	Maintenance of roads in border areas
16	Cadre Management in BRO
17	Sainik Schools
18	Budgetary allocation for Army
19	Dwindling Capital: Revenue Ration
20, 21	Shortage of Officers in Army
22, 23, 24	Supply of defective ammunition

1	2
25, 26	Bullet Proof Jackets
27	Cease Fire Violations
28, 29, 30, 31	Army Aviation
32	Non-procurement of uniforms and microlites
33	Selection of NCC Cadets in Armed Forces
34	Waitlisted Institutions
35, 36	Lateral induction of Ex-servicemen in Central Armed Police Forces and State Police Forces
37, 38, 39	Revenue Budget allocation to Air Force
40, 41	Manpower and Training
42	Stores and Inventory
43, 44, 45, 46	Capital Budget
47	Budget for New Schemes
48, 49	Trainer Aircraft
50, 51, 52, 53	Budget Outlay to Navy
54	Vikramaditya
55, 56, 57	Indigenous Aircraft Carrier
58	Relocation of Oil Tanker in Andaman and Nicobar
59	Issue of environmental clearances in Island areas
60, 61	Protection to Fishermen
62	Coastal Surveillance Network
63, 64	Coordination among maritime agencies/stakeholders
65, 66	Expenditure on Research and Development
67, 68	Development of Ammunition, Field Gun and other products
69	Performance linked incentive scheme to the scientist
70	Import content of equipment developed by DRDO
71	Self-Reliance in Defence Production
72, 73	Defence Institute of Psychological Research
74, 75	Shortage of Manpower in DPSUs
76, 77	Declining value of production in DPSUs
78	Modernization of Ordnance Factories
79	Private Sector Partnership

1	2
80 81, 82, 83, 84	Foreign Direct Investment in Defence Sector Dependence on foreign suppliers for military hardware- Research and Development in DPSUs and Ordnance Factories

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

- (i) (a) Recommendations/Observations which have been accepted by the Government (please see Chapter II):

Para Nos. 3, 5, 7, 10, 18, 19, 21, 28, 29, 30, 31, 33, 34, 40, 41, 42, 43, 44, 46, 47, 48, 49, 51, 52, 53, 54, 55, 56, 57, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 77, 79, 80, 81, 82, 83, 84

(53 Recommendations)

- (b) Recommendations/Observations which have been accepted by the Government and commented upon (please see Chapter II):

Para Nos. 1, 8, 11, 12, 13, 14, 16, 17, 20, 25, 26, 27, 32, 35, 36, 45, 50, 58, 76

(19 Recommendations)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):

Nil

(00 Recommendation)

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon (please see Chapter IV):

Para Nos. 2, 9, 15, 22, 23, 24, 37, 38, 39, 78

(10 Recommendations)

- (iv) Recommendations/Observations in respect of which Government have furnished interim replies (please see Chapter V):

Para No. 4, 6

(02 Recommendations)

4. The Committee desire that the Ministry's response to their comments made in Chapter I of this Report to be furnished to them at the earliest and in any case not later than six months of the presentation of this Report. Here, it may also be emphasized that the final replies in response to the reply for which interim status (Recommendation Para Nos. 4, 6 and 79) has been communicated to the Committee may also be furnished within the prescribed time frame.

A. Negative Growth of Defence Budget

Recommendation (Para No. 1)

5. The Committee had recommended as under:—

“The Committee note that Budget Estimates (Net) for the year 2013-14 are for Rs. 203672.12 crore, which comprises Rs. 116931.41 crore as Revenue Outlay and Rs. 86740.71 crore as Capital Outlay. Although Defence expenditure is increasing in absolute terms over the years the percentage increase in Defence expenditure since 2000-2001 has not been consistent. The Defence expenditure in percentage term grew maximum during the year 2004-2005 *i.e.* 26.29% as compared to the previous years, followed by the growth of 2008-09 and 2009-10, whereby the percentage growth was 24.59% and 24.13% respectively. During the year 2010-11 the percentage growth declined to 8.70% as compared to the growth of 24.13% of the previous year. In the subsequent years although slight increase was there but it did not match the level of 2004-05, 2008-09 and 2009-10. During the year 2011-12 the percentage increase was 10.91% while during the year 2012-13 the percentage increase has been 13.15%. However, Revised Estimates of the same year brought down the growth to 4.44%. Although apparently the growth seems to be 14.10% in comparison with Revised Estimates 2012-13, but it is just 5.05%, if compared with Budget Estimates 2012-13.’

6. The Ministry in its Action Taken Reply has stated as under:—

“The growth of the Defence Service Estimates is based on the increases approved by the Ministry of Finance which are in turn dictated by several factors including the overall state of the economy and government finances. It is pertinent to highlight that the high percentage of growth in 2008-09 and 2009-10 was due to the 6th CPC payments.”

7. The Committee had observed that the growth in defence expenditure seem to be 14.10% in comparison with Revised Estimates 2012-13, but it was just 5.05%, if compared with Budget Estimates 2012-13. However, in action taken reply, the Ministry simply stated that the growth of the Defence Service Estimates was based on the increases approved by the Ministry of Finance which were in turn

dictated by several factors including the overall state of the economy and Government finances. In this respect, the Committee desire to be apprised of the efforts made by the Ministry to take up the issue with Ministry of Finance for increasing the budgetary allocations.

B. Negative Growth of Defence Budget

Recommendation (Para No. 2)

8. The Committee had recommended as under:—

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

9. The Ministry in its Action Taken Reply has stated as under:—

“The allocation for Defence expenditure has been constrained by the overall economic and fiscal situation.”

10. The Committee are least convinced with the reply of the Ministry that the allocation for Defence expenditure has been constrained by the overall economic and fiscal situation. Such a reply is routine in nature and as per their view, the defence of the country must have precedence over other aspects and the Ministry of Finance should prioritize the entire budgetary allocation appropriately so that there remains no dearth of funds for the services and the security of the country is never compromised for want of money. The Committee are also dismayed over the fact that no corrective measures appear to have been taken with regard to negative growth of GDP aspect at the supplementary demands stage.

C. Huge difference between Projection and Allocated Budget

Recommendation (Para No. 4)

11. The Committee had recommended as under:—

“From the data submitted by the Ministry, the Committee arrived at a conclusion that there is an enormous gap in the projections, allocations and expenditure for the three Services since 2009-10.

The allocations for the three Services are lesser than the projected amount in all the years and also the actual utilization is lesser than the amount allocated to them at Revised Estimates stage except in regard to Army and Navy during the year 2009-10 and 2010-11, where the expenditure exceeded the Revised Estimates. During 2011-12, Air Force was allocated slightly more than what it actually projected at Revised Estimate stage. If the expenditure is compared to the allocations projected at Revised Estimates stage, in all the previous four years, the expenditure is short of allocation made at Budget Estimate stage except for Navy in the year 2009-10 and Army in 2010-11. As submitted by the Ministry, revenue expenditure includes expenditure on Pay & Allowances, Transportation, Revenue Stores (like Ordnance Stores, supplies by Ordnance Factories, Rations, Petrol, Oil and Lubricants, Spares, etc.), Revenue Works (which include maintenance of Buildings, water and electricity charges, rent rates, taxes, etc.) and the Capital expenditure includes expenditure on Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. Therefore, allocating less than what the services have projected would have catastrophic effect on revenue as well as capital expenditure which is not a healthy sign for the Services of a developing nation like India. Therefore, the Committee desire that the Ministry should impress upon the Ministry of Finance to allocate entire amount as per the requirement of the Services otherwise the Services shall have to reprioritize their activities, which may lead to cutting of expenditure on essential items.”

12. The Ministry in its Action Taken Reply has stated as under:—

“The recommendations of the Committee in this regard have been conveyed to the Ministry of Finance *vide* MoD (Fin) I.D. No. 3(4)/Bud-I/2013 dated 18.6.2013.”

13. The Committee desire to know the outcome of the above communication sent to the Ministry of Finance and steps taken by the Ministry of Defence in the absence of desired funds. The Committee may also be informed as to how the services re-prioritize their activities and cope up with the difficulties faced by them after the cut. They may also be apprised about the specific procurement of items affected due to this.

D. Tight fiscal situation and under spending

Recommendation (Para No. 6)

14. The Committee had recommended as under:—

“The Committee note that because of tight fiscal situation as admitted by a representative of the Ministry, the payments for the

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

15. The Ministry in its Action Taken Reply has stated as under:—

“The recommendations of the Committee have been conveyed to the Ministry of Finance vide MoD (Fin) I.D. No. 3(4)/Bud-I/2013 dated 18.6.2013.”

16. The Committee find that the casual reply attempts only to shift responsibility instead of serving interest suitably. The Committee desire to be apprised of the follow up action taken by the Ministry.

E. Capital procurement – appointment of authorized representative/distributor

Recommendation (Para No. 8)

17. The Committee had recommended as under:—

“The Committee note that the Ministry of Defence has made elaborate procurement procedures to ensure expeditious procurement of requirement of Armed Forces. The procurement procedure includes various stages of examination of required items. The Committee contemplated over the reasons for increasing number of scams in the procurements related to Defence despite the above procurement procedure. One of the reasons which brought before the Committee is that of non-availability of authorised distributor/representative of foreign vendors. In this context, the Defence Secretary apprised the Committee that way back in 2002 or 2001, the Government had tried to register the representatives but no one responded. The Committee are of the view that as more than a decade has passed since then and world over there are changes in procedure to purchases defence related items and regular interaction with the vendors in various defence expositions have increased. Therefore, the Committee desire the Ministry to revive this initiative for appointment of representatives/distributors to avoid future irregularities in defence deals.”

18. The Ministry in its Action Taken Reply has stated as under:—

“The Defence Procurement Procedure (DPP) guidelines in Chapter I permit registration of vendors who are the Original Equipment Manufacturers (applicable in the case of countries where domestic laws do not permit direct export by OEMs), wherein, those vendors desirous of responding to any of the proposals advertised on MoD website can forward their request to the Technical Managers as per the format given in DPP. In addition, the DPP permits the vendors to depute their authorised representatives to be present during opening of technical bids and opening of commercial bids, if they so choose. Further as part of the RFP, a provision exists for the foreign vendor to give details of agents, technical consultants, authorised vendors that they may have appointed for marketing their equipment in India. In view of the foregoing, adequate provisions exists in the DPP for appointment of the authorised representative/distributor, however, the operational aspects of these provisions would require further elaboration.”

19. The Committee desire the Ministry of Defence to take cue from the developed countries or from the countries where practice of appointing authorized representative/distributor of arms and ammunition is in vogue and devise a methodology on the same pattern to totally eradicate the irregularities leading to scams in the defence purchases.

F. Formulations of the General Staff Qualitative Requirement

Recommendation (Para No. 9)

20. The Committee had recommended as under:—

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

21. The Ministry in its Action Taken Reply has stated as under:—

“Formulation of GSQRs is an elaborate process involving various agencies, wherein views of all stakeholders are taken and issues

discussed before finalizing the GSQR. The process leading to the approval of GSQR is given in the following paras:—

- (a) GSQRs are drafted by the user Dte. at SHQ with required inputs being obtained by issue of RFIs on MoD website and taking additional inputs from internet, defence journals/ magazine etc.
- (b) The draft GSQR thereafter is circulated to other possible user directorates, maintenance directorate, HQ IDS, DRDO, DDP, DGQA/DGAQA, Dte. of Standardisation, Technical Manager and any other branch/department for obtaining their views/comments.
- (c) Subsequently, the draft GSQR is fielded in General Staff Equipment Policy Committee, which is a forum comprising of representatives of all stakeholders/commenting and vetting agencies. Herein, the proposed GSQR is ratified and approved.
- (d) The aforesaid procedure is followed to ensure that GSQRs while remaining broad based are also comprehensive and inputs of the user, DRDO, production and procurement agencies are aligned to ensure expeditious progress of the scheme hereafter. Finalization of GSQRs prior to accord of AoN has been incorporated in the DPP-2013.”

22. The Committee are surprised to find that the Action Taken Reply has apprised them on the modus operandi being adopted by Ministry of Defence for finalization of GSQRs, which has been projected as infallible. It also states that it is an elaborate process involving various agencies, wherein views of all stakeholders are taken and issues discussed before finalizing the GSQR, which gives an impression that the coordination between the users and the suppliers is flawless. However, the Ministry has not given any plausible explanation that if the finalization of GSQRs consists of views of various stakeholders as the draft GSQRs are circulated before their finalization, then why there is always a delay in production as well as for procurement of strategic items. The Committee reiterate their recommendation and desire the Ministry should devise methodology to formulate immaculate procurement procedures to avoid delays in production as well as procurement of crucial defence items.

G. Twelfth Defence Plan

Recommendation (Para No. 11)

23. The Committee had recommended as under:—

“The Committee are surprised to note that though the Ministry is in the second year of Twelfth Defence Plan period but Twelfth Plan

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

24. The Ministry in its Action Taken Reply has stated as under:—

“The concerns of the Committee have been duly noted and the Ministry is pursuing the matter with the Ministry of Finance for approval of the Twelfth Plan.”

25. The Committee take note of the initiative taken by the Ministry of Defence, which has stated that the Ministry is pursuing the matter with the Ministry of Finance for approval of the Twelfth Plan. However, the Committee desire that concerted efforts be made by the Ministry so that Twelfth Defence Plan could be finalized at the earliest and action initiated in this regard may be communicated to them.

H. Development of Infrastructure in the Border Areas

Recommendations (Para No. 12, 13 & 14)

26. The Committee had recommended as under:—

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

27. The Ministry in its Action Taken Reply has stated as under:—

“The break-up of work load of BRO from 2008-09 to 2012-13 with regard to General Staff (GS) and agency works is given as under:

(Rs. in crore)

	2008-09	2009-10	2010-11	2011-12	2012-13
GS	1535	2119	2396	2765	2765
Agency	1769.8	1942.90	1961	1328	1326
Total	3304.8	4061.9	4357	4093	4091

As per policy decision, BRO has been taking up new works primarily for Army/General Staff requirement. The agency work shown above also includes works being executed MHA (Strategic roads for ITBP) and MEA (Works inside Bhutan for strategic reasons).”

28. The Committee had recommended as under:—

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

29. The Ministry in its Action Taken Reply has stated as under:—

“Emphasis is given on mechanizing road construction work. State of the art vehicles/equipment/plant have been inducted and the Annual Procurement Plans approved for last 5 years have seen significant increase:

Years	APP approved
2008-09	Rs. 157.15 cr.
2009-10	Rs. 252.13 cr.
2010-11	Rs. 403.00 cr. Including Rs. 100 cr. for equipment bank.
2011-12	Rs. 429.85 cr.
2012-13	Rs. 470.66 cr.

Further Border Roads Organisation (BRO) has been allowed to outsource works in all its Projects both for General Staff and Agency works through an amendment to Border Roads Regulations. In addition, efforts are being made to outsource some roads to Central PSUs so as to augment the capacity of BRO.”

30. The Committee had recommended as under:—

“Therefore, the Committee feel that permanent cadre of labour and more incentives to the contactors with proven track can help in checking the man made aspect of the problems. The Committee

also desire that the Ministry should collaborate and encourage large companies also who have sufficient manpower and machinery to carry out quick and reliable disposal of work.”

31. The Ministry in its Action Taken Reply has stated as under:—

“The work load of the Organisation is spread over vast area in the border region with different working seasons. The seasonality precludes possibility of holding large number permanent labour as it would only inflate the cost of job if they are to be paid without working during non-working season. Since the Organization (BRO) is work charged, it is not financially viable to have the more number of permanent labour force because their Pay & Allowances in the non working season get charged to the works.

The recommendation of Committee with regard to collaborating with large companies is agreed. BRO has been allowed to outsource works and also efforts are being made to outsource works to Central PSUs who have requisite technical and financial competence. Long stretches of road/complete road is proposed to be outsourced to attract large companies with adequate credential.”

32. The Committee desire that they may be informed about the work which has been outsourced to other agencies and a timeline in this regard may be given.

I. Maintenance of roads in border areas

Recommendation (Para No. 15)

33. The Committee had recommended as under:—

“On the responsibility of maintenance of roads in Uttarakhand, it was informed that BRO is not getting any fund from the Ministry of Road Transport and Highways for the purpose. Considering the above facts, the Committee desire that adequate allocation should be made to BRO by the Ministry of Road Transport and Highways so that maintenance of roads in Uttarakhand as well as in other border areas would not be a problem and motor ability is maintained in all seasons and weather conditions.”

34. The Ministry in its Action Taken Reply has stated as under:—

“Ministry of Road Transport & Highways has already been requested for timely release of required maintenance funds. The revision of the scale of these funds is in process.”

35. In its reply, the Ministry of Defence has merely mentioned that Ministry of Road Transport & Highways has already been requested for timely release of required maintenance funds and the revision of the scale of these funds is in process. The Committee desire to know the complete details with regard to release of required maintenance funds and the action initiated by the Ministry of Road Transport and Highways thereon. The Ministry should furnish this information without any further delay.

J. Cadre Management in BRO

Recommendation (Para No. 16)

36. The Committee had recommended as under:—

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

37. The Ministry in its Action Taken Reply has stated as under:—

“Proposal for Cadre review of subordinate grades (*i.e.* Group ‘B’ & Group ‘C’ including erstwhile Group ‘D’ staff) of General Reserve Engineer Force (GREF) has been examined and has been referred to Ministry of Finance for their consideration. Further, the issues relating to ‘Cadre review of Group ‘A’ officers of GREF’ and ‘Review of Manning Policy’ were discussed in the meeting of the Border Roads Development Board held on 4.2.2013 and a Committee has been constituted to look into the issue of ‘Manpower needs of Border Roads Organization (BRO) and the matter of manning ratio’.”

38. The Committee appreciate that proposal for cadre review of subordinate grades of General Reserve Engineer Force (GREF) has been examined and referred to the Ministry of Finance for their consideration besides constituting a committee for the purpose. The Committee desire that the Ministry should pursue vigorously the matter with the Ministry of Finance for subordinate cadre and the outcome of the Report along with action proposed to be taken by the Ministry of Defence on the report of the Committee which has been constituted to look into the issue of ‘Manpower needs of Border Roads Organization (BRO) and the matter of manning ratio’ may be provided to this Committee at the earliest.

K. Sainik Schools**Recommendation (Para No. 17)**

39. The Committee had recommended as under:—

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

40. The Ministry in its Action Taken Reply has stated as under:—

“As per the present dispensation, Sainik Schools are established on receipt of a specific request from a State Government. No such proposal has been received from the State Government of Uttar Pradesh till date. Moreover, it is intimated that in January, 2010, the Government of Uttar Pradesh has declined the proposal of setting up a Sainik School in Bundelkhand region of Uttar Pradesh. However, keeping in view the recommendations of the Standing Committee, the matter has been taken up again with the Government of Uttar Pradesh. State Governments of Arunachal Pradesh, Goa, Meghalaya, Mizoram and Tripura have also been requested to examine the possibility of sending a suitable proposal for setting up a Sainik School in these States and to convey their decision in this regard at the earliest.”

41. The matter has already been taken up in the Twenty-first Report of the preceding Committee on Action Taken by the Government on the recommendations/observations contained in the Sixteenth Report (Fifteenth Lok Sabha) on ‘Critical Review of Functioning of Sainik Schools’. The Committee desire that issue of setting up of Sainik School may be taken holistically.

L. Shortage of officers in Army**Recommendation (Para No. 20)**

42. The Committee had recommended as under:—

“The Committee note the perpetual shortage of officers in the Army which is around 9520 at present constitutes about 20 per cent

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

43. The Ministry in its Action Taken Reply has stated as under:—

“The Government have been taking continuous steps to make career in Armed Forces more attractive. Some of the steps include substantive promotion to the officers including those in Short Service Commission (SSC) to the ranks of Captain, Major and Lieutenant Colonel after 2, 6 and 13 years of reckonable service respectively; increase in tenure of SSC officers from 10 years to 14 years; upgradation of 750 posts of Lt. Colonel to Colonel towards implementation of AV Singh Committee Report (Phase-I); upgradation of 1896 additional posts in the ranks of Colonel, Brigadier, Major General and Lieutenant General and their equivalents in the other two Services towards implementation of AV Singh Committee Report (Phase-II). Additional family accommodation through Married Accommodation Project (MAP); implementation of recommendations of the VI Central Pay Commission with improved pay structure etc. have also made the Services more attractive.

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

Above efforts have resulted in increased intake/commissioning in Army. This is expected to further increase with setting up of seven additional Service Selection Boards. Accordingly, with a view to accommodate more candidates, in-Service training capacity of NDA, IMA and OTA has been increased as under:

Academy	Training capacity	Increased capacity
NDA	1800	1920
IMA	1650	1800
OTA Chennai	500	750

In case of Army, a Second OTA has been set up at Gaya (Bihar) with a training capacity of 750 candidates, so as to cater for future requirements.”

44. The Committee have been getting the same reply over the years about the implementation of A.V. Singh Committee Report as panacea for shortage of officers but there has been no substantial increase in the recruitment to fill up the gap. Therefore, the Committee while welcoming the steps taken by the Ministry regarding increase in the training capacity of NDA, IMA and OTA, reiterate their recommendation and desire that there is a need for the continuous monitoring of the steps taken by the Ministry so as to ensure taking of corrective measures immediately, the Committee also desire that they may be informed about the impact of increase in NDA's capacity on the three services at periodical interval of six months.

M. Supply of Defective Ammunition

Recommendation (Para Nos. 22, 23 & 24)

45. The Committee had recommended as under:—

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

46. The Ministry in its Action Taken Reply has stated as under:—

“Army had placed a demand for 113 items of ammunition against a Roll-on-indent for the five year period 2009-2014; against this demand of Army, OFB could not meet 80% of the requirement for 23 ammunition items. This was mainly on account of capacity constraint and delay in product support from indigenous/import sources. Action is being taken by OFB to reduce deficiencies in supply of such ammunitions in consultation with Army.

The reference by the Committee on bursting of gun during firing pertains to accidents occurring with 125 mm Tank Ammunition. The ammunition manufactured by OFB are inspected by DGQA, as

per laid down inspection schedule. The ammunition is issued after the same is accepted by DGQA based on conformance to stipulated quality parameters. However, certain defects/accidents were reported by User during bulk exploitation of tank ammunition. A committee was formed in 2010 to look into the issue of barrel bursting holistically and give its recommendations. These recommendations are under implementation and their implementation will lead to an improvement in quality of ammunition and corresponding reduction in incidences of barrel burst.

The pertinent point is that the indigenization process of an imported ammunition or indigenous development of ammunition from scratch is incremental in nature where success comes through a trial and error approach and a certain degree of failure cannot be avoided. While there is no denying the fact that defective ammunition did reach the User but simultaneously corrective actions have been taken based on the learning in the indigenization process and close interaction with OEM, DRDO, DGQA and User representatives.”

47. The Committee had recommended as under:—

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

48. The Ministry in its Action Taken Reply has stated as under:—

“As pointed out earlier, Indigenous development of weapon systems, including ammunition is a long drawn process and failures are not uncommon in the learning curve associated with the development process. All the stakeholders, including DRDO, have been working together to resolve the problem and a majority of the issues have been identified and are being resolved.

Ministry had procured certain numbers of 125 mm Fin Stabilized Armoured Piercing Discarding Sabot (FSAPDS) ammunition from M/s IMI Israel. It was also envisaged to manufacture this ammunition

at OFB through co-production route. However, this route could not fructify as the firm M/s IMI Israel got debarred from further business dealings with the Ministry.

Ministry has initiated procurement of 66,000 rounds of 125 mm Fin Stabilized Armoured Piercing Discarding Sabot (FSAPDS) ammunition from Russia along with Transfer of Technology for indigenous production to Ordnance Factory Board. In addition, DRDO is also developing indigenous 125 mm FSAPDS MK-II version.”

49. The Committee had recommended as under:—

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

50. The Ministry in its Action Taken Reply has stated as under:—

“Ministry has been working in close co-ordination with all stakeholders to resolve the above issue. However, as pointed out earlier, failures cannot be eliminated all-together in indigenous development and productionization of weapon systems. However, efforts can be made to minimize the failures. Whenever a failure occurs, representatives from all stakeholders are called and they get involved to address the problem; however the redressal process has been an incremental/evolutionary one.

A structured mechanism already exists to investigate the accidents and suggest recommendations to avoid such incidents in future. Any accident involving defect in and/or failure of weapons, ammunition or explosive is reported to respective Technical Directorates of DGQA by the User. The concerned Technical Directorate conducts investigation together with the User and the manufacturer. Wherever required, assistance from DRDO is also sought. In addition to it, regular interaction meetings between the stakeholders including DRDO, DGQA, OFB, User do take place where the problems are discussed and efforts made to resolve them.”

51. The Committee appreciate the action taken by the Ministry of Defence resulting in formation of a Committee in 2010 to look into the issue of barrel bursting holistically which has given its recommendations. The Ministry further informed that these recommendations are under implementation and it will lead to an

improvement in quality of ammunition and corresponding reduction in incidences of barrel burst. However, the Committee were not informed as to how the defective ammunition reached the hands of user, despite the presence of DGQA. The Committee may be apprised of the action taken by the Ministry of Defence about the lapse committed by DGQA. The Committee also desire that specific steps are taken by DGQA to avoid recurrence of such incidences, which give bad name to the production units as well inspecting organization may be conveyed to them. The Committee are of the view that long term corrective measures taken in a time bound manner will ensure the Forces will get only high quality ammunition. On the issue of existence of structured mechanism, the Committee desire that details as well as remedial measures taken after such lapses/accidents during the last three years may be conveyed to them.

N. Bullet Proof Jackets

Recommendation (Para Nos. 25 & 26)

52. The Committee had recommended as under:—

“The Committee during the course of examination of Demands for Grants 2012-13 have noted that there was deficiency of 1,86,138 units of Bullet Proof Jackets (BPJs). Even when the approval of Defence Acquisition Council was obtained on 19.10.2009 for purchase of the requisite number of BPJs during the Eleventh Plan, the issue of purchase of desired BPJs was fraught with various complications. The Committee are concerned for saving the lives of soldiers who are fighting low intensity warfare inside and along the border. It has come to the Committee as a shock that these BPJs are still in the process of procurement, even after the lapse of 4 years of getting approval of DAC and Techno-Commercial Offers are yet to be submitted by the vendors.”

53. The Ministry in its Action Taken Reply has stated as under:—

“A RFP for procurement of BPJs was issued on 07 December, 2012 to 39 vendors out of which six vendors have responded. Presently the TEC of the instant case is under progress. Efforts are afoot to complete the acquisition process within the laid down timelines of DPP.”

54. The Committee had recommended as under:—

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

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

55. The Ministry in its Action Taken Reply has stated as under:—

“Adaption of “Fast Track Procedure” is deliberate decision by DAC as per DPP. In the present case, DAC decision is categorized as “Buy Indian”. The DPP process for “Buy Indian” would be followed expeditiously, changing this approval to “Fast Track Procedure” as per DPP at this juncture will delay the acquisition process.

Further, it is intimated that the 1,86,138 Bullet Proof Jackets being processed presently would be light enough as per GSQR to meet the operational requirements of the Indian Army.”

56. The Committee desire that timeline drawn for the procurement in the present case as well as any action plan so drawn for future procurement considering the requirement of Bullet Proof Jackets (BPJs) due to regular recruitment taking place may also be communicated to them. The Committee also want to know the weight so finalized as per the GSQR along with any new development that has taken place in the field of light weight BPJs at the international level.

O. Cease Fire Violations

Recommendation (Para No. 27)

57. The Committee had recommended as under:—

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

58. The Ministry in its Action Taken Reply has stated as under:—

“Apart from appropriate retaliation by the Army at the tactical level, Government of India has taken up the issue of cease fire violations with Pakistan consistently. All violations of cease fire are

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

59. The Committee have taken the issue in their 22nd Report on ‘Threat perception and preparedness of the Forces including incursion on borders, coordination mechanism with the Central Armed Police Forces and border connectivity through Road, Air and Rail’. The Committee desire that details of all the violations of ceasefire during the last two years and the action taken by the Ministry to avoid recurrence of the same may be conveyed to them at the earliest.

P. Non-procurement of Uniforms and Microlites

Recommendations (Para No. 32)

60. The Committee had recommended as under:—

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

61. The Ministry in its Action Taken Reply has stated as under:—

“Procurement of 28 retention clothing items for NCC cadets was being made through open tender system till the year 2006-07. A decision was thereafter taken in February, 2007 to switch over to Rate Contract System of procurement to decentralize and enable NCC Directorates to operate the same. The process of conversion took about two years and the first such supply order could be placed in September/October, 2009 only. The second set of supply

orders were placed in June/July, 2010. The supply position of the items through rate contract system got reduced on account of escalation in the cost of raw material ultimately resulting in no supply during the year 2011-12 thus making the situation critical. To tide over the situation, following remedial measures have been taken to optimally utilize the budgetary allocations to NCC for NCC uniforms and microlites:—

- (i) To meet the immediate requirement of clothing items for use by NCC cadets, National Textile Corporation (NTC) was approached who had indicated that they shall be able to meet the clothing requirements of NCC at the stipulated (RC) rate of 2009.
- (ii) Simultaneously, proposals for procurement of uniforms with upgraded specifications of basic clothing material from existing Polyester Cotton Mix to Poly viscose mix Dope Dyed with a view to ensure shade consistency as also switching over to open tender system of procurement before termination of the existing rates contracts in March/April, 2012 have been moved.

NTC have till now supplied 1.32 lakh uniform items out of 9.57 lakh items (around 4.80 lakh pairs) ordered on them on 29.2.2012 as one time procurement to meet the immediate clothing requirements of NCC. In addition, 1.5 lakh mtrs of cloth also stands cleared by DGQA. The case for extension of Delivery Period has been finalized so as to ensure delivery of uniforms by NTC. A proposal to place orders on NTC for supply of 4.10 lakh pairs of uniforms at an estimated cost of Rs. 20.43 crore has also been initiated. After completion of the supplies, the total uniforms for NCC cadets would approximately be 9.65 lakh sets which would be sufficient to provide at least one pair of uniform to the enrolled NCC cadets. The authorisation, likely availability and shortfall of uniform are summarized as under:—

- | | |
|---|---|
| (i) Cadet strength as on date | = 13.80 lakh |
| (ii) Uniforms approved in APR 2010-11 | = 9.65 lakh pairs |
| (iii) Uniform for which supply order has placed on NTC & vendors | = 5.58 lakh pairs |
| (iv) Balance quantity left uncovered as per NCC Annual Provision Review 2010-11 | = 4.07 lakh pairs
(rounded off to 4.10 lakh pairs of uniforms) |

Microlites

Against a requirement for procurement of 110 Microlite Aircrafts for NCC, tenders were floated to be opened on 22nd June, 2010. At the same time, Indian Air Force was also in the process of procuring 150 Microlites for their requirement as well as the Indian Navy. The requirement of NCC was subsequently merged with IAF after detailed deliberations and with the approval of the Ministry of Defence. The primary advantages of merger were reduced cost due to larger quantity, vast experience/structural support of IAF, robust after sale support/maintenance due to similarity of equipment with Air Hqrs. Technical Evaluation of all the microlites offered by various vendors including their Field Trials have been completed by the designated team. Name of members including NCC have been finalized by the Air HQrs for opening of the commercial bids which is expected very shortly.”

62. The Committee are not convinced with the methodology adopted by the Ministry in procurement of uniforms for NCC Cadets. The Committee desire that pre-emptive action should have been taken by the Ministry to avoid shortfalls. Therefore, the Committee desire that in future, requirements of NCC Cadets should be envisaged by the Ministry on the basis of numerical strength of the cadets and procurement of uniforms, etc. be done accordingly. In case of microlites, a timeline may be drawn and Committee may be informed in this regard at the earliest.

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

Recommendation (Para Nos. 35 & 36)

63. The Committee had recommended as under:—

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

The Committee are dismayed to note that even after lapse of more than a year no response has been received from the Ministry of Home Affairs, therefore, they desire that this matter should be vigorously pursued and may be raised in the meetings of high powered Committees, so lateral induction of Ex-Servicemen in Central Armed Police Forces and State Police Forces come into existence and profile of the Army is kept young.”

64. The Ministry in its Action Taken Reply has stated as under:—

“As apprised earlier, pursuant to the decision taken in the meeting held in Cabinet Secretariat on 29.11.2011 on the issue of lateral transfer of Other Ranks (ORs) of Army to Central Armed Police Forces (CAPFs), Ministry of Home Affairs (MHA) were requested to suggest a framework under which lateral transfer of Army personnel to CAPFs could be made. However, no framework/proposal has been received from MHA.

In the absence of any framework/proposal from MHA to implement lateral transfers from Army to CAPFs, a meeting under the chairmanship of Additional Secretary was held in this Ministry on 24.06.2013 with the representatives of MHA. A suggestion was made to MHA that, to begin with, lateral induction of service personnel into CAPFs may be commenced on a pilot basis (say about 1000 Nos. initially). A new cadre/sub cadre could be created in the CAPFs for such lateral inductees, which will obviate inter-se seniority issues etc. MHA agreed to examine the proposal.

Accordingly, the above proposal has been conveyed to Cabinet Secretariat under intimation to MHA. The recommendations of the Committee in the matter have also been communicated to Cabinet Secretariat and MHA.”

65. In their action taken reply, the Ministry has not given any concrete plan for lateral induction of Ex-servicemen into CAPFs. The Ministry merely stated that the proposal has been conveyed to the Cabinet Secretariat under intimation to MHA. The Committee desire to be apprised of the outcome at the earliest.

R. Budget allocation to Air Force

Recommendation (Para Nos. 37, 38 and 39)

66. The Committee had recommended as under:—

“In BE 2013-14, Air Force had made a projection of Rs. 25922.64 crore against the Revenue Head while the allocation actually made available to them is Rs. 18295.10 crore, thus creating a deficit of

Rs. 7627.54 crore *i.e.* about 30 per cent. Though there have been a trend of providing lesser allocations than the projected amount to Air Force under Revenue Head during last 4 years, the amount of gap used to be in the range of 10 to 20 per cent, which has been inflated to the level of 30 per cent in the budget of the present year.

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

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

67. The Ministry in its Action Taken Reply has stated as under:—

“The revenue allocations have been based upon the increases approved by the Ministry of Finance.

The allocations are based upon the growth rate allowed by the ministry of Finance. However, requirement for additional allocations would be projected at the Supplementary Demands stage.

Requirement of additional funds under the Revenue budget will be projected to the Ministry of Finance at the Supplementary Demand stage, based on the requirement projected by the Air Force and the trend of utilisation of available funds.”

68. In their 20th Report, the Committee stressed upon consistent deficit budgeting and its negative effect on the preparedness of Air Force. The Committee also took note of ad-hocism in planning and budgeting which qualifies immediate redressal by MoD. However, the replies of the Ministry with regard to lesser allocations both under Capital and Revenue Heads appear to be vague and routine in nature. The Committee take serious note of the routine reply and also feel that the Ministry of Defence has not addressed if the concern of the Committee in true spirit. The allocations which were 30 per cent less than projections should have been viewed seriously. Therefore, the Committee reiterate that all out efforts be made towards providing required funds to Air Force either through supplementary grants or additional grants. Furthermore, it needs to be ensured that Air Force does not suffer for want of resources so that its capacity building and augmentation drive are not disrupted. The Committee may also be apprised in detail about the measures taken with regard to making up the shortfall in Revenue Budget which would otherwise adversely impact ability to procure spares and fuel and shortfall in training resulting in compromises of operational preparedness.

S. Capital Budget

Recommendation (Para No. 45)

69. The Committee had recommended as under:—

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

70. The Ministry in its Action Taken Reply has stated as under:—

“The phase out and induction plan for the fighter aircraft of the IAF critically balances the twin requirements of combat capability and obsolescence management. At present, the IAF has 34 fighter squadrons against the Govt sanctioned strength of 42 squadrons. Since the number of fighter aircraft due for retirement exceeds the rate at which their replacements are being inducted, the number of operational squadrons has reduced to 34. Along with the planned phase out of the MiG-21 and MiG-27 aircraft and induction of additional Su-30 MKI aircraft, the IAF plans to induct two Sqns of LCA and five Sqns of MMRCA by the end of the 13th Plan period. Based on the premise that the inductions of the LCA and MMRCA will fructify as envisaged, the IAF will have 35 combat Sqns by the end of the 13th Plan period. Detailed inputs on the progress regarding the LCA and MMRCA are as under:—

- (a) LCA: The delay in the LCA programme is one of the major causes for shortfall in capability building of IAF. Two contracts have been signed with HAL for procurement of 20, Light Combat Aircrafts in Initial Operational Configuration (IOC) and 20, LCA in Final Operational Configuration (FOC) respectively. The delivery schedule for 20, LCA in IOC configuration for Series Production was from April 2009 to December 2011, while that for LCA in FOC configuration is from June 2014 to December 2016 and both the delivery schedules are linked to the IOC certification. The IOC certification for LCA has been delayed due to challenges in Design and Development of critical systems. Presently, Aeronautical Development Agency has stated that IOC will be achieved by mid 2013. Thus after IOC is achieved and HAL commences deliveries of series production aircraft, LAC will be inducted.
- (b) MMRCA: M/s Dassault Aviation of France was declared as the L1 vendor on 31 January 2012. The MMRCA Contract Negotiations Committee (CNC) commenced negotiations with M/s Dassault Aviation of France from 13 February 2012, which is in progress. 126 MMRCA will be inducted into the IAF between three to eleven years after the signing of the contract.”

71. The Ministry in its reply has submitted that there is a shortfall in capability building of IAF which is mainly attributable to delay in LCA programme. The Ministry has further informed that both the

contracts signed with HAL for procuring LCAs, 20 in Initial Operation Configuration (IOC) and 20 in Final Operational Clearance (FOC) are delayed. The delivery schedule for IOC category LCA was from April 2009 to December 2011. However, the delivery has been delayed due to challenges in Design and Development of critical systems. It is also informed by the Ministry that Aeronautical Development Agency has stated that IOC will be achieved by mid 2013. This reply of the Ministry of Defence dated 12 February, 2014 does not contain updated information on the status of IOC clearance which were supposed to be achieved by mid 2013 as per Ministry's own submission. The reply illustrates lackadaisical and callous approach of the Ministry towards upgradation of Air Force squadron, which the Committee deeply regret. The Committee desire to be updated about the latest position of induction of LCAs. The delivery schedule of LCA in FOC category, which is scheduled from June 2014 to December 2016 be stringently followed and the Committee apprised about the same.

In respect of MMRCA, the Committee would like to be intimated about the latest position of negotiations alongwith the time line of signing of the contract.

T. Budget Outlay to Navy

Recommendation (Para No. 50)

72. The Committee had recommended as under:—

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

73. The Ministry in its Action Taken Reply has stated as under:—

“Budget allocations have been constrained by the overall ceilings conveyed by the Ministry of Finance.”

74. Ministry of Defence has informed that the Budget allocations have been constrained by the overall ceilings conveyed by the Ministry of Finance. The Committee wish to be informed categorically about the efforts made towards projecting the navy’s budgetary requirements before MoF. Also, they would like to know as to what measures are being taken to effectively tackle the case of constrained budgeting in the next budget. The Committee want to be informed about the compromises made by Indian Navy due to constrained budgeting during the financial year 2013-14 alongwith the remedial measures taken/planned to obviate such situation in future.

U. Relocation of Oil Tanker in Andaman and Nicobar

Recommendation (Para No. 58)

75. The Committee had recommended as under:—

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

76. The Ministry in its Action Taken Reply has stated as under:—

“The information is being collected and will be made available later.”

77. The Committee are dismayed to bring forth the fact that the report on DFG 2013-14 was presented to the Parliament in April 2013. The Ministry had furnished their replies in the Month of February, 2014. The Committee take serious note of the fact that even after a lapse of more than nine months information could not be furnished and desire that the same may be furnished forthwith. The reasons for the delay in providing the information should also be communicated to them.

V. Declining Value of Production in DPSUs

Recommendation (Para No. 76)

78. The Committee had recommended as under:—

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

79. The Ministry in its Action Taken Reply has stated as under:—

“The reasons for reduced Value of Production (VOP) of the DPSUs indicated by the Committee are explained below:

In view of the nature of Aircraft and Aeronautical Industry contracts, the production at HAL is on a batch mode production and is not in the nature of mass production. This would result in variation in VOP levels on a year to year basis, depending on orders in hand. As the production of Sukhoi-30 (Phase IV - Raw material stage manufacture), Production of Indigenous LCA and IJT in Series Production Mode, Jaguar Darin-III fleet compliance, are scheduled in coming years, there would be increasing trend in the Annual Value of Production at HAL.

Value of production of MDL had declined during 2010-11 and 2011-12 mainly due to delay in receipt of Weapon platforms and indigenous developmental equipment in case Missile Destroyers and non-availability of critical MPM equipment for Submarine Project. However, due to delivery of these weapon platforms and indigenous developmental equipment for Missile Destroyers project in this year and placement of orders for MPM equipment for Submarine Project, MDL is expected to register higher VOP in 2013-14.

Due to the low order book position of GSL, the VOP has declined considerably. It may be noted that modernization is underway in GSL and on completion of the scheduled modernization programme, GSL's capacity and capability is expected to increase by nearly three times. GSL has been nominated for manufacture of Mine Counter Measures Vessels estimated to cost Rs. 6,000 cr. However, the project is going to take some time. Efforts are being made to secure more orders for GSL.

Reduction in Value of Production in HSL is mainly attributable to low order book position. This has been partially mitigated with a new order from Navy for a classified vessel with which value of production is likely to improve in FY 2014-15. Further, HSL has received nomination from the Ministry of Defence (MoD) for construction of 2 Land Platform Dock, 2 Special Operations Vehicles and P-751 (Submarine) which will lead to consequential increase in Value of Production, once the orders are placed after due approval."

80. The Committee take note of the reply that reduction in value of production in HSL is mainly attributable to low order book position. In this regard the Committee would like to know the reasons for the same and whether any specific analysis was done thereon. The Committee would specifically like to know as to what concerted efforts were done by HSL to ensure good order flow contemporaneously by gauging their difficulty in time. They would also like to provide detailed information about the measures/initiatives that have been taken/planned to be taken to improve the position of order book in ensuing years so as to mitigate the deficiencies of order. The Committee also desire that efforts should be made for early approval of orders for construction of 2 Land Platform Dock, 2 Special Operations Vehicles and P-751 (Submarine) so that HSL would have healthy value of production in coming years.

W. Supply of Defective Ammunition

Recommendation (Para No. 78)

81. The Committee had recommended as under:—

“The analysis of budget utilization under Capital Head disclose that during 2010-11 actual capital expenditure was Rs. 456 crore,

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

82. The Ministry in its Action Taken Reply has stated as under:—

“As per Annual accounts of Ordnance Factories, the expenditure (cash flow) under capital head during 2010-11 was Rs. 454.21 cr. and during 2011-12 it was Rs. 278.48 cr. The reduction in expenditure (cash flow) during 2011-12 was on account of recovery of Rs. 166.34 crore by en-cashing Bank guarantee of M/s IMI Israel, consequent upon debarring business dealings with the firm. In fact, the expenditure under capital Head was Rs. 444.82 cr. (278.48 + 166.34) which was almost at the same level as that of 2010-11.

As regards development of modern tank ammunition is concerned, DRDO is already in the process of developing indigenous 125mm FSAPDS MK-II ammunition. In addition the Ministry has also initiated procurement of 66000 rounds of 125 mm Fin Stabilized Armoured Piercing Discarding Sabot (FSAPDS) ammunition from Russia along

with Transfer of Technology for indigenous production to Ordnance Factory Board. It is being envisaged to procure requisite modern Plant & Machinery from Russia for indigenous production of this ammunition so as to obviate quality related issues in future.

OFB has planned an investment of around Rs. 15000 crore on modernization during 12th plan period. This includes investment for replacement of old plant and machinery under 'Renewal & Replacement (RR) Head and procurement of new plant and machinery under New Capital (NC) Head. The expenditure on modernization is being closely monitored at the level of Board in Ordnance Factories and Ministry. However, OFB shall be requiring timely allotment of funds for keeping their modernization plan on track."

83. The Committee note that Ministry of Defence in its reply has admitted that OFB shall be requiring timely allotment of funds for keeping their modernization plan on track. In this regard, the Committee would like to be apprised about allotment of necessary allocations as well as the measures taken to ensure that the modernization plan of OFBs is on track. It should also be ensured that the expenditure on modernization is closely and effectively monitored. The Committee are of the opinion that swift and apt action should be taken to produce Fin Stabilized Armoured Piercing Discarding Sabot (FSAPDS), either through transfer of technology route or by developing same with the help of DRDO so that in case of war, the country is not dependent on foreign suppliers and preserve precious foreign exchange.

CHAPTER II

(A) RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 3)

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

Reply of the Government

The recommendations of the Committee have been conveyed to the Finance Secretary *vide* MoD (Fin) I.D. No. 3(4)/Bud.-I/2013 dated 18.6.2013. Requirement of additional funds will be projected at the stage of Supplementary Demands based on utilisation of available funds and requirements projected by the Services.

Recommendation (Para No. 5)

The Committee note from the information supplied by the Ministry that committed liabilities have a very large share in comparison with new schemes in both Capital Modernisation Budgets 2012-13 as well as in 2013-14. This year the Committed liabilities of the Army are to the tune of Rs. 7024.31 crore while the allocation for new schemes is made for Rs. 493.98 crore. The share of Navy in capital modernization fund of Rs. 73444.59 crore is Rs. 22295.84 crore, while the allocation for the new schemes is just for Rs. 442.86 crore. The largest share of the capital modernization budget for 2013-14 is allocated to Air Force. However, here also committed liabilities got the lion's share of Rs. 35038.62 crore leaving very little amount for new schemes at Rs. 2010.44 crore. In respect of the Coast Guard also the share of new schemes in comparison of committed liabilities is very meagre. The Committee are of the view that allocating very paltry sum to the new schemes will jeopardize the modernization programme of the Forces. They therefore, recommend that adequate allocations should be made under this Head so that the Services could bridge the space created between required and existing capabilities to make the country potent power in the region.

Reply of the Government

The allocations for New Schemes under BE 2013-14 is indeed quite meagre in view of the reduced allocation conveyed by the Ministry of Finance given the prevailing economic situation and the accumulation of Committed Liabilities of prior years.

Recommendation (Para No. 7)

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

Reply of the Government

It may be noted that 82.37% of the Defence capital budget (RE 2012-13) had been utilized by the end of February, 2013. This is broadly in consonance with the guidelines issued by the Ministry of Finance.

In this regard, it may also be stated that while instructions have been issued to ensure even flow of expenditure throughout the year and avoid bunching of expenditure in the last quarter, and especially in March, certain constraints do exist as far as capital expenditure is concerned.

Capital expenditure is not routine in nature and involves relatively fewer transactions, but of larger value. The trend of expenditure is extremely volatile and would show extreme peaks and troughs if it were plotted against a graph. Payments for committed liabilities depend upon progress of contracted milestones which cannot be adapted to ensure an even flow of expenditure. Further, capital works expenditure in large parts of the country picks up pace in the second half of the financial year after the monsoon is over. This also contributes to higher proportion of expenditure being booked towards the later part of the year.

Recommendation (Para No. 10)

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

Reply of the Government

Following action points emerge from the above recommendations/ observations of the Standing Committee on the issue of indiscipline in the services:

- (i) Besides the COI, the Ministry should find out the causes behind the growing number of cases of indiscipline which are tarnishing the image of Armed Forces.
- (ii) Where the units are involved in cases of major indiscipline they should be disbanded.
- (iii) Regular interaction of jawans and officers should be increased so that the officers have better knowledge of mindset of their juniors and have mutual respect and confidence in each other.
- (iv) Development of character and moral education should be the part of the regular training sessions to stop cases of illegal gratification, theft and moral turpitude.

2. With regard to the Committee's recommendations regarding finding out the causes by the Ministry behind the growing number of

cases of indiscipline in the Armed Forces, it is stated that every incident/act of indiscipline in Army is investigated as per provisions of Army Act and Rules by the Army. Discipline in the Army is a command function and investigation is ordered through the GOC-in-Chief of the Command concerned or his subordinate Commanders in the chain of Command. Normally, decisions in the Ministry in the set up of integrated Headquarters of Defence are taken collectively in single file system in consultation with Army HQrs. The Army and the Ministry discharge their respective obligations under the provisions of Army Act and Rules. As there are few cases of indiscipline in Army and these are aberrations on which suitable action has been taken by the competent authority, no intervention by the Government is required.

3. Primary reasons for indiscipline cases in Navy have been due to non-adherence to the laid down provisions. Cases of indiscipline, moral turpitude and misappropriation of public funds for personal gains are investigated by convening an inquiry and exemplary punishment is awarded to ensure a deterrent effect. However, to address these issues holistically, apart from awarding exemplary punishments, the lessons learnt from such cases are promulgated Navy wide in the form of advisories. Additionally, the incidents are also discussed as case studies at training institutes as part of remedial measures. Thus, adequate checks and balances exist and the defaulters are dealt in a stern manner. The indiscipline cases are as such integral to the Service and are dealt as per extant provisions. The Services, therefore, are most suited to address the cases of indiscipline, including trend analysis, and institution of remedial measures.

4. Similarly, Air Force has adopted a policy of 'Zero Tolerance' towards acts of misconduct committed by Air Force personnel. All cases involving moral turpitude and financial improprieties are expeditiously investigated and prompt disciplinary and administrative action is taken against the erring officers and airmen, if warranted. While deciding the quantum and nature of punishments/penalties, due care is accorded to the nature of offences committed, its impact on the Air Force society at large and element of deterrence necessary in a combatant force like the IAF. The punishments awarded to delinquents are duly published in the Air HQ Routine Orders for the information of all the Air Force personnel.

5. With regard to the Committee's recommendation for disbanding of units where they are involved in cases of major indiscipline, it is intimated that proposals for disbandment of Army units can be considered only on a case to case basis if received from the concerned

Directorate. Further, there have been no cases of major indiscipline in the Navy, wherein there was a requirement to disband a unit. There has also been no abnormal rise in the cases of indiscipline in Air Force. Therefore, no recommendation is being made for disbanding any IAF Unit.

6. As regards increasing of regular interaction of jawans and officers and making development of character and moral education part of the regular training sessions to stop cases of illegal gratification, theft and moral turpitude, action taken by the Armed Forces are given in the succeeding paragraphs:

Army

- (i) All Army personnel/officers have been sensitized about the lessons learnt from the incidents of collective indiscipline.
- (ii) All Army personnel have also been sensitized about need for harmony in officer-man relationship, higher discipline quotient and aspiration of soldier. Special emphasis has been laid on encouraging junior leadership and their inclusive participation in unit/sub unit level activities with soldiers.
- (iii) Participation of officers in all unit level activities with troops has been ensured to maintain a harmonious and healthy military environment for improving the officer-man relationship.
- (iv) Camaraderie has been encouraged amongst all Army personnel thereby ushering in the 'family' in the service environment.
- (v) Command and control echelons have been suitably energized by issuance of advisories and through visits/inspections by senior officers to prevent recurrence of aberrations.
- (vi) Regular training on Human Resource Management and formal lectures on core values of the Armed Forces are an integral part of training activities across all training establishments. These training courses/curricula are specifically designed to cover aspects of man management and core values of moral and ethics, integrity, loyalty, self discipline and such like attributes. Commanders at all the levels are also emphasising core values.

Navy

- (i) In Navy, a Divisional system provides every officer the means and the forum to interact with sailors. The Divisional Officer is the first link in the system, which channelizes the growth

of the sailor in service while concurrently looking after his personal interests. As such the Divisional Officers maintains a delicate balance between the interests of the service *vis-a-vis* personal aspiration of the sailors.

- (ii) Further, the redressal mechanism has been established for addressing complaints of personal oppression, injustice or other ill-treatment. On receipt of any complaint under this mechanism, the Commanding Officer examines the same and communicates his decision to the complainant. If the complainant is not satisfied with the decision or does not get redressal within a period of one month from the date of submission of his complaint, he may request that his complaint be forwarded to the next superior authority and so on to the Chief of the Naval Staff and finally to the Government. The complainant may also appeal directly to the next superior authority, if he does not receive the final reply within a period of six months from the date of submission of his complaint.
- (iii) Regular Counselling capsules are being conducted for all officers and sailors as part of their course curriculum whilst undergoing *ab-initio* and advanced training to emphasize the importance of discipline, honesty and integrity in the Armed Forces. Formal lectures on morals and ethics are an integral part of training activities across all training establishments. There is a specific organisation in the Navy, namely Centre for Leadership and Behavioural Studies (CLABS), which undertakes customised capsules for various levels of officer trainees in the Navy regarding core values of the Armed Forces.

Air Force

- (i) In the IAF from the *ab-initio* training stage onwards, special emphasis is laid on character building, imbibing moral values, etiquettes, customs, traditions and on improving inter-personal relationships. During the basic training phase of Officers, a total of 16 hours is earmarked for training on the above topics.
- (ii) Between three to seven years of service of an Officer, structured training is imparted on value systems during the Basic Staff Course and Intermediate Staff Course.
- (iii) The IAF has coined, “Mission, Integrity and Excellence” as Core Values and all measures are undertaken to ensure that these principles are imbibed by all personnel in letter and spirit.

- (iv) The IAF conducts 'Cohesion Day' once a month for informal interaction at all levels to obtain realistic feedback on personal and official matters. This close interaction amongst Officers and Airmen helps to resolve a number of official and personal problems.
- (v) Periodical welfare meetings are held at all the field units to identify areas of concern of the personnel and to take necessary remedial actions on all the problems and issues projected. This helps in development of camaraderie and esprit-de-corps.
- (vi) Annual Confidential Report of Indian Air Force lays specific emphasis on integrity, honesty, discipline, welfare and loyalty to ensure that personnel with impeccable qualities only are placed at higher levels.

Recommendation (Para No. 18)

The Committee note that like every year, this year also Army got the major share of Defence Budget. However, it projected a requirement of Rs. 93355.38 crore for the Revenue outlay but was allocated only Rs. 81119.20 crore. For the Capital outlay, as against Rs. 25528.08 crore projected, Rs. 17883.83 crore was allocated. The Committee also note that during the Eleventh Plan period percentage share of Army's capital allocation remained somewhat near 12 per cent of the total defence allocation but in the Twelfth Plan period in the year 2012, the percentage share was down to 9.95% and this year it further dropped to 8.78% of the Defence Budget. From the analysis of data submitted by the Ministry, the Committee infer that Capital allocation of Army has been decreasing every year. The Committee are surprised to observe that despite the consistent recommendation of the Committee, the Capital allocation is going down. The Committee are not happy over the strategy of the Government for reducing the capital allocation for Army, while it is a known fact capital budget is used for modernizing the force by procuring machinery, equipment, tanks etc. Therefore, the Committee view it a serious situation and desire that adequate allocation should be made after considering the total requirements of Army at the supplementary demands stage.

Reply of the Government

It is submitted that allocation of capital budget for all Services/agencies have been made on the same principles and there is no attempt to reduce the allocation for the Army. Requirement for additional funds would be made at the Supplementary Demand stage, based on projections received from the Services, progress of schemes and utilisation of available funds.

Recommendation (Para No. 19)

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

Reply of the Government

The projected committed liabilities of the Army have been fully funded. The progress of New Schemes is being monitored continuously and all efforts will be made to seek, and provide, additional funds if the need should arise, based on progress of schemes.

Recommendation (Para No. 21)

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

Training capacities of various academies are as under:—

Academy	Trg. Capacity	Stretched Capacity
NDA	1800	1920
IMA	1650	1800
OTA Chennai	500	750
OTA Gaya	750	—

The incumbency position of officers as on 01st January, 2013 is given below:—

(i) Authorised	—	47,762
(ii) Held	—	38,172
(iii) Deficiency	—	9,590 (20%)

Officer Training Academy (OTA), Gaya has been sanctioned with a designed training capacity of 750. In principle approval of Ministry of Defence to enhance the strength of OTA, Chennai from 500 to 750 has been accorded. The proposals for enhancing the training capacity of NDA, Khadakwasla from 1800 to 2400 and that of IMA from 1650 to 1950 have already been initiated. The combined capacity of two OTAs at 1500, and IMA at 1950 would meet both the existing and futuristic recruitment and the assessed strength of officers getting commissioned will be 2038 per year against a likely exit of 1100 per year. Thus a net increase of 938 officers per year will result in bringing down deficiency by approximately 2% every year. Capacity of two OTAs is, therefore, considered to be adequate.

NDA is the only tri-Service institution, which trains cadets of all three Services before induction into their respective pre-commissioning training academies. The intake capacity of NDA was recently enhanced from 1800 cadets to 1920 cadets with the sanction for raising an additional Squadron (16th Squadron) at NDA. A proposal for raising an additional Battalion (5th Battalion) with 4 Squadrons (4 x 120 cadets) at NDA to further enhance the intake capacity of cadets to 2400 cadets by 2015, are under consideration of the Government. Increase in capacity of NDA will have a positive effect on the reduction of shortage of officers in the three services.

Recommendation (Para No. 28)

The Committee note that the purpose of Army Aviation is to enhance ground mobility and exploit manoeuvre. Army Aviation achieves its battle field leverage through a combination of mobility, speed and firepower. This in turn enhances the ability of the field force commander to apply the four fundamental principles of war – manoeuvre, mass, surprise and economy of effort. The Committee also note from the data supplied by the Ministry that there are in all 8899 officers, JCOs and Other ranks in Army Aviation against the total sanctioned strength of 9324, thereby leaving Army Aviation with a vacancy of 425 personnel. The Committee feel that shortage of personnel in any force and in any rank is not a healthy sign and the Ministry should chalk out strategies to fill these vacancies.

Reply of the Government

The deficiencies of officers in Army Aviation Corps are in consonance with the overall deficiency of officers in the Army. Action is at hand by various concerned branches with Integrated Headquarters of Ministry of Defence (Army) to make good the deficiencies of Junior Commissioned Officers and Other Ranks in Army Aviation.

Recommendation (Para No. 29)

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

Reply of the Government

The ownership of Attack Helicopters has been vested with Army, Procurement of Attack Helicopters is part of 12th Army Plan. Indian Air Force (IAF) is currently carrying out procurement of 22 x Attack Helicopters. The case is at Contract Negotiation Committee (CNC) stage. Whilst all future procurement of Attack Helicopters will be done by the Army, as the ownership of all the Attack Helicopters will finally vest with Army. Procurement of Tactical Battle Support Helicopters has been planned as per Long Term Perspective Plan (LTPP) 2012-27.

Recommendation (Para Nos. 30 & 31)

The Committee note that since a long time, the Army is engaged in various parts of the country in counter insurgency operations. As commitments of the Army towards Counter Insurgency/Counter Terrorist Operations strain its resources and is at the expense of its conventional war fighting potential, the committee endorse the views expressed by the Ministry that Counter Insurgency operations should ideally be conducted by the State Police or Central Armed Police Force (CAPF). The Committee feel that as the matter essentially falls within the domain of internal security, the Army should be deployed in such operations only as a last resort, when the State Police/CAPF have proved to be ineffective.

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

Reply of the Government

The Army is presently employed in Jammu & Kashmir and North East States for Counter Insurgency/Counter Terrorism operations. Once a substantial and permanent improvement in the situation is achieved, selective areas in these States, as considered suitable, could be handed

over to Police/CAPF in phased manner. To that end, relevant indicators are monitored constantly for evolving a dynamic security response, including a flexible redeployment philosophy. Any reduction or reinforcement of troops has to be contingent to the overall security situation. To facilitate seamless transition as also to increase synergy, the Army when deployed in Counter Insurgency/Counter Terrorism environment, wherever feasible, conducts joint operations with CAPF/Police.

Recommendation (Para No. 33)

The Committee note that various entry schemes are available for NCC cadets to join Armed Forces and a number of vacancies are reserved for them. However, as very few NCC cadets join the services as officers, the Committee desired to know the reasons for the same. One of the reasons which was brought before the Committee was that although the candidates are eligible to apply for various entry schemes in training academies in the last year of their college or after completing their graduation, the NCC curriculum is only for two years and most of the Senior Division cadets complete it in second year, leaving one year's gap between completion of NCC training and ex-NCC cadets applying for Armed Forces. Resultantly, these candidates cannot be given pre-SSB training as they cease to be NCC cadets. The Committee desire that this dichotomy should be removed considering the reduction of period of training from 3 to 2 years for NCC 'C' certificate holders, pre-SSB training should also be given to ex-NCC cadets who are in their final year of graduation so that NCC cadets get a fair chance in direct entry scheme and vacancies existing in this cadre be filled.

Reply of the Government

It is informed that adequate number of NCC cadets are joining Armed Forces as officers. As many as 119 NCC cadets have joined the Army as officers during the year 2012. In order to further improve the percentage of successful cadets, the period of Senior Division enrolment has been increased to 3 years instead of 2 years w.e.f. 9th March, 2013. This will enable imparting of pre-SSB training to all the candidates in the 3rd year of enrolment which would, in most cases, be just prior to the SSB interview. In addition, as a part of pre-SSB training, NCC has introduced personality development and life skills as a major subject, basic leadership camps (total 17), advance leadership camps (total 06 with special emphasis on SSB) and pre-SSB course at Officers Training Academy, Kamptee with a view to improve SSB interview results.

Recommendation (Para No. 34)

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

Reply of the Government

The number of educational institutions waitlisted for introduction of NCC is decreasing gradually. Following measures are being taken to further reduce the number of waitlisted institutions:—

- (a) Expansion of NCC through new raisings in five phases from the year 2010 to the year 2015 is underway. This will absorb considerable number of waitlisted institutions/afford opportunity to more schools/colleges for enrolment into NCC.
- (b) Government is also considering upgradation of existing minor NCC units to full-fledged NCC units thereby increasing the number of cadets to be enrolled. Feasibility of permitting few private institutions to opt for NCC while they pay for the cost of training is also being explored.

Observations of the Committee to seek additional allocations in this regard have been noted.

Recommendation (Para No. 40)

The Committee while examining Demands for Grants for the year 2013-14, observed that there is conspicuous shortfall in strength of officers and airmen in Air Force. The shortage in officer cadre was that of 565 personnel in 2011 which increased to 961 in 2012. The shortage with regard to airmen is that of 6407 personnel. The statistics in context of manpower shortfall have been almost consistent for past

few years, and at the same time, owing to almost negligible enhancement in Revenue Budget, it appears that Air Force will not be in a position to mitigate the staff deficit during the financial year 2013-14 furthering the gap between sanctioned strength and existing strength in the service. The Committee takes note of the situation and desire that immediate measures be taken which include provision of adequate funds to provide budgetary support towards filling of vacancies and commensurate augmentation in training infrastructure. The Committee may be apprised about the initiatives taken in this regard and tangible outcome thereof.

Reply of the Government

- (a) There is a shortage of 783 officers as on 01 July, 2013.
- (b) Certain proactive steps taken by IAF over the last two years to reduce the shortage of officers such as participation in career fairs/exhibitions, advertisements in print and electronic media, motivational lectures in schools, colleges, visuals/signages at strategic locations etc. have yielded results. The selection process has been simplified with the introduction of the Air Force Common Admission Test (AFCAT) for all non-UPSC entries. There has been a concerted effort to induct more NCC cadets as officers in all the branches of the IAF. 10% of vacancies in all branches of IAF are reserved for NCC (Air Wing) cadets with 'C' Certificate.
- (c) In order to enhance induction of officers, creation of two additional Air Force Selection Boards (AFSBs) for officer selection have been approved by Government at Gandhinagar and Guwahati and is likely to be operational soon.
- (d) Existing deficiency against authorized establishment does not involve any financial implication. Due budgetary support is in place for existing training in place for existing training infrastructure.
- (e) As on 01 July, 2013, strength of airmen in IAF is 130455 against an establishment of 134080 leading to a deficiency of 3625. In addition, a total of 4990 recruits are undergoing training. With the sustained induction against this existing deficiency and attrition during the period, the strength is likely to be at par with the establishment by the end of year 2013.

Recommendation (Para No. 41)

Another area of concern that Committee understand is the consistently growing requirement for upgradation of training facilities, equipment, faculty and institutions to match the day to day development

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

Reply of the Government

1. **Induction of Pilatus PC-7 Mk-II.** A contract has been signed with M/s Pilatus Aircraft Ltd. on 24 May, 2012, for supply of PC-7 Mk-II basic trainer aircraft. Delivery of aircraft has commenced in Feb., 2013 as per the delivery schedule and *ab-initio* training will commence shortly. A syllabus comprising of 55 hrs. of flying training has been formulated. Flying training will be supplemented with Computer Aided Learning Systems (CALs) and Ground Based Training Systems (GBTS). Installation of Simulators from Nov., 2013 onwards is expected to augment the flying effort and improve the training value.

2. **Induction of Hawk Mk-132 (AJT).** Deliveries have also commenced against contract of Additional Hawk AJT aircraft. Simulator training has been embedded in the flying training syllabus. In keeping with the hi-tech flying training environment, Ground Training is also being revamped by making use of available technology for enhanced teaching ability. Modernization plans are underway in all Training Establishments to upgrade classroom environment.

3. **Intermediate Jet Trainer (IJT).** IJT is planned as a replacement for the Kiran Mk-I/IA fleet. The initial operational clearance for the aircraft has been revised to Dec., 2013. IJT is planned to enter service by 2015.

Recommendation (Para No. 42)

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

Reply of the Government

The Ministry will seek additional funds at the Supplementary Demands stage, based on trends of utilisation and projected requirements. However, the Services have been advised to priorities expenditure and effect economies in non-salary revenue spending to ensure that operational requirements are met within available funds.

Recommendation (Para No. 43)

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

Reply of the Government

The Capital allocation is based upon the increase allowed by the Ministry of Finance which dictates the total budget available for all capital requirements of the Ministry. The Committed Liabilities have

been fully funded. Additional requirement will be sought for any additional New Schemes that are likely to be finalised during the year, for which funds may not be available under the current allocation.

Recommendation (Para No. 44)

Even during the previous years there had consistently been a gap in projected and allocated funds under capital budget, however, the quantum of gap used to deviate between 10 and 20 per cent during the last four years. For the present year this difference has been magnified to the extent of almost 40 per cent. In the RE 2012-13, Air Force had made a projection of Rs. 36999.62 crore against 'capital head' while the allocation made available to them was only Rs. 30517.95 crore. On the other hand, Air Force has utilized a sum of Rs. 32415.91 crore till February, 2013, so the rest of the amount has to be met by way of supplementary grants. In this context, the Committee deplore the whole scenario of *ad-hocism* in budgeting. The Committee desire that capital budget should be made keeping mind long term goals and targets envisaged in LTIPP so that the grandeur of Indian Air Force lost in last two decades or so is restored by the end of LTIPP 2012-27.

Reply of the Government

While projections are made by the Services keeping in mind the Five Year Defence Plan and LTIPP, actual availability of funds is constrained by the ceilings conveyed by the Ministry of Finance which in turn depend on a number of factors including the overall state of the economy.

Recommendation (Para No. 46)

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

Reply of the Government

Additional requirement of funds for major projects like MMRCA will be projected in the event that these cases reach an advanced stage of finalisation during the year.

Recommendation (Para No. 47)

The Committee found that the number of contracts signed each year during 11th Plan period are 84 in 2007-08, 61 in 2008-09, 49 in 2009-10, 50 in 2010-11 and 52 in 2011-12. The data reveal that there is a steady decline in number of contracts fructified over the last five years. For the present year merely Rs. 2000 crore have been made available to the Air Force under the Head 'New Schemes'. It came to the knowledge of this Committee that a sum of Rs. 15000 crore was required exclusively for MMRCA project which is presently undergoing negotiations with 'The Rafale' company of France. Considering the fact that number of squadrons is depleting, addition of MMRCA becomes quintessential for restoring minimum operational capabilities of Air Force. Here, the Committee fail to understand that with stingy funding of Rs. 2000 crore how Air Force will be in a position to acquire MMRCA and the other projects lined up which include additional C-130, AWACS, flight Refuelling aircraft and also attack, heavy lift and Recce & surveillance helicopters, MI-17 upgrade, etc. Any sort of delay in induction of important capabilities will lead to resultant asymmetry in capability with respect to threat perception. In view of the above, the Committee strongly recommend that there is a much bigger need for funds to be made available for 'New Schemes' so that modernization trajectory is not halted. The Committee may also be intimated about the achievements made in case of each of the above planned inductions during this fiscal.

Reply of the Government

Availability of funds for New Schemes is constrained by the overall ceilings conveyed by the Ministry of Finance and the requirement to first cater for contractual liabilities incurred in respect of contracts concluded in previous years. Additional requirement of funds for major projects like MMRCA will be projected in the event that these cases reach an advanced stage of finalisation during the year.

It may be appreciated that major capital acquisitions involve considerable lead time and several years may pass before a project reaches the contract finalisation stage when actual payment may be involved. Little purpose is served by allocated funds, especially in the current fiscal situation, for projects that are yet to reach this stage.

Recommendation (Para No. 48)

The Committee have been looking into the issue of trainer aircraft available with Air Force for last few years. In the 15th Report of the Standing Committee on Defence on Demands for Grants 2012-13, it

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

Reply of the Government

Subsequent to signing of the contract for supply of 75 PC-7 Mk-II on 24 May 2012, efforts were made to further expedite the deliveries of the aircraft so that these aircraft are available for *ab-initio* training of pilots at the earliest. Deliveries of PC-7 MK-II aircraft and associated equipment have commenced as per the expedited delivery schedule finalised with M/s. Pilatus Aircraft Limited. Ten aircraft have been delivered till date and 14 aircraft are expected to be available by July 2013 to enable initiation of the partial flying training course on PC-7 Mk-II for the first time. All 75 aircraft are scheduled to be delivered by August 2015. Considering the fact that the IAF's total requirement of the Basic Trainer Aircraft (BTA) is 181, Acceptance of Necessity (AoN) for 106 indigenous BTA was accorded by DAC on 01 February 2010. However, the indigenous BTA case was delayed on account of delay on the part of HAL to progress the case further. The matter is presently under re-examination.

Delivery of Pilatus PC-7 Mk-II aircraft has commenced in February 2013 as per the delivery schedule. Eight aircraft have been delivered till date.

Ab-initio pilot training is planned for commencement from July, 2013 onwards. An extensive flying syllabus has been formulated. Installation of simulators from November, 2013 onwards will augment the flying effort and improve the training value, as simulator training will be embedded in the flying syllabus. Adequate number of instructors has been trained on the aircraft.

Recommendation (Para No. 49)

The Ministry informed that 2013 is the last year for intermediate Jet Trainer 'Kiran' as it is to be phased out in 2014 and planned to be substituted with IJT being developed by HAL. This project commenced

in 1999 and since then there have been repeated revision of 'Initial Operational Clearance (IOC)' dates. The latest 'Initial Operation Clearance' date is fixed for December, 2013. On enquiring, the Committee were given to understand that HAL is in consultation with BAE systems to resolve some design issues. The Committee were appalled to learn that there is no contingency plan in case delivery of IJT is further delayed for any reasons. The Committee take serious note of the issue and apprehend that the void which was created in case of basic trainer is not recreated in the case of intermediate trainer. While realizing the seriousness of the matter, the Committee strongly recommend that all out efforts be made so that delivery schedule of IJT is strictly adhered to. The Committee should be apprised about the initial operational clearances of IJT and follow up. The Committee also regret that in such a critical situation when life of 'Kiran' was well anticipated the Ministry should have taken proactive stand on development, production and procurement of Intermediate Jet Trainer.

Reply of the Government

1. The IJT was initially sanctioned in 1999 based on an off-the-shelf engine and very basic avionics as a replacement for the Kiran aircraft as stage-II training platform. The project was envisaged to be completed in 5 years and within 180 crore.

2. The Prototype development commenced with an off-the-shelf engine and cockpit with dial gauge instruments as in Kiran and the first prototype commenced flight testing in March 2003. When the first prototype commenced its flight testing, the need for a higher thrust engine was identified for improved performance. Also there was a need to update the avionics suite to modern technology equipments and the cockpit to be improved to glass cockpit to avoid the possibilities of obsolescence and to stay on par with the current technology. Since no engine of suitable power was available off-the-shelf there was a need to get an engine developed. Accordingly the proposal for revision to include the development of a higher thrust engine and incorporation of modern avionics suite and glass cockpit (to be developed within the country) was proposed. This revision was approved in 2005 with a completion date of March 2008.

3. The contract for development of the engine was awarded to M/s. Rosoboronexport/NPO Saturn based on the laid down Techno-commercial procedures. The revision of the sanction envisaged the commencement of development of higher thrust engine in October,

2004 and availability of flight worthy engine by March 2006. Due to systemic delays the contract was awarded in June 2005 and the development commenced in August 2005. Due to the various developmental problems faced by the Russian agency, the flight worthy engine was available only from January 2009. This delay in development of higher thrust engine along with two unanticipated incidents on the two prototype aircraft (in 2007 and 2009) leading to breaks in flight testing led to delays in the development programme. Further there was a failure of the structural test specimen in August 2010 leading to the need for design modification to the rear fuselage and CAT-1 accident on the first prototype on 28 April 2011, leading to the total re-design of the flight control system as well as stiffening of structure causing a break of more than 10 months in the flight testing.

4. The time line for completion of Operational clearance was proposed as December 2011 after the STS failure and its recovery but had to be revised to December 2013 after the CAT-1 accident and its recovery actions. Accordingly, the approval of the Government has been obtained in June 2013 for the operational clearance by December 2013 and to include the escalations in material and labour costs.

5. All the required modifications have been complied on all the aircraft and as on date 696 test flights have been completed. Towards operational clearance, the aircraft has been tested to full speed, altitude and load envelope and all systems have been evaluated. Testing under hot weather conditions and sea level have been completed. The major tasks left towards the initial operational clearance are the completion of stall and spin testing on aircraft and towards final operational clearance are the armament trials.

6. Two aircraft have been modified with the Anti-Spin Parachute System which is a mandatory requirement for stall and spin testing, for proving it satisfactory. The Anti-Spin parachute system has been proven by in Flight streaming and the stall tests have commenced. M/s. BAE systems have been engaged as expert consultant to hasten up the completion of stall and spin tests based on their experience in platforms like Hawk.

7. One aircraft is fully modified for integrating the armaments and is currently getting ready for the Ground Vibration tests, which is required to obtain the clearance for flight. Another aircraft is also being modified to augment the flying efforts for armament trials.

8. The first four Limited Series Production (LSP) aircraft (of the twelve ordered by IAF) are already flying and currently participating in developmental flight testing. The remaining eight are in various

stages of manufacture and will be completed within this financial year (March 2014).

9. Six of the 73 Series Production (SP) aircraft ordered by IAF will be ready this financial year (by March 2014) and the production line is being augmented to increase the production rate from 2014-15 as per the requirements projected by IAF.

10. Besides the regular internal reviews at highest levels of the company, a Steering Committee chaired by Secretary (DP) reviews the project every month.

11. With all the above, the Operation Clearance of the aircraft will be obtained in December 2013. With the Operational clearance in place, 12 LSP aircraft and 6 SP aircraft will be available to IAF for training by March 2014.

12. The fleet strength of trainer aircraft duly factoring in phasing out schedule of Kiran and production plan of IJT will be as below:

Year	Phase out of Kiran aircraft	Total Kiran aircraft Fleet size at the end of year	Cumulative IJT (HJT 36) Induction		Total Trainer Fleet strength at the end of the year
			Annual	Cumulative	
(a)	(b)	(c)	(d)	(e)	(c+e)
2012-13	-	116	-	-	116
2013-14	8	108	6+12 (LSP)	18	126
2014-15	5	103	20	38	141
2015-16	5	98	20	58	156
2016-17	17	81	24	82	163
2017-18	12	69	3	85	154
2018-19	15	54	-	85	139
2019-20	11	43	-	85	128

*Phase out of Kiran Aircraft starts from 2013-14.

13. It is evident from the above table that with the proposed induction of IJT, trainer aircraft fleet available with IAF would maintain/exceed the current fleet size.

Recommendation (Para No. 51)

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

Reply of the Government

Funds available for New Schemes have been limited given the accumulation of committed liabilities which are to be met this year and the limited availability of funds in view of the overall economic situation.

Recommendation (Para No. 52)

In case of Revenue Budget, the projected amount was Rs. 17653 crore while allocation is just Rs. 10803.38 crore meaning a difference of Rs. 6849.62 crore. So, the allocation is 61 per cent of the projections. Out of this allocation Rs. 4891.42 crore *i.e.* 83 per cent is towards the head 'Pay & Allowances' only Rs. 5911.96 crore was allocated to 'other heads' against a projection of Rs. 11756.82 crore, which account for 50 per cent. The Committee found that this is the fifth successive year of less allocation under 'other than salary' segment.

Reply of the Government

Allocation of funds under the non-salary segment has been made as per growth rates allowed by the Ministry of Finance.

Recommendation (Para No. 53)

The officials of Navy ascertained that there is demand to liquidate carry over liabilities of FY 2012-13 to meet in addition to this years obligatory requirements. The Committee understand that there are huge gaps in money required and what is actually allocated. Therefore, it is recommended that adequate funds be provided to Navy under "other head" to cater to various needs which include training, stores,

repairs etc. since this would otherwise lead to many compromises in operational preparedness of Navy. The demand should be vigorously taken up with the Ministry of Finance.

Reply of the Government

Requirement of additional funds, including those required to meet any carry over liabilities from the previous financial year, will be pursued vigorously with the Ministry of Finance.

Recommendation (Para No. 54)

Vikramaditya

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

Reply of the Government

As per the schedule of activities related to Vikramaditya's delivery earlier scheduled in December, 2012, the ship was put to sea trials from June to September, 2012, lasting 108 days. During the sea trials the main propulsion plant of INS Vikramaditya could not complete the 'full power trials' due to defects encountered on 'boiler furnace brickwork' at higher speeds. The ship has been docked and rectification of the defect on boiler brickwork is in progress. The repairs would be followed by sea trials and practical training of the Indian crew. Accordingly, the Russian side has submitted a revised schedule with ship's delivery in the last quarter of 2013. The cost of the project remains unchanged despite revision of delivery to last Quarter of 2013.

Recommendation (Para Nos. 55, 56 & 57)

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

The Committee were informed that the Phase-I of contract with CSL Kochi envisaged its first launch by December 2010. However, this has been delayed due to arrival of critical pre-launch equipment such as Gear Boxes and 3MW Diesel Generator (DG) sets essential for ships pre-launch. Both these items have now been received. A technical float out of ship has been carried out by CSL in 2011 and the ship has been re-docked in February, 2013 for lowering of balance Phase-I equipment. The progress of the project is monitored through the Empowered Apex Committee headed by the Defence Secretary and also through CWP&A at IHQ MoD(N) progress the review meetings. As per the revised timelines Phase-II covers the period from first launch of the ship till completion of DG trials, till delivery of the ship, would be undertaken under Phase-III contract. The revised targeted delivery of the ship would be in 2018.

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

Reply of the Government

The Cochin Shipyard has proposed first launch of Air Defence Ship in August 2013, in place of the originally envisaged October, 2010, due to delay in receipt of initial pre-launch equipment. All pre-launch equipment has now been received and ship has been re-docked in February, 2013 for installation of balance equipment prior to launch planned in August 2013. The progress of the project is being reviewed by the Empowered Apex Committee and by regular Progress Review meetings. Since revised timeline is yet to be approved, not being explicitly recommended for inclusion for consideration.

Recommendation (Para No. 59)

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

Reply of the Government

During the visit of the Standing Committee on Defence to Port Blair in January, 2013, information on certain radars to be installed in Andaman and Nicobar Islands, which were awaiting clearance from Ministry of Environment and Forests concerning Indian Coast Guard and Director General Lighthouse (DGLL), Ministry of Shipping was furnished to the Committee.

The Indian Navy plans to set up one Air Route Surveillance Radar (ARSR) at Port Blair and one Airport Surveillance Radar (ASR) each at Campbell Bay and Shibpur. Presently, there are no outstanding objections raised by the Ministry of Environment and Forest for these projects.

As a part of the project to establish a Chain of Static Sensors along the Indian Coastline, Remote Radar Stations were required to be set up at 04 sites in Andaman and Nicobar Islands viz., Narcondam Island, East Island, Sandy Point (Little Andaman Island) and Keating Point (Car Nicobar Island). However, implementation of the project at these four sites has been hindered due to requisite clearances from Ministry of Environment and Forests.

Recommendation (Para No. 60)

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

Reply of the Government

The Indian Coast Guard regularly repatriates Indian fishermen when released by the foreign countries. Since 2010, a total of 119 Indian fishing boats and 644 crew have been repatriated from Sri Lanka.

Recommendation (Para No. 61)

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

Reply of the Government

The following steps have been taken to strengthen the security issue of the fishermen:—

- (a) Vessel Monitoring System: During 2006, Ministry of Agriculture in association with Indian Space Research Organisation/Antrix Corporation Limited, initiated a pilot project on Vessel Monitoring System(VMS). The operationalisation of the same has been held up due to non-availability of MSS reporting licences. A meeting of the Committee of VMS was held on 03 June 2013 wherein the issues and modalities relating to operationalisation of VMS was discussed. It was deliberated that Ministry of Agriculture will submit a proposal to ISRO for allocation of S-bandwidth to Ministry of Agriculture.
- (b) Registration of Fishing Boats: As per information received from the Ministry of Agriculture, total 1,82,126 fishing vessels have been registered under the newly devised uniform online registration system.
- (c) Issue of Biometric ID cards to fishermen: As per the information obtained from the Ministry of Agriculture, as on 21 June, 2013, data collection and digitisation of biometric ID Cards has been completed in respect of 16,47,927 marine fishers out of projected marine fishers population of 18,12,011. Further, 11.03 lakhs cards have been reportedly been despatched to the concerned authorities.

Recommendation (Para No. 62)

Coastal Surveillance has attained greater significance ever since the incidence of 26/11 took place. The Committee have consistently been taking up the issue of coastal surveillance during past many years. In this regard, some effective steps were initiated in Coastal

Surveillance Network (phase-I) which include setting up of Chain of Static Radar, coastal stations, marine police stations, etc. The Committee note that despite good efforts in this direction more needs to be done in order to make our coastal borders absolutely imperative.

As CSN-I has come to an end and CSN phase-II has commenced, the Committee desire that the targets set for CSN-II are achieved within set time-frame besides covering the gaps emerging from Phase-I. The Committee be apprised with regard to detailed information about hitherto targets achieved *vis-a-vis* targets planned in Phase-I and Phase-II.

Reply of the Government

The implementation of Coastal Security Network Phase-I is nearing completion and 34 out of 36 Radar sites on the mainland have been established and linked up to the respective Remote Operating Stations (ROS), Regional Operating Centre (ROCs) and Control Center. The work on the remaining 02 sites over the main land and 10 sites on the Lakshadweep and Andaman and Nicobar Islands are also progressing satisfactorily and same are likely to be established by the year end provided that all Environment clearances are accorded. Based on the experience gained during the implementation of CSN Phase-I, requirement for Phase-II are also being drawn.

Recommendation (Para Nos. 63 & 64)

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

The Committee have come to know that till date seven meetings of NCSMCS have been held. Meetings were held on 04 September 2009, 22 January, 2010, 14 May, 2010, 23 November, 2010, 29 July, 2011, 8 June, 2012 and 30 November, 2012 respectively. The dates reveal irregularity in frequency of meetings of NCSMCS as sometimes there

have been lapse of almost one year in between two meetings. From the above dates the Committee deduces that the seriousness incorporated in approach towards maritime security in the aftermath of 26/11 episode has somewhere started diluting in course of time. While taking note of the situation, this Committee recommend that as NCSMCS has an onus of implementation of important decisions regarding maritime and coastal security and has representation of all stakeholders, therefore, consistency and regularity in talks should be maintained by way of holding meetings at regular intervals so as to keep a track or progress of execution of various schemes/projects. Coordinated action with coastal state administration will strengthen constructive implementation of action programmes.

Reply of the Government

For improved coordination amongst multiple agencies involved in the Coastal Security construct, Raksha Mantry (RM) reviews Coastal Security (CS) periodically, the last meeting was held on 15 May, 2013. This apart, the NCSMCS also reviews Coastal Security issues from time to time. The last NCSMCS meeting was held on 06.09.2013.

The implementation of decisions taken in the RM's Review/NCSMCS is monitored at various levels in the Government. Periodic 'update' meeting are held by individual Secretaries as well. With specific reference, on 19 July, 2013, issues related to Landing Points, Supply of card readers and Security of Sundarbans/Patrolling in coastal areas, was reviewed by the Secretary (BM) with all stakeholders present.

There are other forums, where issues of registration of fishing boats, laning in harbours for streamlining fishing traffic, pre-arrival notification etc. are deliberated.

Government agencies (Ministry of External Affairs/Ministry of Home Affairs) handle issues related to repatriation of fishermen arrested by Sri Lankan authorities. For ease of coordination of Coastal Security aspects at the ground level, an IMBL Meeting construct between Indian Navy/Indian Coast Guard and Sri Lanka Navy/Sri Lanka Coast Guard exists. A meeting is held every six months in the Palk Strait which also provides a platform for exchanging data on International Maritime Boundary Line infringements, and issues related to security in the region.

Recommendation (Para No. 65)

From the data supplied by the Ministry it can be gauged that during 2012-13, budget for this premier research organization was projected for an amount of Rs. 14462.66 crore, however, it was allocated

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

Reply of the Government

Allocation for Defence Research and Development has been made within the overall ceilings conveyed by the Ministry of Finance and the trends of utilisation.

Recommendation (Para No. 66)

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

Reply of the Government

All efforts are made to meet the projected requirements within the constraints of overall availability of funds.

Recommendation (Para No. 67)

The Committee note that as per the recent policy ammunition now a day's come as a part of acquisitions along with the guns but the

Committee feel that in case of sanctions or black listing of some company, supply of the same could be stopped by the foreign country and our country would suffer for the want of the same. Therefore, they desire that DRDO should try to develop these ammunitions so that dependence on foreign supply can be reduced and the country will also save lot of foreign exchange. The Committee also note from the statement of SA to RM before the Committee that DRDO could not start any programme on the development of a field gun and country remain dependent on the technology transfer of Bofors. The Committee desire that the Ministry and DRDO should visualize the requirement of the Forces in consultation with them and include such items of critical importance in their long-term perspective plans.

Reply of the Government

The recommendations/observations made by the Committee have been noted for future reference and compliance. Defence Research and Development Organisation (DRDO) is in the process of identification of future requirements of Armed Forces. All such items of critical importance are being included in DRDO's Long Term Technology Perspective Plan (LTP) which is likely to be ready by the end of 2013.

Recommendation (Para No. 68)

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

Reply of the Government

The recommendation/observation of the Committee stated that "Although the DRDO has stated that Private Sector, particularly in Defence R&D is not desired" is not correct and hence needs to be amended. DRDO is of the view that Private Sector should be involved in Defence R&D and the efforts need to be supported. In fact, DRDO has been involving more than 800 big and small Private Sector Industries in many of the development projects, right from the developmental stage. DRDO has also supported the creation of Defence Technologies Development Fund to support R&D activities by SMEs.

DRDO is also of the view that Private Sector should be encouraged in Defence R&D so that the talent and capacity of Private Sector could be harnessed fully in developing state-of-the-art projects as well as in developing/upgrading the conventional weaponry.

Recommendations (Para No. 69)

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

Reply of the Government

Performance Related Incentive Scheme (PRIS) at the Organizational and Group level has been approved by Government for Department of Defence R&D employees including Scientists, for a period of two years *i.e.* 2011-12 and 2012-13. The Organizational PRIS has been linked to achieving the targets set for the Department in the beginning of the Financial Year in the Results Framework Document (RFD) to be approved by the Performance Management Division, Cabinet Secretariat. The RFD for the year 2011-12 alongwith achievements reviewed by the Secretary, Performance Management Division, Cabinet Secretariat, were submitted to the Department of Expenditure, Ministry of Finance for sanction of PRIS for the year 2011-12. A saving to the tune of ₹ 150 Cr. for funding payment of the PRIS for 2011-12 was also ensured. The proposal, however, has not been agreed to be the Department of Expenditure, Ministry of Finance due to absence of metrics for calculating the savings and the savings being notional in nature.

In this regard, it is submitted that the country expects self-reliance in defence technologies from DRDO. Over the years, DRDO has increased Self Reliance Index (SRI) in defence technologies from 30% in 1995 to approximately 55% in 2013. It has developed systems produced by Production Agencies worth more than ₹ 1,55,000 cr. for induction into the Armed Forces, which has saved a lot of foreign exchange and reduced dependency on imports particularly critical systems besides generation of employment in the country. Therefore, performance of DRDO should be judged in terms of above contributions and not by savings. In this context, Hon'ble Raksha Mantri has also written to Hon'ble Vitta Mantri for consideration of PRIS for DRDO. Further progress in this regard, will be reported to the Standing Committee.

Recommendation (Para No. 70)

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

Reply of the Government

The Airborne Early Warning & Control (AEW&C) System developed by Centre for Air Borne System (CABS) of DRDO consists of Aircraft and Mission Systems. Based on the Operational Requirements given by Indian Air Force, CCS approval was accorded for development of AEW&C system on modified EMB-145 Aircraft. Accordingly, three modified EMB-145 Aircraft were procured from M/s Embraer, Brazil. As no facility exists in India for manufacture of Aircraft suitable for AEW&C role, so import of aircraft could not be avoided. The import content in AEW&C system is 67% of the total programme because it includes cost of three Aircrafts and associated equipment required for maintenance.

BrahMos is a joint venture between India and Russia and the missile is a product of two countries with sub-systems produced at the industries at both places. The ground systems and all support systems are completely from India with import content of 15%. The import content in missile was 65% which has now come down to 48% and it is being progressively indigenised to reduce its import content further.

Long Range Surface-to-Air Missile (LR-SAM) is a joint development programme undertaken by India and Israel and work share has been worked out between both countries based on expertise available. Missile complex is outsourcing products/components based on the competence available with private/public sector.

Import content in Main Battle Tank (MBT), Arjun and Light Combat Aircraft (LCA) will progressively come down in the Mark II versions along with increased production order received from the users.

Most of the import content in the above systems are Commercially Off The Shelf (COTS) items. These items are not critical in nature. However, efforts are being made to collaborate with Defence Public Sector Undertakings (DPSUs)/Private Industries to indigenize imported items.

Recommendation (Para No. 71)

The Committee note the reason explained by the Secretary, Defence Production that DPSUs and Ordnance Factories are not equipped to develop completely new platforms, as R&D setup of the country is small and the major imports that are occurring in the country are for bigger platforms. The Committee also note the views of SA to RM, on the role of DRDO in self-reliance in defence production that because of the Missile Technology Control Regime which came into operation sometime in 1989, paved the way for real self-reliance and the industry also started to develop since then. On the development of Light Combat Aircraft, the views of the Ministry seem somewhat convincing as all other nations also took unduly long time in development of fighter aircraft. However, the Committee feel that there is a lot to do in the field of self-reliance because it may be seen from the data supplied by the Ministry that products developed by DRDO also has a large share of imported material. Therefore, the Committee desire that the Ministry should encourage better co-ordination among users *i.e.* defence forces, production units *i.e.* Ordnance Factories and DPSUs and DRDO to enhance self-reliance in the country.

Reply of the Government

The recommendation of the Hon'ble Committee has been noted.

The Ministry have given instructions to all the DPSUs and OFB that the goal of self-reliance in defence production has to be met through indigenisation. The DPSUs are making serious efforts towards design and development of improved technology. Action is on to create a separate R&D corpus by HAL for innovative projects. A number of steps have been taken by the Ministry to enhance indigenous production, as under:-

- (i) 'Make' procedure is being streamlined to encourage more projects keeping in view Technology Perspective and Capability Roadmap (TPCR);
- (ii) 'Buy (Indian)' and 'Buy and Make (Indian)' have been made the most preferred categories under Defence Procurement Procedure, 2013;

- (iii) Definition of 'indigenous content' has been revised to give a thrust to indigenisation;
- (iv) It has been decided to constitute a Raksha Mantri's Production Committee for effective coordination among the defence forces, production units and DRDO;
- (v) List of defence products for which industrial licence would be required by the private sector industry has been finalised and intimated to the Department of Industrial Promotion and Policy;
- (vi) Procedure for issuing 'No Objection Certificate' for export of defence products has been streamlined; and
- (vii) Offset guidelines are being reviewed to make them more effective.

So far as encouraging better coordination among Users and production agencies is concerned, quarterly meetings between Department of Defence Production and the DRDO at Secretary level have been started, to which Users are also invited. There is already a good synergy between the Indian Navy and Defence Shipyards and Naval teams are deployed to oversee manufacturing of all big platforms. Dedicated teams of the Services are already there in BEL for productionisation of products based on DRDO technology and the same is being encouraged in other DPSUs and OFB.

HAL has, apart from platform development, undertaken design development and production of airborne systems covering equipment like communication, radar, data recorder in the field of avionics and in the field of mechanical systems. Programmes like FGFA, MTA, LUH etc., are examples of the efforts HAL is making towards self-reliance. In BEL, the persistent thrust on R&D has enabled development of core competencies in the field of Strategic Defence Electronics and the company has manufactured indigenously designed state-of-the-art complex surveillance, Fire control and Missile Guidance Radars, Weapon systems etc., to meet the emerging needs of the defence forces. BEL has consistently undertaken R&D to develop new products which has resulted in a situation wherein the turnover from new products developed/upgraded by in-house R&D in the last 5 years is around 25% of the total turnover. Other DPSUs and OFB are making constant efforts towards indigenisation of various products.

Recommendation (Para No. 72)

The Committee note that mandate of Defence Institute of Psychological Research (DIPR) is to conduct research for the selection of personnel for the Armed Forces. It provides training to the assessors

in order to man the selection centres. The charter was further extended to the Para-military forces. The Committee also note DIPR is conducting studies in the area of organizational behaviour like Leadership, Motivation, Morale, Attitude, Combat Stress Behaviour, Psychological Operations, human factors in man-machine systems and the effects of extreme environmental conditions on the psychological adjustment, efficiency and well being of service personnel.

Reply of the Government

The prime mandate of Defence Institute of Psychological Research (DIPR) is to conduct research in the area of personnel selection, organizational behaviour, and adaptation to extreme environmental conditions. Over the years, these mandates have been extended to Para Military Forces and researches in the areas of combat stress behaviour.

Recommendation (Para No. 73)

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

Reply of the Government

Three Service Headquarters and scientists of Defence Institute of Psychological Research (DIPR) posted at Services Selection Board (SSB) are involved in screening and selection of candidates. With the introduction of online application process, volumes of application have increased to more than 9 lakh for officers' cadre of the Armed Forces per year. Raising of new Services Selection Boards (Army, Navy, Air Force and Coast Guard) and ever increasing demand for psychological support services (counseling services and mitigation of stress related behaviour) in field and in peace stations would require enhancement of manpower and infrastructure facilities. In view of the increased workload and as recommended by the Committee, there is need to

enhance both the manpower and budget of DIPR substantially. The case for enhancement of manpower and budget will be taken up with the Government as per recommendation of the Committee.

Recommendation (Para No. 74)

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

Reply of the Government

The DPSUs have formulated a framework of policies for attracting the right talent with the ultimate objective of ensuring optimum and effective utilisation of human resources. The process of manpower planning is undertaken to assess the number of personnel required to be recruited *vis-a-vis* the projected volume of business for the next 5 to 10 years. In this exercise, apart from studying the attrition figures, the technology trends in various product domains are also analysed to ascertain gaps in skill sets, if any. These gaps are made good either by training the existing manpower or by external recruitment. Since the requirements for the forces are not continuous for all the platforms, the manpower requirement for handling various products are concurrently realised through redeployment and multi-skilling as far as possible so as to optimally utilise the existing manpower for greater efficiency.

HAL is in the process of restructuring its operations in as much as focus is now on the core area of Design and Development, Assembly and Integration, Testing and Certification and Product Support areas taking into account the recommendation of the expert Committee headed by Mr. B.K. Chaturvedi which has recommended that outsourcing level should be enhanced to 50% from the present level of 25%. It is also submitted that induction in HAL has been continuously taking place depending on the requirements in the last 3 years and nearly 3000 personnel have been recruited. BEML is currently operating under stiff customer driven competitive market on more than 80% of its business in non-defence sector through open competition. Therefore,

utilisation of manpower needs to be at optimum level to keep its products competitive. HSL has initiated the process of recruitment of both officers and staff as per the requirement. Other DPSUs are also taking necessary action for addressing the problem of shortage of manpower, taking into account the need.

Recommendation (Para No. 75)

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

Reply of the Government

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optimum level to keep its products competitive. HSL has initiated the process of recruitment of both officers and staff as per the requirement. Other DPSUs are also taking necessary action for addressing the problem of shortage of manpower, taking into account the need.

Recommendation (Para No. 77)

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

Reply of the Government

The recommendation of the Hon'ble Committee is noted. Department of Defence Production obtains information on value of production in the form of monthly & quarterly returns from all the DPSUs and OFB and monitors the same to resolve the bottlenecks and problems faced by them to ensure optimum performance of DPSUs and OFB. Appropriate actions as detailed below have been initiated by some of the DPSUs in this regard.

In order to expand its market to other than defence production requirements, HAL has been covering the requirements of ISRO for satellite launch structures, propellant tanks etc., and industrial gas turbines which are used for power generation by ONGC and GAIL. Components assemblies to Airbus, Boeing, etc., are being exported. The recommendation of the Standing Committee will be taken as one of the main guiding parameters in formulation of the 25 years perspective plan of HAL which has been initiated.

In BEL, to maintain the growing trend of Value of Production, enhanced thrust is provided to exports and civilian segment to tap potential business in line with its core technology. The company has also developed various products in non-defence segment including Electronic Voting Machine (EVM), Tablet PC, Doppler Weather Radar, Socio Economic Caste Census (SECC), Homeland Security, etc. The revenue generated from non-defence business is around 15-20%. BEML has been on an average exporting around 4 to 6% of its turnover. It has exported to various Middle East and developing countries, including South East Asian countries. To cater to the enhanced requirement of the Indian Armed Forces, BDL is investing in a huge way towards revamping its production facilities.

MDL has embarked on a massive modernisation project to upgrade and enhance its facilities leading to increased production capacity to take up new projects. While MDL's capacity is being fully utilised with naval orders, a joint venture with Indian Private Shipyards is being formed to explore the possibility of export orders. While GSL is making efforts for export of its products, consistent efforts are also being made to explore business opportunities from other government sectors. GSL has built SSTF for ONGC, constructed and delivered 116 Nos. of boats for Ministry of Home Affairs under Coastal Security Scheme Phase I and to Department of Forests, Government of Goa and Department of Forests, Government of Maharashtra. GSL has received orders for construction and supply of 4 Nos. patrol boats from Gujarat Maritime Board and 1 No. Patrol boat for Captain of Port, Govt. of Goa. GSL is also looking towards auxiliary vessels for other government agencies such as BSF, Port Trusts, A&N Administration, Port Blair, etc.

GRSE is the first shipyard in the country to build a Warship for a foreign nation. An export order for an Offshore Patrol Vessel (OPV) worth US \$ 58.5 millions received from the Republic Government of Mauritius is under construction and is expected to be delivered by September 2014. GRSE is also exporting Portable Bridges to Bhutan and other neighbouring countries over the years to an approximate worth of Rs. 4 crores. GRSE has a comprehensive plan to tap international orders from Asian & Latin American countries for its shipbuilding and engineering products.

Recommendation (Para No. 79)

From the information submitted to them, the Committee find that Government does not give grant to the private sector for manufacturing Defence items. The Committee also note that Defence Procurement Procedure (Make) provides for sharing of development cost with the developing agencies with the approval of DAC. The committee after examination of the utilization part of allocation made in Defence Budget 2012-13 and confirmed by the Ministry, that the allocation for 'Prototype Development under Make Procedure' during the year 2012-13 was Rs. 89.22 crore but to the surprise of the Committee no expenditure has been incurred upto February, 2013. The Committee could not discover any plausible reason for this non-expenditure except that there is a lack of co-ordination among Government and private industries. It seems that it is an instance of greatly misplaced priorities. Therefore, the Committee desire that the Ministry should take all the necessary steps to improve co-ordination with the private industry and also consider giving grant/assured orders in manufacturing/development of weapon systems to them.

Reply of the Government

1. The allocation of Rs. 89.22 crore for prototype development under 'Make' Procedure during the year 2012-13 was based on projections made by Development Agencies towards prototype development. However, the amount was surrendered at RE stage and allocation reduced to nil with no expenditure being incurred during the said year.

2. It is submitted that the non-utilisation of the allotted amount for the 'Make' projects during the FY 2012-13 is not attributable to lack of coordination between the Government and the private industry but to the lack of clarity on certain activities of the existing 'Make' procedure. Based on feedback from ongoing 'Make' projects, the Government has constituted a Committee on Simplification of 'Make' procedure. The revised 'Make' procedure is in final stages of its revision. The issues identified for resolution in the revised 'Make' procedure are as given below:—

- (a) Guidelines for formation of consortia.
- (b) Guidelines for approval and acceptance of Cost Sharing Arrangements.
- (c) Clarity on retention of Intellectual Property Rights (IPR) between Government and industry.
- (d) Clarity on contents of important documents such as Project Definition Document, Expression of Interest, Responses to EoI, Detailed Project Report, evaluation criteria for assessment of responses to EOI etc.
- (e) Procedure to be adopted for evaluation of DPRs as well as filing of reimbursement claims by successful Development Agencies.

3. In addition, the Government has taken following initiatives for better participation of the private industry in the defence sector:—

- (a) Sharing of 'Technology Perspective Capability Roadmap (TPCR)' with the private industry with an intention to provide the industry an overview of the direction in which the Armed Forces intends to head in terms of capability over the next fifteen years.
- (b) Preference to 'Buy (Indian)', 'Buy & Make (Indian)' & 'Make' categories over 'Buy (Global)' or 'Buy & Make' categories of Capital Acquisition cases.

- (c) The procedure for 'Buy & Make (Indian)' category has been further simplified in order to make the category more attractive for Indian Defence Industry.
- (d) DPP 2013 provides for participation of Indian Private Sectors also for Maintenance ToT in 'Buy (Global)' cases. The MToT partner is no longer required to be nominated by the Department of Defence Production (DDP).
- (e) Defence products list for the purpose of industrial licensing has been pruned down and the revised list has been notified *vide* Press Note No. 3(2014) dated 26/6/14 by DIPP.
- (f) The Government has recently liberalised FDI regime for the Defence sector wherein the composite cap of foreign exchange has been raised to 49% with full Indian management and control through the FIPB route.

Recommendation (Para No. 80)

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

Secretaries incharge of different departments, the Committee desire to recommend enhancement in the FDI limit to attract foreign companies which in a long term would benefit not only the Indian Defence Industry but also help in providing employment opportunities and saving precious foreign exchange.

Reply of the Government

The issue of enhancement in the FDI limit in the defence sesctor has been examined. It is the deliberated view of the Ministry of Defence that the FDI cap in the defence manufacturing sector should remain at 26%. However, wherever FDI beyond 26% is likely to result in access to modern and state of the art technology into the country, decisions can be taken to allow higher FDI on a case to case basis by the Cabinet Committee on Security.

Recommendation (Para No. 81)

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

Reply of the Government

The observations of the Hon'ble Committee about the inadequate R&D set-ups of the DPSUs have been a concern of this Department for quite some time and more and more emphasis is being given on developing in-house R&D capability by DPSUs and OFB. The DPSUs are being constantly exhorted to upgrade their existing technology through monthly and quarterly review meetings. All the DPSUs are engaged in

modernisation programmes for upgradation of technology in order to bring about improvement in productivity, quality, reduction in cost, reduction in rework by improvement in process, adherence to environment and safety norms. In the 12th Five Year Plan, DPSUs plan to spend approx. Rs. 12,725 cr. towards modernisation.

DPSUs have also been making noteworthy efforts in the above direction. HAL plans to build design capabilities within the company to design & develop aircraft, helicopters and allied products. Having identified R&D as a thrust area to drive the business growth in future, HAL has reorganised all the R&D establishments and strengthened them.

BEL is undertaking infrastructure upgradation/modernisation to cater to changing needs of technology/products. Specific groups in all the units scan technology upgrades that are taking place and induct new machines/test instruments/facilities available in the world market. To innovate, BDL has established four R&D labs, viz., establishment of Radio Frequency (RF) Lab, Laser Lab, Propulsion & Aerodynamics Lab and Seeker Head Lab at a cost of Rs. 55 cr.

MDL has, in quest of modernisation, established new processes and machineries which will ultimately lead to greater self-reliance. GSL is now designing & building a range of sophisticated Patrol Vessels which are a result of in-house R&D efforts. These vessels include 29 M Interceptor Boat, 72 M Shallow Water platform for ASW applications etc. In-house design for cargo vessels has been developed by HSL which is also implementing a modernisation plan.

Earlier OFB was mandated to productionise the items as per TOT received from DRDO or abroad. However, with greater delegation of powers for R&D activities during 2006, OFB has upgraded its R&D infrastructure both in terms of human resources and equipments/labs. The products such as Mine Protected Vehicle, Chaff Launcher KAVACH MOD-II, Water Browser 5KL, 155x45 Arty Gun etc have been successfully developed and evaluated. Major emphasis is being given during 12th five year plan and a comprehensive investment plan of over Rs. 15,000 crores has been made to modernise the existing infrastructure and creation of production capacities.

Recommendation (Para No. 82)

The Committee also note from the data supplied by the Ministry that in manufacturing the items produced by DPSUs and OFs, the import content varies. In respect of products of Garden Reach Shipbuilders and Engineers Limited it is 52.23 per cent but it is

09.82 per cent in case of Ordnance Factories. In other DPSUs also import content had substantial share. The Committee desire that the Ministry should encourage Indian Defence Industries to cut dependence on foreign supplies/import content which has become integral part of defence production in India and try to develop in-house indigenous products.

Reply of the Government

In continuation of the reply to Recommendation No. 71, it is stated that action is being taken by DPSUs and OFB to continuously increase the indigenisation level by enhancing vendor base.

HAL has an Avionic Division, Accessories Division and Strategic Electronics Division where certain products are being developed and manufactured. HAL is focusing on certain critical technology to realise economies of scale.

The endeavour of BEL towards indigenisation is indicated by the fact that 75% of turnover is generated by making use of in-house infrastructure facilities and manpower.

GSL in its efforts towards indigenisation has developed several designs of Patrol Vessels which have saved the country's considerable amount of foreign exchange.

MIDHANI is playing a key role in indigenisation of strategic alloys and finished products for military hardware. These products are supplied to other DPSUs and Ordnance Factories.

OFB is importing only those items for which either the technology has not been transferred by the OEM or it has not been economically viable to enter into the TOT agreements.

In BEML, indigenisation has been a constant pursuit, consequently in many products the indigenisation levels are as high as 90%.

Recommendation (Para No. 83)

The Committee understand that huge investments in R&D and production units are required which probably will take more time. However, in the meantime if inflow of funds by way of FDI in production and R&D is considered, it can help in checking and mitigating steadily expanding deficiency in country's Defence Modernization when compared to international defence advancements. The Ministry of Defence may think on this line since in any case the country is dependent on foreign

countries for defence acquisitions. Along with this, larger private partnership from Indian companies should also be considered. In this regard the Ministry had assured the Committee that all out efforts will be made to address the bottlenecks in private sector participation. The Committee look forward to encouraging results on this front.

Reply of the Government

As already indicated in the reply to Recommendation No. 80, although there is a cap of 26% on FDI in defence manufacturing sector, it has been decided that wherever FDI beyond 26% is likely to result in access to modern and state-of-the-art technology into the country, decisions can be taken to allow higher FDI on a case-to-case basis with the approval of the Cabinet Committee on Security.

Since the opening of Defence Industry Sector up to 100% for Indian Private Sector Participation in May, 2001, 203 Letters of Intents/ Industrial Licenses have so far been issued till July, 2013 to various defence companies in the private sector for manufacture of a wide range of defence items. The Ministry has also finalized the defence products list for the licensing purposes which will provide clarity to the Indian industry in the private sector while seeking Industrial License for manufacture of defence items.

Defence Procurement Procedures (DPP) are periodically reviewed and refined bases on the stakeholders' feedback and the experience gained in its implementation. Several new initiatives to boost the Indian industry have been taken and incorporated in DPP-2013 which is effective from 1st June, 2013.

DPP 2013 has introduced a system of 'Order of preferred categorization' in decreasing order as "Buy (Indian)"; "Buy & Make (Indian)"; "Make (Indian)"; "Buy & Make and Buy (Global)". In accordance with the Order or preferred categorization, all Statement of Cases (including cases of Defence Shipbuilding and cases under Fast Track Procedure) seeking AON (Acceptance of Necessity), shall invariably contain a detailed justification for recommending categorization as well as reasons why each of the higher preferred categorization has not been considered suitable for the purpose. This is expected to promote private sector participation and enhance indigenization in defence production.

Recommendation (Para No. 84)

The Ministry can also endeavour for tapping best brains from country as well as abroad in defence R&D Sector and entire dependency on DRDO for R&D solutions is not justified. The Committee desire, since

these DPSUs & OFs are well versed with production needs, R&D within these organisations should also be emphasized upon by the department of Defence Production.

Reply of the Government

DPSUs have been formulating their recruitment policies in such a manner that they are able to attract the right talent with the required skill set to meet the desired organisational goals. Further, as already been stated in reply to Recommendation No. 81, emphasis is being given on development of in-house R&D capability by DPSUs and OFB.

In HAL a high level Design Policy guides R&D efforts. HAL is developing capabilities in the design & development of aircraft, helicopters, engines and niche technology areas like SDRs, AESA, Radar, Aero Engines, UAVs etc., either through indigenous effort or through collaborations. HAL has signed MOUs with various R&D institutions like IIT, Kanpur and Indian Institute of Science for Strengthening the R&D efforts.

In BEL, the recruitment is carried out through campus recruitment from premier institutions across the country. Young budding engineers are intensively trained to nurture their talent. In BEL, more than 50% of the total engineers are working on R&D.

BDL is upgrading its R&D by recruiting people from IITs and Defence Institute of Armament Technology and also having MOUs with DIAT & BITS. BDL is also interacting with IITs and planning State of Art Technology Facilities like Laser, Seeker Head etc.

For shipyards, the National Institute for R&D in Defence Shipbuilding (NIRDESH), an autonomous society under the aegis of Ministry of Defence, has been set up to develop complete and composite indigenous technology solutions in Defence shipbuilding through R&D and to compliment the efforts of Department of Defence Production, Indian defence shipbuilding, DRDO, academic institutions, industry and all other agencies involved in achieving self-reliance in the field of warship and submarine construction.

(B) RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED
BY THE GOVERNMENT AND COMMENDED UPON

Recommendation (Para No. 1)

The Committee note that Budget Estimates (Net) for the year 2013-14 are for Rs. 203672.12 crore, which comprises Rs. 116931.41 crore Revenue outlay and Rs. 86740.71 crore as Capital outlay. Although Defence expenditure is increasing in absolute terms over the years the percentage increase in Defence expenditure since 2000-01 has not been consistent. The Defence expenditure in percentage term grew maximum during the year 2004-05 *i.e.* 26.29% as compared to the previous years followed by the growth of 2008-09 and 2009-10, whereby the percentage growth was 24.59% and 24.13% respectively. During the year 2010-11 the percentage growth declined to 8.70% as compared to the growth of 24.13% of the previous year. In the subsequent years although slight increase was there but it did not match the level of 2004-05, 2008-09 and 2009-10. During the year 2011-12 the percentage increase was 10.91% while during the year 2012-13 the percentage increase has been 13.15%. However, Revised Estimates of the same year brought down the growth to 4.44%. Although apparently the growth seems to be 14.10% in comparison with Revised Estimates 2012-13, but it is just 5.05%, if compared with Budget Estimates 2012-13.

Reply of the Government

The growth of the Defence Service Estimates is based on the increases approved by the Ministry of Finance which are in turn dictated by several factors including the overall state of the economy and government finances. It is pertinent to highlight that the high percentage of growth in 2008-09 and 2009-10 was due to the 6th CPC payments.

Recommendation (Para No. 8)

The Committee note that the Ministry of Defence has made elaborate procurement procedures to ensure expeditious procurement of requirement of Armed Forces. The procurement procedure includes various stages of examination of required items. The Committee contemplated over the reasons for increasing number of scams in the procurements related to Defence despite the above procurement procedure. One of the reasons which brought before the Committee is that of non-availability of authorised distributor/representative of

foreign vendors. In this context, the Defence Secretary apprised the Committee that way back in 2002 or 2001, the Government had tried to register the representatives but no one responded. The Committee are of the view that as more than a decade has passed since then and world over there are changes in procedure to purchases defence related items and regular interaction with the vendors in various defence expositions have increased. Therefore, the Committee desire the Ministry to revive this initiative for appointment of representatives/distributors to avoid future irregularities in defence deals.

Reply of the Government

The Defence Procurement Procedure (DPP) guidelines in Chapter 1 permit registration of vendors who are the Original Equipment Manufacturers (applicable in the case of countries where domestic laws do not permit direct export by OEMs), wherein, those vendors desirous of responding to any of the proposals advertised on MoD website can forward their request to the Technical Managers as per the format given in DPP.

In addition, the DPP permits the vendors to depute their authorised representatives to be present during opening of technical bids and opening of commercial bids, if they so choose.

Further as part of the RFP, a provision exists for the foreign vendor to give details of agents, technical consultants, authorised vendors that they may have appointed for marketing their equipment in India.

In view of the foregoing, adequate provisions exists in the DPP for appointment of the authorised representative/distributor, however, the operational aspects of these provisions would require further elaboration.

Recommendation (Para No. 11)

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

Reply of the Government

The concerns of the Committee have been duly noted and the Ministry is pursuing the matter with the Ministry of Finance for approval of the Twelfth Plan.

Recommendation (Para No. 12)

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

Reply of the Government

The break-up of work load of BRO from 2008-09 to 2012-13 with regard to General Staff (GS) and agency works is given as under:

	2008-09 (Rs. in cr.)	2009-10 (Rs. in cr.)	2010-11 (Rs. in cr.)	2011-12 (Rs. in cr.)	2012-13 (Rs. in cr.)
GS	1535	2119	2396	2765	2765
Agency	1769.8	1942.90	1961	1328	1326
Total	3304.8	4061.9	4357	4093	4091

2. As per policy decision, BRO has been taking up new works primarily for Army/General Staff requirement. The agency work shown above also includes works being executed MHA (Strategic roads for ITBP) and MEA (Works inside Bhutan for strategic reasons).

Recommendation (Para No. 13)

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

Reply of the Government

Emphasis is given on mechanizing road construction work. State of the art vehicles/equipments/plants have been inducted and the Annual

Procurement Plans approved for last 5 years have seen significant increase:

Years	APP approved
2008-09	Rs. 157.15 cr.
2009-10	Rs. 252.13 cr.
2010-11	Rs. 403.00 cr. Including Rs. 100 cr. for equipment bank.
2011-12	Rs. 429.85 cr.
2012-13	Rs. 470.66 cr.

2. Further Border Roads Organisation (BRO) has been allowed to outsource works in all its Projects both for General Staff and Agency works through an amendment to Border Roads Regulations. In addition, efforts are being made to outsource some roads to Central PSUs so as to augment the capacity of BRO.

Recommendation (Para No. 14)

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

Reply of the Government

The work load of the Organisation is spread over vast area in the border region with different working seasons. The seasonality precludes possibility of holding large number of permanent labour as it would only inflate the cost of job if they are to be paid without working during non-working season. Since the Organisation (BRO) is work charged, it is not financially viable to have the more number of permanent labour force because their Pay & Allowances in the non working season get charged to the works.

2. The recommendation of Committee with regard to collaborating with large companies is agreed. BRO has been allowed to outsource works and also efforts are being made to outsource works to Central PSUs who have requisite technical and financial competence. Long stretches of road/complete road is proposed to be outsourced to attract large companies with adequate credential.

Recommendation (Para No. 16)

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

Reply of the Government

Proposal for Cadre review of subordinate grades (*i.e.* Group 'B' & Group 'C' including erstwhile Group 'D' staff) of General Reserve Engineer Force (GREF) has been examined and has been referred to Ministry of Finance for their consideration. Further, the issues relating to 'Cadre review of Group 'A' officers of GREF' and 'Review of Manning Policy' were discussed in the meeting of the Border Roads Development Board held on 4.2.2013 and a Committee has been constituted to look into the issue of 'Manpower needs of Border Roads Organisation (BRO) and the matter of manning ratio'.

Recommendation (Para No. 17)

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

Reply of the Government

As per the present dispensation, Sainik Schools are established on receipt of a specific request from a State Government. No such proposal has been received from the State Government of Uttar Pradesh till date. Moreover, it is intimated that in January, 2010, the Government of Uttar Pradesh has declined the proposal of setting up a Sainik

School in Bundelkhand region of Uttar Pradesh. However, keeping in view the recommendations of the Standing Committee, the matter has been taken up again with the Government of Uttar Pradesh. State Governments of Arunachal Pradesh, Goa, Meghalaya, Mizoram and Tripura have also been requested to examine the possibility of sending a suitable proposal for setting up a Sainik School in these States and to convey their decision in this regard at the earliest.

Recommendation (Para No. 20)

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

Reply of the Government

The Government have been taking continuous steps to make career in Armed Forces more attractive. Some of the steps include substantive promotion to the officers including those in Short Service Commission (SSC) to the ranks of Captain, Major and Lieutenant Colonel after 2, 6 and 13 years of reckonable service respectively; increase in tenure of SSC officers from 10 years to 14 years; upgradation of 750 posts of Lt. Colonel to Colonel towards implementation of A.V. Singh Committee Report (Phase-I); upgradation of 1896 additional posts in the ranks of Colonel, Brigadier, Major General and Lieutenant General and their equivalents in the other two Services towards implementation of A.V. Singh Committee Report (Phase-II). Additional family accommodation through Married Accommodation Project (MAP); implementation of recommendations of the VI Central Pay Commission with improved pay structure etc. have also made the Services more attractive.

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

Above efforts have resulted in increased intake/commissioning in Army. This is expected to further increase with setting up of seven additional Service Selection Boards. Accordingly, with a view to accommodate more candidates, in-Service training capacity of NDA, IMA and OTA has been increased as under:

Academy	Training capacity	Increased capacity
NDA	1800	1920
IMA	1650	1800
OTA Chennai	500	750

In case of Army, a Second OTA has been set up at Gaya (Bihar) with a training capacity of 750 candidates, so as to cater for future requirements.

Recommendation (Para No. 25)

The Committee during the course of examination of Demands for Grants 2012-13 have noted that there was deficiency of 1,86,138 units of Bullet Proof Jackets (BPJs). Even when the approval of Defence Acquisition Council was obtained on 19.10.2009 for purchase of the requisite number of BPJs during the Eleventh Plan, the issue of purchase of desired BPJs was fraught with various complications. The Committee are concerned for saving the lives of soldiers who are fighting low intensity warfare inside and along the border. It has come to the Committee as a shock that these BPJs are still in the process of procurement, even after the lapse of 4 years of getting approval of DAC and Techno-Commercial Offers are yet to be submitted by the vendors.

Reply of the Government

A RFP for procurement of BPJs was issued on 07 December, 2012 to 39 vendors out of which six vendors have responded. Presently the TEC of the instant case is under progress. Efforts are afoot to complete the acquisition process within the laid down timelines of DPP.

Recommendation (Para No. 26)

The Committee also note that Cabinet Committee on Security (CCS) has approved scaling of quantity 3,53,765 BPJs for the Indian Army, Units/formations deployed on Line of Control and in Low Intensity conflict based on deficiency of Indian Army. The Committee are disappointed with the lackadaisical attitude of the Ministry and desire

that all the required quantities of BPJs should be purchased using fast track procurement procedures. While procuring these BPJs, the Ministry should keep in mind the operational requirements of the soldiers/officers, therefore, only light weight jackets should be purchased for them.

Reply of the Government

Adaption of 'Fast Track Procedure' is deliberate decision by DAC as per DPP. In the present case, DAC decision is categorised as 'Buy Indian'. The DPP process for 'Buy Indian' would be followed expeditiously, changing this approval to 'Fast Track Procedure as per DPP at this juncture will delay the acquisition process.

Further, it is intimated that the 1,86,138 Bullet Proof Jackets being processed presently would be light enough as per GSQR to meet the operational requirements of the Indian Army.

Recommendation (Para No. 27)

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

Reply of the Government

Apart from appropriate retaliation by the Army at the tactical level, Government of India has taken up the issue of cease fire violations with Pakistan consistently. All violations of cease fire are taken up with Pakistan military authorities also at the appropriate level through the established mechanism of hotline, flag meetings as well as weekly talks between the Director Generals of Military Operations. Based on periodic reviews, Pakistani activities across the Line of Control are continuously and closely monitored by the Indian Army. All necessary measures are taken to optimise operational preparedness of the Indian Army.

Recommendation (Para No. 32)

From the Data furnished by the Ministry, it was learnt that NCC could not able to utilize its allocated budget. In the year 2012-13, NCC projected a demand of Rs. 121 crore under Capital Outlay but it was

allocated only Rs. 50 crore. The expenditure during this period was just Rs. 0.58 crore. During deliberations before the Committee, DG NCC clarified that NCC could not utilize allocated sum due to non procurement of 110 microlites and clothing for the cadets. The Committee are exasperated over the fact that uniform for NCC cadets now not purchased since 2011, and these have just started coming in. The Committee desire the Ministry to take remedial measures so that there are no lapses of this nature in future and the budget as planned and projected is utilized entirely.

Reply of the Government

Procurement of 28 retention clothing items for NCC cadets was being made through open tender system till the year 2006-07. A decision was thereafter taken in February, 2007 to switch over to rate contract system of procurement to decentralize and enable NCC Directorates to operate the same. The process of conversion took about two years and the first such supply order could be placed in September/October, 2009 only. The second set of supply orders were placed in June/July, 2010. The supply position of the items through rate contract system got reduced on account of escalation in the cost of raw material ultimately resulting in no supply during the year 2011-12 thus making the situation critical. To tide over the situation, following remedial measures have been taken to optimally utilize the budgetary allocations to NCC for NCC uniforms and microlites:-

- (i) To meet the immediate requirement of clothing items for use by NCC cadets, National Textile Corporation (NTC) was approached who had indicated that they shall be able to meet the clothing requirements of NCC at the stipulated (RC) rate of 2009.
- (ii) Simultaneously, proposals for procurement of uniforms with upgraded specifications of basic clothing material from existing Polyester Cotton Mix to Poly viscose mix Dope Dyed with a view to ensure shade consistency as also switching over to open tender system of procurement before termination of the existing rates contracts in March/April, 2012 have been moved.

NTC have till now supplied 1.32 lakh uniform items out of 9.57 lakh items (around 4.80 lakh pairs) ordered on them on 29.2.2012 as one time procurement to meet the immediate clothing requirements of NCC. In addition, 1.5 lakh mtrs. of cloth also stands cleared by DGQA. The case for extension of Delivery Period has been finalized so

as to ensure delivery of uniforms by NTC. A proposal to place orders on NTC for supply of 4.10 lakh pairs of uniforms at an estimated cost of Rs. 20.43 crore has also been initiated. After completion of the supplies, the total uniforms for NCC cadets would approximately be 9.65 lakh sets which would be sufficient to provide at least one pair of uniform to the enrolled NCC cadets. The authorisation, likely availability and shortfall of uniform are summarized as under:-

(i) Cadet strength as on date	= 13.80 lakh
(ii) Uniforms approved in Apr. 2010-11	= 9.65 lakh pairs
(iii) Uniform for which supply order has placed on NTC & vendors	= 5.58 lakh pairs
(iv) Balance quantity left uncovered as per NCC Annual Provision Review 2010-11	= 4.07 lakh pairs (rounded off to 4.10 lakh pairs of uniforms)

Microlites

Against a requirement for procurement of 110 Microlite Aircrafts for NCC, tenders were floated to be opened on 22nd June, 2010. At the same time, Indian Air Force was also in the process of procuring 150 Microlites for their requirement as well as the Indian Navy. The requirement of NCC was subsequently merged with IAF after detailed deliberations and with the approval of the Ministry of Defence. The primary advantages of merger were reduced cost due to larger quantity, vast experience/structural support of IAF, robust after sale support/maintenance due to similarity of equipment with Air HQrs. Technical Evaluation of all the microlites offered by various vendors including their Field Trials have been completed by the designated team. Names of members including NCC have been finalized by the Air HQrs for opening of the commercial bids which is expected very shortly.

Recommendation (Para Nos. 35 & 36)

In their various reports, the Committee have been recommending for lateral induction of Ex-Servicemen in Central Armed Police Forces and State Police Forces. However, the Committee found from the reply of the Ministry that the issue is still lingering on and the last meeting was held in this respect way back on 29.11.2011, wherein it was *inter alia*, decided that options may be explored for achieving lateral transfers from the Army to CAPFs and army personnel are incentivized to join and the interests of resident CAPFs are protected. In this regard, Ministry of Home Affairs (MHA) have been requested to suggest

a framework under which lateral transfer of Army personnel to CAPFs could be made keeping in view the suggestions of the Cabinet Secretariats. As informed by the Ministry of Defence, the requisite framework/proposal from Ministry of Home Affairs is still awaited.

The Committee are dismayed to note that even after lapse of more than a year no response has been received from the Ministry of Home Affairs, therefore, they desire that this matter should be vigorously pursued and may be raised in the meetings of high powered Committees, so lateral induction of Ex-Servicemen in Central Armed Police Forces and State Police Forces come into existence and profile of the Army is kept young.

Reply of the Government

As apprised earlier, pursuant to the decision taken in the meeting held in Cabinet Secretariat on 29.11.2011 on the issue of lateral transfer of Other Ranks (ORs) of Army to Central Armed Police Forces (CAPFs), Ministry of Home Affairs (MHA) were requested to suggest a framework under which lateral transfer of Army personnel to CAPFs could be made. However, no framework/proposal has been received from MHA.

In the absence of any framework/proposal from MHA to implement lateral transfers from Army to CAPFs, a meeting under the chairmanship of Additional Secretary was held in this Ministry on 24.06.2013 with the representatives of MHA. A suggestion was made to MHA that, to begin with, lateral induction of service personnel into CAPFs may be commenced on a pilot basis (say about 1000 Nos. initially). A new cadre/sub cadre could be created in the CAPFs for such lateral inductees, which will obviate *inter-se* seniority issues etc. MHA agreed to examine the proposal.

Accordingly, the above proposal has been conveyed to Cabinet Secretariat under intimation to MHA. The recommendations of the Committee in the matter have also been communicated to Cabinet Secretariat and MHA.

Recommendation (Para No. 45)

During discussions on Demands for Grants 2013-14, the Committee came to know that there is a need of Rs. 62,039 crore for Capital Modernization, out of which Rs. 15,000 crore are required exclusively for MMRCA project. It was also informed to the Committee that the LCAs and MMRCAs are contemporary imperative needs of Air Force as the Squadron strength is just 34 against a sanctioned number of 42.

In the first instance, this Committee regret that a huge difference in sanctioned and existing number of Squadrons was allowed at all. This could have been checked since the aircraft have a definite life span and decommissioning – commissioning can be well calculated in advance. The present scenario depicts lack of futuristic planning. Nevertheless, now all out efforts be taken to mitigate this void in squadron strength during the 12th and 13th Plans on priority basis. The Committee may be intimated with regard to the efforts in this direction along with the progress of LCAs and MMRCAs.

Reply of the Government

The phase out and induction plan for the fighter aircraft of the IAF critically balances the twin requirements of combat capability and obsolescence management. At present, the IAF has 34 fighter squadrons against the Government sanctioned strength of 42 squadrons. Since the number of fighter aircraft due for retirement exceeds the rate at which their replacements are being inducted, the number of operational squadrons has reduced to 34. Along with the planned phase out of the MiG-21 and MiG-27 aircraft and induction of additional Su-30 MKI aircraft, the IAF plans to induct two Sqns. of LCA and five Sqns. of MMRCA by the end of the 13th Plan period. Based on the premise that the inductions of the LCA and MMRCA will fructify as envisaged, the IAF will have 35 combat Sqns. by the end of the 13th Plan period. Detailed inputs on the progress regarding the LCA and MMRCA are as under:—

- (a) LCA: The delay in the LCA programme is one of the major causes for shortfall in capability building of IAF. Two contracts have been signed with HAL for procurement of 20 Light Combat Aircrafts in Initial Operational Configuration (IOC) and 20 LCA in Final Operational Configuration (FOC) respectively. The delivery schedule for 20 LCA in IOC configuration for Series Production was from April, 2009 to December, 2011, while that for LCA in FOC configuration is from June, 2014 to December, 2016 and both the delivery schedules are linked to the IOC certification. The IOC certification for LCA has been delayed due to challenges in Design and Development of critical systems. Presently, Aeronautical Development Agency has stated that IOC will be achieved by mid-2013. Thus after IOC is achieved and HAL commences deliveries of series production aircraft, LAC will be inducted.

- (b) MMRCA: M/s Dassault Aviation of France was declared as the L1 vendor on 31 January, 2012. The MMRCA Contract Negotiations Committee (CNC) commenced negotiations with M/s Dassault Aviation of France from 13 February, 2012, which is in progress. 126 MMRCA will be inducted into the IAF between three to eleven years after the signing of the contract.

Recommendation (Para No. 50)

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

Reply of the Government

Budget allocations have been constrained by the overall ceilings conveyed by the Ministry of Finance.

Recommendation (Para No. 58)

During one of the study tours, it came to the knowledge of the Committee that near the floating dock in Port Blair there exists an oil storage tank which is considered to be hazardous. In case of any accident the entire infrastructure of the Naval Management will be affected and may result into irreparable loss. The matter was taken up with the Ministry of Defence and the Committee have been informed that allocation of a suitable area by A & N Administration in the Port Blair Master Plan for this purpose was requested. Besides, M/s IOC has been impressed upon to identify suitable land concurrently. It was further brought to the knowledge of this Committee that M/s IOC has identified land which is presently under lease of M/s Andaman Plantation till December, 2014 and have also taken up with the Chief Secretary

and DC South Andaman for assurance and clarity on its non-encumbrance and feasibility of handing over the land after completion of lease period by December, 2014. The Committee observe that in the first instance, location of IOC Terminal within the Defence Premises in close vicinity of Naval Ship inviting some disaster to happen should not have been allowed. In this regard, accountability has to be fixed at some level and it should be ensured that such lapses do not recur. The Committee should be appraised about the same. Meanwhile, Ministry should endure for temporarily shifting IOC tanker to some safer place till permanent land is allocated to them.

Reply of the Government

The information is being collected and will be made available later.

Recommendation (Para No. 76)

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

Reply of the Government

The reasons for reduced Value of Production (VOP) of the DPSUs indicated by the Committee are explained below:—

In view of the nature of Aircraft and Aeronautical Industry contracts, the production at HAL is on a batch mode production and is not in the nature of mass production. This would result in variation in VOP levels on a year to year basis, depending on orders in hand. As the production of Sukhoi-30 (Phase IV – Raw material stage manufacture), Production of Indigenous LCA and IJT in Series Production mode, Jaguar Darin-III fleet compliance, are scheduled in coming years, there would be increasing trend in the Annual Value of Production at HAL.

Value of production of MDL had declined during 2010-11 and 2011-12 mainly due to delay in receipt of Weapon platforms and indigenous developmental equipment in case Missile Destroyers and

non-availability of critical MPM equipment for Submarine Project. However, due to delivery of these weapon platforms and indigenous developmental equipment for Missile Destroyers project in this year and placement of orders for MPM equipment for Submarine Project, MDL is expected to register higher VOP in 2013-14.

Due to the low order book position of GSL, the VOP has declined considerably. It may be noted that Modernisation is underway in GSL and on completion of the scheduled modernisation programme, GSL's capacity and capability is expected to increase by nearly three times. GSL has been nominated for manufacture of Mine Counter Measures Vessels estimated to cost Rs. 6,000 cr. However, the project is going to take some time. Efforts are being made to secure more orders for GSL.

Reduction in Value of Production in HSL is mainly attributable to low order book position. This has been partially mitigated with a new order from Navy for a classified vessel with which value of production is likely to improve in FY 2014-15. Further, HSL has received nomination from the Ministry of Defence (MoD) for construction of 2 Land Platform Dock, 2 Special Operations Vehicles and P-751 (Submarine) which will lead to consequential increase in Value of Production, once the orders are placed after due approval.

CHAPTER III

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

-NIL-

CHAPTER IV

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

Recommendation (Para No. 2)

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

Reply of the Government

The allocation for Defence expenditure has been constrained by the overall economic and fiscal situation.

Recommendation (Para No. 9)

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

Reply of the Government

Formulation of GSQRs is an elaborate process involving various agencies, wherein views of all stakeholders are taken and issues discussed before finalising the GSQR. The process leading to the approval of GSQR is given in the following paras:—

- (a) GSQRs are drafted by the user directorate at SHQ with required inputs being obtained by issue of RFIs on MoD website and taking additional inputs from internet, defence journals/ magazines etc.

- (b) The draft GSQR thereafter is circulated to other possible user directorates, maintenance directorate, HQ IDS, DRDO, DDP, DGQA/DGAQA, Dte. of Standardisation, Technical Manager and any other branch/department for obtaining their views/comments.
- (c) Subsequently, the draft GSQR is fielded in General Staff Equipment Policy Committee, which is a forum comprising of representatives of all stakeholders/commenting and vetting agencies. Herein, the proposed GSQR is ratified and approved.
- (d) The aforesaid procedure is followed to ensure that GSQRs while remaining broad based are also comprehensive and inputs of the user, DRDO, production and procurement agencies are aligned to ensure expeditious progress of the scheme hereafter. Finalisation of GSQRs prior to accord of AoN has been incorporated in the DPP-2013.

Recommendation (Para No. 15)

On the responsibility of maintenance of roads in Uttarakhand, it was informed that BRO is not getting any fund from the Ministry of Road Transport and Highways for the purpose. Considering the above facts, the Committee desire that adequate allocation should be made to BRO by the Ministry of Road Transport and Highways so that maintenance of roads in Uttarakhand as well as in other border areas would not be a problem and motorability is maintained in all seasons and weather conditions.

Reply of the Government

Ministry of Road Transport & Highways has already been requested for timely release of required maintenance funds. The revision of the scale of these funds is in process.

Recommendation (Para No.22)

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

Reply of the Government

Army had placed a demand for 113 items of ammunition against a Roll-on-indent for the five year period 2009-14; against this demand of Army, OFB could not meet 80% of the requirement for 23 ammunition items. This was mainly on account of capacity constraint and delay in product support from indigenous/import sources. Action is being taken by OFB to reduce deficiencies in supply of such ammunitions in consultation with Army.

The reference by the Committee on bursting of gun during firing pertains to accidents occurring with 125mm Tank Ammunition. The ammunition manufactured by OFB are inspected by DGQA, as per laid down inspection schedule. The ammunition is issued after the same is accepted by DGQA based on conformance to stipulated quality parameters. However, certain defects/accidents were reported by User during bulk exploitation of tank ammunition. A Committee was formed in 2010 to look into the issue of barrel bursting holistically and give its recommendations. These recommendations are under implementation and their implementation will lead to an improvement in quality of ammunition and corresponding reduction in incidences of barrel burst.

The pertinent point is that the indigenization process of an imported ammunition or indigenous development of ammunition from scratch is incremental in nature where success comes through a trial and error approach and a certain degree of failure cannot be avoided. While there is no denying the fact that defective ammunition did reach the User but simultaneously corrective actions have been taken based on the learning in the indigenization process and close interaction with OEM, DRDO, DGQA and User representatives.

Recommendation (Para No. 23)

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

Reply of the Government

As pointed out earlier, Indigenous development of weapon systems, including ammunition is a long drawn process and failures are not uncommon in the learning curve associated with the development process. All the stakeholders, including DRDO, have been working together to resolve the problem and a majority of the issues have been identified and are being resolved.

Ministry had procured certain numbers of 125 mm Fin Stabilised Armoured Piercing Discarding Sabot (FSAPDS) ammunition from M/s IMI Israel. It was also envisaged to manufacture this ammunition at OFB through co-production route. However, this route could not fructify as the firm M/s IMI Israel got debarred from further business dealings with the Ministry.

Ministry has initiated procurement of 66,000 rounds of 125 mm Fin Stabilised Armoured Piercing Discarding Sabot (FSAPDS) ammunition from Russia along with Transfer of Technology for indigenous production to Ordnance Factory Board. In addition, DRDO is also developing indigenous 125 mm FSAPDS MK-II version.

Recommendation (Para No. 24)

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

Reply of the Government

Ministry has been working in close co-ordination with all stakeholders to resolve the above issue. However, as pointed out earlier, failures cannot be eliminated all-together in indigenous development and productionization of weapon systems. However, efforts can be made to minimize the failures. Whenever a failure occurs, representatives from all stakeholders are called and they get involved to address the problem; however the redressal process has been an incremental/evolutionary one.

A structured mechanism already exists to investigate the accidents and suggest recommendations to avoid such incidents in future. Any accident involving defect in and/or failure of weapons, ammunition or explosive is reported to respective Technical Directorates of DGQA by

the User. The concerned Technical Directorate conducts investigation together with the User and the manufacturer. Wherever required, assistance from DRDO is also sought. In addition to it, regular interaction meetings between the stakeholders including DRDO, DGQA, OFB, User do take place where the problems are discussed and efforts made to resolve them.

Recommendation (Para No. 37)

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

Reply of the Government

The revenue allocations have been based upon the increases approved by the Ministry of Finance.

Recommendation (Para No. 38)

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

Reply of the Government

The allocations are based upon the growth rate allowed by the ministry of Finance. However, requirement for additional allocations would be projected at the Supplementary Demands stage.

Recommendation (Para No. 39)

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

Reply of the Government

Requirement of additional funds under the Revenue budget will be projected to the Ministry of Finance at the Supplementary Demand stage, based on the requirement projected by the Air Force and the trend of utilisation of available funds.

Recommendation (Para No. 78)

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

that shortage of resources would lead to compromises in production and modernization, therefore, adequate funds be provided to OFB. At the same time accountability should be fixed at the highest levels in Ordnance Factories for achievement of tangible outputs during the 12th plan period, year-wise. The Committee be apprised about the same.

Reply of the Government

As per Annual accounts of Ordnance Factories, the expenditure (cash flow) under capital head during 2010-11 was Rs. 454.21 Crore and during 2011-12 it was Rs. 278.48 Crore. The reduction in expenditure (cash flow) during 2011-12 was on account of recovery of Rs. 166.34 Crore by en-cashing Bank guarantee of M/s. IMI Israel, consequent upon debarring business dealings with the firm. In fact, the expenditure under capital Head was Rs. 444.82 Crore (278.48 + 166.34) which was almost at the same level as that of 2010-11.

As regards development of modern tank ammunition is concerned, DRDO is already in the process of developing indigenous 125mm FSAPDS MK-II ammunition. In addition the Ministry has also initiated procurement of 66000 rounds of 125 mm Fin Stabilised Armoured Piercing Discarding Sabot (FSAPDS) ammunition from Russia along with Transfer of Technology for indigenous production to Ordnance Factory Board. It is being envisaged to procure requisite modern Plant and Machinery from Russia for indigenous production of this ammunition so as to obviate quality related issues in future.

OFB has planned an investment of around Rs. 15000 Crore on modernization during 12th plan period. This includes investment for replacement of old plant and machinery under 'Renewal & Replacement (RR) Head and procurement of new plant and machinery under New Capital (NC) Head'. The expenditure on modernization is being closely monitored at the level of Board in Ordnance Factories and Ministry. However, OFB shall be requiring timely allotment of funds for keeping their modernization plan on track.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation (Para No. 4)

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

Reply of the Government

The recommendations of the Committee in this regard have been conveyed to the Ministry of Finance *vide* MoD (Fin) I.D. No. 3(4)/Bud-I/2013 dated 18.6.2013.

Recommendation (Para No. 6)

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

Reply of the Government

The recommendations of the Committee have been conveyed to the Ministry of Finance *vide* MoD (Fin) I.D. No. 3(4)/Bud-I/2013 dated 18.6.2013.

NEW DELHI;
16 December, 2014
25 Agrahayana, 1936 (Saka)

MAJ GEN B C KHANDURI, AVSM (RETD),
Chairperson,
Standing Committee on Defence.

ANNEXURE I

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE
ON DEFENCE (2014-15)

The Committee sat on Tuesday, the 25th November, 2014 from 1500 hrs. to 1540 hrs. in Committee Room 139, Parliament House Annexe, New Delhi.

PRESENT

Maj Gen BC Khanduri AVSM (Retd) – *Chairperson*

MEMBERS

Lok Sabha

2. Col Sonaram Choudhary (Retd.)
3. Shri H D Devegowda
4. Shri Sher Singh Ghubaya
5. Shri G Hari
6. Km. Shobha Karandlaje
7. Shri Vinod Khanna
8. Dr. Mriganka Mahato
9. Shri Malla Reddy
10. Shri Rajeev Satav
11. Smt. Mala Rajya Lakshmi Shah
12. Shri A P Jithender Reddy

Rajya Sabha

13. Shri K R Arjunan
14. Shri Rajeev Chandrasekhar
15. Shri Harivansh
16. Shri Tarun Vijay

SECRETARIAT

1. Shri P K Misra – *Additional Secretary*
2. Shri R K Jain – *Joint Secretary*
3. Shri D S Malha – *Director*
4. Shri Lovekesh Kumar Sharma – *Additional Director*
5. Shri Rahul Singh – *Under Secretary*

2. At the outset, the Chairperson welcomed the members to the sitting of the Committee and briefed about the report.

3. The Committee then took up for consideration and adoption of the draft report on Action Taken by the Government on the recommendations/observations contained in the Twentieth Report (15th Lok Sabha) on Demands for Grants (2013-14) of the Ministry of Defence.

4. During the course of discussion, some Members expressed their desire to give their suggestions in writing and sought one week's time for the same. They desired that if Hon'ble Chairperson deemed fit, their suggestions might be included in the Action Taken Report.

5. It was also decided to add additional categorization in para 1 under the heading '*accepted and commented*' in the Action Taken Report.

6. The Committee, then, authorised the Chairperson to finalise the above draft Report in the light of the suggestions received from the Members, if any, and present the report to the House on a date convenient to him.

7. ***

The Committee then adjourned.

***Not related with the Report.

ANNEXURE II

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT OF THE
RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THE
TWENTIETH REPORT (FIFTEENTH LOK SABHA)
ON DEMANDS FOR GRANTS (2013-2014)

	Total	Percentage of Total
1. Total number of recommendations	84	100
2. Recommendations/Observations which have been accepted by the Government (please see Chapter II): Para Nos. 3, 5, 7, 10, 18, 19, 21, 28, 29, 30, 31, 33, 34, 40, 41, 42, 43, 44, 46, 47, 48, 49, 51, 52, 53, 54, 55, 56, 57, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 77, 79, 80, 81, 82, 83, 84	53	63.09
3. Recommendations/Observations which have been accepted by the Government and commented upon (please see Chapter II): Para Nos. 1, 8, 11, 12, 13, 14, 16, 17, 20, 25, 26, 27, 32, 35, 36, 45, 50, 58, 76	19	22.61
4. Recommendations/Observations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):	00	Nil
5. Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon (please see Chapter IV): Para Nos. 2, 9, 15, 22, 23, 24, 37, 38, 39, 78	10	11.90

6. Recommendations/Observations in respect of which Government have furnished interim replies (please see Chapter V): 02 1.68

Para Nos. 4, 6