

SIXTH REPORT
STANDING COMMITTEE ON DEFENCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS
(2015-2016)

CIVIL EXPENDITURE OF THE MINISTRY OF DEFENCE
AND
CAPITAL OUTLAY ON DEFENCE SERVICES
(DEMAND NOS. 21, 22 & 28)

*Presented to Lok Sabha on 27.04.2015
Laid in Rajya Sabha on 27.04.2015*



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

Maj Gen B C Khanduri, AVSM (Retd) – *Chairperson*

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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
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20. Shri A P Jithender Reddy
- *21. Shri Hemendra Chandra
- **22. Shri Rajyavardhan Singh Rathore
- §23. Smt Pratyusha Rajeshwari Singh

* Sad Demise on 05.09.2014.

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

§ Nominated w.e.f. 22.12.2014.

(iv)

Rajya Sabha

24. Shri K R Arjunan
- #25. Shri Anand Sharma
26. Shri Rajeev Chandrasekhar
27. Shri A U Singh Deo
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1. Shri P K Misra — *Additional Secretary*
2. Shri D S Malha — *Director*
3. Shri A K Srivastava — *Additional Director*

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 authorised by the Committee to submit the report on their behalf, present this Sixth Report on 'Demands for Grants of the Ministry of Defence for the year 2015-16 on Civil Expenditure of the Ministry of Defence and Capital Outlay on Defence Services (Demand No. 21, 22 & 28)'.

2. The Defence Services Estimates were laid on 13 March, 2015 and the detailed Demands for Grants of the Ministry of Defence were laid on 20 March, 2015 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 23, 24 and 25 March, 2015. The Committee contemplated over the views expressed by the representatives of the Ministry of Defence for inclusion in reports on Demands for Grants at their sitting held on 06 April, 2015. The draft Report was considered and adopted by the Committee at their sitting held on 24 April, 2015.

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

4. For facility of reference and convenience, the recommendations/ observations of the Committee have been printed in bold letters in Section 'B' of the report.

NEW DELHI;
24 April, 2015
04 Vaisakha, 1937 (Saka)

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

REPORT

PART I

CHAPTER I

INTRODUCTORY

The principal task of the Ministry of Defence is to frame policy directions on defence and security related matters and communicate them for implementation to the Service Headquarters, Inter-Service Organisations, Production Establishments and Research and Development Organisations and also to ensure effective implementation of the Government's policy directions and the execution of approved programmes within the allocated resources.

The Budgetary allocations of the Ministry of Defence are contained under Eight Demands for Grants.

1.2 The budgetary requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, Jammu and Kashmir Light Infantry, etc. and Defence Pensions are provided in two separate Civil Demands for Grants of the Ministry of Defence, viz. Demand No. 21 – Ministry of Defence(Civil) and Demand No. 22 – Defence Pensions. These are not included in the overall defence allocation of Rs. 2,46,727 crore (Rs. 1,52,139 crore Revenue Outlay and Rs. 94,588.00 crore Capital Outlay) in Budget Estimate 2015-2016. The Border Roads Organisation has been shifted from Ministry of Road Transport to Ministry of Defence (Civil) from the Financial year 2015-16 onwards.

1.3 The budgetary requirements for the Defence Services commonly known as Defence Budget are included in the following six Demands for Grants of the Ministry of Defence presented to Lok Sabha:–

Demand No. 23, Defence Services – Army (including NCC, Sainik Schools and DGQA, Rashtriya Rifles, Military Farms and ECHS).

Demand No. 24, Defence Services – Navy (including Joint Staff)

Demand No. 25, Defence Services – Air Force

Demand No. 26, Defence Ordnance Factories

Demand No. 27, Defence Services – Research and Development

Demand No. 28, Capital Outlay on Defence Services, includes All Services and Departments other than those covered by the Demands for Grants of the Ministry of Defence (Civil).

1.4 The 'running' or 'operating' expenditure of the three Services and other Departments viz. DRDO, DGOF, DGQA, NCC, DGAQA and Directorate of Standardization, are provided under the above five Demands (23 to 27), which cater to the requirement of Revenue expenditure, while the sixth, viz. Capital Outlay on Defence Services (Demand No. 28), caters to requirement of the expenditure incurred on building or acquiring durable assets for all Services and Departments other than those covered by the Demands for Grants of the Ministry of Defence (Civil).

1.5 The Revenue expenditure includes expenditure on Pay and Allowances, Transportation, Revenue Stores (like Ordnance stores, supplies by Ordnance Factories, Rations, Petrol, Oil and Lubricants, Spares, etc.), Revenue Works (which include maintenance of Buildings, water and electricity charges, rents, rates and taxes, etc.) and other miscellaneous expenditure. The Capital expenditure includes expenditure on Land, Construction Works, Plant and Machinery, Equipment, Tanks, Naval Vessels, Aircraft and Aero-engines, Dockyards, etc.

1.6 Approval of Parliament is taken for the 'Gross' expenditure provision under different Demands for Grants. Receipts and Recoveries, which include items like sale proceeds of surplus/obsolete stores, receipts on account of services rendered to State Governments/other Ministries, etc. and other miscellaneous items are deducted from the gross expenditure to arrive at the net expenditure on Defence Services. What is commonly referred to as the Defence Budget is the net expenditure thus arrived at for the six Demands, viz. Demands Nos. 23 to 28.

Civil Expenditure of the Ministry of Defence

(i) Grant No. 21

1.7 Major components of Gross Revenue expenditure in Revised Estimates 2014-15 are CSD (Rs. 14250.00 crore), Defence Accounts Department (Rs. 1158.77 crore), Coast Guard Organisation—CGO (Rs. 1265.00 crore), MoD Secretariat (Rs. 142.70 crore), Defence Estates Organisation (DEO) (Rs. 404.30 crore), Jammu and Kashmir Light Infantry (J&K LI) (Rs. 979.84 crore), etc. In the Capital Outlay of Rs. 1195.47 crore in the Revised Estimates-2014-15, the major allocations are for the Capital Outlay on other fiscal Services—customs Rs. 1140.00 crore, construction of Office and residential buildings (Rs. 41.40 crore and Rs. 11.14 crore) and Miscellaneous Loans for URC by CSD Rs. 2.60 crore,

etc. The BE 2015-16 for BRO is Rs. 3130.57 crore and Rs. 450.00 crore under Non-plan expenditure and Plan expenditure respectively. There are recoveries of Rs.100.00 crore under Non-Plan expenditure in r/o Border Roads Organisation. The provisions in BE and RE 2014-15 and BE 2015-16 under Demand No. 21 are given below:—

	(Rs. in crore)		
	BE 2014-15	RE 2014-15	BE 2015-16
Gross Revenue	14957.15	18271.76	20189.19
Capital	1620.72	1195.47	3688.03
Gross Expenditure	16577.87	19467.23	23877.22
Receipts (R) (CSD)(-)	11375.00	14575.00	14924.62
Recoveries (BRO) (-)	—	—	100.00
Net Expenditure	5202.87	4892.23	8852.60

Defence Pensions

(ii) Grant No. 22

1.8 Defence Pensions, under Ministry of Defence, provides for pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three Services viz. Army, Navy and Air Force and also employees of Ordnance Factories, etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment, etc.

1.9 The position of budgetary allocation for defence pensions during past years and the current year is given as under:—

Details of the Outlay on Defence Pensions

	(Rs. in crore)
Actuals 2013-14	45,499.54
BE 2014-15	51,000.00
RE 2014-15	50,000.00
BE 2015-16	54,500.00
Percentage variation in BE 2015-16 over BE 2014-15	9.89
Percentage variation in BE 2015-16 over RE 2014-15	9.00

1.10 An increase of Rs. 4,500 crore in BE 2015-16 over RE 2014-15 is mainly due to increase in the number of pensioners and other retirement benefits. There is also increase in amount of Gratuity, Family Pension, Leave Encashment and Superannuation and Retirement Benefits as a result of increase in number of retirees, etc.

1.11 In this Report the Committee are commenting on Demand No. 21, 22 (Civil Expenditure of Ministry of Defence) and Demand No. 28 (Capital Outlay). The Report consists of two sections viz. Section A and Section B. Section A consists of narration portions and has ten chapters. Chapter II to Chapter IX pertain to Civil Expenditure of Ministry of Defence (Demand No. 21 and 22) and General Defence Budget, Chapter X pertains to Capital Budget for Defence Services (Demand No. 28) Section B of the Report consists of Recommendations in two parts *i.e.* Part I and Part II.

CHAPTER II

GENERAL DEFENCE BUDGET

Defence Preparedness

Regarding defence preparedness, the Ministry in its written reply stated as under:

The primary function of the Armed Forces is to defend the country in the event of conventional armed conflict. The goals for the Armed Forces are clearly laid out by the Government.

The operational preparedness of the Armed Forces has to be measured in relation to possible adversaries and their capabilities. As such, it needs to be reviewed and evaluated at regular intervals.

The Headquarter of Integrated Defence Staff (IDS) has prepared the Long Term Integrated Perspective Plan (LTIPP) for 15 years (2012-27) as well as Service Capital Acquisition Plan (SCAP) 2012-17 (12th Five Year Plan) which has been approved by the Defence Acquisition Council (DAC).

There exists a requirement of State-of-Art, Current and Old Vintage equipment in the ratio of 30:40:30 respectively. This is an ongoing process with the development of weapons at Defence Research and Development Organisation (DRDO), production by Ordnance Factory Board (OFB) or trade with import of modern and conventional weapons and phasing out of outdated weapons. As regards ammunition, Ammunition Roadmap has been prepared to address the shortage in Indian Army, which is over and above 'Five Year Ammunition Roll on Plan' indented on OFB.

There has been improvement in operational preparedness of Armed Forces as a result of sustained efforts in Defence Acquisition and Defence Production. Systems for acquisition and monitoring have been put in place for ensuring that our Defence preparedness needs are evaluated, projected and meet to the extent that our resources and other constraints permit.

2.2 It was further added by the Ministry that the Armed Forces remain in a state of operational preparedness to meet any eventuality. In a dynamic global strategic scenario and prevailing politico-strategic condition in our neighbourhood, it would be difficult to predict the extent and scope of a war. However, the Government is seized of all

the strategic dynamism and accordingly all necessary steps are taken to defend our interest in any scale of war.

2.3 As regards the shortage of weapons and communication the Ministry in their written reply stated as under:—

“The Government has taken into consideration the deficiencies in some of the critical ammunitions on priority and has also taken effective steps to mitigate the deficiencies to ensure desired level of Operational-preparedness commensurate to threat perception in a dynamic strategic scenario. A system of long term five years roll on indents has been introduced and a road map on ammunition has been approved which envisages procurement ex-import and ex-trade to build up adequate targeted stocks with three years training requirement. An institutionalized mechanism in the form of Working Group to review critical items of ammunitions and issues of spares, barrels, overhaul programme of infantry and mechanized forces have also been set up.”

2.4 On being asked about is the required (Authorized) and existing (held) force level, armaments equipment, aircraft in respect of three Services separately for the last five years. The Ministry in its written reply stated as under:—

Details of authorized and held strength of officers and jawans in the Armed Forces are as under:—

	Army		Navy (As on 31.1.2015)		Air force	
	Officers (As on 1.1. 2015)	Other Ranks (As on 1.10.2014)	Officers	Sailors	Officers (As on 1.11.2014)	Airmen (As on 1.9.2014)
Authorized Strength	49,737	11,68,967	10,149	65,596	11,864	1,35,105
Held Strength	40,095	11,42,292	8,827	54,339	11,507	1,31,711

2.5 Details of the shortage of the manpower in the Armed Forces, service-wise for the last three years are as under:—

	Army		Navy		Air Force	
	Officers	Other Ranks	Officers	Sailors	Officers	Airmen
	1	2	3	4	5	6
9642 (As on 1.1.2015)	26675 (As on 1.10.2014)	1322 (As on 31.1.2015)	11257 (As on 31.1.2015)	152 (As on 2.2.2015)	2951 (As on 1.11.2014)	

1	2	3	4	5	6
9590 (As on 1.1.2013)	22841 (As on 1.4.2013)	1999 (As on 30.6.2013)	13373 (As on 30.6.2013)	783 (As on 1.7.2013)	3625 (As on 1.7.2013)
10100 (As on 1.7.2012)	26433 (As on 1.10.2012)	2054 (As on 31.12.2012)	14512 (As on 31.12.2012)	667 (As on 1.2.2013)	7000 (As on 1.12.2012)
11655 (As on 1.1.2012)	32431 (As on 1.10.2011)	2129 (As on 31.3.2012)	15252 (As on 31.3.2012)	403 (As on 1.5.2012)	6760 (As on 1.5.2012)
11104 (As on 1.7.2011)	44624 (As on 1.7.2011)	2059 (As on 31.10.2011)	13491 (As on 31.10.2011)	561 (As on 1.11.2011)	8311 (As on 1.11.2011)

In Army, deficiencies in officer cadre are existing since independence. As per available records, the shortages in Air Force are since 1984. Shortage of manpower in Indian Coast Guard has existed since long and is being made good by enhance recruitment and conduct of special recruitment drives.

In order to address the shortage of offices and jawans in the Armed Forces, Government has taken a number of measures to encourage the youth to join the Armed Forces, including conduct of recruitment rallies, media campaign etc. Further, Government has taken various steps to make armed forces jobs attractive for youngsters. These include implementation of the recommendation of the 6th Central Pay Commission with improved pay structure, additional family accommodation through Married Accommodation Projects and improvement in promotion prospects in the Armed Forces.

Further, force accretion of the Armed Forces and development of their combat capabilities to tackle the entire spectrum of security challenges is an ongoing process dictated primarily by capabilities to be achieved, threat perceptions, prevailing external strategic security environment and emerging technologies. The Armed Forces periodically review the security challenges based on threat perception and undertake necessary updation in the warfare doctrines. Necessary emphasis is also being given by the Armed Forces to developing greater jointness among them. Government is taking necessary measures to ensure that the Armed Forces are appropriately equipped to tackle the range of challenges. The forces accretion programme is being pursued in accordance with the Long Term Integrated Perspective Plan and the 12th Defence Plan (2012-17).

Induction of the equipment including tanks, aircraft, aircraft carrier etc. in the inventories of the Armed Forces is an ongoing process which are reviewed from time to time and necessary steps taken.

Information regarding required (Authorized) and existing (held) level of armaments equipment, aircraft for each of services has been sought by Standing Committee *vide* Question No. 8(i) under Demand No. 22 for Army; *vide* question No. 13 and 14 under Demand No. 23 for Navy and question No. 13, 14, 15 and 16 of Demand No. 24 for Air Force. Replies are being furnished against these questions separately.

Self Reliance in Defence Production

2.6 The total expenditure on direct payments to foreign vendors for Capital Acquisitions is as under:—

(Rs. in crore)

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Army	1659.36	800.39	424.82	884.84	1365.71
Air Force	4226.28	4364.82	15258.11	19220.95	20927.55
Navy	4576.83	4746.88	6532.37	5968.80	12577.81

Distribution of BE 2015-16

(Service-wise)

(Rs. in crore)

	Revenue	%age	Capital	%age	Total (Rev.+Cap.)	% age (Total)
Army	1,04,158.95	68.46	27,349.54	28.91	1,31,508.49	53.30
Navy	15,526.64	10.20	25,003.24	26.43	40,528.88	16.43
A.F.	23,000.09	15.12	33,686.75	35.62	56,686.84	22.98
DGOF	2,884.23	1.90	760.07	0.81	3,644.30	1.48
R&D	6,570.09	4.32	7,788.40	8.23	14,358.49	5.82
Total	1,52,139.00	100.00	94,588.00	100.00	2,46,727.00	100.00

Outlay on Modernization (Rs. in crore)

Modernization (Capital Acquisition)	BE	RE	BE	Growth %	
	2014-15	2014-15	2015-16	BE to BE	RE to BE
Army	20,935.41	16,927.35	22,054.50	5.35	30.29
Navy	21,911.99	17,075.24	23,360.90	6.61	36.81
Joint Staff	482.24	330.75	480.67	(-)0.33	45.33
Air Force	31,818.39	31,818.39	31,510.62	(-)0.97	(-)0.97
Total	75,148.03	66,151.73	77,406.49	3.01	17.01

Trend of Utilisation of Defence Budget

Year	B.E.	R.E.	Actuals	% age
				Utilisation
2009-10	1,41,703.00	1,36,264.00	1,41,781.08	104.05
2010-11	1,47,344.00	1,51,581.69	1,54,116.71	101.67
2011-12	1,64,415.49	1,70,936.81	1,70,913.28	99.99
2012-13	1,93,407.29	1,78,503.52	1,81,755.78	101.83
2013-14	2,03,672.12	2,03,672.12	2,03,499.35	99.92
2014-15	2,29,000.00	2,22,370.00	1,93,923.54	87.21

Offset Clause

2.7 The Ministry of Defence (MoD) has mandated discharge of offset obligations by vendors under different categories of defence acquisitions with the primary objective of leveraging its capital acquisitions to develop the Indian defence Industry by: (i) fostering development of internationally competitive enterprise; (ii) augmenting capacity for research, design and development related to defence products and services; and (iii) encouraging development of synergistic sectors like civil aerospace and internal security. The offset provision apply to all Capital Acquisitions categorized as 'Buy (Global)', *i.e.* outright purchase from foreign/Indian vendor, or 'Buy and Make with Transfer of Technology', *i.e.* purchase from foreign vendor followed by Licensed Production where the estimated cost of the acquisition proposal is 300 crore or more. They apply to Indian firms or their Joint Ventures under "Buy (Global)" procurements. 30 per cent of the estimated cost

of the acquisition in 'Buy (Global)' category acquisitions and 30 per cent of the foreign exchange component in 'Buy and Make with ToT' category acquisitions will be the required value of the offset obligations. Further, foreign vendors could consider creation of offset programmes in anticipation of future obligations through offset programmes in anticipation of future obligations through offset banking. The offset policy was introduced in 2005 and thereafter, has successively evolved to put emphasis on the capacity augmentation for Research, Design and Development related to Defence products and services by making it as a key policy objective. The policy further enlarged the scope of the avenues for discharge of offsets and included the option of provision of investment in kind in Indian enterprises in the form of equipment and/or ToT.

2.8 On being asked regarding the gains of the offset provisions and Defence Procurement Procedure (DPP) the Ministry in its written reply stated as under:—

“The key objective of the Defence Offset Policy is to leverage capital acquisitions to develop Indian defence industry by:—

- (a) Fostering development of internationally competitive enterprises;
- (b) Augmenting capacity for Research, Design and Development related to defence Products and services; and
- (c) Encouraging development of synergistic sectors like civil aerospace and internal security.

The offset policy mandates foreign OEM's to discharge offset obligations through combination of permissible avenues *w.r.t.* eligible product and services in all procurements cases where cost of the capital acquisition is Rs. 300 crores or more. As on date, a total of 25 Defence offset contracts have been signed in MoD out of which 16 cases pertain to Indian Air Force and 06 cases of Indian Navy and 03 of Indian Army. The total offset obligations are estimated at approx. Rs. 29,274 crores (4.87 BUSD) over a period from 2008–22.

These offset contracts are under different stages of implementations by the foreign OEMs. Once executed, it is estimated that the respective contract shall cause, on account of offset provisions, generation of substantial business to Indian industries thus strengthening the defence industrial base. It shall also facilitate

the Indian domestic industry to be a vital part of the supply chain of the major global defence industries reaping in more benefits.

Further, due to liberalised banking provisions, the OEMs are expected to invest more in Indian Industries which shall spur growth in the related areas independent of the existence or otherwise of any immediate main acquisition proposal the effect of which shall be visible in near future and the commensurate gains shall be visible in coming years.

Learning from the experience in implementing the Offset policy over the years since DPP 2005, the Ministry has gradually liberalized and fine-tuned the Offset Policy and the guidelines thereof to factor in the difficulties encountered in the implementation of the offsets to strengthen the domestic defence industrial base together with other synergic sectors. This has resulted in the enlargement of the available avenues for discharge offsets together with amplification of the products and services and specifying other measures making them more users friendly notably.

- a. Graduating successively from only public enterprises to include both private and public enterprises as offset partners.
- b. Specifying and enlarging the products and services qualifying as eligible.
- c. Allowing banking of the offset credits and enhancing the period of utilization.
- d. Inclusion of civil aerospace and homeland security sectors.
- e. Equity and non-equity investments.
- f. Investment in kind in terms of transfer of technology/ equipment to Indian enterprises, Government institutions and establishment including DRDO.
- g. Incentivizing active envelopment of MSME, by inclusion of multipliers.
- h. Enabling acquisition of state of art critical technologies by DRDO.
- i. Allowing Tier I sub-vendors to discharge the obligations; extension of the discharge time-frame; specifying the mandatory offsets; enhancing the reporting cycle to 6 months.

2.9 It was further added by the Ministry that the Ministry has setup a “Defence Offsets Management Wing” (DOMW) under the Department of Defence Production in August 2012 and has entrusted it with following responsibilities:—

- (a) Formulation of Defence Offset Guidelines;
- (b) Monitoring the discharge of offset obligations, including audit and review of progress reports received from vendor;
- (c) Participation in Technical and Commercial evaluation of offset proposals as members of TOEC and CNC;
- (d) Implementation of Offset banking guidelines;
- (e) Administration of penalties under offset contracts in consultation with Acquisition Wing;
- (f) Assisting vendors in interacting with Indian Industry; and
- (g) Other responsibilities assigned under offset guidelines or entrusted by the Government.

Post formations, DOMW has been engaged in streamlining and strengthening the process of monitoring the discharge of obligations and has taken significant measures to achieve the same. The institutional framework put in place to address issues relating to defence offsets is illustrated below.

- (a) A collegiate mechanism has been evolved comprising of senior officers from three services, finance and legal department headed by JS/DOMW to oversee all matters pertaining to effective and efficient implementation of the offset policy.
- (b) The office of CGDA has been approved as the nominated audit agency to audit the offset discharge claims.
- (c) A Committee under the Chairmanship of AS/DP for examination of offset banking proposal has been constituted with the approval of Hon’ble Raksha Mantri. The Committee has formulated SOPs and checklists for the examination of the proposals received from the vendors.
- (d) DOMW has also been constantly engaging with the vendors and other stake holders and responding to their queries in a regular manner through meetings and interactions. A facilitation mechanism has been evolved in the SCOPE complex to assist the vendors on various issues under the offset policy.

DOMW has been involved in the monitoring of the offset discharge claims received from the vendors during the discharge of the contracted offset obligations. As on 31st March 2014 amounts to 1.37 BUSD approx. against which the vendors have reported discharge claims worth 840 MUSD approx. through their quarterly reports. These discharge claims have been handled at DOMW and after *prima facie* examination, claims worth 676 MUSD approx. have been sent to audit and interim penalty amounting to 34 MUSD approx. has been processed against shortfalls reported. In addition, DOMW has been regularly participating in the different TOECs and the CNCs of on-going cases (44 in nos.) resulting in the conclusion of 18 out of 36 in all and signing of 4 offset contracts during last financial year.

The OEMs who participate in offset contracts in general are large international Defence manufacturers/conglomerates/part of big consortia. These international enterprises are expected to have mature mechanisms to remain internationally competitive and to maintaining global quality standards. While entering into an offset contract, the OEMs are granted full liberty in selecting their Indian Offset Partners. The IOPs are chosen as per their core competencies, quality standards and cost effectiveness. The selected IOPs by virtue of being integrated in the global supply chain of these large Defence manufacturers have to necessarily become and remain internationally competitive. Thus, the offset policy in general, aims to encourage the Indian enterprises, both public and private, to become a key player in the highly competitive and cost conscious international defence market in their respective areas of expertise. Through this avenue, the long term benefits accrued to the Indian Defence industry is estimated to be substantial.

(iv) There have been instances where offsets as promised could not be materialized, the Ministry was asked to give details of such cases and action taken by the Ministry in this regard. The Ministry has stated as under:—

“Offset contracts are long term and are at various stages of implementation. Vendors report the offset discharge undertaken through quarterly status reports which is monitored. The offset guidelines provide for imposition of penalty in case of shortfalls in annual offset discharge by the vendor. In eleven offset contracts, penalty/interim penalty has been imposed on shortfalls in offset discharge by the vendor. The total penalty that has been imposed works out to 34.6 MUSD approx.”

High Power Committees

2.10 When asked about the details regarding High Level Committees appointed by the Government in matters related to Defence in the last 25 years the Ministry in its written reply stated as under:—

The major recommendations made by High Power Committees and status of implementation of these recommendations are annexed (Annexure):

CHAPTER III

BORDER ROAD ORGANIZATION

The BRO was raised in 1960 under Border Roads Development Board with then Prime Minister Jawaharlal Nehru as its Chairman. BRO is led by the Director General of Border Roads, who is of the rank of Lieutenant General. BRDB is headed presently by Rajya Raksha Mantri as Chairman of the BRDB, Government of India (Allocation of Business Rules—1961) has been amended *vide* notification dated 09 January, 2015 to include all matters relating to Border Roads Development Board and Border Roads Organization (BRO) in the list of Business allocated to Ministry of Defence.

3.2 BRO constructs and maintains strategic roads that serve the border areas of the country, India. It is staffed with a combination of Border Roads Engineering Service Officers, Administrative Officers, Medical Officers and Hindi Officers from the General Reserve Engineer Force (GREF) and officers from the Corps of Engineers, Electrical and Mechanical Engineers, ASC Officers and Officers of Military Police and Personnel of the Indian Army. The organisation develops and maintains arterial roads on the borders of India. Apart from road construction, the BRO is also involved in the construction of a tunnel at the Rohtang pass. BRO's activities have also helped to accelerate the economic development of the North and North-Eastern border States of India. The road construction teams have to deal with harsh climatic conditions. BRO faces environments like the icy Himalayan mountaintops, the marshes of West Bengal, and the deserts in Rajasthan. The BRO builds and maintains roads at high altitude; some of the BRO roads are built as high as 5,608 metres (18,399 ft.) above mean sea level.

3.3 The Border Roads Organisation has completed over 50,000 kilometres of roads and 39 km. of permanent bridges. BRO has operations in thirteen States, including the Andaman and Nicobar Islands, a Union Territory.

3.4 On being asked regarding the areas where compromises have been made or are likely to be made due to reduced budgetary allocation against the projections made by the BRO, the Ministry in its written reply stated as under:—

“At the Revised Estimate (RE) stage, Ministry of Finance imposes ceiling on the allocation of budget based on the actual expenditure incurred during the last financial year, actual expenditure incurred

up to third quarter in the current financial year and as per the guidelines issued from time to time for austerity measures, due to which the following works are affected:

- (i) Resurfacing works planned on roads is reduced.
- (ii) BRO is a work charged Organisation due to which the Pay and Allowances of BRO Personnel's is kept as liability for the next financial year and full utilization of resources could not be done.
- (iii) Payment for the procurement of Vehicles/Equipment/Plants is kept as liability for the next financial year.

In order to enhance the expenditure of BRO up to third quarter, a number of measures have been taken, such as enhanced delegation of powers to ground executives, outsourcing of maintenance, outsourcing of 4 roads to central Public Sector Units (CPSUs), outsourcing of DPR preparation and DGBR has been delegated powers to issue new/revise standard schedule of rates.”

3.5 Regarding the details of additional allocation sought by the BRO the Ministry in its written reply furnished the following details:—

Year	Revised Estimate Demand (Rs. in crores)	Final Allocation (Rs. in crores)
2013-14	5132.45	4178.36
2014-15	5217.84	4413.84
2015-16	5748.84 (BE demand)	3480.57 for GS Works Allocated by Ministry of Finance.

3.6 Regarding the expenditure position in absolute and percentage terms during the first, second, third and fourth quarter of each financial year 2012-13, 2013-14, 2014-15 and 2015-16, the Ministry in its written reply stated as under:—

Year	Allotment (Rs. in crore)	Quarter-wise Expenditure (Rs. in crore)							
		upto First Quarter	%	upto Second Quarter	%	upto Third Quarter	%	upto Fourth Quarter	%
2011-12	4486.05	566.62	12.63	1401.00	31.23	2406.26	53.64	4093.05	91.23
2012-13	4270	573.39	13.43	1534.37	36.00	2519.07	59.00	4087.63	95.75
2013-14	4178.36	603.88	14.45	1681.55	40.24	2756.14	65.96	4102.04	98.17
2014-15 (Upto January 2015)	4413.84	641.84	14.54	1622.21	36.75	2733.73	61.94	3037.38	68.81

Capital and Revenue Ratio

3.7 The details of Capital and Revenue allocated for BRO for the last five years is given below:—

Sl.No.	Year	Allocation of Capital budget (Rs. in crs.)	Allocation of Revenue budget (Rs. in crs.)	Total	Ratio Capital Revenue
1.	2010-11	4146.52	929.72	5076.24	4.46
2.	2011-12	3330.54	1131.79	4462.33	3.00
3.	2012-13	3154.38	1165.40	4319.78	2.70
4.	2013-14	3027.60	1150.73	4178.33	2.63
5.	2014-15	3141.55	1272.29	4413.84	2.50

Authorised and Existing strength of BRO

Category	Strength Authorised	Strength held
Officers	1899	1316
Subordinate Staff	40747	33613

3.8 The details of requirement of V/E/P and held is given below:—

Type of Equipment	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14	
	Require-ment	Held	Require-ment	Held	Require-ment	Held	Require-ment	Held	Require-ment	Held
Dozer-II Equivalent	1206	880	1149	1009	1429	1083	1428	1144	1828	1426
Stone crusher all types	396	212	555	182	573	223	708	141	507	176
Road Roller	1118	796	1065	858	1039	749	1023	790	1079	799
Air Compressor	820	516	779	652	1058	785	1075	853	1040	848
Hot Mix Plant	83	56	118	87	108	89	126	91	118	89
Wet Mix Plant	20	10	20	16	24	11	35	29	40	30
Paver Finisher	212	67	119	89	145	93	157	121	139	119
Tipper	3957	2810	3627	2987	5060	2940	5837	2856	5299	3378

3.9 Moreover, based on the requirement and holding of V/E/P of BRO, Annual Procurement Plan (APP) for each year is approved for

procurement of required V/E/P. The details of approved APP for various years are given below:—

Year	Amount (Rs. in crores)
2009-10	250.76
2010-11	380.80
2011-12	429.80
2012-13	469.77
2013-14	403.13
2014-15	459.37

In order to induct the latest V/E/P in BRO and complete the preparatory action for timely procurement a Long Term Equipment Plan (LTEP) 2014-15 to 2018-19 amounting to Rs. 3913.47 crores has been approved.

3.10 On being asked about the status of roads in difficult areas in Uttarakhand and North-East region and problem encountered in these area the Ministry in its written reply stated as under:—

“73 roads are identified as strategic Indo-China border roads, out of which 61 roads have been entrusted to Border Roads Organisation with a length of 3410 km. 19 roads of length 625 km. have been completed. The status of remaining roads is as under:—

- (i) 24 Nos. roads connectivity achieved.
- (ii) 16 roads work in progress.
- (iii) 2 roads work is yet to commence due to pending wildlife clearance (Road Flag hill-Dokala) and non-receipt of approval of realignment from MHA (Road Thimbu-Mago-Chuna).”

3.11 The State-wise details of roads are given as under:—

State	Works in progress	Completed
Jammu & Kashmir	9	3
Himachal Pradesh	1	4
Uttarakhand	13	1
Arunachal Pradesh	17*	10
Sikkim	2*	1
Total	42*	19

*2 roads work is yet to commence due to pending wildlife clearance (Road Flag hill-Dokala) and non-receipt of approval of realignment from MHA (Road Thimbu-Mago-Chuna).

3.12 The completion schedule for these roads is as under:—

- (i) 2015 : 16 roads
- (ii) 2016 : 13 roads
- (iii) 2017 : 9 roads
- (iv) 2018 : 2 roads
- (v) Beyond 2018 : 2 roads

3.13 There are certain delays in execution of road projects mainly due to the following reasons:—

- (i) Delay in Forest/Wildlife clearance.
- (ii) Hard rock stretches.
- (iii) Limited working season.
- (iv) Difficulties in availability of construction material.
- (v) Due to natural disaster such as flash flood of Leh in 2010, J and K flood in 2014 and earthquake in Sikkim in 2011, resources are diverted.
- (vi) Delay in land acquisition.

Issues related to land acquisition, environmental clearance, lack of quarries etc. are impediments to the smooth progress of work. Chief Secretaries of various State Governments have been requested to constitute Empowered Committees under their chairmanship with secretaries of concerned Departments as members to resolve issues that affect progress of works by BRO. In addition, a case has been taken up with Chief Secretary, Uttarakhand to resolve the following issues:—

- (i) **Forest Clearance:** As per MoEF O.M. dt. 4 July 2014 and 28 Oct. 2014 powers to State Government has been delegated for according forest clearance for road projects falling within 100 km. aerial distance from Line of Actual Control (LAC)/ link roads leading to these border roads. At present 33 proposal of forest clearance are in process with the State Government.
- (ii) **Allotment of Stone/Sand quarries:** To facilitate road construction along the border BRO has approached the State Government for allocation of quarries.

- (iii) **Installation of Stone Crusher and Hot Mix Plant:** To facilitate road construction along the border BRO has approached the State Government for permission for erection of crushers and Hot Mix Plants.
- (iv) **Land Acquisition Cases:** 31 proposal of land acquisition are in process with the State Government.

3.14 Regarding any difficulty in maintenance of existing road the Ministry in its written reply stated as under:—

The following difficulties are faced by BRO in maintenance of existing roads:—

- (i) Adverse and harsh climatic conditions.(Severe cold/snow covered areas)
- (ii) Non-availability of sufficient labours.
- (iii) Limited working seasons due to prolonged monsoons from May to September every year.
- (iv) Repeated damages due to landslides, natural calamities *i.e.* flash floods, cloud burst etc.
- (v) Non allocation stone/sand quarries by the State Governments.
- (vi) Weak geological strata/formation especially in North Eastern region causing sinking/formation breaches.
- (vii) Due to insurgency affected areas.
- (viii) Reduction in allocation of maintenance budget.

In order to facilitate the maintenance of existing roads the following measures have been taken:—

- (i) DGBR has been delegated powers to fix rates for maintenance and snow clearance grants.
- (ii) Enhanced delegation of powers to ground executives, amendment to Border Roads Regulation Para 611 and 614 for outsourcing of maintenance, outsourcing of 4 roads to Central Public Sector Units (CPSUs), outsourcing of DPR preparation and DGBR has been delegated powers to issue new/revise Standard Schedule of Rates (SSR).
- (iii) From BE 2015-16 onwards funds will be made available under demand 21 of Ministry of Defence (civil) instead of Ministry of Road Transport and Highways.

3.15 During the course of evidence, Defence Secretary stated as under:—

“Some other small changes if I may mention, for example as regards the manpower the unfortunate thing is that at the moment the care and security of manpower is a casualty in BRO. We lose at the rate of one man per day. That is something which is extremely dissatisfying and probably not acceptable at all.”

3.16 He has further added:—

“In maintenance, for example, the snow clearance grant had been a problem. This is again a responsibility which has been given to BRO. We said, “You know what is the best and you take your decisions. We are not interfering”. What we have been attempting to do is to empower the BRO’s ground level executives to deliver results.”

3.17 Regarding escalations of revised estimates, the Defence Secretary stated as under:—

“This delinking of pay and allowance is the absolute imperative because otherwise when the labour is sitting idle during the rainy season or during snow, that adds up to the project cost and then they keep on going for Revised Estimates, which takes a long time. This essentially is the point which you had made that we need to change the system of unshackling them so that they can work as per the actual requirements.”

3.18 Regarding new technology for building roads at high altitude the Defence Secretary stated as under:—

“We have said that we do not understand how at 14,000 feet you would make a blacktop road. It is absurd to do a blacktop road on those heights and, therefore, new technologies must be introduced and BRO has already started working on new technologies. If BRO is told as it is being told today that for a blacktop road, you need to bring stone aggregates, macadam and so on and so forth, it is not possible to make a very quick progress. We have earmarked ten per cent of their budget in experimenting only for new technologies.”

3.19 The details of Planned and Achievement of targets for the last three years are given below:—

Sl.No.	Item	2011-12		2012-13		2013-14	
		Planning	Achievement	Planning	Achievement	Planning	Achievement
1.	Formation (Equivalent CL-9)	3172.28	1959.96	2374.20	1668.77	2756.74	1548.08
2.	Surfacing (Equivalent CL-9)	4764.82	2389.02	3705.02	2420.46	4465.18	2193.80
3.	Resurfacing (Equivalent CL-9)	2717.25	2223.79	2837.31	1737.84	2311.46	1968.47
4.	Permanent works (Rs. in crores)	2465.96	1151.11	1771.57	958.86	2165.21	1115.18
5.	Major Bridges (in metre)	5673.65	3148.86	3862.47	2461.94	6475.61	2312.07

73 roads are identified as strategic Indo-China border roads, out of which 61 roads have been entrusted to Border Roads Organisation with a length of 3410 km., which were planned to be completed by 2012. 19 roads of length 625 km. have been completed. The status of remaining roads is as under:—

- (i) 24 Nos. of roads connectivity achieved.
- (ii) 16 roads work in progress.
- (iii) 2 roads work is yet to commence due to pending wildlife clearance (Road Flag hill-Dokala) and non-receipt of approval of realignment from MHA (Road Thimbu-Mago-Chuna).

The revised completion schedule for these roads is as under:—

- (i) 2015 : 16 roads
- (ii) 2016 : 13 roads
- (iii) 2017 : 9 roads
- (iv) 2018 : 2 roads
- (v) Beyond 2018 : 2 roads

In order to expedite the completion of Strategic roads the following steps have been taken to improve capacity/quality of works in BRO:—

- (a) **Long Term Roll On Works Plan (LTROWP):** Long Term Roll On Works Plan (LTROWP) for Rs. 21,333 crore has been finalized to help BRO to get clearances and complete the

preparatory works/estimates in advance and so that works can be taken up in time without having to wait for approval of Annual Works Plan (AWP).

- (b) **Outsourcing of DPR preparation:** Delegated powers of DGBR for outsourcing consultancy services for preparation of DPRs has been enhanced to Rs. 200 lacs from present Rs. 10 lacs to enable DGBR to take up preparation of DPR for whole the length of road in one go through outsourcing.
- (c) **Amendment of Border Roads Regulations:** A proposal to allow BRO to outsource maintenance activities as well as works has been considered (Para 611 and 614 of BR regulation) and approved. The proposal to empower Chief Engineer to sanction preparation of Detailed Project Report (DPR) once a road is included in BRDB Programme without linking it to Annual Work Plan (AWP) has been considered (Para 545 of BR Regulations) and approved.

CHAPTER IV

COAST GUARD ORGANISATION

The duties and functions of Coast Guard are mentioned in section 14 of Coast Guard Act, 1978, as under:—

- (a) Sec. 14 (1) of the Coast Guard Act states that, “It shall be the duty of the Coast Guard to protect by such measures, as it thinks fit, the maritime and other national interests of India in the maritime zones of India”.
- (b) Sec. 14 (2) of the Coast Guard Act spells out the following functions for the Coast Guard:—
 - (i) Ensuring the safety and protection of the artificial islands, offshore terminals, installations and other structures and devices in any maritime zone;
 - (ii) Protection to fishermen including assistance to them at sea while in distress;
 - (iii) Taking such measures as are necessary to preserve and protect the maritime environment and to prevent and control marine pollution;
 - (iv) Assisting the customs and other authorities in anti-smuggling operations;
 - (v) Enforcing the provision of such enactments as are for the time being in force in the maritime zones; and
 - (vi) Such other matter, including measures for the safety of life and property at sea and collection of scientific data, as may be prescribed.
- (c) In addition to the duties and functions prescribed in the Coast Guard Act, ICG has been given additional responsibilities by the Government of India, which include:—
 - (i) Coordinate among state and central agencies and other stake-holders for strengthening Coastal Security mechanism in Territorial Waters.
 - (ii) Enforcement, monitoring and surveillance of Deep Sea Fishing.
 - (iii) Assist civil administration for disaster response.
 - (iv) Lead Intelligence Agency for coastal and sea borders.

4.2 Regarding the role and responsibilities of Coast Guard the Ministry in its written reply stated as under:—

As per the Coast Guard Act, 1978, the Indian Coast Guard (ICG) has been mandated with the duty to protect by such measures, as it thinks fit, the maritime and other national interests of India in the maritime zones of India. The following responsibilities are specifically provided for the ICG:—

- (a) Ensuring the safety and protection of artificial islands, offshore terminals, installations and other structures and devices in any maritime zone;
- (b) Providing protection and assistance to fishermen at sea while in distress;
- (c) Taking such measures as necessary to preserve and protect the maritime environment and to prevent and control marine pollution;
- (d) Assisting the Customs and other authorities in anti-smuggling operations;
- (e) Enforcing the provisions of such enactments as are for the time being in force in the maritime zones of India; and
- (f) Such other matters, including measures for the safety of life and property at sea and collection of scientific data.

Additional Responsibilities

4.3 The Cabinet Committee on Security, post 26/11, in Feb., 2009 assigned the following additional responsibilities:—

- (a) The ICG has been designated as the authority responsible for Coastal security in territorial waters including areas to be patrolled by Coastal Police.
- (b) The Director General Indian Coast Guard (DGICG) has been designated as Commander Coastal Command and is responsible for overall coordination between Central and State agencies in all matters related to Coastal Security.

Details regarding the projections made by the Coast Guard, allocations made at BE, RE and Actual during the last two years of the

Eleventh Plan and first three years of Twelfth Plan including the projected and allocated budget for the year 2015-16:—

(Rs. in crore)

Year		BE Projection	BE Allocation	RE Projection	RE Allocation	MA Allocation	Actual Exp.
11th Plan							
2010-11	Capital	1907.2200	1100.0500	1200.1840	1200.1900	1200.1900	1200.8300
	Revenue	937.2823	882.4000	882.3950	882.2600	815.8800	813.5800
	Total	2844.5023	1982.4500	2082.5790	2082.4500	2016.0700	2014.4100
2011-12	Capital	1600.0000	1600.0000	1600.0000	1600.0000	1600.0000	1575.3840
	Revenue	902.1800	890.9400	973.2800	941.2100	932.8775	925.8374
	Total	2502.1800	2490.9400	2573.2800	2541.2100	2532.8775	2501.2214
12th Plan							
2012-13	Capital	2000.0000	1800.0000	1690.0000	1650.0000	1565.0000	1564.7097
	Revenue	1037.2125	971.2100	991.6391	959.9500	960.4120	945.3930
	Total	3037.2125	2771.2100	2681.6391	2609.9500	2525.4120	2510.1027
2013-14	Capital	1775.0000	1775.0000	1385.0000	1060.0000	1060.0000	1070.2228
	Revenue	1139.6350	1054.8100	1171.5368	1018.1500	1018.1500	1047.4961
	Total	2914.6350	2829.8100	2556.5368	2078.1500	2078.1500	2117.7189
2014-15	Capital	1550.0000	1550.0000	1491.7312	1140.0000	—	—
	Revenue	1278.9650	1130.2600	1465.2140	1265.0000	—	—
	Total	2828.9650	2680.2600	2956.9452	2405.0000	—	—
Budget							
2015-16	Capital	2050.0000	1200.0000	—	—	—	—
	Revenue	1642.8640	1314.0000	—	—	—	—
	Total	3692.8640	2514.0000	0.0000	0.0000	0.0000	0.0000

4.4 When asked to state the areas where compromises have been made or likely to be made due to reduced budgetary allocation against the projections made by the Coast Guard, the Ministry in its written reply stated as under:—

Compromises have been made on contracting two new schemes in 2014-15 viz. 07 OPV and 14 IPV projects, which could not be contracted inspite of CCS approving the 07 OPV project on

10 Feb., 2015 and MoF approving 14 IPV project on 26 Dec., 2014. The details are as below:—

(Rs. in crore)

Sl. No.	Project	Project Cost	Cash Outgo	Likely Signing of Contract 2015-16
(a)	07 OPVs (CCS approved on 10 Feb., 2015)	1431.235	129.940	1st Qtr.
(b)	14 FPVs (MoF approved on 26 Dec., 2014)	915.850	83.650	1st Qtr.

4.5 Further, compromises are also likely to be made on the following new schemes at advanced stages likely to be contracted in FY 2015-16. The projects will be delayed till allocation of suitable budget under Capital head:—

(Rs. in crore)

Sl. No.	Project	Project Cost	Cash Outgo	Likely Signing of Contract 2015-16
(a)	Procurement of 06 MTU Main Engines as rotatable	36.740	36.740	1st Qtr.
(b)	05 OPV	1960.000	176.400	2nd Qtr.
(c)	05 FPV	364.000	32.760	2nd Qtr.
(d)	16 Light Helicopter	2766.000	373.410	2nd Qtr.
(e)	14 Twin Engine Heavy Helicopter	1680.000	226.80	2nd Qtr.

4.6 Against a total projection of Rs. 2050 crore under Capital head at BE 2015-16 stage, the allocation made to ICG for BE 2015-16 is Rs. 1200 crore only. Due to a huge cut of Rs. 410 crore at RE 2014-15 stage against 'Acquisition of Ships, Aircraft and Fleet' (0/042/04), the RE 2014-15 is not even sufficient to meet the committed liabilities during FY 2014-15. Hence, there would be approximately Rs. 300 crore carry over liability from FY 2014-15 in the said Capital head for next fiscal. The total shortage in this object head would be about Rs. 1300 crore. In case of 'Major Works and Land Acquisition' tentative carryover liabilities for FY 2015-16 is approximately Rs. 100 crore.

4.7 Similarly, against total projection of Rs. 1642.8640 crore (Salary Rs. 569.0000 crore & Non-Salary Rs. 1073.8640 crore) under Revenue

object head at BE 2015-16 stage, the allocation made to ICG for BE 2015-16 stage is Rs. 1314.0000 crore (Salary Rs. 569.0000 crore and Non-Salary Rs. 745.000 crore). Due to reduced allocation of non-salary component of Revenue head at RE 2014-15 stage, a huge liability in object head 'Supplies and Material', 'POL', 'Minor Works' and 'Machinery and Equipment' will be carried forward to FY 2015-16.

Therefore, the major portion of the allocation at BE 2015-16 will be booked against the settlement of pending bills towards carryover liabilities of FY 2014-15. Hence, actual available fund against BE 2015-16 allocation under Revenue head will be grossly insufficient to meet the day to day requirement like ration, maintenance of ships, aircraft and fleet, water electricity bills, port charges etc.

4.8 Details of additional allocation sought by ICG during the preceding five years are as follows:—

		(Rs. in crore)		
Year		BE Allocation	RE Projection	Additional sought
11th Plan				
2010-11	Capital	1100.0500	1200.1840	100.1340
	Revenue	882.4000	882.3950	−0.0050
	Total	1982.4500	2082.5790	100.1290
2011-12	Capital	1600.0000	1600.0000	0.0000
	Revenue	890.9400	973.2800	82.3400
	Total	2490.9400	2573.2800	82.3400
12th Plan				
2012-13	Capital	1800.0000	1690.0000	−110.0000
	Revenue	971.2100	991.6391	20.4291
	Total	2771.2100	2681.6391	−89.5709
2013-14	Capital	1775.0000	1385.0000	−390.0000
	Revenue	1054.8100	1171.5368	116.7268
	Total	2829.8100	2556.5368	−273.2732

4.9 The details in respect to FY 2014-15 are as follows:–

(Rs. in crore)

Year		BE Allocation	RE Projection	Additional Sought	RE Allocation	Remarks
2014-15	Capital	1550.0000	1491.7312	-58.2688	1140.0000	An amount of Rs. 300.00 crore had been asked for additional to RE 2014-15 allocation
	Revenue	1130.2600	1465.2140	334.9540	1265.0000	An amount of Rs. 140 crore had been asked for additional to RE 2014-15 allocation
	Total	2680.2600	2956.9452	276.6852	2405.0000	

4.10 The expenditure position in absolute and percentage term during the first, second, third and fourth quarter of FY 2013-14, 2014-15 and 2015-16 are as follows:–

(Rs. in crore)

FY	Head	Allocation	Exp 1st Qtr.	% 1st Qtr.	Exp. 2nd Qtr.	% 2nd Qtr.	Exp. 3rd Qtr.	% 3rd Qtr.	Exp. 4th Qtr.	% 4th Qtr.	Total	%
2013-14	Capital	1060.0000	97.6926	9	214.6272	20	365.4148	34	392.4882	37	1070.2228	101
	Revenue	1018.1500	212.1228	21	276.2025	27	279.3919	27	279.7789	27	1047.4961	103
	Total	2078.1500	309.8154	15	490.8297	24	644.8067	31	672.2671	32	2117.719	102
2014-15	#Capital	1140.0000	267.9980	24	230.6122	20	419.1119	37	172.7221	15	1090.4442	96
	Revenue	1265.0000	311.7813	25	394.4678	31	259.5977	21	188.207	15	1154.0538	91
	Total	2405.0000	579.7793	24	625.0800	26	678.7096	28	360.9291	15	2244.4980	93
2015-16	Capital	1200.0000	–	–	–	–	–	–	–	–	–	–
	Revenue	1314.0000	–	–	–	–	–	–	–	–	–	–
	Total	2514.0000	–	–	–	–	–	–	–	–	–	–

#Expenditure upto 28 Feb., 2015.

4.11 The Capital and Revenue ratio allocated for last five years are as follows:–

(Rs. in crore)

Year		Allocation	Ratio
1	2	3	4
2009-10	Capital	921.3300	60
	Revenue	604.3900	40

1	2	3	4
2010-11	Capital	1200.1900	60
	Revenue	815.8800	40
2011-12	Capital	1600.0000	63
	Revenue	932.8775	37
2012-13	Capital	1565.0000	62
	Revenue	960.4120	38
2013-14	Capital	1060.0000	51
	Revenue	1018.1500	49
2014-15*	Capital	1140.0000	47
	Revenue	1265.0000	53

*During 2014-15, there was gross reduction in Capital allocation by Rs. 410 crore at RE stage.

4.12 During the course of evidence Defence Secretary stated as under:—

With this budget they can go on for six months. We are hoping to take up with the Finance Ministry in the month of June.

The detailed budget allocation of Indian Coast Guard in comparison with Defence budget and GDP for last five years is as follows:—

(Rs. in crore)

Year	GDP at Mkt Price	Defence Budget RE	Coast Guard Total Allocation	Major Heads	Allocation
2009-10	6477827.00	136264.00	1525.7200	Capital	921.3300
				Revenue	604.3900
2010-11	7784115.00	151581.69	2016.0700	Capital	1200.1900
				Revenue	815.8800
2011-12	9009722.00	170936.81	2532.8775	Capital	1600.0000
				Revenue	932.8775
2012-13	10113281.00	178503.52	2525.4120	Capital	1565.0000
				Revenue	960.4120
2013-14	11355073.00	203672.12	2078.1500	Capital	1060.0000
				Revenue	1018.1500

4.13 Regarding the monitoring system the Ministry in its written reply stated as under:—

“For tracking boats that come into harbours, a chain of static sensors is being set up along the coast in the form of radar stations. The Phase-I of the Chain of Static Sensors envisages setting up of Coastal Surveillance radar and Electro Optic sensors at 46 remote sites, including 36 in the Mainland, 06 in the Lakshadweep islands and 04 in A&N islands. These sites were selected to provide surveillance around the high traffic density and security sensitive areas. Phase-II of the project comprising additional sites has also been sanctioned by CCS and is presently under implementation.

There are difficulties faced in tracking boats less than 20 m length. This is principally due to lack of suitable technology for tracking these boats. A committee with experts from various ministries and organisations was formed and recommended that AIS(P) technology with modified protocols be used for tracking sub-20 m boats. This committee also observed that no technological solution is suitable for tracking small dinghies and catamarans, which are mostly inundated with water. As the threat posed by such dinghies and catamarans is not significant because of limited reach and seating capacity, the committee therefore also recommended that small dinghies and catamarans may be exempted from the tracking device requirement.”

4.14 RE (2014-15) for Coast Guard Organisation was Rs. 1265 crore while for BE 2015-16 it is Rs. 1314 crore. When asked to explain the Department propose to utilize the enhanced amount during the year 2015-16 the Ministry in its written reply stated as under:—

“An amount of Rs. 1465.21 crore (*i.e.* Salary component Rs. 520 crore and Non-Salary Rs. 945.21 crore) was asked for at RE 2014-15 stage under Revenue head against the allocation of Rs. 1130.26 crore at BE 2014-15 stage. However, allocation received at RE 2014-15 stage is only Rs. 1265 crore (*i.e.* salary component Rs. 520 crore and non-salary of Rs. 745 crore), which is Rs. 200.21 crore less than the demand against non-salary component. The allocation against Revenue head at BE 2015-16 is Rs. 1314 crore (*i.e.* salary component Rs. 569 crore and non-salary of Rs. 745 crore). Hence there is no increase in the overall allocation against revenue non-salary heads. The increase of Rs. 49 crore is due to additional allocation against Salary head, which is unavoidable and essential towards payment of newly recruited ICG personnel (approximately 600 personnel in a year) and increase due to DA component.

Force Levels

Pre 26/11		Post 26/11	
Surface Platforms	Aircraft	Surface Platforms	Aircraft
OPVs - 14	Dornier - 24	OPVs - 14	Dornier - 40
PCVs - Nil	Helo - 21	PCVs - 02	Helo - 20
FPVs - 28		FPVs - 34	ALH - 04
IBs - 13		IBs - 46	Total : 64
ACVs - 06		ACVs - 18	
Total : 61		Total : 114	
		By 2018	
		150	100

Manpower

CAT	PRE 26/11		POST 26/11		% Increase
	Sanction	Borne	Sanction	Borne	
Officers	1082	789	2015	1464	85
Enrolled Personnel	6014	5548	10475	8472	52
Civilian Staff	1115	847	1694	1177	40
Total	8,211	7,184	14,184	11,113	55
Manpower	16 Women Officers (2% of Officers Strength) in 2009		108 Women Officers (8% of Officers Strength) in 2015		

Budget Projection, Allocation and Expenditure: FY 2014-15

(Rs. in crore)

Head	BE 2014-15 Projection	BE 2014-15 Allocation	RE 2014-15 Allocation	Exp upto 17 Mar. 2015	% Booking as on 17 Mar. 2015
Capital	1550.00	1550.00	1140.00	1100.00	97.0
Revenue	1278.97	1130.26	1265.00	1192.37	94.5
Total	2828.97	2680.26	2405.00	2292.20	95.3

Budget Projection and Allocation: FY 2015-16

Head	BE	
	Projection	Allocation
Capital	2050.00	1200.00
Revenue	1642.86	1314.00
Salary	569.00	569.00
Non-Salary	1073.86	745.00
Total	3692.86	2514.00

CHAPTER V

DEFENCE ESTATES

Directorate General Defence Estates

Directorate General, Defence Estates (DGDE) is the Headquarters of the Indian Defence Estates Service. DGDE provides advisory inputs on all Cantonments and Land matters to the Ministry of Defence and Service Headquarters *i.e.* Army, Navy, Air Force and other organizations under Ministry of Defence. Acquisition of lands, Resettlement and Rehabilitation of displaced persons, Hiring and requisitioning of lands and buildings, are some of the responsibilities of DGDE. It also ensures implementation of Cantonments Act 2006, Policies, Rules and Regulations and Executive instructions.

5.2 DGDE has under its jurisdiction six Principal Directorates namely, Principal Directors, Central, Eastern, Northern, Southern, South-western and Western Command. Under the Principal Directorates there are 37 Defence Estates Offices and 4 ADEO Circles for management of defence lands in the country.

There are 62 Cantonment Boards. These are local bodies responsible for providing civic administration and implementing the Central Government schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education.

Vision

5.3 The vision of the Defence Estates Organisation is to develop Cantonments as model townships which offer a wholesome environment and urban living to its residents, both uniformed personnel and civilians; to establish a system of land management that vigorously secures defence land and ensures its optimum utilization; and to maximize satisfaction of the public that comes in contact with it.

Mission

5.4 (i) To develop Cantonment townships as models of urban management and local self-governance;

(ii) To provide in each Cantonment;

(iii) Quality school education, free of cost, to every child and ensure that no child upto 18 years of age remains out of school;

(iv) Affordable and quality health care for every resident;

(v) An inclusive social care system for the aged, the differently-abled and the disadvantaged sections of society;

(vi) An environment-friendly habitat;

(vii) To leverage technology for record management to ensure safety (including against disasters) and regular updating of defence land records;

(viii) To establish and maintain state-of-the-art archives as a repository for holding old records, for restoration and preservation of old/damaged paper records, and for their conversion into more durable forms; and

(ix) To devise capabilities and systems for keeping defence land free from encroachments and unauthorized constructions.

1. To conduct regular land audit *inter alia* to optimize utilization of defence land.
2. To provide a clean, transparent, accountable, efficient and responsive administration in every office of the Defence Estates Organisation.
3. To maximize the level of satisfaction of stakeholders and of the public that comes in contact with the Defence Estates Organisation.
4. To create a corps of professional and ethical manpower capable of realizing the Vision of the Defence Estates Organisation.

5.5 An amount of Rs. 379.25 crore has been allocated in BE 2015-16 as compared to Rs. 404.30 crore in RE 2014-15. On being asked about the reason of lesser allocation for Defence Estates Organization for the year 2015-16, the Ministry in its written reply stated as under:—

“In BE 2014-15, the allocation for Defence Estates Organization was Rs. 344.22 crore. Subsequently, based on the demand of Defence Estates Organization, the allocation was enhanced to Rs. 404.30 crore in RE 2014-15.

For BE 2015-16, keeping in view the overall availability of budgetary resources, Rs. 379.25 crore has been provided in consultation with Ministry of Finance. There is an increase in allocation over RE 2014-15 under most object heads. The reduction is mainly under the head “Grant-in-Aid-General”.

The allocation under the object head “Grant-in-Aid-General” of Rs. 258.57 crore in BE 2015-16 is higher than allocation of Rs. 238 crore in BE 2014-15. Requirement of additional funds will be projected to Ministry of Finance for consideration at RE stage.

CHAPTER VI

MILITARY ENGINEER SERVICES (MES)

The Military Engineer Services (MES) is one of the pillars of Corps of Engineers of the Indian Army which provides rear line engineering support to the Armed Forces. It is one of largest construction and maintenance agencies in India. The Military Engineering Services are responsible for the design, construction and maintenance of all buildings, airfields, dock installations, etc. along with accessory Services such as military roads, bulk water and electricity supply, drainage, refrigeration and furniture, required by the Army, Navy and Air Force in India. The role of MES is dual *i.e.* to render both engineering advice and also to execute the works.

6.2 When asked to furnish the details regarding the projections and allocations made to MES by the Ministry and the expenditure incurred during the last five years including the projected and allocated budgeted for the year 2015-16, the Ministry in its written reply stated as under:—

“No allocation is made to the MES by the Ministry. However, Services make allocations for Works expenditure from the budgetary ceilings conveyed to them by the Ministry. This expenditure on Works is mainly incurred through the MES. Expenditure on revenue works includes expenditure on pay and allowances, transport and miscellaneous items for the MES. Capital works expenditure includes expenditure on MAP and other projects not necessarily executed by the MES.

Details of BE projections and allocations made by the Services for Works, and the expenditure, for the last five years, and for 2015-16, giving separate details for Revenue and Capital are tabulated below:—

(Rs. in crore)

			Projection	Allocation	Expenditure
1	2	3	4	5	6
2010-11	Army	Revenue	6,242.76	4,287.93	5,384.10
		Capital	5,597.02	4,722.20	4,080.00
		Total	11,839.78	9,010.13	9,464.10

1	2	3	4	5	6
	Navy	Revenue	773.77	670.00	700.69
		Capital	568.05	452.24	637.02
		Total	1,341.82	1,122.24	1,337.71
	Air Force	Revenue	1,619.37	1,590.00	1,692.10
		Capital	1,860.55	1,427.54	1,157.77
		Total	3,479.92	3,017.54	2,849.87
2011-12	Army	Revenue	6,514.69	5,116.72	5,710.94
		Capital	7,435.62	4,722.20	4,053.02
		Total	13,950.31	9,838.92	9,763.96
	Navy	Revenue	1,030.00	774.42	762.94
		Capital	935.21	554.10	515.34
		Total	1,965.21	1,328.52	1,278.28
	Air Force	Revenue	1,820.55	1,801.92	1,799.74
		Capital	1,755.12	1,343.20	1,152.90
		Total	3,575.67	3,145.12	2,952.64
2012-13	Army	Revenue	6,519.47	5,637.95	5,773.54
		Capital	7,522.52	7,178.16	3,813.76
		Total	14,041.99	12,816.11	9,587.30
	Navy	Revenue	1,123.00	750.00	759.94
		Capital	860.78	604.91	527.10
		Total	1,983.78	1,354.91	1,287.04
	Air Force	Revenue	1,976.15	1,684.65	1,774.58
		Capital	1,850.71	1,250.09	1,318.02
		Total	3,826.86	2,934.74	3,092.60
2013-14	Army	Revenue	7,572.79	5,892.85	4,968.43
		Capital	8,186.60	4,351.29	3,247.17
		Total	15,759.39	10,244.14	8,215.60
	Navy	Revenue	1,514.51	750.00	1,030.97
		Capital	738.66	643.75	516.41
		Total	2,253.17	1,393.75	1,547.38
	Air Force	Revenue	2,319.60	1,717.29	1,911.90
		Capital	2,029.89	1,409.63	1,304.40
		Total	4,349.49	3,126.92	3,216.30

1	2	3	4	5	6
2014-15	Army	Revenue	8,497.00	6,784.55	5,675.38
		Capital	7,656.00	5,267.78	3,664.33
		Total	16,153.00	12,052.33	9,339.71
	Navy	Revenue	1,944.00	933.84	841.89
		Capital	854.65	581.81	499.41
		Total	2,798.65	1,515.65	1,341.30
	Air Force	Revenue	2,557.50	1,946.27	1,631.44
		Capital	1,911.28	1,416.29	1,255.13
		Total	4,468.78	3,362.56	2,886.57
2015-16	Army	Revenue	8,234.90	8,289.00	
		Capital	6,348.00	4,863.92	
		Total	14,582.90	13,152.92	
	Navy	Revenue	1,385.00	1,228.10	
		Capital	605.00	650.00	
		Total	1,990.00	1,833.10	
	Air Force	Revenue	2,735.12	2,349.12	
		Capital	1,873.76	1,571.13	
		Total	4,608.88	3,920.25	

*Expenditure upto end of February 2015.

6.3 Additional allocation sought by the Services in respect of revenue and capital works, under RE 2014-15 is detailed below:—

(Rs. in crores)

		BE 2014-15	RE 2014-15	Projection Additional
Army	Revenue	6,784.55	7,565.22	780.67
	Capital	5,267.78	4,585.00	-682.78
	Total	12,052.33	12,150.22	97.89
Navy	Revenue	933.84	1,255.00	321.16
	Capital	581.81	581.81	0.00
	Total	1,515.65	1,836.81	321.16
Air Force	Revenue	1,946.27	2,582.79	636.52
	Capital	1,416.29	1,649.07	232.78
	Total	3,362.56	4,231.86	869.30

Expenditure position in absolute and percentage terms during the first, second, third and fourth quarter of the each financial year 2012-13, 2013-14, 2014-15, and 2015-16.

(Rs. in crore)

			1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2012-13	Army	Revenue	934.94	2,322.56	3,785.75	5,773.54
		Capital	589.78	1,358.05	2,383.31	3,813.76
		Total	1,524.72	3,680.61	6,169.06	9,587.30
	Navy	Revenue	159.15	346.08	541.08	759.94
		Capital	94.55	200.95	303.30	527.10
		Total	253.70	547.03	844.38	1,287.04
	Air Force	Revenue	326.19	767.68	1,280.84	1,774.58
		Capital	194.34	471.41	777.68	1,318.02
		Total	520.53	1,239.09	2,058.52	3,092.60
2013-14	Army	Revenue	1,143.92	2,604.67	4,104.58	6,385.13
		Capital	621.06	1,462.27	2,493.81	3,878.46
		Total	1,764.98	4,066.94	6,598.39	10,263.60
	Navy	Revenue	199.97	390.74	628.88	1,030.97
		Capital	64.33	171.46	310.89	516.41
		Total	264.30	562.20	939.77	1,547.38
	Air Force	Revenue	414.62	851.38	1,331.44	1,911.90
		Capital	158.72	433.91	808.28	1,304.40
		Total	573.34	1,285.29	2,139.72	3,216.30
2014-15	Army	Revenue	1,119.58	2,691.71	4,410.83	*5,675.38
		Capital	553.07	1,584.79	2,748.23	*3,664.33
		Total	1,672.65	4,276.50	7,159.06	*9,339.71
	Navy	Revenue	152.86	415.57	650.85	*841.89
		Capital	117.84	252.93	385.71	*499.41
		Total	270.70	668.50	1,036.56	*1,341.30
	Air Force	Revenue	371.43	808.67	1,273.96	*1,631.44
		Capital	235.21	552.01	957.50	*1,255.13
		Total	606.64	1,360.68	2,231.46	*2,886.57

*Expenditure upto end of February 2015.

Revenue-Capital ratio in respect of expenditure incurred by the three Services on works, during the last five years is as follows:—

		Revenue	Capital
2010-11	Army	57	43
	Navy	52	48
	Air Force	59	41
2011-12	Army	58	42
	Navy	60	40
	Air Force	61	39
2012-13	Army	60	40
	Navy	59	41
	Air Force	57	43
2013-14	Army	62	38
	Navy	67	33
	Air Force	59	41
2014-15 (RE)	Army	64	36
	Navy	66	34
	Air Force	62	38

6.4 On being asked regarding the quality of bricks used in various projects the Engineer-in-Chief MES stated that quality of bricks specially in Punjab, Northern Rajasthan and some parts of Haryana is of substandard quality due to the salinity of water used for making bricks.

6.5 During the course of evidence, Engineer-in-Chief submitted before the Committee that they should also be given the power for execution of a project as given to Director-General, MAP.

CHAPTER VII

MARRIED ACCOMMODATION PROJECT

Directorate General of Married Accommodation Project (DG MAP) was raised by Government of India under the aegis of Engineer in Chief to construct married accommodation for the three Services, with the aim of eradicating the deficiency of married accommodation for service personnel.

7.2 No allocations are made to MAP directly by the Ministry. The requirements for MAP are incorporated in the Capital Works projections of the Services. The allocations for MAP are also made by the Services from out of the ceiling provided from 'Other than Capital Acquisition' segment of their capital budgets. Details of allocation and expenditure during the last two years of the Eleventh Plan and the first three years of the Twelfth Plan and the allocations made under BE 2015-16 are detailed below:—

		(Rs. in crore)		
		BE	RE	Exp.
1	2	3	4	5
11th Plan				
2010-11	Army	1500.20	1150.00	820.55
	Navy	149.98	244.98	252.33
	Air Force	154.94	228.34	174.67
	Total	1805.12	1623.32	1247.55
2011-12	Army	1224.20	1224.20	863.55
	Navy	223.10	152.71	131.80
	Air Force	200.00	168.96	172.91
	Total	1647.30	1545.87	1168.26

1	2	3	4	5
12th Plan				
2012-13	Army	1346.62	1000.00	952.67
	Navy	202.33	114.17	124.62
	Air Force	200.00	261.00	230.54
	Total	1748.95	1375.17	1307.83
2013-14	Army	1125.00	1100.00	1029.24
	Navy	200.00	150.00	157.26
	Air Force	240.00	170.00	139.36
	Total	1565.00	1420.00	1325.86
2014-15	Army	1077.78	1449.78	1310.91
	Navy	171.00	192.00	165.29
	Air Force	199.37	129.37	108.74
	Total	1448.15	1771.15	1584.94
2015-16	Army	1000.00	—	—
	Navy	202.00	—	—
	Air Force	150.00	—	—
	Total	1352.00	—	—

*Expenditure upto end of February 2015.

Details of additional allocation sought by Services under RE 2014-15, in respect of Capital Works are tabulated below. This includes requirement for MAP

	BE 2014-15	Projection RE 2014-15	Additional Allocation
Army	5267.78	4585.00	-682.78
Navy	581.81	581.81	0.00
Air Force	1416.29	1649.07	232.78
Total	7265.88	6815.88	-450.00

(Rs. in crore)

7.3 Details of quarterly expenditure position, in absolute and percentage terms, for the financial years 2012-13 to 2014-15 is tabulated below:—

(Rs. in crore)

	June	September	December	Final
2012-13				
Army	193.16	382.48	621	952.67
Navy	19.48	48.39	69.63	124.62
Air Force	51.77	106.54	160.95	230.54
Total	264.41	537.41	851.58	1307.83
2013-14				
Army	180.74	429.49	672.62	1029.24
Navy	34.13	69.41	99.87	157.26
Air Force	21.54	58.48	104.03	139.36
Total	236.41	557.38	876.52	1325.86
2014-15				
Army	191.77	557.18	971.19	1310.91
Navy	42.77	86.86	131.02	165.29
Air Force	21.03	53.18	90.74	108.74
Total	255.57	697.22	1192.95	1584.94

*Expenditure for the last quarter of 2014-15 is upto end of February 2015.

CHAPTER VIII

DEFENCE PUBLIC SECTOR UNDERTAKINGS (DPSUs)

There are nine public sector undertakings under the Ministry of Defence. These are:—

Sl.No.	Name of Defence PSUs
1.	Bharat Electronics Ltd.
2.	BEML Ltd.
3.	Bharat Dynamics Ltd.
4.	Garden Reach Shipbuilders and Engineers Ltd.
5.	Goa Shipyard Ltd.
6.	Hindustan Aeronautics Ltd.
7.	Hindustan Shipyard Ltd.
8.	Mazagon Dock Ltd.
9.	MIDHANI

8.2 The value of export by DPSUs for the last three years are as under:—

		(Rs. in crore)		
Sl.No.	Name of Defence PSU	2011-12	2012-13	2013-14
1.	Bharat Electronics Ltd.	187.89	177.08	253.47
2.	BEML Ltd.	14.41	21.95	81.05
3.	Bharat Dynamics Ltd.	0.00	0.02	0.08
4.	Garden Reach Shipbuilders and Engineers Ltd.	2.89	8.40	3.36
5.	Goa Shipyard Ltd.	0.46	0.00	0.00
6.	Hindustan Aeronautics Ltd.	348.33	382.81	408.01
7.	Hindustan Shipyard Ltd.	202.00	196.00	214.00
8.	Mazagon Dock Ltd.	0.00	277.80	0.00
9.	MIDHANI	0.00	0.00	0.00

Value of indigenized production in percentage/rupee terms in the form of equipment, armament, ammunition in comparison to exports.

8.3 There is no mechanism to capture the data on value of indigenized production of equipment, armament, ammunition etc. being manufactured in the country. However data related to indigenous procurement (Capital and Revenue) from the Indian vendors and export for the last three years is as tabulated below:—

(Rs. in crore)			
Items	2011-12	2012-13	2013-14
Value of Indigenous Procurement (Capital + Revenue)	51666.66	52719.06	55014.27
Exports including NOC	736.56	1011.78	1049.71

Action plan by the Government to make the country self-reliant in defence production and progress made till date.

8.4 The Government of India promulgated its Defence Production Policy in 2011 with objectives of achieving substantive self-reliance in the design, development and production of equipment/weapon systems/platforms required for defence in as early a time frame as possible; to create conditions conducive for the private industry to take an active role in this endeavour; to enhance potential of SMEs in indigenization and to broaden the defence R&D base of the country. The Ministry of Defence has taken a series of measures in the form of some major policy initiatives, amendments to Defence Procurement Procedure (DPP) and improving the monitoring mechanism for making the country Self-Reliant in defence production:—

- (a) Technology Perspective and Capability Roadmap (TPCR), which gives out the details of the equipment and technologies required by our Armed Forces, has been put in public domain to provide the industry an overview of the direction in which the Armed Forces intend to head in terms of capability in future.
- (b) Preference to 'Buy (Indian)', Buy & Make (Indian)' & 'Make' categories of Acquisition over 'Buy (Global)' or 'Buy & Make' categories thereby giving preference to Indian industry in procurement.
- (c) The procedure for 'Buy and Make (Indian)' category, has been simplified in order to make the category more attractive for Indian Defence industry.

- (d) A clear definition of indigenous content has been provided which would not only bring more clarity on the indigenous content required for different categorization, but also enhance the indigenization of defence products in India.
- (e) Raksha Mantri Production Committee (RMPC) has been re-constituted for monitoring and review of indigenisation and interaction with various stakeholders like DDP, DRDO, Armed Forces and DPSUs/OFB.
- (f) The Make procedure is being simplified and is in the final stages of approval. The revised procedure caters for development in collaboration between public sector, private sector and research and academic institutions.
- (g) FDI Policy has been reviewed in defence sector and as per the new policy, composite foreign investment up to 49% has been allowed through FIPB route and beyond 49% with the approval of Cabinet Committee on Security (CCS).
- (h) Defence products list for the purpose of industrial licensing has been revised and in the revised list most of the components/parts/raw materials have been taken out from the purview of industrial licensing.

8.5 On being enquired about the policy of Government in respect of participation of foreign defence manufactures in the field of Defence Production, the Ministry in its written reply stated as under:—

“In May 2001, the defence industry sector, which was hitherto reserved for the public sector, was opened upto 100% for Indian private sector participation with FDI permissible up to 26%, both subject to licensing. The Government *vide* Press Note No. 7 (2014 Series) dated 26.08.2014 has raised the FDI limit in defence sector up to 49% through FIPB route and above 49% with the approval of Cabinet Committee on Security (CCS) on case-to-case basis, wherever it is likely to result in access to modern and state-of-the-art technology in the country. The foreign defence manufacturers can participate in the field of Defence Production only through FDI route.”

8.6 The Ministry in its written reply stated as under:—

“The details regarding Profit After Tax (PAT) in respect of nine DPSUs during the last five years are given below:—

Name of the DPSUs	(Rs. in crore)				
	2010-11	2011-12	2012-13	2013-14	2014-15 (upto Dec., 2014)
1	2	3	4	5	6
Hindustan Aeronautics Ltd. (HAL)	2114.26	2539.43	2996.91	2693.00	1238.00

1	2	3	4	5	6
Bharat Electronics Ltd. (BEL)	861.00	830.00	890.00	932.00	440.00
BEML Ltd. (BEML)	149.76	57.25	(79.87)	4.68	(178.00)
Bharat Dynamics Ltd. (BDL)	51.70	234.96	288.40	345.51	244.00
Mazagon Dock Ltd. (MDL)	243.52	494.31	412.72	397.67	226.00
Goa Shipyard Ltd. (GSL)	176.13	82.80	15.50	(-61.03)	6.00
Garden Reach Shipbuilders & Engineers Ltd. (GRSE)	115.71	108.03	131.54	121.46	24.00
Mishra Dhatu Nigam Ltd. (MIDHANI)	50.9	68.5	82.5	82.5	42.00
Hindustan Shipyard Ltd. (HSL)	55.00	(85.98)	(55.17)	(46.00)	(96.00)”

8.7 On being asked regarding any cost and time slippage by DPSUs during the last five years while supplying items to the forces the Ministry in its written reply stated as under:—

“**HAL:** There have been time slippages in the case of IJT due to delay in the certification process and in the case of Shakti engine, there were integration issues which resulted in delay in certification.

Cost and time slippage

1. Su30MKI – against a contract order for supply of 180 aircraft by 2013-14, HAL has produced 150 aircraft.
2. ALH - 159 Helicopter – Against a contract order for supply of 138 helicopters by 2013-14, HAL has produced 78 helicopters.

BEL: All the contracts signed between BEL & MoD are fixed Price contracts and are based on negotiated prices firmed up prior to signing of contract. Any delay in completion of projects does not lead to cost escalation unlike Cost plus contracts.

The on-time delivery during last 5 years is around 80%. However, there are delays in delivery of some projects and the reason for the delays is analyzed and necessary corrective and prevention actions are taken to minimize the same. The major reasons for delay are accord of Bulk Production Clearance (BPC), changing customer requirements, site readiness, platform readiness etc.

BEML: All contracts that BEML is executing are at either firm prices or with escalation clause and as such, cost implications depend on case-to-case basis. It may be noted that, BEML has been supplying items to the Forces in time, in the past. In the recent past, the deliveries of BEML Tatra 8x8 Heavy Duty Vehicles and ARV have been delayed due to the extraordinary situation that the Company has faced on these counts.

BDL: Due to reasons which are beyond control, products like MILAN-2T ATGM, Konkurs-M ATGM, Akash SAM were delivered beyond the scheduled time.

MDL: (a) In case of P-15 A ships, there is delay mainly due to delay in receipt of indigenous developmental equipment and critical weapon and sensors from foreign OEMs. However, there is no financial loss to Government as the cost of the project has not exceeded sanctioned cost.

(b) There is no delay in project timelines in case of other two projects viz. P15B (Missile Destroyers) and P75 (Scorpene Submarines).

GSL: There have been minor time slippages ranging from 13 to 63 days in case of Naval Offshore Patrol Vessels (NOPV) project (three out of four ships) for Indian Navy due to factors beyond control of the yard and the matter has been taken up with HQ MoD(N) for granting delivery without imposition of LD as per provisions of the Contract.

GRSE: At times due to certain reasons beyond the control of GRSE, there have been time slippage, while meeting delivery schedule of ships constructed.

The time slippage while meeting delivery schedule of ships constructed, is as under:

Type of Vessel	Time slippage (months)	Period of delivery
IPV-1	4.5	2011-12
IPV-2	4.0	-do-
IPV-3	5.0	2012-13
IPV-4	5.5	-do-
IPV-5	5.0	-do-
IPV-6	5.0	-do-
IPV-7	4.5	2013-14
IPV-8	5.0	-do-

MIDHANI: No

HSL: There was cost and time slippage due to delay in the agreement and Exchange Rate Variation (ERV). As a result, cost of imported materials and Foreign Service Engineer's charges increased."

Modernization of DPSUs

8.8 The position regarding individual DPSUs is indicated below:—

HAL: A growth oriented Modernisation plan has been drawn up considering the new and current programmes in the HAL's Perspective plan, covering the period up to 2022. The Plan provides a road-map for creation of new facilities and induction of new technologies for Design and Development and Production programmes. The major new projects considered for modernisation are Light Combat Aircraft (LCA); Intermediate Jet Trainer (IJT); Multi Role Transport Aircraft (MTA); Fifth Generation Fighter Aircraft (FGFA); Medium Multi Role Combat Aircraft (MMRCA); Indian Multi Role Helicopter (IMRH); and Light Utility Helicopter (LUH).

BEL: BEL's modernization programme is to continuously upgrade its infrastructure to be in tune with the changing needs of the technology/products. The company's modernization expenditure is fully met through its internal accruals and no grant or aid is provided by the Government. Total investment on Expansion and Modernization (CAPEX) during 2013-14 was to the tune of Rs. 413 crore.

BEML: The company has a modernisation/CAPEX plan from internal accruals and borrowed funds. There is no budgetary allocation for this purpose from the Government. Capital Expenditure has been restricted to critical replacements and expansion/diversification.

BDL: BDL has planned modernization programme for an outlay of Rs. 606.73 crore during 2010-2015 from internal sources. There is no budgetary allocation as company is meeting the expenditure through internal resources. Modernization and replacements of Plants and Ramping up of capacities for Konkurs-M, Invar ATGM and Akash SAMs are under progress.

MDL: MDL had undertaken modernisation in terms of creating Module Workshop, 300 T Goliath Crane, New Wet Basin and Cradle Assembly Shop. The entire project is completed and was inaugurated by Raksha Mantri on 27th August, 2014. Total project cost is Rs. 826 crore.

GSL: GSL is implementing infrastructure augmentation for MCMV plan in a phased manner to enhance capability for creation of dedicated facilities for construction of high technology Glass Reinforced Plastic (GRP), hull Mine Counter Measure Vessels (MCMVs), new steel and aluminium fabrication facilities for construction of new ships and facility for repair and refits of ships. At present, Phase-3A is in progress which includes construction of new outfitting workshop, ship assembly shop, construction berths, outfit jelly, steel stockyard and services.

GRSE: There is no budget allocation. However, from the internal accrual, Phase-II of Modernisation got completed in June, 2013.

MIDHANI: Modernization is going on with internal funding, Government loan and customer Funding. Major equipments are going to install in a period of 2 years. There is no Budgetary Allocation.

HSL: Presently, there is no modernization in hand. However, the yard has been provided with Rs. 456.37 crore for Repair and Refurbishment of Machinery and Infrastructure (RRMI) against LPD Project. Projects worth Rs. 212.94 crore have been completed/in progress/committed. The Yard was struck by a severe cyclone HUDHUD in October, 2014 and the damage has been estimated to be Rs. 445 crore. A proposal has been forwarded to MoD to utilise the balance fund of Rs. 257.96 crore towards Restoration of Capital Infrastructure.

8.9 On being asked about the impact of the modernisation on the production capacity, export and import substitution of production, the Ministry in its written reply stated as under:—

- “(1) **HAL:** The existing production facilities are being modernised to absorb advanced technologies needed for manufacture of new programmes and also to increase production capacities of existing programmes. Each year, considerable investment is made by HAL to introduce new production technologies. Through this modernisation plan, production systems, in respect of Airframe Engine and accessories are planned to be modernised. HAL has taken up the Design and Development of Light Combat Helicopter (LCH), Light Utility Helicopter (LUH), Upgrade of Jaguar Darin-III and Mirage 2000. The Design and Development of LCH and LUH along with already supplied Cheetak, Cheetah, Cheetal and ALH will place HAL

as a total Indigenous Solution Provider in the Light helicopter category to Indian Defence Forces. HAL has so far produced 15 types of aircraft from in-house R&D and 14 types under license, such as Multi-Role fighter Hawk, Advanced Jet Trainer, Light Combat Aircraft (LCA), Intermediate Jet Trainer(IJT), Dornier 228-Light Transport Aircraft, Dhruv (Advanced Light Helicopter), Chetak, Cheetah and Cheetal helicopters.

HAL is also participating in the future acquisition planned by IAF and the other Defence Services like Medium Multi-Role Combat Aircraft (MMRCA), Multi-Role Transport Aircraft (MTA), Fifth Generation Fighter Aircraft (FGFA) and Indian Multi-Role Helicopters (IMRH) and Naval Multi-Role Helicopter (NMRH). MTA, FGFA and IMRH are the major Programmes planned for co-development and being implemented by HAL. Indian Navy inducted first fully Indian manufactured Hawk Advanced Jet Trainers produced by HAL at INS Dega, Vishakhapatnam on November, 6,2013.

HAL has been exporting various work packages viz. Aero Structures, Avionics, Accessories to major global Aerospace companies like, Airbus, IAI, EADS, Honeywell, Rolls Royce, MOOG, Hamilton Sundstrand, Rosoboronexport and others. HAL has been receiving repeat orders for the work packages, based on its successful performance which is a testimony to the global acceptance of HAL products. HAL foresees export potential in the current Design and Development programmes of IJT, LCA, LCH, LUH, FGFA and MTA.

- (2) **BEL:** BEL's modernisation programme to continuously upgrade its infrastructure to be in tune with the changing needs of the technology/products enables the company to maintain the setup on par with international standards. The new infrastructure/technology inducted will be optimally utilized and has a bearing on the production capacity. The increase in Value of Production, turnover year-on-year clearly justifies the objective of modernisation.

Some of the major infrastructure like Digital Flight Computer Control (DFCC) for Light Combat Aircraft (LCA) (Tejas), Test setup for Akash Missile system, Test Facility for Stabilizer and Automatic Loading Gear (ALG) used in T90 Tanks etc., setup in the recent past, has enabled the company to indigenously manufacture critical equipment/systems thereby, minimizing the dependency on foreign Original Equipment Manufacturers (OEMs). As an example, some of the major

systems like Central Acquisition Radar (Rohini), Digital Microwave Radio Relay (DMRR), Low Power Jammer etc., manufactured in-house, have received Raksha Mantri Awards under import substitution category.

- (3) **BEML:** The modernization programme in BEML helps in increasing its capacity and productivity, improvement in quality and reduction of costs. Through in-house R&D and overall modernization the company has ensured repeat orders in its international business covering over 58 countries in Asia, Africa and Latin America. With progressive and consistent indigenisation programme through domestic suppliers, the modernization is promoting in-house capacity for critical components.
- (4) **BDL:** Enhancement of production capacity of Konkurs-M, Invar and Akashis planned under modernization programme with internal resources.
- (5) **MDL:** MDL is presently constructing three Missile Destroyers under Project P15A, four Missile destroyers under Project P15B and six Scorpene Submarines under Project P75. MDL has signed the contract for construction and delivery of four ships of Project 17A Stealth Frigates on 20 Feb. 2015. The infrastructure created through modernization will significantly reduce construction period of vessels, thereby enhancing productivity and customer satisfaction.
- (6) **GSL:** The product range of GSL includes Fast Patrol Vessels, Survey Vessels, Sail Training Ships, Missile Craft and Offshore Patrol Vessels. The on-going major projects of GSL include four Offshore Patrol Vessels (OPVs) for Navy and six OPVs for Indian Coast Guard. GSL is also developing the Shore Based Test Facility for the Navy's fighter aircrafts/training of fighter pilots of INS Vikramaditya. GSL delivered the second OPV to Indian Navy in September, 2013. With the on-going modernisation plan, the capacity of the shipyard will be enhanced by approximately three times its present capacity and will also increase the rate of production for steel ship construction. GSL will also have the capability to build high technology GRP (Glass Reinforced Plastic) hull Mine Counter Measure Vessels (MCMVs) indigenously with Transfer of Technology (ToT) from the selected collaborator.
- (7) **GRSE:** GRSE is presently constructing four Anti-Submarine Warfare Corvettes (P28 class), eight Landing Craft Utility,

Offshore Patrol Vessels and four Water Jet Fast Attack Crafts. GRSE has also executed the prestigious export order for supplying Offshore Patrol Vessel to Mauritius. With the commissioning of new infrastructure being created under Phase-2 Modernization, the installed capacity at GRSE main Works for concurrently building large ships has increased from two to four ships. The new facilities created under modernization would enable GRSE to build ships like Frigates/ Destroyers/LPDs, thereby avoiding import of such ships from foreign sources. Additional shipbuilding infrastructure available after modernization would also enable GRSE to explore the option of export orders for small ships.

- (8) **HSL:** The modernization is being taken up for replacement of old machinery and infrastructure to undertake construction of sophisticated and Hi-tech Defence vessels such as LPDs and SOVs, orders for which are in the pipeline.
- (9) **MIDHANI:** MIDHANI will be able to adhere to delivery schedule and also tap export market with the increased capacity. Market share is also expected to increase.”

8.10 Regarding the purpose with the proposed allocation to be spent on modernization of DPSUs the Ministry in its written reply stated as under:—

“HAL

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

BEL: The proposed allocation is towards fulfilling the Modernization and Capacity Augmentation needs towards additions, replacements of Plant and Machinery and test instruments for manufacturing and R&D Facilities and Upgradation of Infrastructure works. The investment proposed towards these is Rs. 481 crore for the year 2014-15 which will be fully met from internal accruals.

BEML: There is no 'proposed allocation to be spent' on modernisation as there is no budgetary allocation from the Government.

BDL: Rs. 606.70 crore has been allocated by the company for the period 20.10.2015.

MDL: MDL has completed Mazdock Modernisation Plan (MMP) at a cost of Rs. 826 crore. Presently, it is enhancing submarine capacity by constructing additional workshop *i.e.* Submarine Section Assembly at a cost of Rs. 220 crore.

GSL: Modernisation plan is being executed in four phases. Phase 1 and 2 were undertaken from January, 2009 to March, 2011 and have been completed. The facilities created include two land berths, one jetty, installation of 6000 ton shiplift and transfer system with associated civil structures and installation of three 45 ton level luffing cranes. Phase 1 and 2 of modernisation plan have been completed using funds amounting to Rs. 302 crore from internal accruals of the company. To implement the balance phases, in October, 2010 Rs. 400 crore has been sanctioned towards development of facilities in GSL for building MCMVs as part of phase 3 and 4...

GRSE: Currently, there is no further plan of modernisation of shipyard.

MIDHANI: Modernisation is going on with internal funding, Government loan and customer funding. There is no budgetary allocation."

8.11 The Ministry in their written reply furnished the reasons for decline in some of DPSUs and the measures taken to arrest it. These are as under:—

“HAL: HAL operates a 'Batch mode of Production' and not on the lines of 'Mass Production'. The production number mainly depends on the contractual quantities, established production capacity, certification of aircraft, etc. As the cycle time for production of an aircraft varies from 18 months to 30 months, continuity in production orders from Armed Forces is essential to sustain production growth.

The following measures have been taken to achieve growth in production:

- Finalisation of material procurement orders for 2 years production requirements

- Entering into Long Term Business Agreements to ensure proper supply chain
- Ramping up capacity
- Modernisation of facilities and processes at various Divisions to enhance output
- Expand vendor base to facilitate outsourcing by involving competent industrial set-ups
- Provision of additional prototypes to expedite development activities

BEML: There was reduction in production in the years 2012-13 in the mining and construction verticals. On the Defence vertical side, Tatra 8x8 Heavy Duty vehicle could not be produced and sold. Company could post a 4% growth on net sales during the year 2013-14 over 2012-13 and could make a marginal profit during 2013-14. The Company has been trying to capture the available business in the domestic market and trying all its best to sell the products in the overseas market.

GSL: There has been decline in turnover of GSL from Rs. 990.32 crore in 2010-11 to Rs. 506.64 crore in 2013-14, due to lean order book/delay in finalisation of contracts for new projects. Efforts have been made to secure export/new orders for arresting the decline and improving turnover of the Company in the coming years.

HSL: The value of production of HSL has been steadily declining over the last three years (2011-12 – Rs. 564.04 crore, 2012-13 – Rs. 483.84 crore 2013-14 – Rs. 453.40 crore), 2014-15 (estimated) – Rs. 436 crore) due to the following:

- Low order book position compared to installed capacity
- Severe financial problems and lack of working capital
- Aged manpower and low productivity.”

Hindustan Aeronautics Limited (HAL)

8.12 HAL produce several types of aircraft and helicopters. Please appraise the Committee about the indigenous percentage of parts used in these machines and steps taken by HAL towards self-reliant in this sector regarding indigenization in HAL the Ministry in its written reply stated as under:—

“HAL is involved in the Design, Development, Manufacture and Repair/Overhaul/Maintenance of Aircrafts (Fighter, Trainer and

Transport category), Helicopters and its associated power plants, accessories and equipment. HAL is involved in the sourcing of materials, systems, sub-system and Line Replaceable Units (LRUs) for manufacturing and maintenance of the above products from indigenous and foreign sources. The percentage of Indigenous content of major programs are as below:

Sl.No.	Aircraft	Percentage of Indigenous content by parts
1.	LCA	82
2.	SU-30 MKI	68
3.	Hawk	71
4.	DO-228	69
5.	ALH	86”

Steps taken by HAL towards self-reliance

8.13 Indigenisation effort is a continuous process. Following are the testimony of HAL's continuous efforts towards indigenization:–

- HAL has designed and developed 14 types of Aircraft and Helicopters which includes basic trainers, Intermediate trainers, fighters and light helicopters. HAL has also designed more than 600 Avionics systems and accessories for these aircraft.
- Midlife Upgrade: Aircraft upgrades have been successfully completed on both indigenous and licence produced aircraft through indigenous design efforts at HAL. Upgrades on Jaguar Navwass aircraft, MiG-27M, Sea Harrier, Dornier, Avro, Cheetah and Chetak have been carried out integrating modern systems.
- Repair and Overhaul Programmes: Even in respect of aircraft and engines which are procured from other countries but not manufactured within the country, maintenance facilities are established by HAL adding to indigenous support capability. Examples are Mirage-2000 overhaul, Gnome, RD-33 & Lycoming engines and series of aircraft avionics accessory overhaul lines.
- HAL has given lot of thrust for IPR in the recent years. More than 1000 patents have been filed during last three years.

- HAL has entered MoUs for technology collaboration with IITs, Indian Institute of Science, Bengaluru and DRDO laboratories for various R&D Activities.

CHAPTER IX

WELFARE OF EX-SERVICEMEN

The Department of Ex-Servicemen Welfare formulates various policies and programmes for the welfare and resettlement of Ex-Servicemen (ESM) in the country. The Department has two Divisions viz., Resettlement and Pension, and it has 3 attached offices namely, Kendriya Sainik Board (KSB Sectt.), Directorate General (Resettlement) (DGR) and Central Organisation, Ex-Servicemen Contributory Health Scheme (ECHS). The KSB is responsible for the welfare of Ex-Servicemen and their dependents and also for the administration of welfare funds. The KSB is assisted in its task by 32 Rajya Sainik Boards (RSBs) and 392 Zila Sainik Boards (ZSBs), which are under the administrative control of respective State Governments/Union Territory Administrations. The office of Directorate General of Resettlement implements various Policies/Schemes/Programmes on pre and post retirement training, re-employment and self-employment etc. The DGR is assisted in its task by 5 DRZs at each of the 5 Commands. ECHS takes care of the healthcare and medical needs of Ex-Servicemen and their dependents.

9.2 Employment Opportunities for ESM

- Reservation in Govt./PSUs/banks. (Group C & D Posts).
- CPOs/PMFs – on requirement basis (10% upto rank of Astt. Comdt.).
- Defence Security Corps – 100%.
- Corporate/private organizations.
- Self entrepreneurship schemes.

Number of ESM trained by DGR

Category	2012-13	2013-14	2014-15 (as on 28.02.2015)
Officers	748	562	596
JCOs/OR	20730	21339	24928
ESM	155	175	41
Total	21633	22076	25565

9.3 Employment Schemes for ESM:

- Security Agencies
- Coal Loading and Transportation Scheme
- Tipper attachment scheme
- Allotment of oil product agencies
- Allotment of milk booths (Mother Dairy & Gopaljee)
- Allotment of fruit and vegetable (Safal) booths
- Management of CNG stations in NCR
- Allotment of army surplus vehicles
- Management of Company Owned Company Operated (COCO) scheme

EMPLOYMENT GENERATED

Sl.No.	Scheme	2013	2014	2015 (Jan.- Feb.)
1.	Security Agency Empanelled No. of ESM Sponsored	314 39018	382 41764	62 5963
2.	Number of ESM (O) Sponsored in Coal Scheme/ESM Coal Companies Sponsored	03/01	30/06	05/01
3.	Widows/disabled ESM Coal in ESM Coal Companies	58	96	39
4.	Management or CNG Station in NCR	70	63	04
5.	ESM (O) sponsored for COCO Scheme (for BPCL/IOCL)	741	499	83
6.	Issue of Eligibility Certificates for Allotment of Oil Product Agencies	130	65	-
7.	Mother Dairy Milk Booth/Safal Booth	227	211	49
8.	Gopaljee Dairy	58	07	-
9.	ESM Placement by DGR (Emp. Dte.)	1353	4957	123
10.	ESM Placement by RSBs	12077	11778	-
11.	ESM Employed with DSC	4901	2867	-

One Rank One Pension (OROP)

9.4 With regard to OROP, the Committee were informed by the Ministry of Defence through written reply as under:—

“One Rank One Pension (OROP) implies that uniform pension be paid to the Armed Forces Personnel retiring in the same rank with the same length of service irrespective of their date of retirement and any future enhancement in the rates of pension to be automatically passed on to the past pensioners. This implies bridging the gap between the rates of pension of the current pensioners and the past pensioners, and also future enhancements in the rate of pension to be automatically passed on to the past pensioners.”

9.5 In this regard, further the Ministry of Defence informed the Committee as follows:—

“After the announcement of the Government’s acceptance of the principle of One Rank One Pension for the Defence forces by the Finance Minister in his interim Budget 2014-15 speech, a meeting was held on 26.02.2014 under the Chairmanship of the then Hon’ble Raksha Mantri to discuss the modalities for implementation of OROP. The Controller General of Defence Accounts (CGDA) was directed to initiate necessary steps in consultation with the three Services, MoD (Finance) and Department of Ex-Servicemen Welfare to give effect to the decision. The Hon’ble Raksha Mantri also emphasized that family pension and disability pension would be included. Necessary instructions were issued to CGDA in this regard. The CGDA has issued a letter to all three Services calling for a consolidated proposal for implementation of OROP.

Hon’ble RM held another meeting on 22.04.2014 with the officers representing the three Services and the officers of Ministry of Defence and CGDA to discuss the proposal prepared and presented by the Service Hqrs. (Army) on behalf of all the three Services on the implementation of OROP. It was decided to constitute a Working Group under the Chairpersonship of CGDA for examining the proposal and preparing Government orders for implementation of OROP w.e.f. 01.04.2014. The Working Group deliberated the options for OROP. However, the Working Group could not arrive at any consensus and no clear recommendation was given in the report dated 26.05.2014 sent by CGDA for implementation. The report suggested some possible options for implementation of OROP. One of the options as suggested by the Working Group was examined and submitted

to Hon'ble RM. A meeting was held on 26.08.2014 under Chairmanship of Hon'ble RM with Defence Secretary, Secretary (ESW), Financial Adviser Defence Services (FSDS) and CGDA on the implementation of OROP. A meeting of the recognized associations of Ex-servicemen was held under the Chairmanship of Hon'ble Raksha Mantri on 10.12.2014 in which their views on OROP were discussed.

The implementation of OROP was referred to a Committee of Secretaries by the Government. The Committee considered the proposal in the meeting held on 11.12.2014. Hon'ble Raksha Rajya Mantri also convened a meeting on 9.1.2015 to discuss the matter with the representatives of the three Services, CGDA, Defence (Finance) and DESW.

The matter was further discussed by Hon'ble Raksha Mantri with officials of DESW, Defence (Finance), CGDA and representatives of the three Services in a meeting held on 16.02.2015. The modalities for implementation of OROP are being finalized.

OROP will be implemented once the modalities are finalized and approved by the Government.”

9.6 The Committee desired to be apprised about the present status of OROP. In this regard, the representatives of Ministry of Defence in its written reply submitted as under:—

“Now, over the last few months, we have managed to reconcile with everybody and we have arrived at a particular formula. The definition of One Rank One Pension itself leaves scope for a variety of interpretation although on the face of it the definition appears very clear cut but when you come to implementation, it has a lot of nuances. Those nuances includes what is our perception and what is service's perception. There were differences. Now, we have, within the Ministry, managed to arrive at a consensus on the nuances. With that and our calculations for One Rank One Pension, this has already been referred to the Ministry of Finance for their decision on this. We are pursuing intensively with the Ministry of Finance also. Our target, naturally, is that these are the commitments of the Government. They have to be honoured as fast as possible. I will only assure the hon. Committee that we are making all possible efforts to do it very fast.”

CHAPTER X

CAPITAL BUDGET FOR DEFENCE SERVICES (DEMAND NO. 28)

BE 2015-16 allocation to the various services in respect of capital grant is as given below:—

(Rs. in crore)

Service/Deptt.	Allocation
Army	27,342.42
Navy	24,080.90
Jt. Staff	922.34
Air Force	33,686.75
DGOF	760.07
R&D	7,788.40
DGQA	7.12
Total	94,588.00

10.2 Details of Capital Outlay and Actual Expenditure during the last five years:—

(Rs. in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2010-11	Army	21,633.04	17,250.84	19,177.55	15,641.16	15,856.08
	Navy	15,221.78	12,137.84	17,890.87	15,323.77	17,140.18
	Air Force	31,667.56	25,251.72	25,271.72	24,266.79	23,625.42
2011-12	Army	25,611.68	19,210.69	20,641.69	16,005.69	14,947.82
	Navy	26,882.60	14,657.83	21,482.18	17,459.08	19,211.52
	Air Force	36,186.10	30,282.03	30,282.03	27,734.78	28,841.18

1	2	3	4	5	6	7
2012-13	Army	28,234.60	19,237.80	18,971.09	15,749.30	14,760.69
	Navy	28,643.19	24,766.42	25,002.85	18,266.42	17,759.88
	Air Force	36,950.52	30,514.45	36,999.62	30,517.95	32,980.11
2013-14	Army	25,528.08	17,883.83	19,271.59	14,967.25	14,433.29
	Navy	33,775.53	24,149.03	27,290.06	20,418.98	20,358.85
	Air Force	64,607.84	39,208.84	65,825.22	37,750.44	38,614.93
2014-15	Army	41,936.15	26,533.60	23,832.67	21,933.54	*14,843.37
	Navy	28,253.21	23,832.67	22,903.31	18,507.07	*18,439.02
	Air Force	62,408.33	33,710.68	38,948.19	33,710.68	*29,682.14
2015-16	Army	31,938.67	27,342.42			
	Navy	26,268.13	25,003.24			
	Air Force	46,191.96	33,686.75			

*Expenditure upto end of February, 2015.

10.3 Details of the heads/services under which there was under-spending in the Capital Budget, during the year 2013-14, with reference to final grant are as follows:—

			(Rs. in crore)
Service/ Department	Final Grant (Net)	Expenditure	Under- spending
Army	15,038.63	14,433.29	605.34
Air Force	38,708.42	38,614.93	93.49
DGOF	465.96	465.34	0.62
DRDO	5,261.60	5,241.52	20.08
DGQA	12.00	11.12	0.88

Details of under spending for 2014-15 will be available only at the end of the year after the accounts of the year are closed.

10.4 Details of capital acquisition during last two years of XI Plan and first two years of XII Plan broken up into acquisition from

indigenous and imported sources is given below:

Service	Year	Indigenous	Imported	Total
Army	2010-11	10859.08	865.80	11724.88
	2011-12	10359.86	506.07	10865.93
	2012-13	9880.12	991.67	10871.79
	2013-14	8925.49	1501.00	10426.49
Navy	2010-11	11,361.13	4,746.88	16,108.01
	2011-12	11,367.03	6,532.37	17,899.40
	2012-13	10,333.19	5,968.80	16,301.99
	2013-14	6,587.64	12,577.81	19,165.45
Air Force	2010-11	17,811.23	4,370.20	22,181.43
	2011-12	11,902.51	15,261.58	27,164.09
	2012-13	11,832.05	19,220.95	31,053.00
	2013-14	15,990.45	20,927.54	36,917.99

10.5 Regarding the percentage of GDP spent on Defence Budget the Ministry in its written reply stated that Defence Budget at Rs. 2,46,727 crores under BE 2015-16 is 1.75% of GDP [as projected by CSO as per Ministry of Finance 'Budget at a Glance 2015-16'].

As regards the Defence Expenditure by developed countries the Ministry stated that based on inputs from SIPRI Military Expenditure Database, the expenditure figures in absolute terms and as a percentage of GDP in respect of some of the developed and neighbouring countries are as under:—

[In current US \$ Million]

	2011			2012			2013		
	Def. exp.	% of GDP	% of Govt. exp.	Def. exp.	% of GDP	% of Govt. exp.	Def. exp.	% of GDP	% of Govt. exp.
China	[147268]	[2]	[8.4]	[167712]	[2]	[8.2]	[188460]	[2]	[8.3]
Pakistan	[6955]	[2.9]	[18.3]	7479	3	17.2	7641	3	16.2
USA	711338	4.7	11.4	684780	4.4	10.9	640221	3.8	10.0
Russia	[70238]	[3.7]	[10.3]	[81079]	[3.9]	[10.8]	[87837]	[4.1]	[11.2]
UK	60284	2.4	5.5	58500	2.4	5.3	57891	2.3	5.2

[]= SIPRI Estimates

Ratio for Capital and Revenue Outlay

10.6 Ratio for Capital and Revenue outlay during each year of the Eleventh Plan, the first two years of the Twelfth Plan and the proposed ratio for the third year of the Twelfth Plan is given below:—

Year	Service	Revenue	Capital
1	2	3	4
2007-08	Army	74	26
	Navy	40	60
	Air Force	38	62
	Total	56	44
2008-09	Army	73	27
	Navy	38	62
	Air Force	36	64
	Total	55	45
2009-10	Army	76	24
	Navy	40	60
	Air Force	42	58
	Total	61	39
2010-11	Army	77	23
	Navy	43	57
	Air Force	38	62
	Total	59	41
2011-12	Army	77	23
	Navy	42	58
	Air Force	34	66
	Total	58	42
2012-13	Army	80	20
	Navy	34	66
	Air Force	37	63
	Total	59	41

1	2	3	4
2013-14	Army	82	18
	Navy	34	66
	Air Force	32	68
	Total	57	43
2014-15 (RE)	Army	82	18
	Navy	43	57
	Air Force	37	63
	Total	63	37

10.7 During the course of evidence, Defence Secretary stated as under:—

“Sir, you had also enquired whether 38 per cent. capital is enough. Firstly, for any defence force in the world, the ratio has to be 30:40:30, which means that 30 per cent. has to be the state-of-the-art, 40 per cent. current and 30 per cent., which is going into obsolescence. This is the standard pattern, which every country endeavours to do. This is what we are also endeavouring to do. Now, to achieve those percentages, our assessment is that 38 per cent. capital is not enough. We need to do much more than that. One major reason why we persist with not so healthy percentage is this only that I do not get enough budget for capital.”

Defence Allocation during the last Five Years

(Rs. in crore)

Year	BE	Increase over previous year	%age increase
2011-12	1,64,415.49	17,071.49	11.59%
2012-13	1,93,407.29	28,991.80	17.63%
2013-14	2,03,672.12	10,264.83	5.31%
2014-15	2,29,000.00	25,327.88	12.44%
2015-16	2,46,727.00	17,727.00	7.74%

Defence Procurement Policy

10.8 The progress in achievement of objectives of the Defence Production Policy is given as under:—

- “(i) Preference to ‘Buy (Indian)’, Buy and Make (Indian)’ and ‘Make’ categories of Acquisition over ‘Buy (Global)’ or ‘Buy and Make’ categories thereby giving preference to Indian industry in procurement.
- (ii) Buy and Make (Indian) category of Defence acquisition has been simplified and introduced in DPP-2013.
- (iii) Suitable amendments to DPP for creating a level playing field for private sector *vis-a-vis* public sector and foreign vendors is being carried out.
- (iv) Making procedure is under final stages of streamlining. The revised procedure caters for development in collaboration between public sector, private sector and research and academic institutions.
- (v) The Ministry is in the process of setting up of Technology Development Fund (TDF) for implementation of ‘TDF Scheme’, with an initial sum of Rs. 100 crore, for providing financial support to Indian public/private sector including SMEs (as well as Academic and Scientific/Research and Development Institutions) other than DRDO, for development of defence equipment/systems that enhance cutting edge technology in the country.
- (vi) Hon’ble Raksha Mantri has carried out Annual Review for ascertaining the progress of Self-Reliance.”

10.9 Regarding the allocation of Budget, the Ministry in its written reply stated as under:—

“The major activities in the Defence Production Policy are the Policy initiatives which do not require any budget. However, the Ministry based on the announcement in the Budget of 2014-15 has initiated the process of setting up of a Technology Development Fund (TDF) with an initial amount of Rs. 100 crore for implementation of TDF Scheme.”

10.10 During the course of evidence the Defence Secretary stated as under:—

“We had actually one presentation also on the Defence Procurement Procedure but hon. Committee has already seen that presentation many times. What I would like to highlight is that what are changes

that we are planning in the Defence Procurement Procedure because existing procedures are known and their results are also fairly known. I would only like to mention 3 or 4 areas where we are trying to make changes. As per Defence Procurement Procedure, we are expected to make changes every 2 years. Last change was made at the end of May, 2013 and we are targeting that by May, 2015, we should have a changed Defence Procurement Procedure in position. There are specific issues that we would be addressing in the revised Defence Procurement Procedure are the following:

Our procedures on handling of complaints – we keep on getting a large number of complaints signed, unsigned, pseudonymous, anonymous and so on. Frequently, the practice has been that the minute you get a complaint, you freeze and stop moving on that procurement.

Now, how do I address that and ensure that I can move faster on that? That would be one part. The second part would be, what my procedure is for blacklisting a company. We have about 12-13 companies which have been blacklisted. Can I have a more nuanced approach in blacklisting? It is because ultimately I must submit that if a criminal offence of this country has been committed, the company must pay for that criminal offence as per the procedures of the country. But even within that, a nuanced approach is possible and we are working out that approach as to how to do blacklisting, whether there can be some intermediate stages and so on because that has the potential of making my procurement procedures move faster.

The third broad area that we are working on is the offset policy which we have found is not effective, and in most cases we are being forced to make dispensation or give concessions to the foreign companies because my policy is not right. The vendor is, perhaps, right but we are not right in the way the policy is framed at the moment. How do I change my offsets? The thinking there is that I must have what we call the 'directed offsets'. For example, if I am buying Sukhoi, I would link it up with 'Make in India' procedure and say that the Sukhoi manufacturing company must invest in India, with Indian companies, to manufacture the spare parts or components of Sukhoi itself. We have had discussions with the Russians, Americans, Britishers and French on this as a subject and we have interestingly found a positive response that for major platforms we would simultaneously target as part of directed offsets on this.

The fourth major change that we are contemplating is on something which is called the 'Make Procedure' which is already existing in the DPP but we found that it was not yielding the results that we wanted. Here the endeavour and the broad framework would be that 80 per cent of the research funding for 'Make Project' would be provided by the Government to a Government or to a private company to develop that product in return for an assured order for a certain period so that it becomes commercially viable for him to get benefit from this particular 'Make Procedure'."

Five Year Defence Plans

10.11 Defence Five Year Plans are formulated to chalk out the necessary steps to maintain and augment defence capabilities in line with the RM's Operational Directives and the LTIPP and the current threat perception. These plans help to estimate the outlay required to achieve the planned objectives.

The achievements of 10th and 11th Plans

	(Rs. in crore)	
	Projections	Expenditure
10th Plan (2002-07)	4,18,101.00	3,57,627.17
11th Plan (2007-12)	6,48,750.16	6,72,714.63

10.12 The period of the 10th, 11th and 12th Plans is as under:—

X Plan	2002-07
XI Plan	2007-12
XII Plan	2012-17

However, these Plans did not receive Government approval. Nevertheless, activities included in the Plans proceeded during the Plan period within the available budget allocations. Projections in respect of annual budgets were made in line with Five Year Plans and available allocations prioritised accordingly.

Committed Liabilities

10.13 Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the DSE, Committed Liabilities constitute a significant element

in respect of the capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities which hold first charge on the budget allocation. Inadequate allocation for committed liabilities could lead to default on contractual obligations.

In so far as the three Services are concerned, the projected requirement for new schemes and committed liabilities was as under:—

(Rs. in crore)

	Projected requirement for Capital Modernisation Budget 2015-16		
	Committed Liabilities	New Schemes	Total
Army	20,513.44	5,665.48	26,178.92
Navy	22,248.12	4,091.00	26,339.12
Joint Staff	328.04	561.14	889.18
Air Force	28,246.53	12,000.00	40,246.53
Total	71,336.13	22,317.62	93,653.75
Coast Guard	1020.32	679.68	1700.00

10.14 However, based on the allocation of funds by the Ministry of Finance, the position of actual allocation is as under:—

(Rs. in crore)

	Capital Acquisition (BE 2014-15)		
	Committed Liabilities	New Schemes	Total
Army	20,513.44	1,541.06	22,054.50
Navy	22,248.12	1,112.78	23,360.90
Joint Staff	328.04	152.63	480.67
Air Force	28,246.53	3,264.09	31,510.62
Total	71,336.13	6,070.56	77,406.69
Coast Guard	900.00	0.00	900.00

There is no shortfall in allocation of funds for committed liabilities (except for Coast Guard). Requirement of additional funds for new schemes will be projected, as required, based on utilisation of available funds and progress in approval of new schemes.

BE allocations for 2014-15 for new schemes and committed liabilities are as given below:—

(Rs. in crore)

	Capital Acquisition (BE 2014-15)		
	Committed Liabilities	New Schemes	Total
Army	18,851.26	2,084.15	20,935.41
Navy	21,248.07	663.92	21,911.99
Joint Staff	473.07	9.17	482.24
Air Force	29,173.40	2,644.99	31,818.39
Total	69,745.80	5,402.23	75,148.03

10.15 Revised Allocations under RE 2014-15 are as under:—

(Rs. in crore)

	Capital Acquisition (RE 2014-15)		
	Committed Liabilities	New Schemes	Total
Army	15,251.20	2,084.15	17,335.35
Navy	16,411.32	663.92	17,075.24
Joint Staff	321.58	9.17	330.75
Air Force	29,173.40	2,644.99	31,818.39
Total	61,157.50	5,402.23	66,559.73

Data on capital expenditure during the last two years of the Eleventh Plan and the first two years of the Twelfth Plan on committed liabilities and new schemes in respect of the Army is given below:—

(Rs. in crore)

	Capital Modernisation		Other Capital Expenditure	Total Capital Expenditure
	Committed Liabilities	New Scheme		
2010-11	3,478.62	3,739.17	8,635.16	15,852.95
2011-12	4,800.94	507.08	9,639.80	14,947.82
2012-13	10,107.38	764.41	3,888.90	14,760.69
2013-14	8,783.02	1,643.47	4,006.80	14,433.29

10.16 For NCC, DGQA and Ordnance Factories, the capital expenditure is given below:—

	(Rs. in crore)			
	2010-11	2011-12	2012-13	2013-14
NCC	3.13	3.15	0.69	0.68
DGQA	15.01	7.10	4.94	11.12
Ordnance Factories	454.22	278.48	349.07	465.34

Regular budgetary support for DPSUs is not provided out of the Defence Services Estimates. However, provision for occasional loan/equity for Defence PSUs is made out of MoD (Civil) budget.

10.17 Regarding the items planned during the last five years of capital budget and achievement made the Ministry in its written reply stated as under:—

In accordance with the provisions of Defence Procurement Procedure (DPP), the acquisition of Weapon Systems and equipment for the Armed Forces flows from the Long Term Integrated Perspective Plan (LTIPP). The current LTIPP spells out the capability desired to be achieved by the Armed Forces over 15 years duration (2012-27). The LTIPP is translated into specific assets to be acquired, in the form of Services Capital Acquisition Plan (SCAP), covering a five year period.

From the Services Capability Acquisition Plans (SCAP), a list of equipment and weapon systems required to be procured immediately is listed in the form of the Annual Acquisition Plan (AAP). The AAP covers a period of 2 years and rolls over to the next financial year. The AAP is prepared and prioritised in consonance with the Budget allocation for capital acquisitions. During the last five years, the allocations for capital acquisitions have been optimally utilised as indicated below:

	(Rs. in crore)		
Year	BE	RE	Actuals
2009-10	43700.60	38379.37	41918.88
2010-11	47305.69	47848.76	50186.07
2011-12	56510.49	53292.30	56281.88
2012-13	66032.24	57395.46	58768.86
2013-14	73444.59	66406.41	66850.30

Imports of defence equipment

10.18 The total expenditure for the three Services on direct payments to foreign vendors for Capital Acquisitions over the last seven financial years is as per the table given below. The equipments imported and functional are being optimally exploited on operational platforms:—

Financial year	Expenditure		
	Air Force	Navy	Army
2007-08	5321.68	1972.36	2846.76
2008-09	4270.24	4054.49	1832.84
2009-10	4226.28	4576.83	1659.36
2010-11	4370.32	4746.88	800.39
2011-12	15258.11	6532.37	424.82
2012-13	19220.95	5968.80	884.84
2013-14	20927.55	12577.81	1365.71

The Major Defence equipment/items imported in the last two financial years, along with details of price and the country of origin, is listed below:—

Air Force

Financial Year 2012-13 (Rs. in crore)

Sl.No.	Equipment details	Cost of contract	Country or origin
1.	Basic Trainer Aircraft (Buy)	2895.63	Switzerland
2.	1000 KG NG PGM	638.95	Israel
3.	RVV Missiles	2798.15	Russia

Financial Year 2013-14 (Rs. in crore)

Sl.No.	Equipment details	Cost of contract	Country or origin
1.	Additional C-130 J 30 Aircraft	6301.91	USA
2.	Infrastructure for C-130 J 30	363.51	USA
3.	Additional Reccelite Pods	218.29	Israel

Navy**Financial Year 2012-13**

(Rs. in crore)

Sl.No.	Equipment details	Cost of contract	Country or origin
1.	KH 35 Missiles for IL 38	204.00	Russia
2.	Shtill Missiles	1185.00	Russia
3.	IUHDSS	265.00	Israel
4.	Torpedoes for P81 LRMASW Aircraft	310.00	USA

Financial Year 2013-14

(Rs. in crore)

	Equipment details	Cost of contract	Country or origin
	Self Propelled Underwater Target (SPURT)	125.32	Sweden

Army**Financial Year 2012-13**

(Rs. in crore)

Sl.No.	Equipment details	Cost of contract	Country or origin
1.	Konkurs Missiles	1290.76	Russia
2.	3 UBK Invar Missile (T90)	2101.61	Russia
3.	Integration of TI Sight of BMP-2 (TISK)	397.16	Israel

Financial Year 2013-14

(Rs. in crore)

Sl.No.	Equipment details	Cost of contract	Country or origin
1.	Heron UAV	1606.32	Israel
2.	Night Vision for T-72 (TIFCS)	1629.85	Israel
3.	125 mm APFSDS AMK 339 for T-90 Tanks	2683.26	Russia

Appointment of authorised representation/distribution

10.19 The Defence Procurement Procedure (DPP) guidelines in Chapter-I provide for shortlisting by SHQs of vendors who are the Original Equipment Manufacturers/Authorised Vendors/Government Sponsored Export Agencies (applicable in the case of countries where domestic laws do not permit direct export by OEMs). The list of shortlisted vendors may be supplemented by the Technical Managers in the Acquisition Wing for which databank will be maintained by them. 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 (Appendix 'E' of Chapter-I) given in DPP. To avoid irregularities in defence deals, the Defence Procurement Procedure (DPP) provides for signing of the Pre-Contract Integrity Pact (PCIP), appointment of Independent Monitors and also has appropriate provisions in the standard clauses of contract.

Advance planning for the forces

10.20 Regarding planning for requirement of weapons system, Aircraft, Aircraft carriers, critical ammunition, the Ministry in its written reply stated as under:—

“The long term capital acquisition requirements of services are deliberated and reflected in the Long Term Integrated Perspective Plan (LTIPP), which is for 15 years. The present LTIPP covers the period 2012-27. Deriving from LTIPP, a five year Services Capital Acquisition Plan (SCAP) is prepared, which is further translated into a two year Roll-on plan known as the Annual Acquisition Plan (AAP). The procurement process closely follows the Annual Acquisition Plan.

Details of the heads/services under which there was under-spending in the Capital budget, during the year 2013-14, with reference to Final Grant:

	(Rs. in crore)		
Service/ Department	Final Grant (Net)	Expenditure	Under- spending
Army	15,038.63	14,433.29	605.34
Air Force	38,708.42	38,614.93	93.49
DGOF	465.96	465.34	0.62
DRDO	5,261.60	5,241.52	20.08
DGQA	12.00	11.12	0.88”

10.21 When asked the reasons of heavy underspending by Army during the year 2013-14 besides Air Force, DRDO, DGOF and DGQA, the Ministry in its written reply stated as under:—

“The underspending by the Army is 4% of the final allocation and was mainly caused by savings under Capital Works due to cancellation of MAP contracts and lower supply of DGOF vehicles. In the case of the Air Force, the underspending is merely 0.24% of the allocation.”

Sub-Major Head 01 (Army)

10.22 Actuals for the Sub-Major Head Army for the year 2013-14 was Rs. 14418.62 crore. This amount has increased in the year 2014-15 to the tune of Rs. 2894.54 crore. For the year 2015-16 the amount is Rs. 27195.76 crore when asked how the Army would utilise the enhanced amount during the year 2015-16 and how they have utilised the same during the year 2014-15, the Ministry in its written reply stated as under:—

“The Army plans to utilise the RE 2014-15 and BE 2015-16 allocations for capital expenditure in the following manner:

	(Rs. in crore)	
	RE 2014-15	BE 2015-16
Land	483.00	377.00
Works	4496.78	4863.92
Military Farms	5.00	12.00
ECHS	20.41	30.00
National Cadet Corps	1.00	5.00
Aircraft	2323.55	2365.35
Vehicles	1783.61	1783.83
Other Equipment	12548.84	17335.22
Rolling Stock	60.71	364.02
Rashtriya Rifles	210.64	90.97
Prototype development under Make Procedure	0.00	115.11
Total	21933.54	27342.42

It may be noted that the figures cited in the question are only the voted segment of the allocations/expenditure whereas the total figures include both voted and charged segments.”

Minor Head 050 (Land)

10.23 Actuals for the year 2013-14 was Rs. 114.1117 crore. In spite of this RE for the year 2014-15 was Rs. 481 crore. Again BE for the year 2015-16 is Rs. 367 crore. When asked to explain the reason for putting RE 2014-15 at exponentially high level inspite of the fact that Actuals for the year 2013-14 was only Rs. 114.1117 crore, the Ministry in its written reply stated as under:—

“Allocations for capital expenditure are finalised based on the requirement of expenditure likely to be incurred on ongoing projects, and new projects likely to be approved. Unlike some items of revenue expenditure like salaries, ration, fuel, etc. for which allocations can generally be based on trends of past expenditure, allocations for capital expenditure must be based on assessment of progress of ongoing projects and likelihood of approval of new projects. The allocation is thus, based upon an assessment of likely expenditure and has no reference to actuals of the previous years.

RE 2014-15 allocation has been based on likely fructification of land acquisition cases including those relating to acquisition of land at Parsauli, PassiGhat and KarewaDamodar.

It may also be noted that the figures cited in the question are only the voted segment of the allocations/expenditure whereas the total figures include both voted and charged segments.

It was further added by the Ministry that the allocation of Rs. 377 crore under BE 2015-16 is based on likely fructification of land acquisition cases.”

Minor Head 101 (Aircraft and Aero Engines)

10.24 Actuals for the year 2013-14 were Rs. 1210.1408 crore. RE for 2014-15 was Rs. 2323.55 crore and for the year it has been pegged at Rs. 2365.35 crore.

10.25 When asked to justify almost double allocation for the year 2014-15 and year 2015 -16 as compared to the Actuals of Rs. 2013-14, the Ministry in its written reply stated as under:—

“Allocations for capital expenditure are finalised based on the requirement of expenditure likely to be incurred on ongoing

projects, and new projects likely to be approved. Unlike some items of revenue expenditure like salaries, ration, fuel, etc. for which allocations can generally be based on trends of past expenditure, allocations for capital expenditure must be based on assessment of progress of ongoing projects and likelihood of approval of new projects. The allocation is thus, based upon an assessment of likely expenditure and has no reference to actuals of previous years.”

Minor Head 102 (Heavy and Medium Vehicles)

10.26 Actuals for the year 2013-14 was Rs. 1325.2007 crore. In spite of this RE for the year 2014 was Rs. 1783.6099 crore. When asked to explain as to how RE 2014-15 and BE 2015-16 have been kept at high level in spite of the fact that there were lesser utilisation in the year 2013-14, the Ministry in its written reply stated as under:—

“Allocations for capital expenditure are finalised based on the requirement of expenditure likely to be incurred on ongoing projects, and new projects likely to be approved. Unlike some items of revenue expenditure like salaries, ration, fuel, etc. for which allocations can generally be based on trends of past expenditure, allocations for capital expenditure must be based on assessment of progress of ongoing projects and likelihood of approval of new projects. The allocation is thus, based upon an assessment of likely expenditure and has no reference to actuals of the previous years.”

Minor Head 103 (Other Equipment)

10.27 Actuals for the year 2013-14 was Rs. 7724.3875 crore. RE for the year 2014 has been enacted Rs. 1254.88 crore and BE for the year 2015-16 is Rs. 1733.52 crore. When asked to explain the exponential rise in the RE 2014-15 and BE 2015-16 as compared to Actuals of the year 2013-14, the Ministry in its written reply stated as under:—

“Allocations for capital expenditure are finalised based on the requirement of expenditure likely to be incurred on ongoing projects, and new projects likely to be approved. Unlike some items of revenue expenditure like salaries, ration, fuel, etc. for which allocations can generally be based on trends of past expenditure, allocations for capital expenditure must be based on assessment of progress of ongoing projects and likelihood of approval of new projects. The allocation is thus, based upon an assessment of likely expenditure and has no reference to actuals of the previous years.”

Minor Head 105 (Military Farms)

10.28 RE for the year 2014-15 is Rs. 5 crore while it is more than double that is Rs. 12 crore for the year 2015-16. When asked to explain the Ministry in its written reply stated as under:—

“The allocation is based upon an assessment of likely expenditure during the year and includes enhanced requirement for Construction Works and equipment/machinery.”

Minor Head 106 (Rolling Stock)

10.29 There is no Actuals for the year 2013-14. While for the year 2014-15 it is Rs. 60.70 crore and for the year 2015-16 it is Rs. 364.02 crore. This indicates that there is almost six times increase in the rolling stock. When asked to explain this, the Ministry in its written reply stated that the allocation is based upon an assessment of likely expenditure during 2015-16 for procurement cases approved recently.

PART II

RECOMMENDATIONS/OBSERVATIONS

Capital Expenditure

The Committee observe that the Capital Expenditure has never remained under control. The Committee feel that the Capital Head invariably ends up with unutilized funds. During the year 2010-11 against the RE allocations of Rs. 24266.79 crore, Army spent Rs. 23,625.42 crore. Similarly in the years 2011-12 and 2012-13, Army could utilize Rs. 14,947.82 crore and Rs. 14760 crore against RE of Rs. 16005.69 crore and 15749 crore. In case of Navy Rs. 17759.88 crore and Rs. 20338.85 crore could be utilized during the years 2012-13 and 2013-14 against RE of Rs. 18266.42 crore and Rs. 20418.98 crore respectively. Air Force too could utilize Rs. 23,625.42 crore out of RE allocation of Rs. 24266.79 crore in the year 2010-2011. During the preceding financial year 2014-15 the position of expenditure upto the end of February 2015, in respect of Army, Navy and Air force is Rs. 14843.37 crore, Rs. 18439.02 crore and Rs. 29682.14 crore respectively against their RE of Rs. 21933.54 crore, Rs. 18507.07 crore and Rs. 33710.68 crore respectively. Such underspending leads to a situation where the preparation of Defence Forces are nowhere near the target which are fixed and it becomes a fait accompli. The Committee are of the opinion that capital investment requires a certain period of time to materialize. A capital investment cannot be completed in a financial year. A lot of studies are to be carried out which require the clearance from a number of agencies. The Committee, therefore, strongly recommend that Capital Allocation and Expenditure should be “Non-lapsable and Roll-on” allocation. It should be a part of plan expenditure and the progress should be monitored by a specialist, expert Committee to ensure that the time schedule is set and followed on various stages till the delivery of capital goods.

2. The Committee have been apprised that Capital Outlay is in the ratio of 30:40:30 all over the world which means that out of the total Capital Outlay, the 30% has to be the category of state-of-the-art technology, 40% current and 30% for obsolescence. The Ministry of Defence is endeavouring to follow this standard pattern. The Committee feel that in order to achieve this standard ratio, we would have to not only enhance our capital outlay but also make it

“Non-lapsable and Roll-on” as an urgent change in our Financial Policy. The major reason cited by the Defence Secretary for not adhering to this standard ratio was insufficient Capital Budget. The Defence Ministry officials have to make sincere efforts and ensure that the funds allocated are fully and efficiently utilized under respective heads.

The Committee are dismayed to note that there was underspending of Rs. 720.41 crore during the year 2013-14 which lapsed! In respect of Army the underspending was Rs. 605.34 crore, in case of Air Force it was Rs. 93.49 crore while in case of Director General Ordnance Factories (DGOF), Defence Research and Development Organization (DRDO) and Directorate General of Quality Assurance (DGQA). It was Rs. 0.62 crore, Rs. 20.08 crore and Rs. 0.88 crore respectively. The Committee observed that barring Navy there was underspending in respect of each services/ departments. The Committee therefore express their displeasure over this fact wants it to be examined and details reasons given to the Committee. The Committee also recommend that all out efforts should be made to curb underspending.

Indigenization and R&D

3. The Committee note that India is the major importer of the Defence equipments and weaponry. The contract from a foreign country takes a lot of time to materialize. In certain instances orders given almost a decade back have not yet been concluded or cancelled. This leads to the deterioration of Global Service Provider Rating (GSPR). The Committee, therefore, recommend to adopt a phase-wise system under the Defence Procurement Policy which may ensure that the imported item is delivered within the stipulated period of that phase. The Committee would like to stress that R&D should also keep on improving and be accountable. This policy would help us in the acquisition of latest weaponry and equipments instead of getting the obsolete items. The Committee strongly recommend for the indigenization supported by state-of-the-art R&D. For this purpose, it is imperative that interaction with the CSIR labs, technical institutions and universities should be made so that talented people are attracted towards defence services. The Committee are dismayed to note that DRDO has not made any concrete efforts in this regard. As stated by the Defence Secretary during oral evidence, certain efforts were made by them but these were sporadic and scattered. The Committee, therefore, recommend that a formal policy should be formulated at the earliest. The Committee are given to understand

that IIT Kanpur had been assigned a project on rotary UAV. The Committee appreciate the achievement made by IIT Kanpur with the hope that such innovations are encouraged by DRDO by involving premier technical institutions and universities.

Defence Procurement Procedure

4. The Committee observed that the Capital allocation for Air Force has been reduced during the current financial year. It is also observed that the deal of 126 aircraft with the French based Rafale Company could not be finalized. The Committee feel that all these attribute to long gestation period of Defence Procurement Procedure.

5. The Committee have been apprised that Defence Procurement Procedure is changed every two years. The last change was made at the end of May 2013 and by the end of May 2015 a change shall be due in the procedure. As the Defence Secretary submitted before the Committee that four major issues are going to be changed in the revised procedure. The Committee hope that the new Defence Procurement Procedure shall plug the loopholes in the existing policy and make it more productive without time and cost overrun. The new procedure envisages the tackling of the complaints without any hindrance in the procurement. The new policy should be drafted in such a fashion that procurement is not hampered. While appreciating the reforms proposed to be brought out in the Defence Procurement Procedure, the Committee note that the Offset Policy should envisage 30% indigenous production by the importer in India and Transfer of Technology (ToT). The Committee also recommend the immense potential and capability already available in the field of "Reverse Engineering" in our country. These could be utilized where high degree of expertise or technology is not required. The Committee feel that instead of investing in those areas which are of not much significance, the offset policy should lay stress on Transfer of Technology (ToT), indigenization and Intellectual Property Right (IPR). The Committee are of the opinion that if the IPR is obtained by the money invested by the Government then part sharing of profit shall be there and in case the foreign company decides to discontinue then IPR shall be reverted to the Government. The Committee, therefore, recommend that revised Defence Procurement Procedure shall include all these things and Committee shall be apprised about the more efficient procurement in coming months.

Border Roads Organization (BRO)

6. The Committee are very happy to note that the BRO has now come under the Ministry of Defence. The Committee travelled by road from Nathula Pass to Gangtok on a road maintained by the

BRO. The Committee appreciated their efforts inspite of adverse weather conditions and difficult territory they are doing good job.

7. The public at large specially those living in border States, have great expectations from Border Roads Organization. The expeditious movement of troops depend upon good quality roads capable of withstanding the climatic condition of the region. This can only be achieved if BRO is provided adequate funds to carry out its functions smoothly. The Committee are disappointed that such an important area had been neglected by the Government over a period of time. BRO which was founded as a “Force”, viz. General Reserve Engineer Force (GREF), by the first Prime Minister of the country and headed by him, which enabled it to take major decisions promptly and resulting in creation of very effective and efficient GREF (now BRO). It lost its sheen since then, as Border Roads Development Board (BRDO) is now headed by a Minister of State. It is observed from the statistics that paucity of funds has always been there in the BRO. However, the Committee are happy and have some solace that BRO has been transferred from Ministry of Road and Surface Transport to Ministry of Defence. However, this cannot be panacea for all the maladies to which BRO has been struggling since long. The Committee, therefore, recommend Government to provide ample amount of money to BRO and there should not be budget cut since North-East Projects in particular suffer when funds are withdrawn every year during working season (last quarter). The Committee also recommend that BRDO should be headed by Defence Minister instead of Minister of State for Defence.

8. The Committee observed that BRO faces a lot of difficulty in acquisition of land and forest clearance. After the take over of BRO by the Ministry of Defence, it is felt that these problems would be mitigated to a large extent. In this regard, the Committee recommend that an empowered Committee consisting of Defence Secretary and Chief Secretary of the concerned State should be constituted to settle the issues pertaining to land acquisition and forest clearance expeditiously as the country’s security cannot be compromised. The Committee, therefore, recommend that both Defence Secretary and Chief Secretary of the State concerned sit together and resolve the issue without any delay.

9. This is the matter of great concern that obsolete equipment, viz. Type II and IV are being used by BRO. These equipments should be immediately replaced with modern equipments befitting the climatic conditions of the region. The Committee think that in order

to compete with our neighbouring countries, especially China, we must have latest, State-of-the-art equipment with the BRO.

10. It is evident from the data given by the Ministry that there is acute shortage of manpower, both combatant and civilians put together, in the BRO. The Committee, therefore, recommend that urgent steps need be taken to make-up the strength in BRO. In this regard, the services of ex-servicemen can be requisitioned. In addition to this, uniform functional facilities for the BRO personnel are also necessary. Instead of putting them in tents which jeopardize their health they should be provided proper accommodation at high altitude. As submitted by the Secretary, the casualty rate in BRO is alarming as mortality rate is that of one man per day. It is imperative for the Government to ponder over this issue and provide them proper high altitude accommodation to ward off such incidents. The Committee feel that hard service conditions of BRO compounded with lack of necessary facilities do not attract youngsters and talented engineers to join BRO. If these issues are properly addressed the strength would increase and work of BRO shall not suffer due to insufficient manpower.

11. The Committee note with concern that funds for BRO are released at a late stage. When there is conducive working season to carry out the work, the funds are not released. On the contrary, in Ladakh Region, North-Eastern Region, Uttarakhand and Himachal Pradesh, funds are released at the time of onset of winter. During that period it is very difficult to carry out the work and as a result, the funds remain unutilized. As admitted by the Defence Secretary at the time of oral evidence, snow clearance grant had been a problem. It is imperative in this regard that grants are released well before the onset of winter. The Committee also recommend that the funds which remain unutilized due to hostile climatic condition may be carried forward for the next working session.

12. It is observed that BRO consist of mixed cadre. It has civilian as well as Army personnel. This creates a lot of difficulty in the field. The Committee, therefore, recommend that there should be a institutional mechanism to avoid conflicting situation. As the BRO has now come under the Ministry of Defence, the Committee hope that the situation would improve and there shall be no conflicting situation.

13. The Committee express their displeasure over the fact that the required vehicles and equipments are not available with the BRO.

This problem has been persisting for the last five years as per the records submitted by the Ministry of Defence. This may have been persisting for a very long time. The Committee are anguished over this fact and feel that under staffed BRO with ill-equipped and inadequate vehicles and equipments cannot compete with our neighbouring countries and this may be a stumbling block in the optimum utilization of the combatant capacity of our Armed Forces and Para Military Forces.

14. The connectivity between Himachal Pradesh and Ladakh Region is very crucial for the expeditious movement of troops and equipment to this strategic area. The Committee, therefore, recommend to construct Nyemo-Padum-Darcha Road to connect Himachal Pradesh and Ladakh Region. The Committee may be apprised of the steps taken in this regard.

15. The maintenance and upkeep of all the border roads is quite essential. It is learnt that BRO has a particular pattern that all border roads irrespective of weather conditions of the particular area are resurfaced. In Ladakh Region, it has generally been observed that roads are resurfaced in spite of their good condition and when only it is resurfaced in most of the cases the resurfaced road becomes no better than the previous road. In Ladakh Region the climate is dry and scanty rainfed, so roads in this area do not require resurfacing again and again as these are not much damaged. On the contrary, in Uttarakhand which is highly rainfed area the roads require maintenance frequently. The Committee, therefore, recommend that maintenance of roads should be carried out after a thorough inspection of the roads and resurfacing should be carried out where only it is required. This would help in concentrating in those areas where roads have been damaged due to the vagaries of weather.

16. The Committee fail to understand that in spite of the instructions of Government of India to invite public representatives of the area where some project or scheme is carried out either by the Union Government or State Government, BRO does not invite local MPs nor informs them. This sends a wrong message and public at large do not understand what is actually going on. The Committee, therefore, recommend that BRO should keep this in mind and local MPs and other public representatives should be kept abreast with the developmental activities of BRO and invite them at the inauguration of such projects.

17. It is not only the hilly and terrain areas but area bordering Punjab, Jammu, Rajasthan and Gujarat which BRO cannot neglect. At the time of war heavy armoured vehicles pass through these areas which require strong and good quality roads. Civil agencies cannot construct such roads. There are water channels, canals, dams etc. on the way and Army vehicles pass over these areas and, as such it is expedient not to neglect this area.

18. The Committee are dismayed to note that in Tawang area the situation is very critical insofar as connectivity is concerned. In case of war, the Army cannot reach there in a day. While our neighbouring countries can reach borders within two or three hours, our Army takes more than a day to reach there. This is a matter of great concern with regard to our Defence Preparedness. The Committee, therefore, recommends to construct good quality roads in this area on priority basis.

The Committee also recommends that our engineers and other BRO personnel are sent abroad to upgrade their technical knowhow. The Committee have been apprised that a permanent scientific Committee under the Ministry of Science and Technology had been constituted to aid and advise BRO on technologies which can be adopted. As stated by the Secretary that 10% of BRO budget has been earmarked for experimenting new technologies to construct blacktop road at high altitude, the Committee feel that this would give impetus to a new paradigm.

19. The Committee observe that during Uttarakhand tragedy and flood situation in Kashmir, BRO had to divert its work force to these areas as it was the need of the hour. BRO did commendable job in spite of many obstacles. This might have affected the regular work of BRO in other areas. The Committee, therefore, recommend that there should be two wings of BRO – one for routine job and another for emergency duties.

20. The Committee note that BRO is not like civil engineering agencies e.g. PWD and CPWD. It has got specific jobs and work under hostile conditions. As such strategic roads should be identified right from the rail head upto where the strategic road ends on borders.

21. BRO Budget is within the civil estimates of the Ministry. As such, limits have been set for the Defence Ministry. The Committee therefore recommend that this issue should be taken up with the

Ministry of Finance so that the Ministry of Defence can have its say over the budget. The Committee also feel that it is necessary to delink pay and allowances from the budget estimates of BRO. As submitted by the Secretary that during the rainy season or during the snow when the labour is sitting idle, the project costs goes up as a result of pay and allowances given to the labour. This results into escalation of revised estimates. Hence, it is imperative that the system needs restructuring so that work is performed as per actual requirements.

22. The Committee find that BRO faces a lot of difficulties in respect of quarries. This requires urgent action and remedial measures. It is therefore, necessary that dedicated quarries be allocated to BRO so that the raw material for the construction is easily available without any hindrance. The Committee therefore recommend that an empowered Committee be set up under the Chairmanship of the Chief Secretary of the concerned State. The Committee are given to understand that some States are adhering while others are not. The Committee therefore recommend that if any State has not given the approval for a particular quarry the BRO should be given authority to bring the raw material from another quarry, irrespective of the distance.

Indian Coast Guard (ICG)

23. The Committee note that after the 26/11 incident, ICG got a steep increase in its budget and manpower. The Committee can understand that it was absolutely necessary to strengthen manpower and machinery of ICG post-26/11, but it also indicates that we never anticipated the incidents like 26/11 and we were also not prepared for such eventuality. The Committee feel that enhancement in the budget and manpower should have been proactive instead of post-occurrence of any untoward incidents. The Government cannot eschew its responsibility just by taking the plea that before the year 2008 the threat was largely continental. This indicates that we were not prepared for any threat from sea side. The Committee are therefore, of the opinion that we strengthen our security from sea side also and coastal security be given an impetus. The ghastly massacre at Mumbai could have possibly been avoided had this been given a serious thought.

24. It has been observed that the Ministry of Finance has allocated less money to ICG than demanded by the Ministry of Defence. In the year 2014-15, against BE of Rs. 1550 crore, RE was

Rs. 1140 crore. For Capital expenditure, only Rs. 1200 crore were given against the demand of Rs. 2150 crore. As stated by the Defence Secretary that the money allocated for the year 2015-16 would exhaust in just six months, a revisit is required to enhance the budget to ward off any incident like 26/11.

Defence Estates Organisation

25. The Committee are given to understand that in many a case property tax has not been paid by the Cantonment Board. At the time of oral evidence of the representatives of the Defence Estates, it has come to the notice of the Committee that Telangana Government has given a notice to Cantonment Board of Secunderabad Area. The Committee are of the opinion that in the absence of funds which come through property tax it becomes difficult to develop Cantonment Board.

26. The Committee have been apprised that a large number of demolition work has been initiated by Cantonment Boards. The Committee understand that there should not be any encroachment in the Cantonment Area, but at the same time care is required to ensure that a genuine structure and other buildings/dwelling units which are situated on the so called Defence land, which earlier belonged to some princely States like Nizams, should not be disturbed.

27. It has been observed that roads and cantonment area are some times closed by senior officers of the Army in cantonment area. This leads to trouble to the public commuting through cantonment area. The Committee understand the security of the country cannot be compromised and threat perception cannot be overlooked, but causing inconvenience to public at large without any such input is very disturbing. The Committee feel that concept should be from security point of view, but when that degenerates into personal vanity, it becomes abhorable.

28. Defence Estate Organisation has a large area of land which is lying unutilized for a very long time. The Committee, therefore, recommend that this should be examined in detail and appropriate use of this be considered; some funds could be used for the welfare of residents of cantonment area. This would add to the revenue of the Ministry of Defence, which would help in launching big ticket projects of the Armed Forces.

29. The Committee are of the view that a sum of Rs. 348.26 crore as demanded in BE 2015-16 may be provided to DGDE as grant

in aid for the developments of Cantonment Boards. The Committee also desire that adequate provisions may be made in the Budgets of Army and Air Force to clear the arrears in the coming years.

Military Engineering Services (MES)

30. It has come to the notice of the Committee that bricks used by the MES are not of desired standard. The bricks got damaged quickly and do not adhere to the quality control. As admitted by Engineer in Chief that substandard quality of the bricks specially in Punjab, Northern Rajasthan and parts of Haryana is due to the salinity of water used for making the bricks, it becomes absolute necessary to treat these bricks before their actual application. The Committee have been apprised that a technology team, which is design and consultancy team of MES, is examining the issue. While appreciating the measures taken by MES, the Committee recommend that a thorough study followed by scientific treatment of all the existing structure should also be made wherever such bricks have been used.

31. The Committee are of the opinion that wherever possible the locally available raw material should be utilized instead of using pre-fabricated material. The Committee understands that at an high altitude like Ladakh it becomes difficult to carry out raw material from the quarry; and in some specific cases pre-fabricated material is convenient to use, specially for the temporary structure of the Army, as these can easily be relocated depending on operational requirement. Even then, emphasis should be given to use of local material wherever it is feasible. In this regard some innovative products like hollow bricks should be used which cost less and are suitable for local weather condition. The use of fly-ash is also a welcome step as it would mitigate pollution emitting from thermal power plant and use its ash.

32. The Committee note that MES is setting up a solar plant which would generate 30 MW electricity by the year 2019. The Committee feel that steps be taken to explore whether it can be made sequential *i.e.* initially it may generate 10 MW, then 20 MW and finally by the end of 2019 it should generate 30 MW. Instead of waiting till 2019 it would be in the fitness of case that generation of electricity takes place in phased manner.

33. The Committee have been informed that MES would develop six smart stations which shall be in harmony with the other hundred stations which are being identified. The Committee laud the efforts

of MES that these stations would be for the logistic support of Armed Forces and consequently a model for State of Art living and lodging of Armed Forces.

Married Accommodation Projects (MAP)

34. The Committee have been informed that “satisfaction rate” *i.e. availability of Married Accommodation* of the Army would be about 70 per cent by the time phase IV gets completed, which is expected to be completed by 2020. In the case of Navy and Air Force it would be 85 and 90 per cent respectively. Presently the Married Accommodation is to the extent of only 10-15 per cent of total accommodation of the Armed Forces. In such a case, the satisfaction rate of 75 per cent is inadequate. The Committee, therefore, recommend that it should be 100 per cent and every jawan should get it. Army personnel serve in field area. They come and stay for maximum 2 to 3 years in peace stations. Half of the time they stay outside in hired accommodation, which create immense administrative and “Morale” problems. Hence the aim of MAP should be 100 percent “satisfaction level”.

35. The Committee observed that the Phase I of the Project, which was scheduled to be completed in 2002, actually started in 2004 and completed in 2008. Thus Phase I has been delayed by 6 years. Similarly, Phase II which was due to be completed in 2014 will now be completed by 2017. The Committee, therefore, express their displeasure and anguish that Phase I and Phase II of MAP were delayed for one reason or another and timeline was not maintained. This might have resulted into cost overrun apart from effecting “Morale” of the Troops. They, therefore, recommend that MES should meticulously ensure that Phase III is completed on schedule.

36. In the desert areas, like Jaisalmer, there is an acute shortage of accommodation even in the market. It is a strategic location as large number of Army officials or jawans have to look for rented accommodations. The Committee, therefore, recommend that in Phase III, priority should be given in constructing MAP in Jaisalmer.

37. The Committee got a suggestion from MES that they should also be given the same power as vested with Director General MAP. As MES is the executing agency of MAP, it is strongly recommended that power as vested to DG MAP should also be given to MES for the expeditious completion of MAP.

38. MAP was constituted as a separate entity in order to focus on accommodation problem of married Armed Forces personnel. The Committee are dismayed to note that in spite of giving autonomy to MAP, the works carried out by MAP are not meeting the target. Works are going at a snail's pace, which need to be introspected. The Committee, therefore, recommend that MAP, should gird up their loins and carry out the work vigorously otherwise there is no use of making it a separate organization.

Defence Public Sector Undertakings (DPSUs)

39. The Committee note that inspite of large manufacturing by Defence PSUs, Armed Forces and BRO are suffering in so far as their requirement is concerned. Nonetheless, except two PSUs, all Defence PSUs are running in profit. The Committee failed to understand as to why BEML, who has BRO as direct user, is running in losses. The Committee are of the opinion that DPSUs should primarily fulfil the need of Armed Forces and BRO. Their aim should not be solely profit-making but capacity enhancement also. The Committee understand that unless DPSUs are healthy, they will not be able to cater to the requirements of Armed Forces. At the same time if they fulfil the requirement of Armed Forces and BRO even at the cost of their losses, it would be a great Service to the Nation. The Committee feel that the Defence PSUs are different from other PSUs. While appreciating their efforts to fulfil the need of Armed Forces and BRO to a substantial extent, the Committee recommend that they should strive for total satisfaction of the Armed Forces and BRO. In this regard, an equilibrium in maintaining the PSU a profitable one *vis-a-vis* fulfilling National obligation, for which DPSUs have been established, must be ensured.

40. The Committee while appreciating the milestones set by the DPSUs in respect of indigenization of various aircraft and equipment, especially Sukhoi and LCA, hope that indigenization would be given a boost by DPSUs. For this purpose it is essential to translate into reality the lab to land projects. The technology which we get from DRDO and other premier institutions should be given a boost. This would make 'Make in India' programme a big success. The Committee are happy to note that BEML is compared with multinationals like Hitachi and apart from Defence they also get orders from Coal India Limited and other companies. The Committee have been intimated by the CMD, HAL, at the time of oral evidence, that they are moving towards indigenization in a phased manner. First, they bring major modules from abroad and assemble them to make aircraft, like

Sukhoi, then in Phase II they buy components from abroad and make the module and in third Phase raw material is only imported and all other activities are done in our country. The Committee acknowledge such steps, but recommend that instead of depending all the times on the technology of advanced countries we should also be a torch bearer and accordingly a synergic efforts should be made by DPSUs and Ministry of Defence.

Welfare of Ex-Servicemen

41. The Committee note that in a number of cases the dependants of soldiers who sacrificed their lives for the sake of the country do not get the land which is given to them as a token of appreciation. The Committee understand that the matter pertains to State Government even though then they wish the Ministry of Defence take up all such cases which come to their notice, expeditiously into the State Governments and impress upon them to do the needful.

42. The Committee are of the view that there should be an official in all such areas where war widows or dependant parents are residing to facilitate them in order to get pension and other benefits. The Committee, therefore, recommend that such areas should be identified.

43. The Committee feel that Armed Forces personnel getting retirement at very early age are national assets. It is an irony that they are not getting befitted status. The Committee have been apprised that almost fifty per cent of Ex-servicemen are rehabilitated in PSUs and private sector but still another fifty per cent need to be rehabilitated. The Committee in that regard, recommend that feasibility of absorbing them in Para Military Forces, like BSF, should be explored at the highest level. The Committee feel that Ex-Servicemen are already trained personnel and they can be very useful if they are inducted into Para Military Forces. This will also reduce the "Pension Budget" of the Army.

44. The Committee have been apprised that majority of the States, except five States, have already legislated for reservations from 2 per cent to 20 per cent in various categories. Even those five States have given reservations for group 'A' and 'B' jobs, but not for group 'C' and 'D' posts. The Committee, therefore, recommend to take up the matter with those five States at the highest level by the Ministry of Defence and impress upon them to make legislation expeditiously.

45. The Committee have been apprised by DG Resettlement that at State level there is no such agency like DGR to monitor the reservations. The Committee, therefore, recommend Ministry of Defence to take up this issue with State Governments. In this regard the assistance of Rajya Sainik Board can be availed.

46. The Committee note with concern that the amount of money given to Param Veer Chakra and other gallantry medal winners, vary from State to State. In some States like Punjab, Haryana and Uttarakhand, they are handsomely rewarded while in some States they are paid very meagre sum. This is really pitiable and require uniformity so that our brave soldiers do not feel let down. As such the Committee observe that the soldiers are national heroes and States should have conformity in this regard.

47. The Committee are of the opinion that Ex-Servicemen can gainfully be employed in several Eco projects. But the irony is this that State Governments do not have them due to dearth of money. Worse the fact that Ministry of Environment or River Rejuvenation also do not pay heed to such an important task carried out by Ex-Servicemen. Whether it is cleaning of Ganga or Indira Gandhi Canal in Rajasthan's Desert area or Eco Battalion, do not get money for their sustenance. The Committee, therefore, strongly recommend to Ministry of Defence and Directorate of Resettlement to do something concrete in this regard.

One Rank One Pension

48. The Committee note that One Rank One Pension (OROP) implies that uniform pension be paid to the Armed Forces Personnel retiring in the same rank with the same length of Service, irrespective of their date of retirement and any future enhancement in the rates of pension to be automatically passed on to the past pensioners. This will bridge the gap between the rate of pension of the current pensioners, the past pensioners, and also future enhancements. The Committee note that a Working Group under the Chairpersonship of Controller General of Defence Accounts (CGDA) was constituted for examining the proposal submitted by the Services and preparing Government orders for implementation of OROP w.e.f. 01.04.2014. While examining the subject, the Committee found that subsequent to the announcement of the Government's acceptance in-principle of One Rank One Pension for the Defence Forces, in BE 2014-15, Rs. 51,000 crore was allocated for Defence pensions including an allocation of Rs. 1000 crore for implementation of OROP. However,

in RE 2014-15 the allocation for Defence pensions was reduced to Rs. 50,000 crore. The implementation of OROP was referred to a Committee of Secretaries by the Government. Raksha Rajya Mantri (RRM) also convened a meeting on 9.1.2015 to discuss the matter with the representatives of the three Services, CGDA, Defence (Finance) and Directorate of Ex-Servicemen Welfare (DESW). The matter was further discussed by Raksha Mantri with officials of DESW, Defence (Finance), CGDA and representatives of the three Services in a meeting held on 16.02.2015. However, the modalities for implementation of OROP are yet to be finalized. The Working Group could not arrive at any consensus and the modalities for implementation of OROP are still under consideration.

49. The Committee regret that even after Hon'ble Prime Minister had made a commitment and the Finance Minister had provided Rs. 1000 crore in BE 2014-15 budget, the OROP has not been implemented. In this regard, it is further observed that this issue has been protracted for considerably long passage of time and it is beyond the understanding of the Committee as to what reasons are preventing the Government from making necessary decisions and arriving at a solution. In view of the Committee, it is of utmost importance that requisite modalities are sorted out and an amicable solution is brought out with regard to OROP within stringent time frame at the earliest. It is needless to say that the Committee be intimated about the progress made in this regard.

50. Alongwith the implementation of OROP, it is equally pertinent that all the targeted beneficiaries receive their dues in accordance with the newly formulated guidelines. In this regard, there should be a redressal mechanism in place so as to ensure that any kind of anomalies are sorted out without delay, as the ex-service personnel have already been waiting for long time to receive their dues. One of the methods could be uploading the calculating formulae website intending to ensure that they transparently reach the receivers' end with all clarity. The steps taken in this regard should be intimated to the Committee.

NEW DELHI;
24 April, 2015
04 Vaisakha, 1937 (Saka)

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

INFORMATION ON TASK FORCES/HLC

Name of the Task Force/HLC	Year of Composition	Composition	Purpose of Constituting the Task Force/HLC	Major Decisions/Comments	Status of implementation/Outcome																														
1	2002	3	4	5	6																														
Apex Steering Committee (ASC) for MAP to expedite the construction of deficient Married Accommodation existing in the Armed Forces	2002	(a) Defence Secretary—Chairman (b) Secretary Defence (Finance)—Member (c) Vice Chief of Army Staff—Member (d) Vice Chief of Naval Staff—Member (e) Vice Chief of Air Staff—Member (f) Additional Secretary—Member	The acceptance of necessity regarding the number of DUs to be constructed at each station and allotment of works to different construction agencies shall be done by ASC under the Chairmanship of Defence Secretary.	As per the scales of authorisation of Married Accommodation there was a shortfall of approximately three lac dwelling units (DUs) for Armed Forces. Deficiency of Accommodation and low satisfaction level affected the morale of the troops. With the existing resources of Military Engineering Services (MES) it was realised that it will be difficult to make up the deficiencies of Married Accommodation. Hence a separate organization of DG MAP under the aegis of E-in-C has been established. It was decided to construct 198881 Married Accommodation for Armed Forces in phases as shown below:																															
<table border="1"> <thead> <tr> <th>Service</th> <th>Phase-I</th> <th>Phase-II</th> <th>Phase-III</th> <th>Phase-IV</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Army</td> <td>50924</td> <td>58382</td> <td>33939</td> <td>33195</td> <td>176440</td> </tr> <tr> <td>Navy</td> <td>3225</td> <td>3107</td> <td>-</td> <td>-</td> <td>6332</td> </tr> <tr> <td>Air Force</td> <td>7509</td> <td>5238</td> <td>2484</td> <td>878</td> <td>16109</td> </tr> <tr> <td>Total</td> <td>61658</td> <td>66727</td> <td>36423</td> <td>34073</td> <td>198881</td> </tr> </tbody> </table>						Service	Phase-I	Phase-II	Phase-III	Phase-IV	Total	Army	50924	58382	33939	33195	176440	Navy	3225	3107	-	-	6332	Air Force	7509	5238	2484	878	16109	Total	61658	66727	36423	34073	198881
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<p>Committee of Secretaries (Set up vide PMO ID No. 3571289/JS)/M/P/ MO/2012 dated July 9, 2012</p>	<p>9th July 2012</p>	<p>Committee of Secretaries headed by Cabinet Secretary.</p>	<p>Resolution of Core Anomalies of the 6th CPC with respect to Defence Forces.</p>	<p>The Committee of Secretaries has submitted its recommendations partially in August, 2012, in which four issues pertaining to ex-dated 4th July, 2014. MoD has referred the issue of resolution of Core Anomalies to 7th CPC.</p>	<p>Since the number of DUs to be constructed in each phase is very large and are spread over the entire country a procedure was evolved which envisages approval of projects by Apex Steering Committee (ASC) and full powers were delegated to ASC constituted under the Chairmanship of Defence Secretary. After the constitution of ASC, till date 53 meetings were held. The following approvals were accorded:</p> <ul style="list-style-type: none"> (i) Approval for construction of Ph-I was given and 57703 DUs constructed. (ii) Approval for construction of Ph-II was given. 10485 DUs constructed and another 59663 DUs are under construction. (iii) Approval for construction of 71030 DUs in Ph-III accorded. CCS note is being forwarded.

1	2	3	4	5	6
Inter-Ministerial Expert Committee	July, 2014	Committee headed by IG (Ops) from Coast Guard having members from (a) MoD-ICG, IN & DRDO (b) MoS-DG(S)&DGLL	To make comparative evaluation of technologies for tracking of sub-20 mtr boats.	The Committee has recommended that VHF based AIS(P) technology is best suited for tracking sub-20 mtrs. boats. Report submitted to MoD on September 1, 2014. The Committee accomplished the assigned task within the stipulated period on one month.	The Committee was mandated to evaluate and recommend suitable technology for tracking sub-20 mtr. boats. Committee report will be examined by Gol and decision for implementation will be taken by Gol.
Project Steering Committee for construction of Rohtang tunnel length 8.8 km amounting to Rs. 1458.06 crore	4.11.2009	Chairman Addl. Secretary Members DGBR, Secretary (BRDB), Addl. FA Ministry of Defence (Fin./BR), ADG/CE from MoRT&H. Technical experts like representatives of Ministry of Railways, Prof. IIT Delhi/Roorkee as special invitee in case of any technical issues arises.	To monitor the project awarded to M/s Strabag Afcons (Joint venture) No. 10 Community Centre (2nd Floor), Vasant Vihar, New Delhi.	(a) Engineer and BRO to plan the schedule of construction meticulously and impress upon the contractor for timely actions to improve the pace of construction. (b) BRO should raise all claims as per contract to penalize the contractor for the lapses on his part. (c) Clarification sought on expeditiously replied by Dte. GBR.	(i) Works on 8.8 km long Rohtang tunnel was started on November 5, 2009 with Probable date of completion 4.2.2015. (ii) A progress of 4.476 km has been upto 7th September, 2014.

1	2	3	4	5	6
Rama Rao Committee (RRC)	RRC originally constituted in Feb., 2007	Chairman: Prof. Rama Rao Members: (i) Air Marshal Ajit Bhavnani, Former VCAS (ii) Lt. Gen. C.S. Chima, Former DG AAD, Indian Army (iii) Shri A.K. Ghosh, Former FA (DS) (iv) Shri T.K. Ghoshal, Prof. Jadavpur, University (v) Vice Admiral P. Jaitly, Former Chief of Materials, Naval HQ (vi) Sh. C.G. Krishnadas Nair, Former Chairman HAL (vii) Sh. Satish K. Kaura, CMD, Samtel Colour Ltd., Chairman Industry Council CII (viii) Dr. K. Sekhar, Outstanding Scientist, DRDO, Member Secretary	Enhancing effectiveness of DRDO	(i) Decentralisation into seven technological domains each under a DG. (ii) Establishment of Defence Technology Commission (DTC) and a commercial arm (iii) Creation of Integrated Financial Advice (IFA) scheme (iv) Renaming DG (DRDO) as Chairman DRDO.	Sl. No. (i) has been implemented and Draft Cabinet Note for Sl. Nos. (ii), (iii) & (iv) has been forwarded to MoD.

1	2	3	4	5	6
Kota Harinarayana Committee		<p>Chairman: Dr. Kota Harinarayana</p> <p>Members: (i) Vice Adm. (Retd.) Raman Puri (ii) Lt. Gen. (Retd.) J.P. Singh (iii) Shri N.R. Mohanty (Retd. Chairman HAL) (iv) Shri S.S. Sundaram, DG (ECS). DRDO, Member Secretary</p>	<p>(i) Critical & objective assessment of strengths and weaknesses of DRDO. (ii) Assessment of difficulties encountered in productionisation of technologies & weapon systems. (iii) Preparation of business plan for commercialisation & export of defence technologies. (iv) Preparation of LTTPP to develop new technologies and weapon systems.</p>	<p>(i) Formulation of LTTPP in line with LTIPP of Services. (ii) Appointment of HR professional for DRDO. (iii) Enhanced funding for R&D. (iv) Streamlining of procedures for project management and procurement.</p>	<p>Report has been submitted to MoD for approval.</p>

APPENDIX

STANDING COMMITTEE ON DEFENCE (2014-15)

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

The Committee sat on Monday, the 23rd March, 2015 from 1130 hrs. to 1830 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C Khanduri AVSM (Retd)–*Chairperson*

MEMBERS

Lok Sabha

2. Shri Dharambir
3. Shri Thupstan Chhewang
4. Shri H D Devegowda
5. Dr Murlī Manohar Joshi
6. Dr Mriganka Mahato
7. Shri Tapas Paul
8. Smt Mala Rajya Lakshmi Shah
9. Shri A P Jithender Reddy

Rajya Sabha

10. Shri Anand Sharma
11. Shri Rajeev Chandrasekhar
12. Shri A U Singh Deo
13. Shri Vinay Katiyar
14. Shri Madhusudan Mistry
15. Smt Ambika Soni

SECRETARIAT

- | | | |
|------------------------|---|-----------------------------|
| 1. Shri P K Misra | – | <i>Additional Secretary</i> |
| 2. Shri D S Malha | – | <i>Director</i> |
| 3. Shri A K Srivastava | – | <i>Additional Director</i> |
| 4. Shri Rahul Singh | – | <i>Under Secretary</i> |

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

Ministry of Defence

1. Shri R K Mathur, Defence Secretary
2. Shri Ravikant, AS (R)
3. Shri Jiwesh Nandan, JS (G/Air)
4. Shri Subir Mallick, JS & AM (LS)
5. Shri Anup Chandra Pandey, AS
6. Shri R N Dubey, JS (Trg) & CAO
7. Smt Surina Rajan, JS (O/N)
8. Shri Anil Bahuguna, JS
9. Shri G Mohan Kumar, Secy DP
10. Shri Prabhu Dayal Meena, Secy (ESW)
11. Shri AK Gupta, Spl Secy (DP)
12. Shri Himanshu Kumar, JS (E)
13. Shri AK Sihag, DG (Acq.)
14. Shri Rabindra Pawar, JS & AM (MS)
15. Shri Rajeev Verma, JS & AM (Air)
16. Shri J Ramakrishna Rao, JS (ES)

Defence Finance

17. Shri Dhanjaya Kumar, FM (MS) & JS
18. Ms Vandana Srivastava, FA (DS)
19. Ms Sobhna Joshi, FA (Acq.) & AS
20. Ms Veena Prasad, Addl FA (VP)
21. Shri Rajesh Kumar, Addl FA (RK)
22. Ms Devika Raghuvanshi, Addl FA (DR)
23. Shri Prem Kumar Kataria, Addl FA (K)

Air Force

24. Air Mshl RK Sharma, VCAS
25. Air Mshl SBP Sinha, DCAS
26. Air Mshl Sukhchain Singh, AOM
27. Air Mshl S Neelakantan, AOP
28. Air Mshl HB Rajaram, AOA
29. Air Mshl Anil Khosla, DG Air (Ops)

30. Air Mshl JS Kler, DG (I&S)
31. AVM Sandeep Singh, ACAS (Plans)
32. AVM Amit Tiwari, ACAS (Trg)
33. AVM A Sengupta, ACAS (AF Works)
34. AVM SM Subhani, ACAS (Fin. P)
35. Air Cmde RS Dagar, PD AS

Navy

36. VAdm Sunil Lanba, VCNS
37. RAdm Dinesh K Tripathi, ACNS (P&P)
38. Cmde Sanjay Vatsayan, PDNP
39. Capt DJ Revar, DNP
40. Cdr Abhishek Simlai, JDNP

Integrated Defence Staff

41. Air Mshl PP Reddy, CISC
42. Lt Gen AK Ahuja, DCIDS (PP & FD)
43. Maj Gen SK Dua, ADG Proc
44. AVM DS Rawat, ACIDS (FP)
45. Cmde AK Sharma, DACIDS (Budget)
46. Capt (IN) A Saluja, Dir FP

Army

47. Lt Gen Philip Campose, VCOAS
48. Lt Gen Sanjiv Talwar, DG FP
49. Lt Gen JPS Dalal, DGQA
50. Maj Gen Ranvir Singh, MO
51. Maj Gen I Narayana, ADG WE
52. Maj Gen Sanjay Kumar Jha, ADG PP
53. Maj Gen SS Hasabnis, TM (LS)
54. Maj Gen MN Murlidhar, ADGQA (PP&T)
55. Brig Sanjay Chauhan, DDGQA (PP&T)
56. Maj Gen Shamsheer Singh, ADGQA (A)
57. Maj Gen RP Mund, ADGQA (EE)
58. Brig KJL Dhillon, DDG PP
59. Col DK Patra, Dir PP
60. Col Rajat Upreti, Dir D
61. R Adm AK Dutta, ADGQA (WP)

Sainik School Society

- 62. Capt (IN) G. Rambabu, Inspecting Officer (Sainik School Society)
- 63. Col Rajveer Singh, Inspecting Officer (Sainik School Society)

National Cadet Corps

- 64. Lt Gen A Chakravarty, DG NCC
- 65. Maj Gen C Prakash, ADG (B)
- 66. Brig CP Sangra, DDG (Lgs)
- 67. Shri N K Phukan, DDG (P&F)
- 68. Cmde PK Banerjee, DDG (P&C)

Defence Research and Development Organisation

- 69. Lt Gen Anoop Malhotra, CCR&D (R&M and Imp)
- 70. Shri Sanjay Tandon, Dir, Dte of Material Management
- 71. Dr JP Singh, Dir, Dte of Parliamentary Affairs

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then invited representatives of the Ministry of Defence and the Defence Services. The Chairperson welcomed the representatives to the sitting of the Committee and drew their attention to Direction 55(1) of Directions by the Speaker, Lok Sabha.

3. The Chairperson initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day.

4. The representatives of the Ministry commenced their briefing through a power point presentation on General Defence Budget. This was followed by detailed deliberations on various issues in the context, which included inadequate budgetary provision to Defence in this year's Budget Estimates.

5. Thereafter, a discussion on procurement policy was made which included queries from Members including those on delayed timelines, indecisiveness and hierarchical hurdles. The Committee were informed that defence procurement policy is undergoing major makeover and it was decided that a separate presentation on procurement policy will be taken once the new framework is in place.

6. Afterwards, a presentation was made on Capital Outlay on Defence Services and pursued with deliberations on the subject. Members posed various queries such as need for adequate budget for

modernization of defence forces and dependence on foreign products, etc. The representatives of the Ministry of Defence replied to various queries/observations of members. Nevertheless, members desired that a well drawn out vision for defence production may be furnished to the Committee.

The Committee took break for lunch and resumed the sitting at 2:30 P.M.

7. The Ministry gave presentation on Army, Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC) and Sainik Schools in that order. This was followed by detailed discussions on the subjects and Members asked questions on bullet proof jackets for jawans, ammunition, need for efficiency in quality checks, modernisation of Army expansion of NCC by raising more NCC units, increase in number of Sainik Schools and similarity in their infrastructure, etc.

8. Thereafter, a presentation was given on Navy and Joint Staff which was followed by vibrant discussions on depleting fleet strength of Navy, inadequacies in capital budget etc. The representatives of the Ministry of Defence submitted their replies to queries/observations of members.

9. A presentation on Air Force was made by the representatives of the services followed by discussions on squadron strength, urgency for provision of adequate capital budget, pilot-cockpit ratio, etc.

10. The Chairperson directed the representatives of the Ministry of Defence to furnish written replies to all the queries at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2014-15)

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

The Committee sat on Tuesday, the 24th March, 2015 from 1030 hrs. to 1630 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C 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. Km Shobha Karandlaje
10. Dr Mriganka Mahato
11. Shri Tapas Paul
12. Shri Malla Reddy
13. Shri Rajeev Satav
14. Smt Mala Rajya Lakshmi Shah
15. Shri A P Jithender Reddy

Rajya Sabha

16. Shri A U Singh Deo
17. Shri Vinay Katiyar
18. Shri Madhusudan Mistry
19. Smt Ambika Soni

SECRETARIAT

1. Shri P K Misra — *Additional Secretary*
2. Shri D S Malha — *Director*
3. Shri A K Srivastava — *Additional Director*
4. Shri Rahul Singh — *Under Secretary*

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri RK Mathur, Defence Secretary
2. Shri Anup Chandra Pandey, AS (P)
3. Shri Ravikant, AS (R)
4. Smt Surina Rajan, JS (O/N)
5. Shri Sanjeev Ranjan, JS (BR)
6. Shri Deepak Anurag, JS (C&W)
7. Shri Dharendra Verma, Dir (BR-Works)
8. Shri Ritesh Kavadia, Dir (BR - Estt)
9. Shri G P Cherian, S E (Civil)
10. Shri A K Jain, E E (Civil)
11. Shri Surya Prakash, Dir(L&C)
12. Ms Vandana Srivastava, FA (DS)
13. Shri Rajesh Kumar, Addl FA (RK)
14. Ms Devika Raghuvanshi, Addl FA (DR)
15. Shri Prem Kumar Kataria, Addl FA (K)
16. Shri RG Vishwanathan, Addl FA (RV)
17. Air Mshl RK Sharma, VCAS
18. Air Mshl HB Rajaram, AOA
19. Air Mshl BBP Sinha, DG (Wks)
20. Vice Adm Sunil Lanba, VCNS
21. Rear Adm Dinesh K Tripathi
22. Cmde R Malhotra
23. Vice Adm HCS Bisht, DGICG
24. Shri Rajendra Singh, ADG Indian Coast Guard
25. IG VD Chafekar, DDG (P&P)
26. Comdt Kanchan Verma, JD (Plans-II)

27. Dr K Tamilmani, DG (Aero)
28. Dr VG Sekaran, DG (MSS)
29. Dr V Bhujanga Rao, DG (NS&M)
30. Shri SS Sundaram, DG (ECS)
31. Dr KD Nayak, DG (MED & CoS)
32. Dr Manas K Mandal, DG (LS)
33. Shri AM Datar, DG (ACE)
34. Dr Satish Kumar, CCR&D (TM)
35. Dr Sudershan Kumar, CCR&D (PC & SI)
36. Lt Gen Anoop Malhotra, CCR&D, (R&M and Imp)
37. Shri GS Malik, CCR&D (HR)
38. Shri Sudhir Kumar Mishra, CCR&D&CEO
39. Shri RG Vishwanathan, JS & Addl FA
40. Dr JP Singh, Dir, Dte of Par Affairs
41. Shri Vipul Gupta, Joint Dir
42. Lt Gen Philip Campose, VCOAS
43. Capt Ardhendu Kumar, ADC to VCAOS
44. Lt Gen PR Kumar, DGMO
45. Maj Gen Rajiv Narayanan, ADG, MO (B)
46. Brig Yogendra Dimri, DDG MO (C)
47. Col Vignesh Mahanti, Dir MO4
48. Col Sudhir Dube, Dir E-in-C Branch
49. Col A Mathialagan, TS to DG MAP
50. Lt Gen RM Mittal, DGBR
51. Maj Gen Balraj Singh, OSD
52. Brig RK Sharma, Dte GBR
53. Brig V.S. Kattarya, DDG (TP), Dte GBR
54. Col D Pareira, Dir, DGBR
55. Lt Gen Om Prakash, QMG
56. Lt Gen GS Bisht, DG LWE
57. Maj Gen Michael Mathews, ADG LWE
58. Lt Gen Jatinder Sikand, E-in-C
59. Maj Gen S Kaushik, DG Works
60. Maj Gen Gurdip Singh, DG MAP

61. Maj Gen SK Shrivastava, ADGW
62. Brig K K Repswal, DDGW
63. Col Sudhir Dube, Dir E-in-C Branch
64. Col A Mathialagal, DG MAP
65. Sub Anil Kumar, ADC to E-in-C
66. Shri Ravi Kant Chopra, Dir Gen
67. Shri P Daniel, Addl DG (Adm)
68. Shri K V Nagi Reddy, DDG (C&CRD)
69. Shri Vivek Kumar, Asst DG (Adm)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then invited representatives of the Ministry of Defence and the Defence Services. The Chairperson welcomed the representatives to the sitting of the Committee and drew their attention to Direction 55(1) of Directions by the Speaker, Lok Sabha.

3. The Chairperson initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day.

4. The representatives of the Ministry commenced their briefing through a power point presentation on Defence Research and Development. This was followed by detailed deliberations on various issues like inadequate budgetary provision to Defence Research, non-availability of testing infrastructure for DRDO, development of Kaveri Engine, accidents of aircraft.

5. Thereafter, a presentation was given on Border Roads Organization which was followed by vibrant discussions on status of Border connectivity, obsolescence of equipment, shortage of manpower, strengthening of GREF, non-lapsable funds for NE/Leh, financial assistance to small contractors, inviting local area M.P. on inauguration of Centrally funded project, snow clearance grant to BRO, need for changing of civil/Army composition of BRO etc. The representatives of the Ministry of Defence submitted their replies to queries/observations of members.

6. The Committee took break for lunch and resumed the sitting at 2:30 P.M..

7. A presentation was made on Directorate General Defence Estate and pursued with deliberations on the subject. Members posed various queries such as blocking of roads by representative of DGDE, proper

use of waste land and encroachment by civilians etc. The representatives of the Ministry of Defence replied to various queries/observations of Members.

8. The Ministry gave presentation on Military Engineer Services and Married Accommodation Project in that order. This was followed by detailed discussions on the subjects and Members asked questions on timely completion of projects, need for efficiency in system etc.

9. Thereafter, a presentation on Coast Guard Organization was held given before the Committee. Subsequent discussions included queries from Members including those of requirement of funds and Coastal Security etc.

10. The Chairperson directed the representatives of the Ministry of Defence to furnish written replies to all the queries at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2014-15)

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

The Committee sat on Wednesday, the 25th March, 2015 from 1130 hrs. to 1530 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C 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 G Hari
8. Shri Sher Singh Ghubaya
9. Km Shobha Karandlaje
10. Dr Mriganka Mahato
11. Shri Tapas Paul
12. Shri Malla Reddy
13. Shri Rajeev Satav
14. Smt Mala Rajya Lakshmi Shah
15. Shri A P Jithender Reddy

Rajya Sabha

16. Shri A U Singh Deo
17. Shri Vinay Katiyar
18. Smt Ambika Soni
19. Shri Tarun Vijay

SECRETARIAT

1. Shri R K Jain – *Joint Secretary*
2. Shri D S Malha – *Director*
3. Shri A K Srivastava – *Additional Director*
4. Shri Rahul Singh – *Under Secretary*

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

1. Shri RK Mathur, Defence Secretary
2. Shri Ravikant, AS (R)
3. Shri Rajeev Verma, JS & AM (Air)
4. Shri Subir Mallick, JS & AM (LS)
5. Shri G Mohan Kumar, Secretary (DP)
6. Shri A K Gupta, Special Secretary (DP)
7. Shri S Yamdagni, DGOF/OFB
8. Shri A K Prabhakar, Member, OFB
9. Shri R J Bhattacharya, DDG, OFB
10. Shri D K Mahapatra, Secretary, OFB
11. Mrs Kusum Singh, JS (P&C)
12. Shri Bharat Khera, JS (NS)
13. Shri JRK Rao, JS (ES)
14. Shri KK Pant, JS (AS)
15. Rear Adm NK Mishra (Retd), CMD, HSL
16. Shri P Dwarakanath, CMD, BEML
17. Shri M Narayana Rao, CMD MDNL
18. Rear Adm A.K. Verma (Retd), CMD, GRSE
19. Cdr PR Raghunath, CMD, MDL
20. Shri V Udaya Bhaskar, CMD, BDL
21. Rear Adm Shekhar Mital (Retd), CMD, GSL
22. Shri SK Sharma, CMD, BEL
23. Shri T Suvarnaraju, Chairman, HAL
24. Shri Prabhu Dayal Meena, Secy (ESW)
25. Lt Gen Rakesh Nandan, DG (DC&W)
26. Ms K Damayanthi, JS (ESW)

27. Maj Gen Amrik Singh, DG (Res)
28. Maj Gen A P Bam, MD (ECHS)
29. Smt Santosh, Dir (Res-II)
30. Cmdr Rohtas Singh, Secy (KSB)
31. Ms Devika Raghuvanshi, Addl FA (DR)
32. Shri Prem Kumar Kataria, Addl FA(K)
33. Lt Gen Anoop Malhotra, CCR&D (R&M)
34. Shri RG Vishwanathan, JS & Addl FA
35. Dr JP Singh, Dir (Par. Affairs), DRDO

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then invited representatives of the Ministry of Defence and other organisation. The Chairperson welcomed the representatives to the sitting of the Committee and drew their attention to Direction 55(1) of Directions by the Speaker, Lok Sabha.

3. The Chairperson initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day.

4. The representatives of the Ministry commenced their briefing through a power point presentation on Defence Public Sector Undertakings. This was followed by detailed deliberations on various issues in the context which included non-delivery of products, increase in timelines, indigenous production of Sukhoi aircraft, Light Utility Helicopters by HAL, Machines for BRO, manufacturing of electronic equipment by BEL, construction of submarines etc. During deliberation the Committee stressed for indigenization of defence products.

5. Thereafter, a presentation on Ordnance Factories was given before the Committee which was followed by detailed discussion and queries from Members including those on delayed timelines, indecisiveness and poor quality production. The representatives of the Ministry of Defence replied to various queries/observations of members. Nevertheless, members desired that a well drawn out vision for defence production may be furnished to the Committee.

The Committee took break for lunch and resumed the sitting at 1:45 P.M.

6. Afterwards, a presentation was made on Ex-Servicemen Welfare and Ex-Servicemen Contributory Health Scheme and pursued with deliberations on the subject. Members posed various queries such as

status of One Rank-One Pension, clearing of pending bill in respect of beneficiaries of ECHS health facilities and re-employability of Ex-servicemen, need to enact a law so it become obligatory to employ ESM, etc. The representatives of the Ministry of Defence replied to various queries/observations of members.

7. The Chairperson directed the representatives of the Ministry of Defence to furnish written replies to all the queries at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

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

The Committee sat on Monday, the 06 April, 2015 from 1130 hrs. to 1300 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C Khanduri AVSM (Retd)—*Chairperson*

MEMBERS

Lok Sabha

2. Shri Suresh C Angadi
3. Shri Shrirang Appa Barne
4. Shri Thupstan Chhewang
5. Col Sonaram Choudhary (Retd)
6. Smt. Pratyusha Rajeshwari Singh
7. Shri H D Devegowda
8. Shri G Hari
9. Shri Ramesh Jigajinagi
10. Shri Vinod Khanna
11. Shri Malla Reddy
12. Shri A P Jithender Reddy

Rajya Sabha

13. Shri Anand Sharma
14. Shri Vinay Katiyar
15. Shri Madhusudan Mistry
16. Smt Ambika Soni

SECRETARIAT

1. Shri P K Misra — *Additional Secretary*
2. Shri D S Malha — *Director*
3. Shri A K Srivastava — *Additional Director*
4. Shri Rahul Singh — *Under Secretary*

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then discussed the views expressed by the representatives of Ministry of Defence and Defence Services during oral evidence held earlier in respect of examination of Demand for Grants (2015-16) of the Ministry of Defence. The Members of the Committee exchanged ideas and suggested points to be incorporated in the Draft Reports which included making war wastage reserve, making Capital Head a non-lapsable and Roll on Plan for five to ten years, giving highest priority to Operational Preparedness *vis-a-vis* Threat Perception, replacing the term “Retired” with “Veterans”, etc.

3. The Committee, then, authorised the Chairperson to finalise a later date for consideration and adoption of the draft Reports.

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

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

The Committee sat on Friday, the 24 April, 2015 from 0930 hrs. to 1040 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C Khanduri AVSM (Retd)—*Chairperson*

MEMBERS

Lok Sabha

2. Shri Shrirang Appa Barne
3. Shri Dharmbir
4. Shri Thupstan Chhewang
5. Col Sonaram Choudhary (Retd)
6. Smt Pratyusha Rajeshwari Singh
7. Shri G Hari
8. Km Shobha Karandlaje
9. Shri Rajeev Satav
10. Smt Mala Rajya Lakshmi Shah

Rajya Sabha

11. Shri K R Arjunan
12. Shri Anand Sharma
13. Shri Rajeev Chandrasekhar
14. Shri A U Singh Deo
15. Shri Harivansh
16. Shri Madhusudan Mistry

SECRETARIAT

- | | | |
|------------------------|---|-----------------------------|
| 1. Shri P K Misra | — | <i>Additional Secretary</i> |
| 2. Shri D S Malha | — | <i>Director</i> |
| 3. Shri A K Srivastava | — | <i>Additional Director</i> |
| 4. Shri Rahul Singh | — | <i>Under Secretary</i> |

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then took up for consideration and adoption of the following draft Reports on Demand for Grants 2015-16 of the Ministry of Defence:—

- (i) Civil Expenditure of the Ministry of Defence and Capital Outlay on Defence Services (Demand Nos. 21, 22 & 28);
- (ii) Army (Demand No. 23);
- (iii) Navy and Air Force (Demand Nos. 24 & 25); and
- (iv) Ordnance Factories and Defence Research and Development Organisation (Demand Nos. 26 & 27)

3. After deliberations the Committee adopted the above reports with slight modifications in respect of recommendations.

4. The Committee, then, authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

The Committee then adjourned.

