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STANDING COMMITTEE ON DEFENCE

(2017-18)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY EIGHTH REPORT (16TH LOK SABHA) ON GENERAL DEFENCE BUDGET, BORDER ROADS ORGANISATION, INDIAN COAST GUARD, MILITARY ENGINEER SERVICES, CANTEEN STORES DEPARTMENT, DIRECTORATE GENERAL DEFENCE ESTATES, DEFENCE PUBLIC SECTOR UNDERTAKINGS, WELFARE OF EX-SERVICEMEN, DEFENCE PENSIONS, EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME]

THIRTY - SEVENTH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

March, 2018 / Phalguna, 1939 (Saka)

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Presented to Lok Sabha on 13.03.2018

Laid in Rajya Sabha on 13.03.2018

LOK SABHA SECRETARIAT

NEW DELHI

March, 2018 / Phalguna, 1939 (Saka)

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3. Shri Suresh C Angadi
4. Shri Shrirang Appa Barne
5. Col Sonaram Choudhary(Retd)
6. Shri Thupstan Chhewang
7. Shri H D Devegowda
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19. Shri B Senguttuvan
20. Smt Mala Rajya Lakshmi Shah
21. Smt Pratyusha Rajeshwari Singh

Rajya Sabha

1. Shri K R Arjunan
2. Shri A U Singh Deo
3 Shri Harivansh
4. Shri Madhusudan Mistry
5. Shri Basawaraj Patil
6. Shri Sanjay Raut
7. Smt Ambika Soni
8.# Dr Subramanian Swamy
9.* Shri Vivek K. Tankha

*** Resigned w.e.f. 16.11.2017**
 # Resigned w.e.f. 07.03.2018

SECRETARIAT

1.	Smt. Kalpana Sharma	-	Joint Secretary
2.	Shri T.G. Chandrasekhar	-	Director
3.	Smt. Jyochnamayi Sinha	-	Additional Director
4.	Shri Rahul Singh	-	Under Secretary

REPORT

CHAPTER I

This report of the Standing Committee on Defence deals with action taken by the Government on the Observations/Recommendations contained in the Twenty-eighth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Canteen Stores Department, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme (Demand No. 19 & 22)' which was presented to Lok Sabha on 9 March, 2017 and laid in Rajya Sabha on 10 March, 2017.

2. The Committee's Twenty-eighth Report(16th LokSabha) contained 100 Observations/Recommendations on the following aspects:-

Para No.	Subject
1-5	Growth of Defence Budget
6	Defence Expenditure as percentage to the GDP
7	Inadequacy of budgetary allocation provided to the Services
8	Implications of reduced budgetary allocation
9	Depleting Force levels
10 - 11	Defence Preparedness
12 - 13	Appointment of Chief of Defence Staff (CDS)
14 - 15	Lower budgetary allocations for BRO
16	Long Term Roll on Works Plan (LTROWP) 2015-2020
17	Compromises likely to be made due to reduced budgetary allocation
18	Revision of maintenance and snow clearance grant
19 - 21	Shortage of Manpower
22 - 24	Shortage of equipment
25 - 27	Budgetary Provisions
28	Required and Existing Force Level
29 - 31	Monitoring system to track boats
32 - 34	Military Engineer Services
35 - 37	Deficiency of Civilian Manpower
38	Projection and allocation of budget
39	Profits earned by CSD
40 - 41	Scams in Canteen Stores Department
42 - 43	Grant-in-aid
44	Inconvenience to Civilian Population

45	Dilapidated Condition of Schools
46	Encroachment
47	Non-Payment of Service Charges
48 - 49	Financial Performance
50 - 51	Quality of Products
52	Cost and time slippages by DPSUs
53 - 64	Modernization of DPSUs
65 - 76	Long Term Perspective Planning
77	Research and Development Expenditure
78	Defence Exports
79 - 80	Targets fixed and achieved
81 - 85	Resettlement of Retired Officers and PBOR
86 - 87	Proposals for opening up new avenues for the resettlement of Ex-Servicemen
88	Financial assistance to World War Veterans
89 - 90	Lateral Induction of Servicemen in Central Para Military Forces and State Police Forces
91- 92	Defence Pension
93- 94	One Rank One Pension
95 - 97	Ex-servicemen Contributory Health Scheme (ECHS)
98- 100	Authorised and actual manpower

3. **Action Taken Replies have been received from the Government in respect of all the Observations/Recommendations contained in the Report. The replies have been examined and the same have been categorised as follows:-**

(i) (a) Observations/Recommendations which have been accepted by the Government:

Para Nos.

6,7,17,18,32,33,34,35,36,38,40,41,42,43,44,46,47,48,49,50,51,52,53,54,55,56, 57,58,59,60,61,62,63,64,65,66,67,68,69,70,71,72,73,74,75,76,77,78, 79,80,81,82,83,84,88, 91,92,93,94,97,98,99 and 100

(63 Recommendations)

These may be included in Chapter II of the Draft Report.

(b) Observations/Recommendations which have been accepted by the Government and to be commented upon:

Para Nos. 1, 2, 3, 4, 5, 8, 10, 11, 14, 15, 16, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 39, 45, 85, 86, 87, 89 and 90.

(32 Recommendations)

These may be included in Chapter II of the Draft Report.

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

Para No. NIL

(00 Recommendation)

This may be included in Chapter III of the Draft Report.

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration and to be commented upon:

Para Nos. 9, 12, 13, 95 and 96

(05 Recommendations)

These may be included in Chapter IV of the Draft Report.

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Nil-may be shown in Chapter V of the Draft Report **(00 Recommendation)**

4. **The Committee desire that the Ministry's response to the comments made in Chapter I of this Report be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.**

GENERAL DEFENCE BUDGET

A. Growth of Defence Budget

Recommendation (Para Nos. 1 to 5)

5. The Committee had recommended as under:-

'As seen from the documents pertaining to the General Budget, the provisioning for Defence Services (category wise) for 2016-17, made under Demand Nos. 20 and 21 in the Budget Estimates (BE) was Rs. 2,27,085.53 crore (Gross) and Rs. 2,22,456.14 crore (Net). The provisioning was altered at the stage of Revised Estimates (RE) to Rs. 2,26,743.69crore (Gross) and Rs. 2,20,751.34 crore (Net). The Net Revenue budget at the stage of BE 2016-17, which stood at Rs. 1,43,869.46crore was increased by Rs. 5,181.88 crore thereby taking the RE allocation to Rs. 1,49,051.34 crore. As for the Capital Outlay, which is of vital importance, there has been a decrease of Rs.6,886.68crore i.e. from Rs. 78,586.68 crore at the BE stage to Rs.71,700 crore at the RE stage, which totals to a reduction of Rs. 6,886.68 crore. Thus, the overall reduction of the budgetary provisioning at RE stage during 2016-17 has been to the tune of Rs. 1,704.80 crore.

The Committee note that the total Defence Services Estimates at BE 2016-17, at Rs. 2,49,099.00 crore comprised of Rs. 1,62,759 crore as part of Revenue Budget and Rs. 86,340 crore as part of Capital Budget. Budget Estimates proposed for the year 2017-18, are to the tune of Rs. 2,81,904.39 crore(Gross) and Rs. 2,59,261.90 crore(Net). Of this, the provisioning for Revenue Expenditure is to extent of Rs. 1,72,773.89 crore and Rs. 86,488.01 crore for Capital Expenditure. The BE provisioning for 2017-18 is indicative of an increase of Rs. 10,162.90 crore over BE 2016-17. In percentage terms, this increase in the current year amounts to a mere 3.92 per cent, which is, perhaps one of the lowest ever witnessed.

What the Committee find to be even more astonishing as well as worrying to note is the negative budget Growth for Modernization (Capital Acquisition) in respect of Army, Navy and Joint staff as made in the BE 2017-18 vis-à-vis BE 2016-17. While the budgetary provisioning for the Army for 2017-18 vis-à-vis the previous year, 2016-17 is to the tune of (-) 5.86%, that of Navy is to the extent of (-) 11.58% and (-) 28.33% in case of Joint Staff. Only the allocation for the Air Force has witnessed a growth of 12.10% in the current year.

The Committee are in agreement with the concerns and the view point expressed by the Defence Secretary on the implications of lack of growth in the provisioning for Capital acquisition and non-Salary Revenue account as compared to the previous year. It is somewhat surprising and also revealing for the Committee to learn that although the Ministry of Defence had held detailed discussions with the Ministry of Finance in an effort to get enhanced allocation under the Revised Estimates of 2016-17 and the Budget Estimates of 2017-18, the efforts could not fructify. As informed to the Committee, during these discussions, including the one relating to the budget held on the 17th November, 2016, the concerns of the Ministry of Defence were duly explained and additional allocation sought. Also, the discussions with the Finance Ministry officials have reportedly been followed up at higher levels and the Defence Minister had also written to the Finance Minister highlighting the requirement of funds for Capital Acquisition.

The Committee, in this regard, take note of the helplessness of the Ministry of Defence in honouring its commitments during the current year owing to shortage of funds. As a final effort towards enhancing the allocation, the Ministry has reportedly taken up the matter with the PMO for urgent intervention. The Committee hope and trust that these efforts and possible intervention from the highest quarter would be fruitful and adequate allocation made available for the Army so that the process of Modernization of the Force is not hampered. The Committee wish to be apprised of the outcome in this regard.'

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

'In this context, it may be stated that the matter of shortage of fund was taken up with Prime Minister's Office vide MoD ID No. 1(3)/Fin(Bud-II)/2016 dated 02.02.2017. It is not known whether PMO has made any reference to Ministry of Finance in this regard. This Ministry has not received any additional allocation subsequent to taking up the matter with PMO.'

7. The Committee note from the reply submitted that the matter of shortage of fund was taken up with Prime Minister's Office(PMO) vide MoD ID No. 1(3)/Fin(Bud-II)/2016 dated 02.02.2017. However, the Ministry of Defence is not clear whether PMO has made any reference to Ministry of Finance in this regard as it has not received any additional allocation subsequent to taking up the matter with PMO. The Committee are of the view that the Ministry of Defence should have sought clear opinion from Ministry of Finance regarding allocation of funds. Therefore, the Committee desire that the Ministry of Defence may once again take up the matter with the PMO for intervention so as to ensure that adequate allocations are available for the modernization of Army. The Committee may also be apprised of the progress in this direction.

B. Implications of reduced budgetary allocation

Recommendation (Para No. 8)

8. The Committee had recommended as under:-

'The Committee note from the information submitted that under the Revenue account, provision is first made for salaries and other obligatory expenses. The balance allocation available is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. Allocations are reviewed at Revised Estimates stage to cater for requirements which cannot be met under the BE allocations. In so far as the 'Capital' segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialize during the year. The remaining allocation is distributed to meet the projected requirement for other items. The procurement plan for Capital modernization schemes may have to be reviewed and re-prioritized, based on available funds. Owing to the resource crunch, or the mis-match between the Defence Ministry's projections and the allocation, very little amount would possibly remain available for the purpose of new acquisitions. Thus, compromises are likely to be made in meeting the requirements of the Services. The Committee desire that the budget of the Ministry of Defence should not be cut in a manner, which would lead to, or result in compromises being made in matters relating to the Security and sovereignty of the Nation.'

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

'Ministry of Defence has taken up the matter with Ministry of Finance vide MoD ID No. 3(6)/Budget-I/2016 dated 27.04.2016. In their reply, Ministry of Finance, vide OM bearing F.No. 7(1)-B(AC)/2017 dated 25th May, 2017, has stated as under:-

"While deciding the Budget Estimates for the ensuing year, it has been ensured that Defence Services receive sufficient and adequate allocation keeping in view the sensitivity attached to national security. This is also based on the trends of expenditure in the past, committed liabilities, specific requirements and the absorptive capacity of the Ministries concerned. Needless to state that any insufficiency in allocations is also made good through Supplementary Demands for Grants."'

10. The Committee note from the reply of the Ministry of Finance that while deciding the Budget Estimates, it has been ensured that Defence Services receive sufficient and adequate allocation keeping in view the sensitivity attached to issues of national security. The Ministry of Finance has further stated that the allocation made is also based on the trends of expenditure in the past, committed liabilities, specific requirements and the absorptive capacity of the Ministries concerned. Needless to state that any insufficiency of the allocation is also made good through Supplementary Demands for Grants. However, the Committee do not find the explanation or reasoning given by the Ministry of Finance to be satisfactory. It has been observed that many a times, allocations made have been quite short of projections of Committed Liabilities as well as of New Schemes. Therefore, the Committee reiterate their recommendation that the budgetary allocations of the Ministry of Defence should not be reduced so as to avoid the possibility of making compromises on the Security and Sovereignty of the Nation.

The Committee would also like to have details of the expenditure pattern for the financial year 2017-18 and the amount allocated at the stage of supplementary grants.

C. Depleting Force levels

Recommendation (Para No. 9)

11. The Committee had recommended as under:-

> 'The Committee note from the information furnished that as at present, the shortage of personnel in the Army is to the extent of 8370 Officers and 35174 personnel of Other Ranks; 1332 Officers and 10982 Sailors in the Navy; 29 Officers and 9841 Airmen in the Air Force. The Committee find the shortage of personnel, except in the case of Officers cadre in the Air Force, to be of a perennial nature. The Committee are aware that the Government is constantly making efforts towards expediting the recruitment process of Officers and Personnel below Officer Rank (PBOR), increasing training facilities and undertaking publicity campaign to attract youth for induction in the Armed Forces. The Committee had, in their Report presented earlier recommended for providing five years compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. In their response, the Ministry of Defence have submitted that this recommendation is still under consideration with Department of Personnel and Training (DoPT) whose response is awaited. Taking serious note of the perennial and alarming situation of shortage of Officers and PBOR in Armed Forces, the Committee opine that it is high time the Ministry consider their recommendation seriously and expedited the process of its implementation.'

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

> 'The recommendation regarding providing five years compulsory military service to such aspirants wanting to directly join Central and State Government services, with a view to overcome shortage of officers in Armed Forces, has been taken up with Department of Personnel and Training (DoP&T) whose response is awaited.'

13. The Committee had recommended five years of compulsory military service to such aspirants who plan to join Central and State Government Gazetted services directly. This recommendation has been made with the understanding that the perennial and alarming situation of shortage of Officers and PBOR in Armed Forces would stand corrected. This way, the Central and State Government Services will also get enriched by the disciplined officers/PBOR. The Committee are perturbed to note the lukewarm response of the Ministry to this important recommendation with the onus now being shifted to DOP&T.

14. The Committee desire that issue of shortage of officers should be given priority as it is directly related to national security. The Ministry of Defence should take up this matter at the higher levels in the Department of Personnel and Training and should try

to convince them with their demand. The Committee desire that Ministry of Defence should inform them about the outcome of such discussion.

D. <u>Defence Preparedness</u>

Recommendation (Para No. 10 & 11)

15. The Committee had recommended as under:-

> ‘Procurement of defence weapons and equipment is an ongoing process whereby the Government acquires equipment and relevant technology, keeping in view, aspects which, inter alia, include the security situation, requirement of appropriately equipping the Armed Forces, technology advances and available budgetary resources. In the last two financial years, 108 contracts with a total value of Rs. 1,12,736.81 crore have reportedly been signed for capital procurement of defence equipment including Ships, Missiles, Frigates, Rockets, Simulators, Aircrafts, Helicopters and Radars. In addition, the Defence Acquisition Council has also accorded ‘Acceptance of Necessity’ (AoN) in 114 cases with a total value of Rs. 2,25,022 crore. These include, AoNs for 155mm Gun systems, Helicopters and Warships’.
>
> ‘The Committee note that for catering to the requirements of equipping the Armed Forces adequately, the Defence procurement procedure 2016 has been promulgated with effect from 1.4.2016, which has specific provision for facilitating swift decision making, promoting self-reliance and improving transparency and accountability in procurement process. The Committee desire to be apprised in detail of the impact of DPP 2016. The Committee also desire that efforts be made towards achieving the ideal mix of State of Art, current and vintage weapons/equipment i.e. in the ratio of 30:40:30 by way of overcoming the bottlenecks faced. The Committee desire to be apprised of the measures taken in this direction’.

16. The Ministry in its Action Taken Reply has stated as under:-

> 'On the issue of replacement of vintage equipment which is an operational requirement, some of the actions taken to improve the induction/ procurement of ‘State-of-the-art’ equipment are as under:-
>
> > (a) A number of contracts have been concluded in the recent past to induct modern/ state-of-the-art equipment which will have a major impact on the overall ideal mix of equipment holdings once they are delivered/ inducted.
> >
> > (b) The Service Headquarters has been delegated enhanced powers to enter into contracts, thereby hastening up the procurement process.
> >
> > (c) The DPP 2016 has also helped in expediting up the modernisation of the Armed Forces with a dedicated chapter on ‘Make in India’. This would facilitate the indigenous industry to participate in the process of

modernisation in a big way. However, the impact of this will be felt in a few years and not immediately.

(d) Army Design Bureau has been created at Service Headquarters w.e.f. August 2016 which is acting as an interface between the Army and the industry/ academia to facilitate better understanding of the Army's requirements by the industry. This will go a long way in better enmeshing the domestic industry into defence production & induction of state-of-the-art equipment. However, the impact of this too will be felt in mid-term.

(e) A large number of modernisation schemes of the Army are at advanced stages of approval. Once these are sanctioned/ contracted/ inducted, it would be a step forward in the modernisation process.

(f) As regards, achieving the ideal ratio of 30:40:30 in equipment, modernisation is an ongoing process and due to staggered induction of contracted 'state-of-the-art' equipment & concurrent discarding of obsolete equipment, the ratios are very dynamic in nature. As such, mentioning specific percentage at his stage would not present an accurate picture.'

17. The Committee find from the reply that the Ministry has taken some initiatives for improving the position of induction/procurement of 'State-of-the-art' equipment and replacement of vintage equipment which is an operational requirement. It has created Army Design Bureau at Service Headquarters w.e.f. August 2016 which is acting as an interface between the Army and the industry/ academia to facilitate better understanding of the Army's requirements by the industry. This is expected to go a long way in better enmeshing the domestic industry into defence production & induction of state-of-the-art equipment. The Committee would like to be furnished with details pertaining to the constitution of the Army Design Bureau and its likely impact on procurement of weapon systems for the Army and strengthening of domestic defence industry.

18. The Committee also desire that modernisation schemes of the Army, which are in advanced stages for approval, may be shared with them so that they have a better information and understanding on the means of achieving the ideal ratio of 30:40:30 in equipment.

E. Appointment of Chief of Defence Staff (CDS)

Recommendation Para No. (12 & 13)

19. The Committee had recommended as under:-

> 'The Committee had, in their reports presented earlier, recommended the creation of the post of Chief of Defence Staff (CDS) so as to inter-alia enable in better co-ordination amongst the Services. The Committee are surprised to find that there has been no progress made in this direction and the reply furnished by the Ministry in this regard is almost similar to the one given earlier. It would be appropriate to recall here that a Committee of Group of Ministers (GoM) was constituted by the Government to review the National security system in its entirety and in particular, to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation. The GoM had, in their report, 'Reforming the National Security System', inter alia, recommended the establishment of the post of CDS. The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. It is surprising that the viewpoints have reportedly not been received from all the political parties. The Committee would like to know the efforts undertaken by the Ministry to secure the views of the political parties on the issue.
>
> The Committee are also not happy to observe that despite the recommendations made in the past for creating the post of CDS, no concrete steps seem to have been taken by the Ministry in this direction. It is a well-known fact that in the current times, integrated and harmonized efforts of all the Services are needed to achieve success in a war like situation. For accomplishing this objective, a permanent CDS, who possesses knowledge of and is well versed with functioning of all the Services becomes a necessity.'

20. The Ministry in its Action Taken Reply has stated as under:-

> '1. The Group of Ministers (GoM) constituted by the Government to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation, had inter-alia, recommended in its report, the establishment of the post of Chief of Defence Staff (CDS). The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. Replies were not received from all political parties.

2. In the interim, the Naresh Chandra Task Force (NCTF) on National Security, set up by the Government in May 2011, had in their report recommended establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC). MoD's views in this regard have already been conveyed to NSCS. The recommendations were considered and placed before the CCS on 29.04.2014. NSCS had conveyed the approval of CCS for other recommendations for implementation.

3. Considering that there are two proposals, for the establishment of CDS and Permanent Chairman, CoSC respectively, it is expected that at the time of a final decision in CCS on the recommendations of the NCTF, both proposals will be taken note of and the final decision would settle both proposals.'

21. The Committee find from the information that the recommendation for establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC) was considered and placed before the Cabinet Committee on Security (CCS) on 29.04.2014. And National Security Council Secretariat (NSCS) had conveyed the approval of CCS in regard to the recommendation for implementation. However, despite a lapse of more than 3 years since then, and despite this Committee's repeated recommendations in their earlier reports, no definitive or conclusive result has been achieved in regard to the proposal for creation of the post. The Committee are of the view that permanent Chief of Defence Staff (CDS) is a necessity for making interwoven and synchronized efforts of the Services to achieve the desired results both in times of peace and war. Therefore, the Committee reiterate their recommendation for early creation of the post of CDS.

F. <u>Lower Budgetary Allocations for BRO</u>

Recommendation (Para No. 14 &15)

22. The Committee had recommended as under:-

'The Committee find from the data furnished that in the year 2011-12, while the BRO projected a requirement of Rs. 5427 crore, the organisation was allocated only Rs. 5066 crore. Once again, in the year 2012-13, while the BRO demanded a sum of Rs. 5610 crore, the allocation made was to the tune of Rs. 5281 crore. This trend continued even after 2015-16, i.e. following the transfer of BRO from the Ministry of Road Transport and Highways to the Ministry of Defence. In 2016-17, while the BRO projected a requirement of Rs. 7460 crore, the allocation made was lesser by Rs. 2500 crore, or say 33.51 per cent of the projected amount. Thus, the organization had to carry on its activities with an allocation of only Rs. 4960 crore. In the current year, 2017-18 also, while the BRO projected a requirement of an amount of Rs. 6,766 crore the allocated amount, at Rs. 4,168 crore is 38 per cent less than the projected amount. In total, the additional amount required by the BRO for the current year on account of both Revenue and Capital expenditure totals to Rs. 2,597.41 crore. This additional amount is needed for the Organization to carry on and complete its mandated tasks.

The Country, being surrounded by some difficult neighbours, with a view to keeping pace, construction of roads and development of adequate infrastructure along the borders is a vital necessity. If the Ministry is unable to provide adequate budgetary resources as per requirement, the BRO cannot, obviously be expected to perform to the optimum level. The Committee, in this regard express deep anguish on the inadequate allocation being made to BRO year after year. BRO being under the charge of the Ministry of Defence, the Committee desire that any funds (Revenue/Capital) that may be surrendered by any other agency/organisation within the MOD be made available to BRO so as to enable the organisation to execute the mandated tasks.'

23. The Ministry in its Action Taken Reply has stated as under:-

'The expenditure ceiling in respect of Border Road Organisation is provided by Ministry of Finance. The funds of Rs. 4114.00 crore and Rs. 450.00 crore (under Scheme) have been provided in BE 2017-18. Moreover, additional funds over approved Grant are provided by Ministry of Finance with the approval of Parliament. Therefore, when the additional funds are sought by the BRO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2017-18. Moreover, if any funds (Revenue/Capital) is surrendered by any other departments within Ministry of Defence (Misc.), this Ministry will make efforts to provide the same to BRO with the approval of Ministry of Finance.'

24. From the action taken reply, the Committee came to know that the expenditure ceiling in respect of Border Roads Organisation is provided by Ministry of Finance. Funds to the extent of Rs. 4114.00 crore and Rs. 450.00 crore (under Scheme) have been provided in BE 2017-18. Moreover, additional funds, over the approved Grant are also provided by the Ministry of Finance with the approval of Parliament. Therefore, when the additional funds are sought by the BRO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/RE 2017-18. The Committee desire that they may be provided the details of additional grants made to BRO at various stages and reasons on account of which the Ministry of Finance has restricted releasing the amount. The concerns being expressed by the Committee in this regard need to be conveyed to the Ministry of Finance.

G. Long Term Roll on Works Plan (LTROWP) 2015-2020

Recommendation (Para No. 16)

25. The Committee had recommended as under:-

'The Committee note from the presentation made before them that for the Long Term Roll On Works Plan (LTROWP) 2015-2020, 530 roads are planned to be completed by 2020. The proposed/planned allocation as on 1 Apr 2015 was Rs. 56,954 crore, which was reduced by Rs. 15,895 crore to a figure of Rs. 41,059 crore. In the year 2015-16, BRO was allocated 49.51 per cent of the planned requirement of Rs. 6,179 crore i.e 3,120 crore. In the year, 2016-17, also the story has been repeated with Rs. 3,690 crore being provided against the projection of Rs. 7,429 crore. On the basis of these facts, the Committee can perceive that the Long Term planning for constructing 530 roads by the year 2020 may not fructify due to non-availability of the funds desired for. The Committee desire that the Ministry of defence should put up its case for realistic allocations to BRO before the Ministry of Finance in a forth right manner. If not, the country may have to pay the price on account of non-construction of roads.'

26. The Ministry in its Action Taken Reply has stated as under:-

'During the last financial year, the Ministry has taken up case for additional allocation of funds to BRO. Based on the above, there has been an increase of 18 % in the allocation of funds to BRO for FY 2017-18 as mentioned below:-

Year	**BE allocation (Rs. in crore)**	**Final allocation (Rs. in crore)**
FY 2016-17	3525.73	3790.87
FY 2017-18	4168.20	-

Further, demand for additional funds amounting to Rs. 1405 crore for BRO in the first supplementary demand for grants has been submitted to Ministry of Finance.

In May 2017, Indian Army has identified 442 operationally and strategically important roads instead of the earlier 530 roads to be developed/ improved by BRO. Out of the 442 roads, 301 roads are prioritized under priority I and 141 roads as priority II. Further, based on the revised requirement of the Army, BRO has been advised to submit the revised 5 year LTRoWP (2017-2022).'

27. The Committee are happy to note that during the last financial year, the Ministry has taken up the case for additional allocation of funds to BRO in the right earnest, thereby resulting in an increase of 18% in the allocation of funds to BRO. The Committee desire to know the position in regard to 442 operationally and strategically important roads which are to be developed/ improved by BRO and the salient features of revised 5 year Long Term Roll On Works Plan (LTRoWP) (2017-2022). The Committee may be apprised of the status of approval of LTRoWP at the earliest.

H. <u>Shortage of Manpower in BRO</u>

Recommendation (Para No. 19)

28. The Committee had recommended as under:-

> **'**The Committee note that in the years 2012 to 2015, Authorized strength of officers was 1899, but the desired level has never been reached in these three years. The held strength during the years was 1295, 1292 and 1307 respectively. Surprisingly, the authorized strength was reduced to 1488 Officers from the earlier figure of 1899, the reasons for which are best known to BRO. In the subordinate cadre also, the authorized strength of 40747 during 2012 to 2015 has never matched the held strength and as in the case of Officers, BRO has reduced the Authorized level of Subordinates from 40747 to 40112.'

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

> 'Based on the revised Cadre review of BRES Group A Officers in 2015 the authorization of Officers (Group A and Group B Officers) has been reduced to 1851 (1488 Group A and 363 Group B Officers) from 1899. Further, based on the revised Cadre review for Group B and Group C posts of BRO, the authorization of Group B and C posts has been reduced from 41,110 to 40,112 and consequently, the authorized strength of Officers has become 2426 (1488 Group A Officers and 938 Group B Officers).This authorization of manpower indicates the ceiling limit and not the actual ground requirement, which fluctuates as per the quantum of work executed at a particular point of time by BRO. Accordingly, as and when the entrusted works are completed or there is insufficient work load, certain vacancies are suppressed by placing BRO units under 'Suspended Animation (SA)' or 'Under Posting Plan (UPP)'. These suppressed vacancies cannot be construed to be deficient, since it pertains only to manpower rendered surplus owing to reduction of work load.'

30. From the reply submitted by the Ministry, the Committee understand that the authorization of manpower indicates the ceiling limit and not the actual ground requirement, which fluctuates as per the quantum of work executed at a particular point of time by BRO. Accordingly, as and when the entrusted works are completed or there is insufficient work load, certain vacancies are suppressed by placing BRO units under 'Suspended Animation (SA)' or 'Under Posting Plan (UPP)'. These suppressed vacancies cannot be construed to be 'deficient', since the same pertain only to manpower rendered surplus owing to reduction of work load. However, the Committee note in this regard that under SA or UPP, the manpower remains idle. The Committee are, therefore, of the view that the Ministry should take measures in advance so that there is sufficient work for Border Roads Organisation throughout the year and the workforce is not compelled to remain idle.

Recommendation (Para No. 20 and 21)

31. The Committee had recommended as under:-

'The Committee also note that the Ministry has, for making up the shortage of manpower in BRO, initiated action and presently the assessment of requirement at various levels is under process. Further, BRO has reportedly taken the following steps to fill the vacant posts.

(i) Regular demand is submitted to UPSC for recruitment of Group-A officers.
(ii) Recruitment for 2176 posts is under process at GREF Centre, Pune.
(iii) Recruitment for 962 posts has been submitted to Staff Selection Commission.'

The Committee desires that vacancies should be filled up at the earliest so that work of BRO may not suffer because of the non availability of its own manpower.'

32. The Ministry in its Action Taken Reply has stated as under:-

'During the last year, allotment of 56 Group A officers have been received from UPSC and 36 candidates have been inducted. In case of subordinate grades, allotment of 1056 candidates in the grades of Junior Engineer and lower division clerk has been received from SSC and 509 candidates have been inducted. Further, the recruitment process in respect of 1842 posts in subordinate grades is also under progress at GREF Centre, Pune.

In addition to above, demand against the 188 vacancies in the officers' grade has been submitted to UPSC and demand against 957 vacancies in the subordinate grades has been submitted to SSC. Recruitment process in this regard is under process by UPSC and Staff Selection Commission (SSC). Also, demand to post 121 officers has been submitted to Army HQ. Filling of these posts will be expedited.'

'At present, the recruitment process in respect of 1842 posts in subordinate grades is under progress at GREF Centre, Pune. In addition to this, demand against the 188 vacancies in the officers' grade has been submitted to UPSC and demand against 957 vacancies in the subordinate grades has been submitted to SSC. Recruitment process in this regards is under process by UPSC and SSC. DPCs for filling up of promotional vacancies in different grades are also under progress. Also, demand to post 121 officers has been submitted to Army HQ. Filling of these posts will be expedited.'

33. The Committee note that during the last year, 36 candidates have been inducted as Group A officers and 509 candidates have been inducted in the subordinate grades. Also the recruitment process in respect of 1842 posts in subordinate grades is under progress at GREF Centre, Pune. In addition to this, demand against the 188 vacancies in the officers' grade has been submitted to UPSC and demand against 957 vacancies in the subordinate grades has been submitted to SSC. Recruitment process in this regard is being done by UPSC and Staff Selection Commission (SSC). Also, demand

for posting 121 officers has been submitted to Army HQ. The Committee are of the view that recruitment of personnel should be given priority. They also wish to be informed of the progress of each category of case and difficulty faced by BRO if any, in the recruitment process. It is felt that time framework should be developed to complete the Recruitment process and the latest tool of technology should also be used.

I. <u>Shortage of Equipment</u>

Recommendation (Para No. 22, 23 and 24)

34. The Committee had recommended as under:-

> `The Committee called for the data on the requirement and availability of equipment for the last five years. However, the Ministry supplied the data for the years preceding 2016-17 i.e. up to 2015-16. Therefore, the observation of the Committee is based on the figures supplied for these years only. The Committee note that there has been considerable shortage of equipment with BRO from 2011-12 onwards. As mentioned in the report presented on an earlier occasion too, during 2011-12, there was a shortage of 346 Dozer–II/Equivalent, which came down to 284 in 2012-13, but again reached a new high of 402 in 2013-14. Up to 2015-16, the shortage was of 339 numbers. One more essential equipment is Stone crusher. In 2011-12, there was a shortage of 350 stone crushers, which rose to 544 in 2015-16. Road Roller, another essential item required for construction of roads, was short by 290 numbers in 2011-12, and as per the requirement in 2015-16, the BRO was still be short of 131 numbers. There was a shortage of 273 Air Compressors in 2011-12, which rose to 305 in 2015-16. Hot Mix Plants, which were short by 19 in number, continue to be deficient in number, with the shortage rising to 101. Shortage of Tippers, which was to the extent of 2120 in 2011-12 rose to 2505 in 2015-16. Similarly, there has been shortage of Wet Mix Plants and Paver Finishers also.'
>
> `The Committee are shocked to take note of the extent of shortage of these equipment which are not sophisticated items involving advanced or complex technology and can be procured from within the country. The Committee desire that the Ministry should take immediate action to equip the BRO with sufficient budget, manpower and equipment.'
>
> The Committee also desire that the Ministry needs to provide the requisite budget to BRO so as to enable in completing the preparatory action for timely procurement. This pertains to Long Term Equipment Plan (LTEP) 2014-15 to 2018-19 amounting to Rs. 4116.70 Crore, which has been approved, and the Annual Procurement Plan (APP) for FY 2016-17 which totals to Rs. 1256.09 Crore.'

35. The Ministry in its Action Taken Reply has stated as under:-

> 'The expenditure ceiling in respect of Border Road Organisation is provided by Ministry of Finance. The funds of Rs. 4114.00 crore and Rs. 450.00 crore (under Scheme) have been provided in BE 2017-18. Moreover, additional funds over approved Grant are provided by Ministry of Finance with the approval of

Parliament. Therefore, when the additional funds are sought by the BRO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2017-18. Moreover, if any fund (Revenue/Capital) is surrendered by any other departments within Ministry of Defence (Misc.), this Ministry will make efforts to provide the same to BRO with the approval of Ministry of Finance.'

36. The Committee, in their earlier report, while taking note of the extent of shortage of equipment i.e. Dozer–II/Equivalent, Stone crusher, Road Roller, Air Compressors, Hot Mix Plants, Shortage of Tippers, Wet Mix Plants and Paver Finishers had recommended that the Ministry should take immediate action to equip the BRO with manpower and equipment. They also recommended to allocate sufficient budget, which includes an amount of Rs. 4116.70 crore, which has been approved under Long Term Equipment Plan (LTEP) and Rs. 1256.09 crore under the Annual Procurement Plan (APP).

37. The Committee note from the reply of the Ministry that the expenditure ceiling in respect of BRO is provided by the Ministry of Finance. The funds of Rs. 4114.00 crore and Rs. 450.00 crore (under Scheme) have been provided in BE 2017-18. Moreover, additional funds over the approved Grant are provided by Ministry of Finance with the approval of Parliament. Therefore, when the additional funds are sought by the BRO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary grants/RE 2017-18. Moreover, if any fund (Revenue/Capital) is surrendered by any other departments within Ministry of Defence (Misc.), this Ministry will make efforts to provide the same to BRO with the approval of Ministry of Finance. The Committee desire to know the exact amount granted by the Ministry of Finance during the year 2017-18 and also whether a similar pattern was adopted in the year 2016-17.

38. The Committee also desire that projects of BRO should be given priority by the Ministry of Defence as well as Ministry of Finance so as to mitigate the problems of BRO in construction of roads, bridges etc.

INDIAN COAST GUARD (ICG)

J. Budgetary Provisions

Recommendation (Para No. 26 to 27)

39. The Committee had recommended as under:-

'The Committee are surprised that the budget of Indian Cast Guard has been declining every year and during 2017-18, ICG projected for Rs. 7019.55 crore but only Rs 4029.79 crore were allotted. Under the Capital Head, ICG projected for RS. 4805 crore but the allocation was just Rs 2200 crore, which is approximately 54 per cent less than the required amount. Similarly, under the Revenue Head BE projection was Rs. 2214.55 crore but allocation was Rs 1829.79 crore. The Committee note that Indian Coast Guard has to guard 7516 Kms of coastal line, 2.3 million sq km of Exclusive Economic Zone and has responsibility for Search & Rescue operations in 4.6 million sq km area. Besides, the Indian Coast Guard has to perform duties and functions related to security of off shore installations, to provide assistance in collection of scientific data, safety of life and property at sea, assist customs in anti-smuggling operations, prevention and control of marine pollution, preservation and protection of marine environment and protection and assistance to fishermen in distress. To complete its assigned tasks, Coast Guard needs more Capital Budget to buy offshore vessels, helicopters, aircrafts etc.'

'The Committee desire that the issue should be taken with all seriousness as it affects directly the security of the Nation. Therefore, full allocation as projected by Indian Coast Guard should be provided at RE stage so that it can acquire the much needed Capital assets to guard and search operations to avoid recurrence of incidents like 26/11 Mumbai attack.'

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

'In this context, it is stated that expenditure ceiling in respect of Coast Guard Organisation (CGO) is provided/fixed by Ministry of Finance. The Coast Guard Organisation projected the funds of Rs. 2085.99 crore for RE 2016-17 and Rs. 2214.55 crore for BE 2017-18 in Revenue section and Rs. 3005.00 crore for RE 2016-17 and Rs. 4805.00 crore for BE 2017-18 in Capital section. Same projections in full were forwarded/recommended by Ministry of Defence to Ministry of Finance for their consideration for providing the funds in RE 2016-17 and BE 2017-18. However, Ministry of Finance has allocated the funds of Rs. 1737.76 crore for RE 2016-17 and Rs. 1829.79 crore for BE 2017-18 in Revenue section and Rs. 2500.00 crore for RE 2016-17 and Rs. 2200.00 crore for BE 2017-18 in Capital section. Additional funds over approved Grant are provided by Ministry of Finance with the approval of Parliament. Therefore, whenever the additional funds are sought by the CGO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/RE 2017-18.'

41. The Committee note from the reply that expenditure ceiling in respect of Coast Guard Organisation (CGO) is provided/fixed by Ministry of Finance. The Committee are surprised to find that the Ministry of Finance allocated Rs. 348.23 crore less than the projected amount for RE 2016-17 and Rs. 384.76 crore less than the projected amount for BE 2017-18 under Revenue Head. The Ministry of Finance made substantial cuts under Capital Head also i.e. it has allocated Rs. 505 crore less than the projected amount for RE 2016-17 and Rs. 2605 crore less than the projected amount for BE 2017-18. The Committee are not happy with the argument of Ministry of

Finance/Defence the essence of which is that whenever additional funds are sought by the CGO in the current Financial Year, the same will be intimated to Ministry of Finance for consideration at the stage of Supplementary grants/ RE 2017-18.

42. The Committee find that the cut in the allocation is not realistic specially under the Capital Head. This, would impact procurement of Capital assets which may lead to chinks in the coastal security. Therefore, the Committee reiterate their recommendation for allocation of funds as per the projections of ICG.

K. Required and Existing Force Level

Recommendation (Para No. 28)

43. The Committee had recommended as under:-

> 'The Committee note that during Coast Guard Development Plan [12th plan (2012-17)], Indian Coast Guard envisaged 208 ships, interceptor boats and hovercrafts by the end of the plan. However, as on 17 January, 2017, it was able to acquire only 126 assets. During the same plan period, the Indian Coast Guard envisaged 100 aircrafts (fixed wing and rotor wing) by the end of the plan but it is able to acquire only 62 aircrafts. The Committee are informed that 72 surface platforms are under construction at different places and the contract to acquire 30 aircrafts by March, 2017 has been given. The Committee desire that acquisition of surface platforms and aircrafts should be completed in a time-bound manner and the Committee may also be apprised of progress or delay of the acquisition.'

44. The Ministry in its Action Taken Reply has stated as under:-

'The progress of the acquisition of surface platforms and aircraft is as follows:-

(a) **Surface Platforms**

Indian Coast Guard (ICG) had envisaged a force level of 208 surface platforms as per the XII Plan (CGDP 2012-17). The induction of vessels involves a considerable gestation period depending on the size of vessel. Several of the vessels contracted during the XII Plan will be inducted in XIII plan period. The force level of surface platforms as on 01 April 2017 is 128. Additionally, induction of 75 vessels (66 new and 09 replacement vessels) under construction at various Indian Shipyards is due in period 2017-23. During the same period, decommissioning of 13 ships from ICG fleet is also planned. Thus catering for 75 new ships to be inducted and 13 ships to be decommissioned, ICG will have a force level of 190 surface platforms.

(b) **Aircraft**

The force level of air assets as on 01 April 2017 is 62. The status of acquisition process of aircraft is as follows:-

(i). 16 Advanced Light Helicopters (ALH): The Contract was signed with Hindustan Aeronautics Ltd (HAL) on 29th March 2017.

(ii). 14 Twin Engine Heavy Helicopters (TEHH): The case has been processed for inter-Ministerial consultation prior to seeking approval of the Competent Financial Authority.'

45. The Committee have come to know from the Action Taken Reply submitted by the Ministry that the Indian Coast Guard (ICG) had envisaged a force level of 208 surface platforms as per the XII Plan (CGDP 2012-17). However, as on 01 April 2017, availability of surface platforms has been to the extent of 128 only. Additionally, induction of 75 vessels (66 new and 09 replacement vessels) under construction at various Indian Shipyards is due in the period 2017-23. Despite the addition of new vessels, ICG will have a force level of only 190 surface platforms. Therefore, the Committee reiterate their recommendation that in order to make the country safe from attack from the sea route, the existing surface platforms as well as air assets should be enhanced in a time bound manner.

L. <u>Monitoring system to track boats</u>

Recommendation (Para No. 30 and 31)

46. The Committee had recommended as under:-

'The Committee are not happy to know that a present no tracking device is fitted in onboard vessels which are less than 20 meters in length overall (LOA). As per the statement of the Ministry/Coast Guard, the electronic surveillance can be effectively utilised if any vessel proceeding to sea, irrespective of its size/length, including fishing boats are fitted with transponders, capable of indicating their position, course and speed. Monitoring and accounting of movement of fishing boats from any harbour / fish landing centre is the responsibility of concerned fisheries authorities and state coastal police. Robust shore mechanism by respective States must be implemented for all boats entering / leaving fishing harbors.'

'The Committee desire that the matter should be discussed with the State Governments at the highest level so they can direct Departments under them to ensure fitting of transponders, capable of indicating their position, course and speed in fishing boats. The State Governments should also, in coordination with ICG, have proper system of monitoring and accounting of movement of fishing boats from any harbours under their control.'

47. The Ministry in its Action Taken Reply has stated as under:-

'The issue pertaining to developing of transponders for monitoring and tracking of the boats less than 20 mtrs has been under consideration since November, 2010 (4th NCMCS meeting) and has been actively pursued by the Indian Coast Guard at various forums including Apex level meetings. MHA has been nominated as the nodal ministry for implementation of project of transponders to be fitted on boats during the 10^{th} NCSMCS meeting in February, 2015. MHA has constituted a committee under chairmanship of Secretary (BM) with representatives of IN, ICG, MoS, NSCS, MoD, Dept of Space, DRDO and Govt. of Gujarat and Tamil Nadu for identifying alternate technology for transponders on smaller boats. During the meeting of the Committee on 29 July, 2016, it emerged that GSAT-6 technology appears to be more promising. Proof of concept trials of the transponder based on GSAT-6 satellite for tracking boats less than 20 mtrs. is presently being undertaken by IN and ISRO.'

48. The Committee are happy to note that proof of concept trials of the transponder based on GSAT-6 satellite for tracking boats of less than 20 mtrs. length is presently being undertaken by Indian Navy and ISRO. The Committee desire that following the successful trial of this technology, no time should be wasted in taking a decision for fitting the same in the boats. The production agency also needs to be identified be forehand.

M. <u>Deficiency of Civilian Manpower</u>

Recommendation (Para No. 37)

49. The Committee had recommended as under:-

'The Committee note that MES is taking initiatives such as revision of Defence Works Procedure 2007, adoption of new construction technology (Design & Build), revision of Scales of Accommodation 2009, implementation of green norms, revision of maintenance norms, Military Engineer Services Accretions (353 officers and 2439 subordinates), 11^{th} and 12^{th} plan infrastructure development for Army – 136 officers and 819 subordinates, Military Engineer Services establishments for Coast Guard – 149 officers and 1403 subordinates and Chief Engineer for Southern Air Command and Special Projects – 68 officers and 217 subordinates with a view to improving its working. The Committee desire that the Ministry should provide sufficient allocation as also autonomy to MES, which would enable the organization in completing the various initiatives being undertaken.'

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

'Allocation of funds is made by Ministry of Finance based on projection made by the Ministry of Defence. The budget allocated by Ministry of Finance is further re-allocated among different organisations in the Ministry of Defence based on importance of the projects and specific requirement after due deliberation. Efforts are being made to increase the allocation for MES so as to enable them to complete various important projects under progress.

Autonomy to MES - The Government is considering the feasibility for granting separate head for MES so that it functions independently.'

51. The Committee are happy to learn that the Government is considering the feasibility of opening a separate Head for MES so that it functions in dependently. The Committee hope that MES would work more swiftly and responsibly, following the grant of such autonomy. The Committee desire that the Ministry take appropriate steps in this regard expeditiously.

N. <u>Profits earned by CSD</u>

Recommendation (Para No. 39)

52. The Committee had recommended as under:-

> 'The Canteen Stores Department deposits 50 percent of Net Trade Surplus (net profit) in Consolidated Fund of India (CFI). The Committee find from the information submitted that although the turnover of the Canteen Stores Department is growing the profit percentage has remained the same or was erratic. In 2011-12, it deposited Rs. 108.15 crore in CFI and Rs. 109.68 crore in 2012-13. In 2013-14, the amount deposited dipped to Rs. 88.97 crore. Again, in 2014-15, Rs. 117.84 crore, and in 2015-16, Rs. 118.37 crore was deposited. The Committee would like to know the reasons for the profits not being commensurate with the turnover despite having tax rebates from the Government.'

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

> 'The Canteen Stores Department deposits 50 percent of Net Trade Surplus (net profit) in to the Consolidated Fund of India (CFI). The following statistics indicate the year-wise provisions made for VAT refund claims outstanding against various State Governments and other Bad debts, excess valuation etc.

(Rs. in crore)

Financial Year	**Turnover**	**Gross Profit**	**Vat Refund due from State Govt. (Provision for VAT Refund)**	**Other Provision**	**Net profit**	**Deposited in to CFI**
2011-12	9746.59	339.56	8.67	4.77	216.31	108.15
2012-13	10245.35	332.52	6.07	0.00	219.35	109.68
2013-14	12202.35	443.08	122.83	42.01	177.94	88.97
2014-15	13709.32	410.60	54.96	0.84	235.69	117.84
2015-16	15781.73	287.86	193.47	0.25	230.32	118.37

> As the State government did not refund the VAT claim, it had resulted in decrease to that extent. Approximately Rs. 1000 crore is due from various State governments on account of VAT refund which affects the net profit at the end of Financial Year.'

54. The Committee find that approximately Rs. 1000 crore is due from various State governments on account of VAT refund which can adversely affect the net profit at the end of the Financial Year. The Committee would like to know the reasons for holding back of VAT refunds by the State Governments. The Committee, in this regard, also feel that Ministry of Defence could take up the matter with the State Governments.

O. Dilapidated Condition of Schools

Recommendation (Para No. 45)

55. The Committee had recommended as under:-

> 'Yet another issue that has been brought to the notice of the Committee was that schools run by cantonments were in dilapidated condition and needed urgent repairs. Therefore, the Committee desires that the Ministry should give adequate Grants-in-aid specially for this purpose.'

56. The Ministry in its Action Taken Reply has stated as under:-

> 'Up-gradation of primary education facilities have been taken up by various Cantonment Board depending on local need, financial capabilities and availability of similar facilities run by State Govts. in Cantonments or in vicinity. Lack of funds affected the maintenance of school buildings in some cases. The efforts are being made to enhance the allocation of Grant-in-Aid (General). For construction of new school buildings the allotment of funds are also being made under the newly created budget head 'Grants for Creation of Capital Assets'.

57. The reply of the Ministry is ambiguous. It does not touch upon the measures proposed or undertaken for bringing about an improvement in infrastructure of schools which are in dilapidated condition. The Committee also desire to have details of the grants which were made available to schools and the manner of utilisation. The Committee reiterate their recommendation that the Ministry should take immediate steps to improve the condition of schools which are under the Cantonment Boards.

P. Defence Exports

Recommendations (Para No. 78)

58. The Committee had recommended as under:-

> 'The Committee are dismayed to note the dismal performance of Defence Public Sector Undertakings in exports. Most of the Defence Public Sector Undertakings have not exported any item, during the last three years, which include HSL, MIDHANI, MDL, BDL and BEML. The Committee are not happy with this situation, which is very discouraging. The Ministry should also look into this aspect and prepare a 'vision document' for DPSUs so that besides catering to the needs of the country, they may be able to export their products.'

59. The Ministry in its Action Taken Reply has stated as under:-

'To give boost to Defence Exports, the Ministry has put in public Domain a Strategy for Defence Export through a document which outlines measures required for promotion/facilitation of defence exports through institutional mechanism and streamlining the process of issuing NOC/clearance for export of Military Stores. The Strategy includes creation of an Export Promotion Body, engaging Indian Missions/Embassies abroad in export promotion, export financing through Line of Credit etc., better use of Offset Policy, export of indigenous developed defence systems and streamlining of the export regulation process.

The Ministry has taken various other steps to promote defence export which include timely clearance of export applications, organizing defence exhibitions, engaging Indian Embassies/Missions for marketing of the products manufactured by DPSUs and taking Industry/delegations to various countries etc. It is expected that the export performance of DPSUs shall improve in the coming years.'

60. The Committee note that the Ministry has taken various other steps to promote defence exports. These include, timely clearance of export applications, organizing defence exhibitions, engaging Indian Embassies/Missions for marketing of the products manufactured by DPSUs and taking Industry/delegations to various countries etc. Also, the Committee expect that the export performance of DPSUs would improve in the coming years. The Committee, while viewing these developments with satisfaction, desire that more specific steps be taken by DPSUs/Ministry. They would also like to be apprised of the outcome of the steps taken in this direction over the last 5 years.

WELFARE OF EX-SERVICEMEN

Q. Resettlement of Retired Officers and PBOR

Recommendation (Para No. 85)

61. The Committee had recommended as under:-

'Considering the wonderful work done by Territorial Army Battalions, the Committee feel raising of Territorial Army Battalions in States and employment of ESM in those Battalions could be a better option. The Committee understand that state Government are reluctant and they do not consider raising of Territorial Battalions as priority area. Therefore, the Committee desire that funding of TA Battalions should not be dependent on the States and the Central Government should provide funds for raising of TA Battalions'.

62. The Ministry in its Action Taken Reply has stated as under:-

'Concept of Ecological Task Force (ETF)

Ecological Task Force (ETF) Battalions (Territorial Army) are raised under the aegis of Ministry of Environment and Forests & Climate Change (MoEF& CC) and Ministry of Defence in conjunction with States for ecological assignments in the fragile and sensitive areas. ETFs have been created to execute specific ecology related projects with military like work culture and commitment. ETFs use technical expertise of the respective State Forest Department to prevent ecological degradation and promote environment.

Nature of Funding

2. The ETF Battalions could be funded by MoEF& CC or by the State Governments or partly funded by MoEF& CC and the State government concerned as under:-

(a) **MoEF&CC Funded Units**: MoEF&CC bears the cost of raising, maintenance, pay and allowances of the unit. The State Forest Department provides technical supervision and guidance including land, provision of saplings, budget for accommodation at the project site, telephones, electrification, fencing materials and related ancillaries and equipment for afforestation.

(b) **State Governments Funded**: The entire cost is borne by the State Government.

(c) **Partly funded by MoEF&CC and Partly by State Government**: The cost in respect some companies of the ETF Battalion are borne by MOEF&CC and in respect of some companies of the Battalion by the State Government concerned.

3. The estimated budgetary support required for raising a Battalion Headquarter and three companies of ETF, consisting of Six Officers, 11 Junior Commissioned Officers and 368 Other Ranks, are as under:-

(a) First Year

(i)	Raising	-	Rs. 9 Crore
(ii)	Maintenance	-	Rs. 22 Crore

(b) **2nd year to 5th year** - Rs. 88 Crore

(c) **Total for Five Years** - Approximate Rs. 119 Crore

4. In the recent past efforts have been made by Additional Directorate General of Territorial Army to sensitize State Governments for raising of additional ETF Battalions by means of interaction at appropriate levels and by writing Demi Official letters to Chief Secretaries of Governments of Maharashtra, Kerala, Rajasthan, Uttar Pradesh, Chhattisgarh, Odisa, Madhya Pradesh, West Bengal, Bihar, Punjab, Andhra Pradesh, Haryana, Jharkhand, Tamil Nadu, Karnataka, Mizoram, Manipur, Tripura, Nagaland, Sikkim and Meghalaya.

5. The State Governments are keen to have ETF Battalions but owing to budgetary constraints, have shown their inability in raising ETF Battalions funded through State resources and have instead proposed the funding by Ministry of Environment, Forest and Climate Change (MoEF&CC).

6. In this connection, MoEF&CC has informed that the ETF Scheme is proposed to be continued in view of the commendable work done by them in raising plantations in difficult terrains. However, the cost of plantations is comparatively very high compared to plantations taken up under different schemes. Due to budget constraint, the MoEF&CC has in-principle decided not to support any more ETF battalions in future but to encourage the state governments to raise their own ETF battalions with their own financial support like Delhi and Himachal Pradesh.

7. To mitigate the excessive cost, MoEF&CC has proposed to share the raising cost and subsequent recurring cost of raising of ETF battalion, with States, Ministry of Defence and MoEF&CC in the ratio 50:25:25 respectively. MoEF&CC has stated that till such time a decision on the sharing of cost is taken, that Ministry shall not be able to raise/ support any more battalions.

8. Ministry of Defence does not agree with the proposal of MoEF&CC, as all the ETF Battalions (TA) are eventually funded by the concerned authority [Ministry/ Department of Government of India or the State Government concerned] on whose request the ETF Battalions are raised and no financial implication rests with Ministry of Defence.'

63. The Committee are happy to note that the Ministry of Environment, Forests & Climate Change(MOEF&CC), the nodal Ministry has worked out an expenditure pattern for raising ETF Battalions (TA). In this connection, MoEF&CC has informed that the ETF Scheme is proposed to be continued in view of the commendable work done by them in raising plantations in difficult terrains. However, the cost of plantations is comparatively very high compared to plantations taken up under different schemes. Due to budget constraint, the MoEF&CC has, in-principle, decided not to support any more ETF battalions in future but to encourage the State Governments to raise their own ETF battalions with their own financial support like in the case of Delhi and Himachal Pradesh. The purpose behind making the recommendation of the Committee for raising more ETF (TA) battalions has also been on account of providing gainful employment for Ex-Servicemen, besides the environment issues. Therefore, the Committee once again recommend that the issue of raising more TA battalions should be viewed more holistically and if the State Governments are unable to provide financial aid, the Central Government should step in by pitching in resources for the same.

R. Proposals for opening up new avenues for the resettlement of Ex-Servicemen

Recommendation (Para No. 87)

64. The Committee had recommended as under:-

> 'The Committee welcome the steps taken by the Ministry for opening up new avenues for the resettlement of Ex-Servicemen. The Committee desire that the concept paper which has been approved by PMO should implemented by the Ministry of Skill Development at the earliest so Service Personnel would not worry about their future and can be assured of the employment after their retirement from the Services.'

65. The Ministry in its Action Taken Reply has stated as under:-

> 'An MoU has been signed between Ministry of Defence and Ministry of Skill Development & Entrepreneurship on 13th July, 2015 related to skill development for provisioning of better certification to the retiring soldiers under National Skill Development Corporation (NSDC) charter. Under this scheme, various Sector Skill Councils affiliated/ accredited by NSDC or its partners have been identified for National Occupational Standards (NOS) alignment of training and skill development. Various workshops have also been conducted by DGR to achieve this aim and implement the same as per the timelines given on each agenda, i.e. applicability of Common Norms as per Govt. of India Gazette Notification dated 8th August 2016 on skill development by Ministry of Skill Development & Entrepreneurship. The aim of implementation of this Mission is to ensure NOS alignment of DGR Training contents and providing them National Skill Qualification Framework (NSQF) desired standards, assessment and certification.
>
> DGR courses are now aligned to various NSQF levels as per the National Occupational Standards under Ministry of Skill Development & Entrepreneurship, overall aim being towards job creation and getting suitable employment for retiring/retired soldiers.'

66. The Committee are happy to note that various workshops have also been conducted by the Directorate General of Re-settlement(DGR) to achieve this aim and implement the same as per the timelines given for each agenda, i.e. applicability of Common Norms as per Govt. of India Gazette Notification dated 8th August 2016 on ensuring NOS alignment of DGR Training contents and providing them National Skill Qualification Framework (NSQF) desired standards, assessment and certification. Now DGR courses are aligned to various NSQF levels as per the National Occupational Standards under Ministry of Skill Development & Entrepreneurship, the overall aim being job creation and getting suitable employment for retiring/retired soldiers. The

Committee would like to have details of the developments in the area, following the issue of Gazette Notification of the 8th July, 2001.

S. Lateral Induction of Servicemen in Central Para Military Forces and State Police Forces

Recommendation (Para No. 89 and 90)

67. The Committee had recommended as under:-

> 'The Committee have been recommending in their various reports regarding lateral induction of Servicemen in Central Para Military Forces and State Police Force. The Ministry was again requested to submit the latest updates on the issue. The Ministry has referred to the sitting of the Standing Committee on Defence (2016-17) which was held on 16.1.2017 to take oral evidence of the representatives of Ministry of Defence & Ministry of Home Affairs on 'Resettlement of Ex-Servicemen with specific reference to lateral induction of Ex-servicemen in Central Para Military Forces and State Police Forces'. It further stated that as regards the issue of commencement of lateral induction of service personnel into CAPFs, Ministry of Defence/Department of Defence is pursuing the matter with Ministry of Home Affairs at appropriate level from time to time. However, implementation of the proposal is contingent upon both MoD and MHA evolving a system of induction acceptable to both.'
>
> 'The Committee are of the view that the issue should be dealt holistically by both the Ministries and some solution may be find out which is beneficial to them. The Committee desire that intervention of higher authorities may be sought to resolve this deadlock.'

68. The Ministry in its Action Taken Reply has stated as under:-

> '(a) The lateral induction of the Armed Forces in the Central Para Military Forces (CPMF), is required to be done of the in-service Armed Forces Personnel and not for Ex-servicemen. In the Sitting of the Standing Committee on Defence (2016-2017) which was held on 16 Jan 2017 to take oral evidence of the representative of Ministry of Defence & Ministry of Home Affairs it was stated that MHA in consultation with Ministry of Defence, Department of Defence and the Armed Forces, is pursuing the matter. There is a need to finalise a mechanism for intake of ESM which provides them rank, seniority and pay protection. Intake of ESM in CAPFs should be based on their training and experience and must protect their seniority and last pay.
>
> (b) A meeting was convened under the Chairmanship of JS (Police–II), MHA on 21 Jan 2016 to discuss the issues regarding filling up of vacancies reserved for ESM in Central Armed Police Forces (CAPF), and to ascertain reasons for the lower percentage of ESM finally getting selected in the recruitment for the post of Constables and Sub Inspectors/ Asstt Sub Inspectors in CAPFs. The reasons that were highlighted were non-availability of Pay and Seniority Protection and compulsion of qualifying Physical Standard Test/ Physical Efficiency Test. It was decided in the meeting that due publicity and advertisement be given regarding recruitment of ESM in CAPF and Staff

Selection Commission/ CAPF were directed to keep Directorate General of Resettlement and Ministry of Defence in their mailing list. Staff Selection Commission was also requested in the Meeting to provide details of number of ESM applied and finally selected and the details regarding reservation provided for ESM in various recruitment done for CAPF.

(c) As decided in the meeting, a Committee was formed by MHA consisting of a team of Officers headed by DIG, Central Reserve Police Force and two members from DGR to look into the matter of poor representation of ESM in CAPF under the prescribed quota of 10% and to submit its report to the Ministry. The following issues were brought to the notice of DIG, CRPF by DGR:-

(i) Protection of pay and seniority of ESM in CAPF.
(ii) Syllabus of written examination to be made more job oriented than academic.

(iii) Armed Forces personnel could be made to do only a Refresher Course/ Orientation training in view of their previous training in the Armed Forces.

(iv) Relaxed standard of selection for ESM as per DOP&T Orders to be ensured.

(d) It is learnt that DIG, CRPF has since submitted the consolidated Minutes to MHA. Copy of the Minutes have not been endorsed to Ministry of Defence, Department of Ex Servicemen Welfare/ DGR.

(e) Para 6.2.134 of the Report of the 7th Pay Commission has also recommended that the Scheme of Lateral Entry needs to be reviewed in the context of retirements taking place in the services, absorption capacity in the CAPFs and the issues that have held back the Scheme from being implemented.

As mentioned above, lateral induction of the Armed Forces in the Central Para Military Forces (CPMF), is required to be done of the in-service Armed Forces Personnel and not for Ex-servicemen. Lateral induction of service personnel into Central Armed Police Forces (CAPFs) was a key recommendation of the Kargil Review Committee, Group of Ministers on reviewing National Security System, the 5th and 6th Central Pay Commissions and Standing Committee on Defence.

The proposal for lateral induction of serving army personnel into CAPFs after 7 years of colour service in the Army did not find favour with the Ministry of Home Affairs (MHA). A suggestion was, therefore, made to MHA that, to begin with, lateral induction of service personnel into CAPFs may be commenced on a pilot basis (say about 1000 Nos. initially). A new cadre/sub cadre could be created in the CAPFs for such lateral inductees, which will obviate inter se seniority issues etc. However, this proposal was not agreed to by MHA in view of the likely impact on CAPFs.

While disagreeing to MoD proposal, MHA put forth certain reasons/concerns which were conveyed to Army HQ. In response to this, Army HQ mooted a new proposal under which Army will recruit the personnel for CAPFs, the Armed Forces will train them and utilize their services for 5 years where after they will revert to CAPFs. This proposal is being considered by the Ministry of Defence and MHA.'

69. The Committee are concerned to note that the issue seems to have become complicated as MHA has not taken action, as desired. It has now been informed that the Army HQ has mooted a new proposal under which the Army will recruit the personnel for CAPFs, the Armed Forces will train them and utilize their services for 5 years and thereafter, they would revert to CAPFs. The proposal is said to be under consideration by the Ministry of Defence and MHA. The Committee desire to be apprised of the developments in this regard at the earliest.

T. <u>Ex-Servicemen Contributory Health Scheme (ECHS)</u>

Recommendation (Para No. 95 &96)

70. The Committee had recommended as under:-

> 'The Committee note that since 2010-11, Ex-servicemen Contributory Health Scheme (ECHS) has never been allocated the amount as per its projection thereby resulting non fructification of many schemes. During the year 2016-17, ECHS projected a requirement of RS. 3,600 crore but allocation was only Rs. 2,363.54 crore. This year 2017-18, the ECHS projected for Rs. 4,487.12 crore but the allocation has only being Rs. 2,911.50 crore.
>
> The Committee understand that lesser allocation would affect opening of new ECHS clinics and would lead to delays in reimbursement of bills of beneficiaries pending in ECHS approved private hospitals.'

71. The Ministry in its Action Taken Reply has stated as under:-

> 'Consistent shortage of funds will have a resultant effect on all aspects of the Scheme. The most important aspect being treatment of veterans at empanelled hospital. Pendency of bills in the online bill system as on 31st March, 2017 amounts to Rs.1195.1693 crore for payment to the Hospitals/ individuals.'

72. The Committee are surprised to find that despite the recommendation, which has been made with the intention of addressing the problems faced by Ex-Servicemen in regard to Ex-Servicemen Contributory Health Scheme recognised private hospitals, no additional allocations have been made. The pendency of payment of bills pertaining to ECHS beneficiaries is informed to be totalling to Rs.1195 crore. The Committee are unhappy with the attitude of the Ministry and re-iterate their recommendation for allocating more funds to ECHS so as to enable in mitigating the problems of ESM.

CHAPTER II

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

Recommendation (Para No. 6)

Defence Expenditure as percentage to the GDP has also gone down from 2.36% in year 2000-2001 to 1.56% in 2017-18(BE). As per inputs from Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, Russia and United States of America have spent 5.4% and 3.3% of their GDP in the year 2015 on Defence expenditure. Even in the case of our neighboring country, the spending on Defence in the same year i.e. 2015 has been to the tune of 3.4% of the GDP. The Committee note in this regard that the defence spending of 1.56% of GDP is way below the 3% mark, which is considered to be optimal and necessary for ensuring the operational preparedness of the Forces. The Committee, therefore, desire that higher allocation, which is in tune with the global trend, should be provided to the Ministry of Defence.

Reply of the Government

It is a fact that this Ministry is not getting funds as per projections made. However, it may also be added that every year there has been increase in the budget of Ministry of Defence. As regards keeping defence spending as a certain %age of GDP, as has been raised earlier also by the Standing Committee, Ministry of Finance was apprised of the same. In their response, Ministry of Finance has quoted as under:-

"*It may be mentioned that Defence Expenditure is the second single largest expenditure of the Union Government, the first being expenditure on interest payments. Though specific requirements of Defence Services are provided in the budget, allocations to Ministries/ Departments during the course of the year in Revised Estimates vis-à-vis Budget Estimates depend on the progress of expenditure, committed liabilities and largely on resource position of the Government. Since, Government resources come with definite cost, resource allocation is made among various competing priorities. Thus, Defence expenditure as definite percentage of total Government Expenditure/GDP cannot be ensured considering the fact the resource allocations are made on need basis. Rationalisation of the expenditure is the prime objective of the Government while finalising the Revised Estimates during mid-year review. The mid-year review exercise may need to be seen in this light.*"

Recommendation (Para No. 7)

As per the information furnished by the Ministry of Defence, the modernisation plans of the Forces are to be proceeded with as planned. The Ministry proposes to seek additional funds if the pace of utilization of funds surpasses the availability, and new Schemes are approved for being taken up. The Committee, nevertheless, cannot help taking note of the fact in this regard that the principle reason adduced by the Ministry of Finance for reducing the fund allocation is the slow pace of expenditure of the budgeted resources. The Committee fail to understand, as to why the expenditure pattern has not witnessed improvement over the years. More seriously, this has led to non-allocation of additional funds which has adverse implications on the modernization plans. The Committee are also surprised to note that despite having a full-fledged Division of Defence Finance in the Ministry, there is an obvious lacunae in the monitoring of expenditure. The Committee feel in this regard that the Defence Finance Department needs to be more vigilant in future so that the trend of expenditure is tracked objectively and does not construe to be a factor for non-allocation of funds by the Ministry of Finance.

Reply of the Government

The recommendation of the Committee has been noted for compliance. The Committee may be assured that necessary steps will be taken to ensure good pace of expenditure. In so far as capital expenditure is concerned, from this year starting May, expenditure under Capital Acquisition as well as Other than Capital Acquisition is also being monitored on monthly basis. A report in this regard is also being sent to Ministry of Finance on monthly basis.

Recommendation (Para No. 17)

The Committee note that the Ministry of Finance imposes ceilings on the allocation of budget at the Revised Estimate (RE) and Budget Estimate (BE) stages, based on the actual expenditure incurred during the last financial year and in the current financial year. This reduced budgetary allocation, as against the projections made by the BRO, adversely affects some specific areas that include, original works planned on roads, resurfacing works, maintenance and snow clearance of roads, payments to firms for procurement of Vehicles/ Equipment/ Plants etc. The Committee are of the view that reduced allocation not only affects the above areas and movement of our Forces but also hampers the development process of the State where Border Roads are proving to be the life-line as well for the people.

Reply of the Government

Unlike in previous years, during the RE 2016-17 and BE 2017-18, there has been an increase in fund allocation to BRO with reference to BE 2016-17 by 7.5 % and 18 % respectively.

Recommendation (Para No. 18)

The Committee note that due to shortage of funds, maintenance of roads and resurfacing works are affected. Moreover, as BRO is a work charged Organisation, the Pay and Allowances of BRO Personnel is kept as liability for the next financial year and resources are sub-optimally utilized. The Committee also note that with a view to improve the quality of maintenance, DGBR has been delegated with powers to fix rates for maintenance and snow clearance grants. However, the Committee are surprised to find that the proposal for revising the maintenance grant and snow clearance grant continues to be under process/consideration by DGBR and has not been finalized even after a year. The Committee desire that such processes should be completed in a time bound manner so that the work of BRO is not hampered and the Organisation does not attract unnecessary criticism on its working.

Reply of the Government

The Ministry has delegated powers to DGBR for revision of maintenance grant, snow clearance grant, maintenance of building and resurfacing grant in March 2014. Based on this approval DGBR revised the rates in April 2015. Further, DGBR has revised the various maintenance grants to be applicable for financial year 2017-18 for the following:-

(i) Maintenance scale for roads of Single Lane (SL), Class -9 (Cl9), Intermediate Lane (IW) and double lane (DL).

(ii) Snow clearance grant

(iii) Maintenance of building

(iv) Resurfacing scale

Recommendation (Para No. 32)

The Committee note that 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 the largest construction and maintenance agencies in India. The MES is responsible for the design, construction and maintenance of all buildings, airfields, dock installations, etc. along with necessary 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. Budget provided to MES is distributed among the services and other organizations based on demand for major works in progress and new major works depending upon actual and anticipated liabilities in the financial year. MES considers carry over liabilities of running projects and anticipated expenditure of new projects which are likely to be sanctioned during the financial year.

Reply of the Government

Military Engineer Service is an Inter-Services Organization directly under the Ministry of Defence responsible for providing works services to all the wings of Armed Forces, viz Army, Air Force, Navy, Coast Guard, Defence Research & Development Organization and Ordinance Factories. Being factual, no comments are offered.

Recommendation (Para No.33)

The committee note that in the year 2012-13, MES was allocated an amount of Rs. 4017 crore under Capital Execution Load. Of thus, Rs. 3925 crore was utilized. Similarly, in 2013-14, Rs. 4028 crore was allocated and Rs. 4076 crore utilized. In the year 2014-15 and 2015-16, the allocated amount was almost fully utilized. However, in the year 2016-17, Rs. 5712 crore was allocated but utilization was to the extent of Rs. 4400 crore and Rs. 1312 crore remained unutilized under the Capital Execution Load Head. The Committee can infer that a part of this amount may have been utilized by the end of the financial year 2016-17. In the BE 2017-18, a sum of Rs. 7664 has been allocated. The committee desire that MES should do adequate and advance proper planning for incurring the expenditure so the resources of the services which are scarce are utilized to the optimum.

Reply of the Government

The suggestions made by the Committee have been noted and all efforts are being made to maximize utilization of the allotted budget. During the FY 2016-17, revenue expenditure against the allotment of Rs.10,532.84 crore stands at 10,019.72 crore (95%).

Recommendation (Para No. 34)

The Committee further note that under the Revenue Execution Load, there have been instances of under utilization in the years 2014-15, 2015-16 and 2016-17, to the extent of Rs 247 crore, Rs 240 crore and Rs 261 crore respectively. The committee hope that MES would make efforts to fully utilize this year's Revenue allocation of Rs 10,840 crore.

Reply of the Government

The suggestions of the Committee have been noted and all efforts are being made for full utilization of the allotted budget.

Deficiency of Civilian Manpower

Recommendation (Para No. 35)

During the course of oral evidence, a representative of MES informed the Committee that presently a large number of Civil posts remain vacant in MES. At Supervisory level, 2729 vacancies which constitute 36.90 per cent of total posts at Supervisory level exist. At other Basic level, 24592 vacancies which constitute 64.10 per cent of total posts at this level exist. In Industrial category, 29809 vacancies, constituting 40.80 per cent of total vacancies in this category exist. Thus, in total there are 57783 vacancies, which amounts to a deficiency of 48.35% of total civilian manpower. The Committee are flabbergasted to know that MES is working on almost half of the strength of the sanctioned civilian manpower.

The Committee desire to be furnished with details as to when the sizable number of vacancies came to notice of MES and the steps taken for filling the vacancies. And also the factors that led to piling up of these vacancies. The Committee feel that in the absence of almost half of the work force, projects of the Services must have got delayed and rescheduled. The Committee desire that the vacancies should be filled up at the earliest so the MES can work in tandem and efficiently to complete the assigned tasks.

Recommendation (Para No. 36)

The committee desire to be furnished with details as to when the sizable number of vacancies came to notice of MES and the steps taken for filling the vacancies. And also the factors that led to piling up of these vacancies. The Committee feel that in the absence of almost half of the work force, projects of the Services must have got delayed and rescheduled. The Committee desires that the vacancies should be filled up at the earliest so the MES can work in tandem and efficiently to complete the assigned tasks.

Reply of the Government

The Ministry of Defence in consultation with MES is taking all possible steps to fill up the vacancies in various grades in MES. Some of the action initiated in filling up the vacancies is as follows:

(a) (i) Approval of Ministry of Defence has been accorded for outsourcing of Meter Readers of the Barracks and Stores Cadre of MES.

(ii) Approval of Ministry of Defence has been accorded for outsourcing of Junior Engineers on 01 Mar 2017.

(iii) Permission for one time filling of 1573 posts for Barracks and Stores Cadre has been accorded by Ministry of Defence on 05.10.2016. The process to fill up the post of Supervisor, Store Keeper Grade-I and II, and Meter Reader has already been initiated.

(iv) The Ministry of Defence has accorded approval for revival of 1323 posts that were abolished under Annual Direct Recruitment Policy.

(v) The status of recruitment of other cadres in MES like Draughtsman, Office Superintendent, Upper Division Clerk and Lower Division Clerk are also being considered by the Ministry.

(b) The reasons for vacancies in MES are as under:-

(i) Reduction in manpower due to Annual Direct Recruitment Plan (ADRP) scheme was 2/3rd of yearly wastage vacancies which were deducted from 2001-2009.

(ii) Prolonged recruitment process through Local Recruitment Sanction (LRS) and also poor intake at the level of Junior Engineer's i.e. supervisory staff.

No of vacancies notified to SSC					
Post	**2012**	**2013**	**Demanded 2014**	**Demanded in SSC 2015**	**Demanded in SSC 2016**
JE (Civil)	699	353	166	227	711
JE (E/M)	395	354	24	178	416
JE(QS&C)	438	189	61	125	272

* Though a sizable number of candidates were nominated by SSC, but only limited number of candidates joined the above posts. However, as suggested by the

Committee, necessary steps have been taken to fill the vacancies by increasing recruitment through SSC.

Canteen Stores Department

Projection and allocation of budget

Recommendation (Para No. 38)

The Committee note that during the year 2012-13, Canteen Stores Department projected a budget of Rs. 12808.84 crore. However, it was allocated only Rs. 10791 crore. In the year 2013-14, the projection was Rs. 13465.65 crore but the allocation was to the extent of Rs. 12336.06 crore. Except during the year 2014-15, wherein budget exceeding the projection was allocated, every year, the allocation has always been less than the projection. In the year 2016-17 also, Canteen Stores Department projected a requirement of Rs. 18330.83 crore but the allocation was almost Rs. 300 crore less than the projection and it was given only Rs. 15005.84 crore. However, during all these years, the turnover of the Canteen Stores Department has grown from Rs. 9746.59 crore to Rs. 15781.37 crore. The Committee are of the view that as this organization provides consumer goods and other household articles of common use to the personnel of Defence Services at a price lower than the prevailing market price and in difficult areas, the required budgetary support needs to be given so as to avoid any hindrance in the supply of goods.

Reply of the Ministry

The expenditure ceiling in r/o Canteen stores Department is provided/fixed by Ministry of Finance. In the year 2016-17, CSD projected their requirement for funds of Rs. 24144.16 crore and correspondingly projected the sales receipts of Rs. 24500.00 crore in Revenue section and the same was forwarded to Ministry of Finance for consideration. However, Ministry of Finance provided the expenditure ceiling of Rs 15000.00 crore for BE 2016-17 and fixed the Sales receipts at Rs. 15125.00 crore for BE 2016-17 against the aforesaid projections of Ministry of Defence. Further, CSD sought the funds to the tune of Rs. 18385.30 crore and projected sales receipts of Rs. 18441.35 crore in RE 2016-17 and the same was provided by Ministry of Finance. Besides, CSD also sought funds of Rs. 20200.03 crore and projected sales receipts of Rs. 20288.25 crore for BE 2017-18 and the same was forwarded to Ministry of Finance. Ministry of Finance provided the funds to the tune of Rs. 17722.46 crore and fixed the sales receipts at Rs. 17737.50 crore in BE 2017-18. However, if CSD seeks any additional budget over approved grant in the current financial year, the request will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2017-18.

Recommendation (Para Nos. 40 and 41)

The Committee note that in July 2012, CBI arrested two CSD officers on account of graft charges. During investigation, CBI registered FIRs against a few other officers and sought prosecution sanction against two serving officers and recommend suitable departmental action against certain other officials. Department has issued prosecution sanction to CBI and has initiated action against all others as suggested by CBI. Further, during the current financial year, one case of irregularity at CSD Depot, Ahmadabad regarding diversion of large quantity of CSD stores to civil market has been reported. The case has been handed over to CBI for investigation.

The Committee desire that they may be apprised of the outcome of the cases. The Committee also desire, as a consequence of having to come to know the modus operandi of the officials involved in the cases of grafts, preventive measures should be taken by the Ministry so that such type of incidents do not recur.

Reply of the Government

1. Status of case of graft charges against five CSD officials in matter of CBI case of 2012, in Mumbai:

   i. Prosecution sanction was granted in respect of one Army officer. Regular Departmental Action (RDA) against this Army Officer cannot be processed as the same will lead to 'Double Jeopardy'.
   ii. The prosecution of two civilian officers of CSD did not require prosecution sanction as they had already retired. RDA against these two officers could not be processed being time barred in terms of time limit prescribed in Rule 9 of CCS pension Rules, 1972.
   iii. The disciplinary action has already been initiated against two Group 'B' officials of CSD. Inquiry is under progress.

2. Case of irregularity at CSD Depot, Ahmadabad in 2017:

   i. CBI has requested for prosecution sanction of five Army officials, one defence civilian of Army Supply Corps (ASC) and three employees of CSD. Prosecution sanction has been issued by CSD in respect of CSD officials. The prosecution sanction is under process in response to officers/officials of Army and defence civilian employee of ASC.

3. Preventive measures/steps taken by CSD to avoid recurrence of such incidents are as follows:

   i. Strict monitoring with regard to administrative functioning, where there are chances of misuse of financial/administrative powers, is being undertaken at various levels. All Regional Managers (RMs) have been instructed to keep a strict vigil on the functioning of the Area managers under their administrative control/jurisdiction, especially in relation to manning of inventory, placement of local supply orders on the suppliers etc.

ii). Scrutiny/regulation of demands/Indents placed by the Unit Run Canteens (URCs) is carried out. Also, number of collection has been restricted based on size of the URCs.

iii). Directions have been issued to the CSD Depot Managers for sending of Monthly Statements of Accounts to URCs to reconcile and confirm the correctness of the sales by the CSD Depots vis-à-vis invoices based on the indents placed by the URCs. All URCs have been asked to declare the name and account number from which the payment is being transferred to CSD to ensure that no third party makes the payment on behalf of the URC. Authority letter and specimen signature of the collection party/officer are also obtained from all URCs to ensure that no unauthorized representative collects the stores from CSD.

iv). Online payment systems of suppliers' bills have been implemented at CSD HO as well as Depots. Payments from URCs are being received on-line from the respective accounts of the beneficiaries.

Directorate General Defence Estates

Grants-in-aid

Recommendation (Para No. 42)

The Committee note that Grants in Aid to DGDE has not been as per the demand over the years. The DGDE made a demand for Rs. 316.60 crore in 2015-16, however, the Grant-in- aid was given was only Rs. 301.33 crore. In 2015-16, demand was for Rs. 348.26 crore but DGDE was given only Rs. 258.76 crore. In the Revised Estimate 2016-17, the demand was for Rs. 502.21 crore but again it was given Rs. 223.38 crore only. This year, i.e., BE 2017-18, DGDE demanded Rs. 552.43 crore but the Grants-in-aid is only Rs. 267.42 crore, which is about 48 per cent of the amount demanded. The Committee are not happy with the allocation as DGDE has to look after municipal administration of 62 notified cantonments consisting of 20.91 lac population, 88 hospitals, 202 schools including 36 centres for differently-abled children. Therefore, the Committee do not find any valid reason for the cut in the allocation for DGDE.

Recommendation (Para No. 43)

The Committee also desire with a view to improvise the working of cantonments and facilitating the residents', requisite Grants-in-aid to Cantonments Boards needs to be provided. The Ministry also needs to look for funding of Cantonment Boards by various central ministries (Urban Development, HRD, Health etc.) implementing centrally-sponsored schemes.

Reply of the Ministry

The expenditure ceiling in respect of DGDE is provided/fixed by Ministry of Finance. In the year 2016-17, DGDE projected their requirement of Rs. 674.96 crore (Rs. 502.21 crore for Grants-in-aid-General + Rs. 172.75 crore for others expenditure) under Non-salary for RE 2016-17 and Rs. 739.63 crore (Rs. 552.42 crore for Grants-in-aid-General + Rs. 187 crore for others expenditure) under Non-salaries for BE 2017-18 in Revenue section and the same was forwarded to Ministry of Finance for consideration. However, Ministry of Finance provided the expenditure ceiling of Rs 301.28 crore (Rs. 223.38 crore for Grants-in-aid General and Rs. 77.90 crore for other expenditure) for RE 2016-17 and Rs. 326.41 crore (Rs. 267.42 crore for Grants-in-aid-General + Rs. 58.99 crore for others expenditure) for BE 2017-18 against the aforesaid projections of Ministry of Defence. However, if, DGDE seeks any additional budget for Cantonment boards over approved grant in the current financial year, the request will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/RE 2017-18.

Recommendation (Para No. 44)

<u>Inconvenience to Civilian Population</u>

During the course of taking evidence of the representatives, issues, inter alia, relating to closure of entry and exit of passages inside the cantonments without proper reasons came to the fore. It has also come to the notice of the Committee that, in some cantonments, despite having a large open area, March pasts were being held on the roads, thereby obstructing movement of public which results in great inconvenience. The Committee desire that the DGDE and representatives take appropriate measures for resolving such issues amicably so there would be no civilian and military conflict.

Reply of the Government

In view of public inconvenience due to arbitrary closure of Cantonment Roads by Local Military Authority, MoD vide letter No. 4(2)/2015-D(Q&C) dated 07.01.2015 has issued an order that henceforth, no public road shall be closed by any authority other than a Cantonment Board, for any reason other than security, and without following the procedure laid down under the aforesaid section 258. Based on the above orders.a list of public roads which were closed by Local Military Authority (LMA) without following due process was obtained from DGDE and due action has been taken by Army HQ.

Due to lack of all weather parade grounds, sometimes, drill, parade/practices are held on unit roads which are normally not used by civilian public.

Recommendation (Para No. 46)

Encroachment

The Committee also desires that the Ministry should, in consultation with DGDE, take up the matter with state Governments for removal of encroachments by civilian population on Defence lands so that such lands are used for Defence purposes only.

Reply of the Government

The encroachments on defence land are in the nature of unauthorized occupation by State Government authorities/undertakings; encroachments by private persons and non-vacation of land by Ex-agricultural lessees. As regard the first category i.e. encroachment by State Authorities, matter has been taken up with respective State Governments at various levels, for civilian vacation of land or regularization of occupation by offering equal value land to MoD in exchange. Most such encroachments are by authorities which provide public service/utilities.

As regards removal of encroachment by private persons, vigorous efforts are made by respective officers to remove such encroachments wherein, State Government authorities are providing requisite support. In some cases of Ex-agricultural lessees, status quo orders has been issued as there were request from State Governments for regularization of such lessees, either on equal value land offer or otherwise. MoD has constituted a Committee under the Chairmanship of Additional Secretary to monitor and review status of encroachment of defence land. In last meeting held on 02.11.2016, instructions were issued to all defence land holding agencies that all cases of encroachment which are pending before court of law should be vigorously pursued for early disposal and wherever the State authority does not respond to the correspondence made by defence authorities on encroachment of defence land, ASG in the State concerned should be approached for taking legal recourse for retrieval of defence land.

Recommendation (Para No. 47)

Non-payment of Service Charges

The Committee note that during the years 2014-15, to 2016-17, there was an annual demand by DGDE in respect of the Services Charges to the tune of Rs. 1397 crore, Rs. 1591 crore, Rs. 1771 crore respectively from Army. However, the allocation was Rs. 216 crore, Rs. 352 crore and Rs. 182 crore only. Thus, the accumulated amount totals to Rs. 13645 crore in respect of Service Charges. The Committee desire that DGDE should be reimbursed this accumulated arrears of Service Charges at the earliest by the Army or the Ministry of Defence.

Reply of the Government

The methodology of calculation of Service Charges is governed by Ministry of Finance letter No. 4(7)-P/65 dated 29.03.1967. The letter takes cost of land at the time of acquisition into consideration for arriving at capital value of land. In 1984, Govt. of India / Ministry of Defence vide letter No. 9/5/C/L&C/72 Vol-II dated 14.09.1984 modified the methodology for calculating the capital value of land by taking into consideration 40 times STR or current value of the land. This significantly increased the Service Charges being claimed from Army Revenue Budget and the same has become a bone of contention between the Army and DGDE.

To resolve the issue of payment of service charges to Cantonment Boards by Army HQs, Hon'ble RM has taken a meeting on 03.07.2017 on the issue and a Committee comprising representatives of FA(DS), DG(DGDE), QMG and JS(Works) has been constituted.

Defence Public Sector Undertakings

Financial Performance

Recommendation (Para No. 48)

The Committee note that no budgetary support is given to Defence Public Sector Undertakings by the Government of India. However, except for BEML, most of the Defence Public Sector Undertakings under the Ministry of Defence are registering profits. BEML, which was consistently making profits in the earlier years incurred a loss of Rs. 80 crore in 2012-13. During the years 2013-14, 2014-15 and 2015-16, the organisation registered profits. BEML, at present i.e. the year 2016-17, is incurring a loss of Rs. 140.93 crore. Nevertheless, the Ministry is confident that there will be a turn-around in the profitability of the company.

Recommendation (Para No. 49)

The Committee find that some of the reasons attributable for loss making and the inconsistent performance by DPSUs include insufficient order book, under utilization of capacity, unaccounted liabilities and lack of working capital and aged infrastructure, etc. The Committee are of the view that these public sector undertakings are not simply Government owned entities, which will only have welfare orientation. They have duties towards their shareholders also. Therefore, they should explore markets other than the regular ones as well to sell their products so that the order books are healthy and profits registered. This move will definitely arrest the under utilisation of capacity aspect also.

The Committee also desire that the case of HSL, which is struggling with its aged infrastructure, should be taken up on priority and the company given a soft loan so as to enable in improving the infrastructure.

Reply of the Government

Defence Public Sector Undertakings except HSL are profit making PSUs and doing well in their domain, which is also reflected through their Value of Production's data as given below:

(Rs. in crore)

SrNo	DPSU	2013-14	2014-15	2015-16	2016-17**
1	HAL	15867	16289	17273	17514
2	BEL	6127	6659	7782	9243
3	BEML	2814	2599	2740	2624
4	BDL	1804	2770	4299.84	5014
5	GRSE	1612	1613	1706.60	947
6	GSL	509	570	725.96	1030
7	HSL	453.40	294	593.29	629
8	MDL	2865	3593	4121.65	3510
9	MIDHANI	564	640.04	678.78	696

** Figures are provisional and unaudited

Ministry of Defence is continuously working on the aspect that Defence PSUs should explore the markets other than the regular ones and to ensure this, following changes have been made in the defence export procedure/policy:

(i). SCOMET Category 6, titles 'Munitions List' that was hitherto 'Reserved' has been populated vide Note No. 5/2015-2020 dated 24 April 2017. The Military Stores List earlier notified vide Notification No. 115(RE-2013)/2009-2014 dated 13.3.2015 stands rescinded.

(ii). The process of receiving applications for Authorisation (earlier NOC) for export of Munitions List (earlier Military Stores) items and for issuing Authorisation has been made online to reduce the delay and to remove human interface in the process.

(iii). The Standard Operating Procedure (SOP) for the issue of Authorisation for export of Munitions List items has been revised and put on the website. Under the revised SOP, the requirement of End User Certificate (EUC) to be countersigned / stamped by the Government authorities has been done away with for the export of parts, components, sub-systems etc.

(iv). Recognising the need for promotion of defence exports to make the Indian defence industry economically sustainable; Defence Exports Strategy outlining the various steps to be taken, has been formulated and is put up in public domain.

(v). In products where there is a capacity constraint, DPSUs have been allowed to export up to 10% of their annual production with a view to explore market opportunities outside the country.

Hindustan Shipyard Limited

As far as HSL is concerned, HSL a loss making PSU, was transferred to Ministry of Defence from Ministry of Shipping in Feb 2010 for undertaking warship construction projects. To revive the shipyard, DDP has worked towards increasing the number of orders placed on HSL with the objective to ensure the break even order of Rs 5000 crore. Accordingly, HSL has been nominated for major projects like construction of two Special Operation Vessels (Rs 2017 croreapprox) and 5 Fleet Support Ships (Rs 9045 croreapprox). Besides this, HSL is also being considered for undertaking repairs of submarines and ships. Further, as part of revival package, in the year 2011, Govt of India loan of Rs 372.22 crore was converted to loan-in-perpetuity at zero rate of interest and Rs 452.68 crore was given as grant-in-aid for liquidating various liabilities. In the same year Rs 457.68 crorewas also sanctioned for repair and refurbishment of machinery and infrastructure. In 2016-17, Rs 200 crorewere given as grants in and to repair its infrastructure damaged by HUDHUD Cyclone.

HSL Financial Status. After several years of continued losses, the company turned around by posting a profit of Rs 19 crore in the financial year 2015-16. The profit in the just concluded financial year (2016-17) is around Rs 30crore(provisional figures). Further, there has been a substantial increase* in the VoPi.e Rs 625 crorein 2016-17 which is the highest VoP achieved by HSL since inception (*vis-a-visVoPof Rs 294 crore in Fy 2014-15 and Rs 593 crorein Fy 2015-16 respectively).

The VoP and Profit statement of last five years of HSL is as follows:-

(Rs. in crore)

	2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17***
VOP	564.04	483.84	453.40	294	593.29	629
Profit	-86	-55	-46	-203	19.00	30

The other performance indices such as 'Man-hour per CGT', 'VoP per employee' and 'Employee cost vis-a-visVoP' have also recorded significant improvements.

Strategic partnership with Korean Shipyard. The up gradation and modernization of HSL is being pursued under the overall umbrella of the 'Strategic Partnership' between India and Republic of Korea. In order to enable HSL to achieve international standards in shipbuilding a partnership with a leading Korean shipyard is planned. An inter-governmental MoU has been signed on 21 April, 2017 to facilitate this partnership. The proposed partnership will help HSL to modernise its facilities and execute naval shipbuilding projects in a timely and cost effective manner.

Quality of Products

Recommendation (Para No. 50)

The Committee note that leaving apart Hindustan Aeronautics Limited (HAL) and Mazagon Dock Limited (MDL), all other PSUs have no major complaints against them with regard to quality of products in the last three years. HAL has stated that if a failure on account of the quality of the product is found, defect investigation is carried out by a team, comprising members from customers, Directorate General of Quality Assurance (DGQA) and the Center for Military Airworthiness & Certification (CEMILAC). HAL, based on these investigations takes remedial measures. MDL has also stated that as there was delay in project P-17 and P-15 A, it has taken various measures i.e., development of weapons and sensors is being expedited through DRDO and DPSUs through various routes such as 'Buy and Make', 'Buy and Make (Indian)' and 'Make' acquisition processes, indigenisation of warship building steel etc.

Recommendation (Para No. 51)

The Committee are of the view that as these DPSUs are dealing with the production of defence items essential for the use of the forces, they should use State of the Art technology to maintain their quality and avoid delays under any circumstances.

Reply of the Government

Defence PSUs are committed to maintaining required quality standards for its products to meet the customers' stringent requirements. Defence PSUs provide major thrust on Quality at all levels and there is a strong focus on R&D and are aiming towards using State-of-the-art technology for all its products/systems catering to the Indian Defence Forces. At the Ministry level a great emphasis is given on DPSUs strengthening their R&D base and moving towards indigenisation in regular meetings held with the Managing Directors of DPSUs where they also provide their feedback.

Further, Defence PSUs take several steps to maintain their quality and avoid delays like:

HAL: All the Divisions of HAL are certified to international quality standards AS9100C. The Quality Management System (QMS) is approved by the Directorate General of Aeronautical Quality Assurance ("DGAQA"). HAL's manufacturing processes are also certified by the National Aerospace and Defense Contractors Accreditation Program (NADCAP) and laboratories are certified by National Accreditation Board for Testing and Calibration Laboratories (NABL). HAL from time to time improves its facilities with state-of-the-art technology and trains its Quality personnel to enhance the capabilities of in-house Quality teams. Additionally, shop personnel are also exposed to Inspection activities and Quality

Assurance Procedures to encourage and introduce the culture of Self Inspection to improve the turnaround time.

BEL: BEL has a Three Tier R&D Structure in place comprising of Two Central Research Laboratories, a Central Development & Engineering and Unit/SBU level R&D set up. BEL spends 8-10% of its turnover annually, through internal accruals for Research & Development with an objective of evolving high technology products & solutions for catering to the Defence.

The products are put through environmental stress screening to eliminate latent defects, as applicable, thereby increasing reliability of their field performance. All processes deployed in the Company are mapped to the three-tier documentations system in line with ISO 9001-2008 Quality System viz. Quality Management System Manual (QMSM),Quality Management System Procedure (QMSP) and Process Maps & Work Instructions. All the units of BEL are certified for ISO 9001-2008 Quality Management System and ISO 14001 Environmental Management System. Seven Units of BEL are certified for AS 9100.

BEML: BEML has collaboration / tie-up with M/s. Tatra, Czech, M/s. Hyundai Rotem, S.Korea & M/s. Pearson Engineering, UK & M/s. Bumar, Poland, for various products. BEML has also installed state-of-the-art technology manufacturing facilities for manufacture of various products to meet the demanding standards of the customers and the specifications of the collaborators. BEML also works in close association with DRDO & DRDL, etc., for development of new platforms.

BDL: BDL has always strived to use State of Art Technology for consistently improving the quality of the products being supplied to Armed Forces. BDL has augmented its facilities like Plant and Machinery and other infrastructure. Introducing of Robotic welding Machine, Latest vacuum furnace, Injection Moulding Machine, Introduction of latest 5-Axis CNC Flow-Forming Machine, CNC Turn Mill centre, Additional Final Testing Facility, Tooled up CNC Turn Mill Centre, Mill Turn with Multitask CNC Machine.

MIDHANI: MIDHANI has expanded and installed some of the State-of-the-Art Technology which include Electron Beam Melting Furnace, 20T Electro Slag Refining Furnace, 10T Vacuum Arc Remailting Furnace, 20Ton Electric Arc Furnace, Matching Ladle Refining Furnace Of Approx. 23 Ton, Matching Vacuum Degassing Plant, Manual Oxygen Lancing System, Manual Graphite Powder Injection System, Welding Electrode Extrusion Press.

These expansions are helping MIDHANI to complete deliveries in time.

GRSE: Major modernisation aimed at creation of integrated construction facility has been completed at a cost of Rs. 605 croreWith this, the shipyard capacity has been doubled and GRSE can undertake construction of 14 ships (08 big & 06 small concurrently).

MDL: For fabrication and assembly of ship units, high end machines are engaged to ensure high degree of weld qualities and dimensional accuracy of the fabricated units. New CNC control ultra modern plasma plate cutting machine which is under installation, will enhance the capacity of steel plate cuttingproduction.

MDL has set up a virtual reality centre with state of the art equipment that aids 3D modelling software to visualize the entire ship in a 3D stereoscopic immersive environment thus enabling many layout related issues to be resolved at an early design phase itself. Additionally, it also enables conduct of inspections in the studio itself, traditionally carried out onboard the ship, involving huge logistic and human effort.

GSL: GSL has maintained cutting edge in shipbuilding technology by induction of state of the art technology under collaboration with world leaders in the field. ToT from Korean shipyard for construction of Mine Counter Measure Vessels, Russian collaboration for building Frigates and Hovercraft technology from a UK Firm are being pursued in this regard.

HSL: HSL was awarded ISO 9001 certification way back in 1996 itself for shipbuilding and structural fabrication and has been following the international quality standards and system implementation. Further, the company is the recipient of ‘Certificate of Accreditation’ from Lloyds Register of Shipping / Indian Register of Shipping for Quality Assurance in Shipbuilding and Ship Repairs and also Department of Science and Technology, Government of India for industrial radiography.

Recommendation(Para No. 52)

The Committee note that currently HAL is supplying Su-30 MKi aircraft, LCA, AJT Hawk, Dornier Do-228, ALH and Cheetah helicopters for the Defence Forces. There are some instances of rescheduling of deliveries. The Committee also note that there is a delay in delivery of some projects in BEL also. BEML has delayed supply of heavy duty trucks and ARV. BDL has witnessed cost slippage in Konkurs-M ATGM due to increase in cost of imported items from OEM resulting in breaching scheduled time deliveries of many of its products. GRSE also has time slippages in its products due to certain reasons. HSL has faced issues on both accounts due to lack of working capital, numerous design changes, reworks, various modifications and delay in getting approval of drawings etc. The committee desire that the DPSUs, being professionally managed companies, may seek outside assistance in these efforts, if they are not able to find a solution from within the company, so as to contain the cost and time slippages.

Reply of the Government

HAL is manufacturing Su-30 MKI fighter aircraft, Light Combat Aircraft, Dornier Do-228, Advanced Light Helicopters (ALH) and Cheetal helicopters along with their aero-engines and accessories for the Defence Forces. As these supplies are against firm and fixed contracts, there is no slippage of cost. However, there are instances of rescheduling of deliveries, in consultation with the customers, which are primarily as a result of issues of technology absorption from foreign OEMs and also changes in customer requirements. Issues concerned with timely delivery of products are addressed from time to time and remedial actions such as augmentation of facilities, increase in outsourcing, duplication of jigs etc. are taken up.

With regards to BEL, on-time delivery of the company on an average is around 80%. Even though, the improvement initiatives like implementation of SAP (ERP application), usage of latest Project Management tools, Process improvements, structured review mechanism etc., ensure thrust on timely delivery, it is inevitable that some of the projects get delayed. These projects are mainly large complex systems and the reasons for delay, if any, is due to concurrent engineering, change in user requirement, specifications to incorporate additional features, site readiness etc. It is also observed that in the case of first time inducted product, the development & productionization of first system gets delayed while the subsequent batches and overall project is delivered within the overall timelines.

In the recent past, the deliveries of BEML Tatra 8x8 Heavy Duty truck and ARV have been delayed due to the extraordinary situation that the Company had faced. However, the Heavy Duty Trucks supply has commenced from October, 2015 and all pending orders in respect of Heavy duty trucks will be completed as per the revised delivery schedule. With respect to ARV, the supplies are yet to commence, as certain issues are under resolution.

In BDL, technical committees were nominated to resolve technical problems. After exhausting available in – house expertise, the expertise/assistance of ex-expert specialists of BDL and other Defence Laboratories. Apart from this assistance from OEM was sought for defect investigation, subsequently technical problems have been successfully overcome.

The delays in warship by Shipyards like GRSE & HSL and shipbuilders are primarily on account of the following:

(a) Delay in finalization of equipment fit and in freezing of specifications by the customer. The warships being high value assets, the customer always try to ensure that the latest weapons and sensors are fitted on-board. Many a time, the development of new systems and the construction of ship progress concurrently. Since, the time frame for developmental activity is uncertain, the ship construction also gets delayed.

(b) Delay in availability of warship quality steel from Russia and the time taken to develop indigenous source for supply of warship grade steel

In order to obviate time and cost over runs, the following actions have been undertaken:

(a) Ship builders have undergone major modernization programme which has substantially increased their shipbuilding capacity/infrastructure.

(b) Warship grade steel has been indigenised.

(c) Outside Assistance. GRSE are implementing 'Integrated Construction' methodology with the help of foreign consultant i.e. M/s Fincantieri, Italy for the P17A project. This will enable the shipyards to reduce build periods of ships. Outside assistance is also being sought for streamlining work processes by way of external audits viz. ISO, 5S & Enterprise Risk Management (ERM) audits by reputed agencies for quality enhancement in the production process.

Modernization of DPSUs

Recommendation(Para No. 53)

The Committee note that DPSUs are taking steps for modernization of their units. In respect of HAL, the modernization plans have been finalized considering the available capacity and augmentation required in new projects undertaken by HAL. The modernization plan includes, up-gradation of technology through establishment of new processes, state-of-the-art manufacturing and design facilities, improvement in layouts, storage, material handling and IT infrastructure. Creation of additional capacity is planned for manufacturing of Light Combat Aircraft (LCA) and Advanced Light Helicopter (ALH), Repairs and Overhaul (ROH) of SU-30 MkI, ROH of AL-31FPengine, ROH of Hawk Mk132 and new programmes like Light Combat Helicopter (LCH), Light Utility Helicopter (LUH) and HTT-40 etc, which are expected to enter production phase in the coming years. It has been informed that a state-of-the-art greenfield helicopter maufacturing facility is being set up at Tumakuru, about 100 km from Bengaluru on 610 Acres of land allotted by the Goverment of Karnataka. The Prime Minister laid the foundation stone for this Helicopter Manufacturing Facility on January 3, 2016.

Recommendation(Para No. 54)

In respect of Bharat Electronics Limited (BEL), the modernization activity includes setting up the required facilities including Plant & Machinery, Test Instruments, Investments in R&D, up-gradation of Infrastructure etc. BEL's annual modernization expenditure is fully met through internal accruals.

Recommendation(Para No. 55)

BEML has a modernization/CAPEX plan from internal accruals and borrowed funds and has not got any budgetary allocation for this purpose from the Government. Capital Expenditure has been restricted to critical replacements and expansion/diversification.

Recommendation(Para No. 56)

Bharat Dynamics Limited (BDL) has spent Rs. 547 Crore, out of Rs. 606 Crore, on modernization in the last 5 years, which include procurement of machinery and development of infrastructure facilities to enhance productivity of major products. Modernisation and replacement of Plants and Ramping up of capacities for Aksah SAMs is under progress. Modernisation programmes are financed by the company from internal resources

Recommendation(Para No. 57)

Garden Reach Shipbuilders & Engineers Ltd (GRSE) has no budget allocation for the purpose. However, it has completed PH-II of Modernisation from the internal accruals and fund allocated along with the ASWC Project in June 2013.

Recommendation(Para No. 58)

Goa Shipyard Limited (GSL) has undertaken a planned modernisation programme and is in the process of creating infrastructure for indigenous construction of MCMVs (Mine Counter Measure Vessels) for Indian Navy. Infrastructure Modernisation plan is being implemented in four phases, of which Phase 1 & 2 has since been completed in Mar 2011. Phase 3A is completed and inaugurated by Hon'ble Prime Minister on 13 Nov 2016. Work for balance phases (Phase 3B & 4) is also in progress. Modernisation plan for MCMV construction facilities is being executed using the funds from internal accruals and from Govt. funding. The Government of India / MOD IHQ (N) in Oct 2010 has sanctioned Rs. 400 cr towards development of facilities in GSL for building Mine Counter Measure Vessels. The funding from internal accruals from GSL is approximately Rs. 300 crore.

Recommendation(Para No. 59)

Further, Ministry of Defence has sanctioned Rs. 480 Cr, as approved by Defence Acquisition Council (DAC) for augmentation of infrastructure under Phase 3B & 4 for MCMV project.

Recommendation(Para No. 60)

Hindustan Shipyard Limited has no budgetary allocation for modernization. However, in the year 2010, details of essential requirements for replacement/ refurbishment/ renewal of age-old plant, machinery and infrastructure had been worked out to an extent of Rs. 457.36 Cr which was sanctioned by Ministry of Defence. The Repair and Refurbishment of Machinery & Infrastructure (RRMI) activities are being carried out expeditiously.

Recommendation(Para No. 61)

Unfortunately, the Yard was struck by a severe cyclone 'HUDHUD' on 12 October 2014 which caused extensive damage to yard infrastructure, ongoing projects and colony infrastructure. Damages due to Cyclone Hudhud have been estimated at Rs.479 crore.

Recommendation(Para No. 62)

MDL is planning to spend Rs. 1500 crore towards augmentation of facilities in the next five years. MDL has completed the augmentation of its infrastructure through Mazdock Modernisation Project (MMP) which comprises of a new Wet Basin, a Heavy Duty Gollath Crane, a Module Workshop, a Cradle Assembly Shop, Store Building and associated ancillary structures. The total cost of modernization was Rs. 966 crore.

Recommendation(Para No. 63)

Mishra Dhatu Nigam Limited's (MIDHANI) modernization is going on with internal funding, government loans and customer funding. Major equipments have already been installed. There is no Budgetary Allocation.

Recommendations (Para No. 64)

The Committee note that most of the DPSUs are dependent on internal accruals for modernisation of their facilities. The Committee are of the view that the impact of the modernization may result in not only enhancing the production capacity but also improving the export potential of the Company by way of using State of the Art products. Therefore, the Committee desire that wherever the DPSUs are not able to muster funds from their internal accruals for the purpose of modernization, the Ministry of Defence should extend budgetary support to them.

Reply of the Government

Defence PSUs have been establishing state-of-the-art facilities for manufacturing of its products with funding from Ministry on need basis and also from internal accruals. At present the expenditure on modernization of various Defence PSUs are being met out of internal accruals.

However, Ministry had extended budgetary support to Defence PSUs on various occasions. Some of the instances where budgetary support is provided to Defence PSUs are listed below:

- Production capacity augmentation for LCA Tejas from 8 aircraft to 16 aircraft per annum for which MoD sanction has been issued in Mar 2017;
- Transfer of Technology (ToT) for indigenously manufacturing Image Intensifier (II) Tubes.

Further, Defence PSUs are improving their internal investment for R&D, acquisition of technologies and modernization.

Long Term Perspective Planning

Recommendation(Para No. 65)

The Committee note that Defence Public Sector Undertakings have taken up long term perspective planning to make them financially viable and their product world-class. The Committee note that HAL has made Perspective Plan based on the anticipated Long Term Integrated Perspective Plan and Technology Perspective Capability Roadmap (TPCR) of the customers., outlining the long term objectives, envisaged product portfolio, financial projections and projections for other functional areas has been drawn up to guide the operations of the Company.

Recommendation(Para No. 66)

A major thrust has been given to Research and Technology Development which are of strategic importance to HAL in its endeavour to become a significant global player in the aerospace industry. Initiatives like new product development, establishment of Chairs with premier institutions like IITs(Five chairs. have been established), creation of R & D corpus, patenting innovation etc would ensure sustained growth and development of world class products meeting the ever-increasing expectations of the customers like high performance, quality, maintainability and reliability requirements.

Recommendation(Para No. 67)

BEL has been preparing long term Strategic Growth Plans aligning with Perspective Plans (like TPCR) of Indian Defence forces / DRDO labs. R&D plans and

Technology roadmaps have been drawn aligning to TPCR. BEL is financially viable & the products supplied to customer are comparable with international manufacturers.

Recommendation(Para No. 68)

BEML's Defence business is dovetailing it's R&D plans and discussions are on with the collaborator keeping in view the Defence Acquisition Plan of Indian Army. This is to enable supply of required equipment in collaboration with technical partners being identified for the purpose.

Recommendation(Para No. 69)

The Mining & Construction business group operates in a stiff competitive environment, facing competition from MNCs and orders are procured from customers through a wide network of marketing offices spread across the Country. BEML has also been working on export market to scale higher volumes. Further, BEML has been continuously developing and introducing new products to the market in line with the requirement of the customer, matching to the competition in vogue. In Metro segment, future market outlook is promising considering governments plan to implement Mass Rapid Transit in all cities having a population above 1 Million. BEML is fully geared up for addressing the metro coach requirement of all the upcoming cities in India.

Recommendation(Para No. 70)

BDL's long term perspective plan is prepared keeping in view the various requirements of Indian Armed Forces and for planning production over next 5 to 10 years.

Recommendation(Para No. 71)

GRSE has taken up modernisation facilities at Main Yard have enhanced facilities for Integrated Construction which will result in considerable reduction in build period of ships. New contracts will be finalized with the concept of Integrated Construction technology in order to improve quality and to reduce build-period for future warships. Use of latest technology in in-house fabrication and erection of blocks will be implemented to increase productivity.

Recommendation(Para No. 72)

GSL has strong in-house design capabilities and capacity to build world class ships. GSL is presently executing world class export orders to Sri Lankan Navy and Govt. of Mauritius with delivery timelines comparable with the international shipyards of repute.

Recommendation(Para No. 73)

In order to become financially viable and to turn the net worth positive, HSL has submitted a revival plan to Ministry of Defence with regard to issues of working capital which is under consideration. An early action for placement of high value orders on nomination basis was also proposed in the revival plan. MoD has already initiated actions to place high value orders are expected to be above Rs. 25,000 Cr.

Recommendation(Para No. 74)

MDL has drawn up Long Term Perspective plan which gives guidance for the robust growth and sustaining financial viability for the long term. Make in India would be the new thrust area towards indigenisation of imported items and towards this MDL has drawn up an indigenisation plan to increase the indigenous content.

Recommendation(Para No. 75)

MIDHANI has achieved desired targets as envisaged in its Corporate Plan. Finalization of new Corporate Plan has been done.

Recommendations(Para No. 76)

The Committee, from the above analysis, note that a few DPSUs have Long Term Perspective plan but some like MIDHANI, GSL, HSL do not have such plans in the offing. The Committee are of the view that for carving out a strategy for future growth of a company, Long Term Perspective plan is a must. Therefore, it should be an endeavour of the Ministry of Defence to guide the DPSUs to prepare Long Term Perspective Plans so that they adopt proper approach to meet the needs of Armed Forces, and enable in monitoring their growth.

Reply of the Government

Ministry is in agreement with the recommendation of the Committee that for carving out a strategy for future growth of a company, Long Term Perspective plan is a must. However, Defence PSUs including MIDHANI, GSL & HSL have Long term perspective plan in place. Glimpses of the silent features of LTPP of these Defence PSUs are list below:

MIDHANI: MIDHANI is aiming to cross Rs. 1500 crores sales target and becoming Schedule “A “company by 2020. To achieve the same, MIDHANI is giving more emphasis on developing new markets, diversification into new alloys/materials etc apart from its existing business. MIDHANI has already formulated a detailed Research & Development Strategy to focus on product/process developments and to initiate technological innovations. MIDHANI has also identified the gaps in the existing processes and action plan is drawn to bridge the gaps. To achieve the goals and set objectives, more thrust is being given to utilize the existing resources in an optimum way as well acquiring new resources in a most economical way.

GSL: Long Term Perspective Plan (LTPP) for 2012 to 2022 was approved in 2012. In light of the new orders received, the LTPP has been further revised covering now the period between 2015 to 2030. LTPP, inter-alia addresses GSL’s growth, market assessment and business strategy & planning.

HSL: The LTPP/ Corporate Plan of HSL for the period 2014-19 have been prepared in alignment with ‘Technology Perspective & Capability Road Map’ (TPCR) of MoD. It provides a comprehensive understanding of HSL’s business operations, its growth strategy and requirements necessary to achieve the specified objectives.

Recommendations(Para No. 77)

The Committee note that the expenditure of Defence Public Sector Undertakings on research and development is not constant and every Defence Public Sector Undertaking has its own norms to spend as percentage of value of production. For example, HAL is spending close to 7 per cent of its production value on Research and Development while BEL is spending 7-10 per cent. Lowest expenditure on Research and Development is by shipyards. GSL spent 0.05 per cent in the year 2013-14, 1.57 per cent in the year 2014-15, 1 per cent each in the year 2015-16 and 2016-17. Similarly, GRSE spent 0.3 per cent, 0.21 per cent, 0.89 per cent and 1.14 per cent during the same period. The Committee are of the view that the Defence Public Sector Undertakings should spend a fixed percentage of their value of production on Research and Development to innovate new cost effective items that would be useful for the Forces. Thrust on these PSUs should be on the development of not only import substitute products but also products which can be exported so as to help the country increase the foreign exchange reserves.

Reply of the Government

Defence PSUs except shipyards are contributing significantly towards R&D which leads to self-reliance in their domain.

In case BDL, R&D expenditure goes up by 39% from the previous year, whereas in case of MIDHANI, R&D expenditure as a percentage VoP has increased from 1.32% to 3.57%.

However, in case of Shipyards, they do not develop commercial products and thus as compared to product designers / manufacturers their expenditure on R&D would be low. DPSU Shipyards are in fact recipient of R&D products of DRDO, other DPSUs, private industry etc for fitment and integration. The process of shipbuilding by DPSU Shipyards involves majorly 'system integration' sourced from diverse sources e.g. Indigenous, Russian, Western origins etc. The R&D efforts thus are focused to improve processes, procedures, imbibing industry best practices against global benchmarks etc.

As per DPE Guidelines on 'Research & Development' promulgated vide OM No. 3(9)/2010-DPE (MoU) dated 23 Sep 2011, for Miniratna and below CPSEs, the minimum specified expenditure on R&D is 0.5% of PAT of previous financial year.

Apart from above, Ministry is also in agreement with the recommendation of the Committee that Thrust on Defence PSUs should be on the development of not only import substitute products but also products which can be exported so as to help the country increase the foreign exchange reserves. To achieve this, most of the Defence PSUs have their own dedicated R&D centres which involve Design and Development.

Further, Defence PSUs are also aiming to export their products/systems to friendly countries and some of the major exports made by Defence PSUs are list below:

HAL: HAL's exportable Aircraft Platforms are Advanced Light Helicopter, Cheetal Helicopter, Do-228 aircraft and Hawk Mk 132 which they export to countries like Nepal, Mauritius, Namibia, Suriname, Afghanistan, Seychelles, Ecuador and Maldives. In addition to Aircraft Platform other export products includes Aerostructure and Machined components, Rolled Rings, Radar Computers, Radio Altimeter (RAM), Tactical Air Navigation System(TACAN) etc.

BEL: BEL aims at export of sub-systems / Systems to the customers of OEMs on achieving indigenization of ToT projects. Towards, enhancing its export performance, BEL has already defined a Product-Country matrix and is being pursued actively. Some of the products which the company aims to export include

- SRI LANKA: Automatic Identification System, Up gradation or replacement of present AIS Network, 3D Central Acquisition Radar, Overhauling of USFM Radars, Communication Equipment, VHF Communication Equipment (Low & High band).

- MYANMAR:Naval Equipment Radar RAWL 02 MK-IIA, SONAR HMS-X and COTS Radar, Coastal Surveillance System and 3D Central Acquisition Radar.

- MAURITIUS:Coastal Surveillance Radar System.

- VIETNAM:Petya class of ship up-gradation, Underwater Test Facility, Coastal Surveillance System, Pechora up-gradation, Akash Missile System.

- EGYPT: Weapon Locating Radars(WLR):

- BANGLADESH: Coastal Surveillance System, Building of new Frigates: Communication systems, Radars, Combat Management System, Sonars, Integrated Anti Submarine Warfare Complex IAC-X2, Anti Torpedo Defence System ATDS-X.

- KENYA: Coastal Surveillance System

- UKRAINE:Weapon Locating Radars, Akash Air Defense System (SRSAM: Short Range Surface to Air Missile System).

- Belarus: Modernization of STRELA-10, AD 'OSA-AK' and Radars of Soviet production LWIR based TI Camera for use in armoured vehicles, Radio Frequency (RF) Seekers.

- SEYCHELLES: Coastal Surveillance Radar System.

- MALDIVES: Coastal Surveillance System.

BEML: Export of BEML includes products like BH35-2 Dumper, BE75 Excavator, BL 200 Loader, BG605 M. Grader, BD355 Dozer, BL 40 Loader, Blast hole Drills etc. to countries like Bulgaria, Indonesia, Srilanka, OMAN, Nepal, Negeria, Tanzania, Zimbabwe, Bhutan, Syria, Thailand, Tunisia etc.

GRSE: GRSE became the first shipyard in the country to export a warship with the delivery of Offshore Patrol Vessel (OPV), CGS Barracuda, to Mauritius Coast Guard in 2014. Further GRSE also exports pre-fabricated portable Steel Bridges (Bailey Bridge).

GSL: GSL is exporting vessels and simulators to various neighbouring countries

Recommendations (Para No. 78)

The Committee are dismayed to note the dismal performance of Defence Public Sector Undertakings in exports. Most of the Defence Public Sector Undertakings have not exported any item, during the last three years, which include HSL, MIDHANI, MDL, BDL and BEML. The Committee are not happy with this situation, which is very discouraging. The Ministry should also look into this aspect and prepare a 'vision document' for DPSUs so that besides catering to the needs of the country, they may be able to export their products.

Reply of the Government

To give boost to Defence Exports, the Ministry has put in public Domain a Strategy for Defence Export through a document which outlines measures required for promotion/facilitation of defence exports through institutional mechanism and streamlining the process of issuing NOC/clearance for export of Military Stores. The Strategy includes creation of an Export Promotion Body, engaging Indian Missions/Embassies abroad in export promotion, export financing through Line of Credit etc., better use of Offset Policy, export of indigenous developed defence systems and streamlining of the export regulation process.

The Ministry has taken various other steps to promote defence export which include timely clearance of export applications, organizing defence exhibitions, engaging Indian Embassies/Missions for marketing of the products manufactured by DPSUs and taking Industry/delegations to various countries etc. It is expected that the export performance of DPSUs shall improve in the coming years.

Targets fixed and achieved

Recommendations (Para No. 79)

The Committee note from the information furnished that except in the case of HAL, GSL and MIDHANI, all other DPSUs have not achieved the targets set. The DPSU wise information is narrated below :

BEML: The reasons for unachieved sales targets for the years. 2012-13, 2013-14, 2014-15, 2015-16 are continuous recession in Mining and Construction segment (both Domestic & Global) while the Heavy Duty Truck could not be produced for the Defence Business because of a temporary ban on dealing with foreign equipment manufacturer as against a annual capacity of manufacturing 360 Heavy Duty Trucks. BEML has the capacity to manufacture 720 coaches for Indian Railways per year and used to execute more than 600 numbers. every year. However, for the years. 2014-15, 2015-16 & 2016-17 there was no demand of rail coaches from Indian Railways.

BDL: The reasons for unachieved targets are the numerous delays that arise in receipt of input material from sub-contractors., etc. Another reason for delay is that there are several occasions when the Project Team of DRDL takes time to finalize the scheme.

GRSE: Actual VOP of Landing Craft Utility (LCU) project was Rs. 420 crore against target of Rs. 628 crore. Anti- Submarine Warfare (ASWC) project variance was due to non -delivery of 1st ship of the project which was planned in the year.

HSL: The reasons for unachieved target are low order book position compared to install capacity, severe financial problems and lack of working capital.

MDL: The reasons for unachieved target are the various delays in availability of warship quality steel from Russia, finalisation and delivery of weapon equipment from Russia, non receipt of critical equipment etc.

Recommendations (Para No. 80)

The Committee desire that in case of BEML, BDL, GRSE, HSL and MDL, the Ministry should scrutinize the reasons for non-achievement of the targets fixed and undertake measures for according help as per their need and thereby enable the DPSUs in achieving the targets as planned.

Reply of the Government

Among the DPSUs mentioned above, it may kindly be noted that BDL has achieved all targets in the last three years.

BEML could not achieve the MoU targets due to the Market Situation and Business Environment arising in Mining & Construction Business Group, Constraints in execution of Orders in Defence Business and No Rail Coach Order in Rail & Metro Business Group. In this regard, Ministry has taken up matter with Ministry of Railways, to continue with BEML.

In respect of GRSE, HSL & MDL, delay is because of finalization of equipmentsto be fittedand in freezing of specifications by the customer i.e. Indian Navy (IN). The warships being high value assets, the customer always tries to ensure that the latest weapons and sensors are fitted on-board. Many a time, the development of new systems and the construction of ship progress concurrently. Since, the time frame for developmental activity is uncertain, the ship construction also gets delayed.

The time taken to develop indigenous sources for supply of warship grade steel or other equipment is another factor causing delay.

To avoid non-achievement of fixed targets following remedial measures have been taken.

- Shipyards have undertaken major modernization programmes which has substantially increased their shipbuilding capacity/infrastructure.

- Warship grade steel has been indigenised.

- The Defence Shipyards are moving towards integrated construction methodology. This will enable Defence shipyards to reduce build periods. Outside assistance is also being sought for streamlining work processes by way of external audits viz. ISO, 5S & Enterprise Risk Management (ERM) audits by reputed agencies for quality enhancement in the production process.
- Levy of 'Liquidated Damages' as per the provisions of the contract, wherever the delay is attributable to Shipyard is also forcing shipyards to adhere to delivery timelines.

Welfare of Ex-Servicemen

Resettlement of Retired Officers and PBOR

Recommendation(Para No. 81)

The Committee note that Resettlement and welfare of ESM and the widows is a joint responsibility of the Central and State Governments. The Central and State Governments have reservations for ESM in Central Govt, jobs and services like CMPF, Railways and respective States have laid down percentage of reservations in various jobs. Reservation in the Central Govt jobs are as follows:

a) 10% in Group 'C' posts and 20% in Group 'D' Posts. In addition 4.5% reservation in each category is meant for Disabled Soldiers and Widows/dependents.

b) 14.5% in Group 'C' and 24.5% Group 'D' posts in PSUs and Nationalized Banks.

c) 10% posts upto Assistant Commandants in paramilitary forces.

d) 100% in Defence Security Corps.

Recommendation(Para No. 82)

The Committee understand that 6th Pay Commission had merged Group 'D' posts with Group 'C' posts and some Group 'C' posts have been upgraded to Group 'B' posts. In view of shrinking employment opportunities for Ex-Servicemen with the elimination of Group 'D' posts, the Committee desire that the percentage of reservation in Group 'C' posts should be increased from 10% to 20% and also additional reservation of 10% be given for ESM in Group 'B' posts.

Recommendation(Para No. 83)

The Committee note that various welfare schemes and employment/self-employment schemes which are in vogue are as follows:-

(a) Security agency scheme
(b) ESM Coal Loading and Transportation Scheme
(c) Management of CNG Stations Scheme
(d) Sponsorship for Company Owned Company Operated (COCO) outlets.
(e) Mother Dairy Scheme for allotment of milk booth & Safal Outlets
(f) Allotment of surplus army vehicles
(g) Allotment of regular LPG distributorship scheme under "GP" category
(h) Allotment of OIL product agencies under 8 % Defence quota
(i) Allotment LPG agency under Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLVY)

Recommendation (Para No.84)

The Committee note that the number of applications received annually requesting for resettlement of retired officers and PBOR through DGR are 623 in 2014, 834 in 2015 and 546 in 2016. The Committee feel that every year a large number of Service persons retire but very few are registering at DGR, which is not encouraging. It seems, they do not believe in this system. The Committee desire that DGR should change its approach towards re-settling the Ex-Servicemen and impress upon the Government to create more employment opportunities.

Reply to the Government

Every year approximately one thousand officers retire or take premature retirement from the Armed Forces of the Union. Ipso facto, few Officers start their own ventures, compete in various Government competitive examinations, take up job opportunities on their own in the Corporate Sector or work part time in various sectors of Medicine, Aviation, shipping etc. Hence these Officers do not approach to Directorate General Resettlement (DGR) for re-employment opportunities. Since these acts occur outside of DGR purview and knowledge, their details are not available with DGR. However, for all categories of Defence Personnel who approach DGR for provisioning of suitable re-settlement opportunities, all efforts are made to make them self proficient and settle in second careers.

Financial Assistance to World War Veterans

Recommendation (Para No. 88)

The Committee note that the financial assistance given to World War Veterans is not uniform and the Ministry has taken steps at the level of Secretary, Ex-Servicemen Welfare and KSB to impress upon the State Governments to provide uniform financial assistance to world war veterans. The Committee desire that the Ministry should keep on taking such measures so as to enhance the financial grants to World War Veterans.

Reply to the Government

As per direction of the Standing Committee on Defence (16th Lok Sabha), all States/UTs were requested to enhance the financial assistance being provided to World War Veterans between Rs. 6000/- to Rs. 10,000/- p.m. per veteran vide KSB Sectt. Letter No. 2(2)WW-II Veterans/KSB/A dated 23 Aug 2016 and Department of Ex-Servicemen Welfare vide DO No. 8(I)/2016/D(Res-II) dated 05 Sep 2016. The state wise details are given below:-

Sl. No.	States/UTs	Monthly Financial Assistance being provided by States/UTs to World War Veterans (Before 30.08.2016) (In Rs.)	Monthly Financial Assistance being provided by States/ UTs to World War Veterans (After 30.08.2016) (In Rs.)
1.	Andhra Pradesh	5000	5000
2.	Arunachal Pradesh (No world war Veterans)	-	-
3.	**Assam**	**3000**	**6000 @**
4.	**Bihar**	**5000**	**10000 @**
5.	Chhattisgarh	3000	3000
6.	Delhi	3000	3000
7.	Goa	-	- *
8.	**Gujarat**	**3500**	**9000 @**
9.	Haryana	4500	4500
10.	Himachal Pradesh	3000	3000
11.	Jammu & Kashmir	3000	3000
12.	**Jharkhand**	**5000**	**10000 @**
13.	Karnataka	3000	3000

14.	Kerala	4000	4000
15.	**Madhya Pradesh**	**4000**	**6000 @**
16.	Maharashtra	3000	3000
17.	Manipur	1200	1200
18.	Meghalaya	5000	5000
19.	Mizoram	1200	1200
20.	Nagaland	6000	6000
21.	Orissa	1000	1000
22.	**Punjab**	**2000**	**4500 @**
23.	Rajasthan	4000	4000
24.	Sikkim	6000	6000
25.	**Tamil Nadu**	**4500**	**6000 @**
26.	Telangana	6000	6000
27.	Tripura	3000	3000
28.	Uttarakhand	4000	4000
29.	Uttar Pradesh	6000	6000
30.	West Bengal	1500	1500
31.	Andaman & Nicobar (UT)	6000	6000
32.	Chandigarh (UT)	7500	7500
33.	Puducherry (UT)	6000	6000

Other states are being pursued for enhancing the financial assistance to World War Veterans.

* Goa has the policy of paying Rs. 8000/- to World War Veterans and their Widows. As on date there is no World War Veterans in Goa.

@ States which have enhanced the rates.

Recommendation(Para No. 91)

The Committee note that in the BE 2016-17, the Budget projected was Rs. 82332.66 crore. At RE 2016-17 stage, the projection arrived at was Rs. 89938 crore. However, the Ministry of Finance conveyed the ceiling and cut the budget by Rs. 4,312.04 crore and provided only Rs. 85625.96 crore. The Committee are surprised, as to how pensionery budget can be curtailed after the Revised Estimates have been finalized.

Recommendation(Para No. 92)

During the presentation before the Committee, they are apprised that about the reduction in Pension Budget by Rs. 5,000 Crores from Rs.89,740Crores to Rs.86,488.01 Crores. The Committee feel that the Pension budget is more like committed liabilities. Therefore, the Committee desire that the Ministry should reason out with the Ministry of Finance to enhance the budget as per the requirement so as to ensure that pensioners are put into any sort of inconvenience.

Reply of the Ministry

An amount of Rs. 89,740 crore was projected for BE 2017-18 under the Defence Pensions Grant as proposed by the user Department i.e. PCDA (P) Allahabad. However, the projected BE figures were not approved/provided by Ministry of Finance. The Ministry of Finance conveyed the Expenditure ceiling of Rs. 85,740 crore for BE 2017-18 which is 4000.00 crore less than the projections of Ministry of Defence/Department. As per recommendations/directions of Standing Committee, this Ministry in consultation with PCDA (P) Allahabad and O/o CGDA, New Delhi will take up the matter with Ministry of Finance for allotment of additional funds under Defence Pensions at the stages of Supplementary/RE 2017-18.

<u>One Rank One Pension</u>

Recommendation (Para No. 93)

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 passed on to the past pensioners. This implies bridging the gap between the rate of pension of the current pensioners and the past pensioners, and also future enhancement in the rate of pension to be passed on to the past pensioners.

Recommendation (Para No. 94)

The Committee are happy to note that the Ministry has paid Rs. 3998.09 crore to 19,70,859 beneficiaries as 1stinstalment and Rs 2292.73 crore as 2ndinstalment to rest of the 15,55, 670 beneficiaries. The Committee desire that 3rd and 4thinstalments of OROP dues should also be paid as per the schedule.

Reply of the Government

The Government vide its order No. 12(1)/2014/D(Pen/Policy)-Part-II dated 3.2.2016, issued detailed instructions relating to implementation of OROP along with tables indicating revised pension for each rank and each category. Vide para 7 of the order Pension Disbursing Agencies have been instructed to make the payment of arrears on account of revision of pension from 1.7.2014 under OROP in four equal half yearly installments. However, all the family pensioners including those in receipt of Special/Liberalized family pension and all Gallantry award winners be paid arrears in one installment. Payment of 3rd installment was due in February 2017. As on 30.4.2017, a sum of Rs. 2009.03 crore has been disbursed to OROP beneficiaries towards payment of 3rd installment of OROP. Payment of arrears is also being monitored at the Ministry level to ensure timely payment as per schedule. As on 30.4.2017 an amount of Rs. 8536.40 crores has been disbursed as arrears under OROP which includes 1st installment (Rs. 4,146.46 crores), 2nd installment (Rs. 2380.91) and 3rd installment (Rs. 2009.03 crores) respectively.

Ex-Servicemen Contributory Health Scheme (ECHS)

Authorised and Actual Manpower

Recommendation (Para No. 97)

During oral evidence, the Committee expressed concern over the increasing misuse of the facility of ECHS by the beneficiaries. Therefore, they desire that, to contain such cases, smart card type system should be introduced to check the cases of impersonation and fraudulent claims. The Committee also desire that penal provisions should also be introduced and be given adequate publicity to deter the misuse of ECHS facility.

Reply of the Government

ECHS Smart Card System was first introduced in the year 2003 and the contract was renewed for five years in the year 2010. The contract with the firm supplying card expired on 31st May 2015. The tender process for contracting a new agency is underway. The new card will have provisions for authenticating beneficiary through Biometric (finger prints)/ Adhaar No./Registered Mobile No. with OTP system. In addition, a photograph of the beneficiary seeking treatment at empanelled facility will be captured and submitted alongwith online bills and a hard copy with manual bills. Thus, implementation of this system is expected to curb attempted misuse of ECHS facility to a large extent by eradicating chances of impersonation.

Checks and balances with reference to beneficiary entitlement are exercised through various Competent Financial Authorities (CFAs) and Local Military Authorities (LMAs) in respective stations under the Service. In addition, scrutiny by UTI-ITSL, the

BPA and audit mechanism of CGDA ensure financial propriety. The recommendations by the Committee for penal provisions will be examined to ensure misuse of ECHS facility.

Recommendation (Para No. 98)

The Committee note that there a shortfall in manpower in ECHS due to non-availability of qualified candidates due to factors like remote location of Polyclinics, number of beneficiaries exceeding the designed capacity of the clinics etc. In addition, the authorised manpower has been found inadequate due to rush in Polyclinic inspite of the full authorised manpower being employed.

Reply of the Government

In order to cater for the rush/ increased load beyond the designed capacity, proactive action to transfer vacancies from low pressure Polyclinic to high pressure Polyclinic has been taken. In addition, case to upgrade the designed capacity of the Polyclinic is under consideration.

Recommendation(Para No. 99)

The Committee also note that to address the situation, ECHS has taken action for transferring the vacancies from one Polyclinic to another on yearly basis and enhancing the remuneration for contract staff. A case for authorisation of additional manpower is also said to be under consideration.

Reply of the Government

Factual. The case for additional manpower for ECHS Polyclinic, comprising of various categories of contractual staff, is under consideration. Remuneration of contractual staff in ECHS Polyclinic has been revised in February 2013 and November 2015.

Recommendation(Para No. 100)

The Committee desire that for the benefit of ECHS beneficiaries, staying in far flung areas in particular, issues of authorization of additional manpower etc. need to be taken up in a time bound manner. The Committee may be kept informed of the action taken in this direction.

Reply of the Government

Authorisation of additional manpower is under consideration.

B) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND TO BE COMMENTED UPON:

Growth of Defence Budget

Recommendation(Para Nos. 1, 2, 3, 4 and 5)

As seen from the documents pertaining to the General Budget, the provisioning for Defence Services (category wise) for 2016-17, made under Demand Nos. 20 and 21 in the Budget Estimates (BE) was Rs. 2,27,085.53 crore (Gross) and Rs. 2,22,456.14 crore (Net). The provisioning was altered at the stage of Revised Estimates (RE) to Rs. 2,26,743.69 crore (Gross) and Rs. 2,20,751.34 crore (Net). The Net Revenue budget at the stage of BE 2016-17, which stood at Rs. 1,43,869.46 crore was increased by Rs. 5,181.88 crore thereby taking the RE allocation to Rs. 1,49,051.34 crore. As for the Capital Outlay, which is of vital importance, there has been a decrease of Rs.6,886.68 crore i.e. from Rs. 78,586.68 crore at the BE stage to Rs.71,700 crore at the RE stage, which totals to a reduction of Rs. 6,886.68 crore. Thus, the overall reduction of the budgetary provisioning at RE stage during 2016-17 has been to the tune of Rs. 1,704.80 crore.

2. The Committee note that the total Defence Services Estimates at BE 2016-17, at Rs. 2,49,099.00 crore comprised of Rs. 1,62,759 crore as part of Revenue Budget and Rs. 86,340 crore as part of Capital Budget. Budget Estimates proposed for the year 2017-18, are to the tune of Rs. 2,81,904.39 crore (Gross) and Rs. 2,59,261.90 crore (Net). Of this, the provisioning for Revenue Expenditure is to extent of Rs. 1,72,773.89 crore and Rs. 86,488.01 crore for Capital Expenditure. The BE provisioning for 2017-18 is indicative of an increase of Rs. 10,162.90 crore over BE 2016-17. In percentage terms, this increase in the current year amounts to a mere 3.92 per cent, which is, perhaps one of the lowest ever witnessed.

3. What the Committee find to be even more astonishing as well as worrying to note is the negative budget Growth for Modernization (Capital Acquisition) in respect of Army, Navy and Joint staff as made in the BE 2017-18 vis-à-vis BE 2016-17. While the budgetary provisioning for the Army for 2017-18 vis-à-vis the previous year, 2016-17 is to the tune of (-) 5.86%, that of Navy is to the extent of

(-) 11.58% and (-) 28.33% in case of Joint Staff. Only the allocation for the Air Force has witnessed a growth of 12.10% in the current year.

4. The Committee are in agreement with the concerns and the view point expressed by the Defence Secretary on the implications of lack of growth in the provisioning for Capital acquisition and non-Salary Revenue account as compared to the previous year. It is somewhat surprising and also revealing for the Committee to learn that although the Ministry of Defence had held detailed discussions with the Ministry of Finance in an effort to get enhanced allocation under the Revised Estimates of 2016-17 and the Budget Estimates of 2017-18, the efforts could not fructify. As informed to the Committee, during these discussions, including the one relating to the budget held on the 17th November, 2016, the concerns of the Ministry of Defence were duly explained and additional allocation sought. Also, the discussions with the Finance Ministry officials have reportedly been followed up at higher levels and the Defence Minister had also written to the Finance Minister highlighting the requirement of funds for Capital Acquisition.

5. The Committee, in this regard, take note of the helplessness of the Ministry of Defence in honouring its commitments during the current year owing to shortage of funds. As a final effort towards enhancing the allocation, the Ministry has reportedly taken up the matter with the PMO for urgent intervention. The Committee hope and trust that these efforts and possible intervention from the highest quarter would be fruitful and adequate allocation made available for the Army so that the process of Modernization of the Force is not hampered. The Committee wish to be apprised of the outcome in this regard.

Recommendation (Para No. 8)

The Committee note from the information submitted that under the Revenue account, provision is first made for salaries and other obligatory expenses. The balance allocation available is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. Allocations are reviewed at Revised Estimates stage to cater for requirements which cannot be met under the BE allocations. In so far as the 'Capital' segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialize during the year. The remaining allocation is distributed to meet the projected requirement for other items. The procurement plan for Capital modernization schemes may have to be reviewed and re-prioritized, based on available funds. Owing to the resource crunch, or the mis-match between the Defence Ministry's projections and the allocation, very little amount would possibly remain available for the purpose of new acquisitions. Thus, compromises are likely to be made in meeting the requirements of the Services. The Committee desire that the budget of the Ministry of Defence should not be cut in a manner, which would lead to, or result in compromises being made in matters relating to the Security and sovereignty of the Nation.

Reply of the Government

Ministry of Defence has taken up the matter with Ministry of Finance vide MoD ID No. 3(6)/Budget-I/2016 dated 27.04.2016. In their reply, Ministry of Finance, vide OM bearing F.No. 7(1)-B(AC)/2017 dated 25th May, 2017, has stated as under:-

> *"While deciding the Budget Estimates for the ensuing year, it has been ensured that Defence Services receive sufficient and adequate allocation keeping in view the sensitivity attached to national security. This is also based on the trends of expenditure in the past, committed liabilities, specific requirements and the absorptive capacity of the Ministries concerned. Needless to state that any insufficiency in allocations is also made good through Supplementary Demands for Grants."*

<u>Defence Preparedness</u>

Recommendation (Para No. 10)

Procurement of Defence weapons and equipment is an ongoing process whereby the Government acquires equipment and relevant technology, keeping in view, aspects which, inter alia, include the security situation, requirement of appropriately equipping the Armed Forces, technology advances and available budgetary resources. In the last two financial years, 108 contracts with a total value of Rs. 1,12,736.81 crore have reportedly been signed for capital procurement of Defence equipment including Ships, Missiles, Frigates, Rockets, Simulators, Aircrafts, Helicopters and Radars. In addition, the Defence Acquisition Council has also accorded 'Acceptance of Necessity' (AoN) in 114 cases with a total value of Rs. 2,25,022 Crore. These include, AoNs for 155mm Gun systems, Helicopters and Warships.

Recommendation (Para No. 11)

"The Committee note that for catering to the requirements of equipping the Armed Forces adequately, the Defence procurement procedure 2016 has been promulgated with effect from 1.4.2016, which has specific provision for facilitating swift decision making, promoting self-reliance and improving transparency and accountability in procurement process. The Committee desire to be apprised in detail of the impact of DPP 2016. The Committee also desire that efforts be made towards achieving the ideal mix of State of Art, current and vintage weapons/equipment i.e. in the ratio of 30:40:30 by way of overcoming the bottlenecks faced. The Committee desire to be apprised of the measures taken in this direction"

Reply of the Government

On the issue of replacement of vintage equipment which is an operational requirement, some of the actions taken to improve the induction/ procurement of 'State-of-the-art' equipment are as under:-

(a) A number of contracts have been concluded in the recent past to induct modern/ state-of-the-art equipment which will have a major impact on the overall ideal mix of equipment holdings once they are delivered/ inducted.

(b) The Service Headquarters has been delegated enhanced powers to enter into contracts, thereby hastening up the procurement process.

(c) The DPP 2016 has also helped in expediting up the modernisation of the Armed Forces with a dedicated chapter on 'Make in India'. This would facilitate the indigenous industry to participate in the process of modernisation in a big way. However, the impact of this will be felt in a few years and not immediately.

(d) Army Design Bureau has been created at Service Headquarters w.e.f. August 2016 which is acting as an interface between the Army and the industry/ academia to facilitate better understanding of the Army's requirements by the industry. This will go a long way in better enmeshing the domestic industry into defence production & induction of state-of-the-art equipment. However, the impact of this too will be felt in mid-term.

(e) A large number of modernisation schemes of the Army are at advanced stages of approval. Once these are sanctioned/ contracted/ inducted, it would be a step forward in the modernisation process.

(f) As regards, achieving the ideal ratio of 30:40:30 in equipment, modernisation is an ongoing process and due to staggered induction of contracted 'state-of-the-art' equipment & concurrent discarding of obsolete equipment, the ratios are very dynamic in nature. As such, mentioning specific percentage at his stage would not present an accurate picture.

BORDER ROADS ORGANISATION (BRO)

Lower budgetary allocations for BRO

Recommendation (Para No. 14)

The Committee find from the data furnished that in the year 2011-12, while the BRO projected a requirement of Rs. 5427 crore, the organisation was allocated only Rs. 5066 crore. Once again, in the year 2012-13, while the BRO demanded a sum of Rs. 5610 crore, the allocation made was to the tune of Rs. 5281 crore. This trend continued even after 2015-16, i.e. following the transfer of BRO from the Ministry of Road Transport and Highways to the Ministry of Defence. In 2016-17, while the BRO projected a requirement of Rs. 7460 crore, the allocation made was lesser by Rs. 2500 crore, or say 33.51 per cent of the projected amount. Thus, the organization had to carry on its activities with an allocation of only Rs. 4960 crore. In the current year, 2017-18 also, while the BRO projected a requirement of an amount of Rs. 6,766 crore the allocated amount, at Rs. 4,168 crore is 38 per cent less than the projected amount. In total, the additional amount required by the BRO for the current year on account of both Revenue and Capital expenditure totals to Rs. 2,597.41 crore. This additional amount is needed for the Organization to carry on and complete its mandated tasks.

Lower Border Budgetary Allocations for BRO

Recommendation (Para No. 15)

The Country, being surrounded by some difficult neighbours, with a view to keeping pace, construction of roads and development of adequate infrastructure along the borders is a vital necessity. If the Ministry is unable to provide adequate budgetary resources as per requirement, the BRO cannot, obviously be expected to perform to the optimum level. The Committee, in this regard express deep anguish on the inadequate allocation being made to BRO year after year. BRO being under the charge of the Ministry of Defence, the Committee desire that any funds (Revenue/Capital) that may be surrendered by any other agency/organisation within the MOD be made available to BRO so as to enable the organisation to execute the mandated tasks.

Reply of the Ministry

The expenditure ceiling in respect of Border Road Organisation is provided by Ministry of Finance. The funds of Rs. 4114.00 crore and Rs. 450.00 crore (under Scheme) have been provided in BE 2017-18. Moreover, additional funds over approved Grant are provided by Ministry of Finance with the approval of Parliament.

Therefore, when the additional funds are sought by the BRO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2017-18. Moreover, if any funds (Revenue/Capital) is surrendered by any other departments within Ministry of Defence (Misc.), this Ministry will make efforts to provide the same to BRO with the approval of Ministry of Finance.

Recommendation (Para No. 16)

The Committee note from the presentation made before them that for the Long Term Roll On Works Plan (LTROWP) 2015-2020, 530 roads are planned to be completed by 2020. The proposed/planned allocation as on 1 Apr 2015 was Rs. 56,954 crore, which was reduced by Rs. 15,895 crore to a figure of Rs. 41,059 crore. In the year 2015-16, BRO was allocated 49.51 per cent of the planned requirement of Rs. 6,179 crore i.e 3,120 crore. In the year, 2016-17, also the story has been repeated with Rs. 3,690 crore being provided against the projection of Rs. 7,429 crore. On the basis of these facts, the Committee can perceive that the Long Term planning for constructing 530 roads by the year 2020 may not fructify due to non-availability of the funds desired for. The Committee desire that the Ministry of defence should put up its case for realistic allocations to BRO before the Ministry of Finance in a forth right manner. If not, the country may have to pay the price on account of non-construction of roads.

Reply of the Government

During the last financial year, the Ministry has taken up case for additional allocation of funds to BRO. Based on the above, there has been an increase of 18 % in the allocation of funds to BRO for FY 2017-18 as mentioned below:-

Year	BE allocation (Rs in crore)	Final allocation (Rs in crore)
FY 2016-17	3525.73	3790.87
FY 2017-18	4168.20	-

Further, demand for additional funds amounting to Rs 1405 crore for BRO in the first supplementary demand for grants has been submitted to Ministry of Finance.

In May 2017, Indian Army has identified 442 operationally and strategically important roads instead of the earlier 530 roads to be developed/ improved by BRO. Out of the 442 roads, 301 roads are prioritized under priority I and 141 roads as priority II. Further, based on the revised requirement of the Army, BRO has been advised to submit the revised 5 year LTRoWP (2017-2022).

Recommendation (Para No. 19)

The Committee note that in the years 2012 to 2015, Authorized strength of officers was 1899, but the desired level has never been reached in these three years. The held strength during the years was 1295, 1292 and 1307 respectively. Surprisingly, the authorized strength was reduced to 1488 Officers from the earlier figure of 1899, the reasons for which are best known to BRO. In the subordinate cadre also, the authorized strength of 40747 during 2012 to 2015 has never matched the held strength and as in the case of Officers, BRO has reduced the Authorized level of Subordinates from 40747 to 40112.

Reply of the Government

Based on the revised Cadre review of BRES Group A Officers in 2015 the authorization of Officers (Group A and Group B Officers) has been reduced to 1851 (1488 Group A and 363 Group B Officers) from 1899. Further, based on the revised Cadre review for Group B and Group C posts of BRO, the authorization of Group B and C posts has been reduced from 41,110 to 40,112 and consequently, the authorized strength of Officers has become 2426 (1488 Group A Officers and 938 Group B Officers).This authorization of manpower indicates the ceiling limit and not the actual ground requirement, which fluctuates as per the quantum of work executed at a particular point of time by BRO. Accordingly, as and when the entrusted works are completed or there is insufficient work load, certain vacancies are suppressed by placing BRO units under 'Suspended Animation (SA)' or 'Under Posting Plan (UPP)'. These suppressed vacancies cannot be construed to be deficient, since it pertains only to manpower rendered surplus owing to reduction of work load.

Recommendation (Para No. 20)

The Committee also note that the Ministry has, for making up the shortage of manpower in BRO, initiated action and presently the assessment of requirement at various levels is under process. Further, BRO has reportedly taken the following steps to fill the vacant posts.

- i) Regular demand is submitted to UPSC for recruitment of Group-A officers.
- ii) Recruitment for 2176 posts is under process at GREF Centre, Pune.
- iii) Recruitment for 962 posts has been submitted to Staff Selection Commission.

Reply of the Government

During the last year, allotment of 56 Group A officers have been received from UPSC and 36 candidates have been inducted. In case of subordinate grades, allotment of 1056 candidates in the grades of Junior Engineer and lower division clerk has been received from SSC and 509 candidates have been inducted. Further, the recruitment process in respect of 1842 posts in subordinate grades is also under progress at GREF Centre, Pune.

In addition to above, demand against the 188 vacancies in the officers' grade has been submitted to UPSC and demand against 957 vacancies in the subordinate grades has been submitted to SSC. Recruitment process in this regard is under process by UPSC and Staff Selection Commission (SSC). Also, demand to post 121 officers has been submitted to Army HQ. Filling of these posts will be expedited.

Recommendation (Para No. 21)

The Committee desires that vacancies should be filled up at the earliest so that work of BRO may not suffer because of the non availability of its own manpower.

Reply of the Government

At present, the recruitment process in respect of 1842 posts in subordinate grades is under progress at GREF Centre, Pune. In addition to this, demand against the 188 vacancies in the officers' grade has been submitted to UPSC and demand against 957 vacancies in the subordinate grades has been submitted to SSC. Recruitment process in this regards is under process by UPSC and SSC. DPCs for filling up of promotional vacancies in different grades are also under progress. Also, demand to post 121 officers has been submitted to Army HQ. Filling of these posts will be expedited.

Shortage of equipment

Recommendation (Para No. 22)

The Committee called for the data on the requirement and availability of equipment for the last five years. However, the Ministry supplied the data for the years preceding 2016-17 i.e. up to 2015-16. Therefore, the observation of the Committee is based on the figures supplied for these years only. The Committee note that there has been considerable shortage of equipment with BRO from 2011-12 onwards. As mentioned in the report presented on an earlier occasion too, during 2011-12, there was a shortage of 346 Dozer–II/Equivalent, which came down to 284 in 2012-13, but again reached a new high of 402 in 2013-14. Up to 2015-16, the shortage was of 339 numbers. One more essential equipment is Stone crusher. In 2011-12, there was a shortage of 350 stone crushers, which rose to 544 in 2015-16. Road Roller, another essential item required for construction of roads, was short by 290 numbers in 2011-12, and as per the requirement in 2015-16, the BRO was still be short of 131 numbers. There was a shortage of 273 Air Compressors in 2011-12, which rose to 305 in 2015-16. Hot Mix Plants, which were short by 19 in number, continue to be deficient in number, with the shortage rising to 101. Shortage of Tippers, which was to the extent of 2120 in 2011-12 rose to 2505 in 2015-16. Similarly, there has been shortage of Wet Mix Plants and Paver Finishers also.

Recommendation (Para No. 23)

The Committee are shocked to take note of the extent of shortage of these equipment which are not sophisticated items involving advanced or complex technology and can be procured from within the country. The Committee desire that the Ministry should take immediate action to equip the BRO with sufficient budget, manpower and equipment.

Recommendation (Para No. 24)

The Committee also desire that the Ministry needs to provide the requisite budget to BRO so as to enable in completing the preparatory action for timely procurement. This pertains to Long Term Equipment Plan (LTEP) 2014-15 to 2018-19 amounting to Rs. 4116.70 Crore, which has been approved, and the Annual Procurement Plan (APP) for FY 2016-17 which totals to Rs. 1256.09 Crore.

Reply of the Ministry

The expenditure ceiling in respect of Border Road Organisation is provided by Ministry of Finance. The funds of Rs. 4114.00 crore and Rs. 450.00 crore (under Scheme) have been provided in BE 2017-18. Moreover, additional funds over approved Grant are provided by Ministry of Finance with the approval of Parliament. Therefore, when the additional funds are sought by the BRO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2017-18. Moreover, if any fund (Revenue/Capital) is surrendered by any other departments within Ministry of Defence (Misc.), this Ministry will make efforts to provide the same to BRO with the approval of Ministry of Finance.

Budgetary Provisions

Recommendation (Para No. 25)

The Committee note from the data available that from the year 2010-11 onwards, Coast Guard has not been provided the budget, as per its projection. Only, under the Capital Head, allocations were given for the year 2011-12, 2013-14, 2014-15, as per the projection were given. As the allocations provided by the Ministry were not as per demand of ICG, therefore, it sought additional allocations during the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17.

Recommendation (Para No. 26)

The Committee are surprised that the budget of Indian Cast Guard has been declining every year and during 2017-18, ICG projected for Rs. 7019.55 crore but only Rs 4029.79 crore were allotted. Under the Capital Head, ICG projected for RS. 4805 crore but the allocation was just Rs 2200 crore, which is approximately 54 per cent less than the required amount. Similarly, under the Revenue Head BE projection was Rs. 2214.55 crore but allocation was Rs 1829.79 crore. The Committee note that Indian Coast Guard has to guard 7516 Kms of coastal line, 2.3 million sq km of Exclusive Economic Zone and has responsibility for Search & Rescue operations in 4.6 million sq km area. Besides, the Indian Coast Guard has to perform duties and functions related to security of off shore installations, to provide assistance in collection of scientific data, safety of life and property at sea, assist customs in anti-smuggling operations, prevention and control of marine pollution, preservation and protection of marine environment and protection and assistance to fishermen in distress. To complete its assigned tasks, Coast Guard needs more Capital Budget to buy offshore vessels, helicopters, aircrafts etc.

Recommendation (Para No. 27)

The Committee desire that the issue should be taken with all seriousness as it affects directly the security of the Nation. Therefore, full allocation as projected by Indian Coast Guard should be provided at RE stage so that it can acquire the much needed Capital assets to guard and search operations to avoid recurrence of incidents like 26/11 Mumbai attack.

Reply of the Ministry

In this context, it is stated that expenditure ceiling in respect of Coast Guard Organisation (CGO) is provided/fixed by Ministry of Finance. The Coast Guard

Organisation projected the funds of Rs. 2085.99 crore for RE 2016-17 and Rs. 2214.55 crore for BE 2017-18 in Revenue section and Rs. 3005.00 crore for RE 2016-17 and Rs. 4805.00 crore for BE 2017-18 in Capital section. Same projections in full were forwarded/recommended by Ministry of Defence to Ministry of Finance for their consideration for providing the funds in RE 2016-17 and BE 2017-18. However, Ministry of Finance has allocated the funds of Rs. 1737.76 crore for RE 2016-17 and Rs. 1829.79 crore for BE 2017-18 in Revenue section and Rs. 2500.00 crore for RE 2016-17 and Rs. 2200.00 crore for BE 2017-18 in Capital section. Additional funds over approved Grant are provided by Ministry of Finance with the approval of Parliament. Therefore, whenever the additional funds are sought by the CGO in the current Financial Year, the same will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2017-18.

Recommendation (Para No. 28)

The Committee note that during Coast Guard Development Plan [12th plan (2012-17)], Indian Coast Guard envisaged 208 ships, interceptor boats and hovercrafts by the end of the plan. However, as on 17 January, 2017, it was able to acquire only 126 assets. During the same plan period, the Indian Coast Guard envisaged 100 aircrafts (fixed wing and rotor wing) by the end of the plan but it is able to acquire only 62 aircrafts. The Committee are informed that 72 surface platforms are under construction at different places and the contract to acquire 30 aircrafts by March, 2017 has been given. The Committee desire that acquisition of surface platforms and aircrafts should be completed in a time-bound manner and the Committee may also be apprised of progress or delay of the acquisition.

Reply of the Government

The progress of the acquisition of surface platforms and aircraft is as follows:-

(a) **Surface Platforms**

Indian Coast Guard (ICG) had envisaged a force level of 208 surface platforms as per the XII Plan (CGDP 2012-17). The induction of vessels involves a considerable gestation period depending on the size of vessel. Several of the vessels contracted during the XII Plan will be inducted in XIII plan period. The force level of surface platforms as on 01 April 2017 is 128. Additionally, induction of 75 vessels (66 new and 09 replacement vessels) under construction at various Indian Shipyards is due in period 2017-23. During the same period, decommissioning of 13 ships from ICG fleet is also planned. Thus catering for 75 new ships to be inducted and 13 ships to be decommissioned, ICG will have a force level of 190 surface platforms.

(b) **Aircraft**

The force level of air assets as on 01 April 2017 is 62. The status of acquisition process of aircraft is as follows:-

(i). 16 Advanced Light Helicopters (ALH): The Contract was signed with Hindustan Aeronautics Ltd (HAL) on 29th March 2017.

(ii). 14 Twin Engine Heavy Helicopters (TEHH): The case has been processed for inter-Ministerial consultation prior to seeking approval of the Competent Financial Authority.

<u>Monitoring system to track boats</u>

Recommendation (Para No. 29)

The Committee note that 42 Coast Guard Stations have been established along the coast to enhance security and to undertake the mandated task as per Coast Guard Act 1978. In addition, as part of Coastal Surveillance, an electronic/radar chain called Coastal Surveillance Network (CSN), comprising of Chain of Static Sensors having radars, Automatic Identification System(AIS), day/night cameras and met sensors has been established. In Phase-I of CSN network, 46 Remote Radar Stations have been configured to provide electronic and optical surveillance up to a range of 25 nautical miles and 15 nautical miles respectively along the Indian coast in areas of high sensitivity and high traffic density. In order to provide near gap free surveillance, CSN Phase-II with 38 Radar Stations, 04 Mobile Surveillance Systems and integration of Vessel Traffic Management System(VTMS), Gulf of Kutch and Vessel and Air Traffic Management System (VATMS) Gulf of Khambhat will be established. The contract for the project is likely to be concluded by end 2017/early 2018 with project implementation by 2019.

Recommendation (Para No. 30)

The Committee are not happy to know that a present no tracking device is fitted in onboard vessels which are less than 20 meters in length overall (LOA). As per the statement of the Ministry/Coast Guard, the electronic surveillance can be effectively utilised if any vessel proceeding to sea, irrespective of its size/length, including fishing boats are fitted with transponders, capable of indicating their position, course and speed. Monitoring and accounting of movement of fishing boats from any harbour / fish landing centre is the responsibility of concerned fisheries authorities and state coastal police. Robust shore mechanism by respective States must be implemented for all boats entering / leaving fishing harbors..

Recommendation (Para No. 31)

The Committee desire that the matter should be discussed with the State Governments at the highest level so they can direct Departments under them to ensure fitting of transponders, capable of indicating their position, course and speed in fishing boats. The State Governments should also, in coordination with ICG, have proper system of monitoring and accounting of movement of fishing boats from any harbours under their control.

Reply of the Government

The issue pertaining to developing of transponders for monitoring and tracking of the boats less than 20 mtrs has been under consideration since November, 2010 (4^{th} NCMCS meeting) and has been actively pursued by the Indian Coast Guard at various forums including Apex level meetings. MHA has been nominated as the nodal ministry for implementation of project of transponders to be fitted on boats during the 10^{th} NCSMCS meeting in February, 2015. MHA has constituted a committee under chairmanship of Secretary (BM) with representatives of IN, ICG, MoS, NSCS, MoD, Dept of Space, DRDO and Govt. of Gujarat and Tamil Nadu for identifying alternate technology for transponders on smaller boats. During the meeting of the Committee on 29 July, 2016, it emerged that GSAT-6 technology appears to be more promising. Proof of concept trials of the transponder based on GSAT-6 satellite for tracking boats less than 20 mtrs is presently being undertaken by IN and ISRO.

Recommendation (Para No. 37)

The Committee note that MES is taking initiatives such as revision of Defence Works Procedure 2007, adoption of new construction technology (Design & Build), revision of Scales of Accommodation 2009, implementation of green norms, revision of maintenance norms, Military Engineer Services Accretions (353 officers and 2439 subordinates), 11^{th} and 12^{th} plan infrastructure development for Army – 136 officers and 819 subordinates, Military Engineer Services establishments for Coast Guard – 149 officers and 1403 subordinates and Chief Engineer for Southern Air Command and Special Projects – 68 officers and 217 subordinates with a view to improving its working. The Committee desire that the Ministry should provide sufficient allocation as also autonomy to MES, which would enable the organization in completing the various initiatives being undertaken.

Reply of the Government

Allocation of funds is made by Ministry of Finance based on projection made by the Ministry of Defence. The budget allocated by Ministry of Finance is further re-allocated among different organisations in the Ministry of Defence based on importance of the projects and specific requirement after due deliberation. Efforts are being made to increase the allocation for MES so as to enable them to complete various important projects under progress.

Autonomy to MES - The Government is considering the feasibility for granting separate head for MES so that it functions independently.

Recommendation (Para No. 39)

The Canteen Stores Department deposits 50 percent of Net Trade Surplus (net profit) in Consolidated Fund of India (CFI). The Committee find from the information submitted that although the turnover of the Canteen Stores Department is growing the profit percentage has remained the same or was erratic. In 2011-12, it deposited Rs. 108.15 crore in CFI and Rs. 109.68 crore in 2012-13. In 2013-14, the amount deposited dipped to Rs. 88.97 crore. Again, in 2014-15, Rs. 117.84 crore, and in 2015-16, Rs. 118.37 crore was deposited. The Committee would like to know the reasons for the profits not being commensurate with the turnover despite having tax rebates from the Government.

Reply of the Government:

The Canteen Stores Department deposits 50 percent of Net Trade Surplus (net profit) in to the Consolidated Fund of India (CFI). The following statistics indicate the year-wise provisions made for VAT refund claims outstanding against various State Governments and other Bad debts, excess valuation etc.

(Rs. in crore)

Financial Year	**Turnover**	**Gross Profit**	**Vat Refund due from State Govt. (Provision for VAT Refund)**	**Other Provision**	**Net profit**	**Deposited in to CFI**
2011-12	9746.59	339.56	8.67	4.77	216.31	108.15
2012-13	10245.35	332.52	6.07	0.00	219.35	109.68
2013-14	12202.35	443.08	122.83	42.01	177.94	88.97
2014-15	13709.32	410.60	54.96	0.84	235.69	117.84
2015-16	15781.73	287.86	193.47	0.25	230.32	118.37

As the State government did not refund the VAT claim, it had resulted in decrease to that extent. Approximately Rs. 1000 crore is due from various State governments on account of VAT refund which affects the net profit at the end of Financial Year.

Recommendation (Para No. 45)

Dilapidated Condition of Schools

Yet another issue that has been brought to the notice of the Committee was that schools run by cantonments were in dilapidated condition and needed urgent repairs. Therefore, the Committee desires that the Ministry should give adequate Grants-in-aid specially for this purpose.

Reply of the Government

Up-gradation of primary education facilities have been taken up by various Cantonment Board depending on local need, financial capabilities and availability of similar facilities run by State Govts in Cantonments or in vicinity. Lack of funds affected the maintenance of school buildings in some cases. The efforts are being made to enhance the allocation of Grant-in-Aid (General). For construction of new school buildings the allotment of funds are also being made under the newly created budget head 'Grants for Creation of Capital Assets'.

Recommendation (Para No. 85)

"Considering the wonderful work done by Territorial Army Battalions, the Committee feel raising of Territorial Army Battalions in States and employment of ESM in those Battalions could be a better option. The Committee understand that state Government are reluctant and they do not consider raising of Territorial Battalions as priority area. Therefore, the Committee desire that funding of TA Battalions should not be dependent on the States and the Central Government should provide funds for raising of TA Battalions".

Reply of the Government

Concept of Ecological Task Force (ETF)

Ecological Task Force (ETF) Battalions (Territorial Army) are raised under the aegis of Ministry of Environment and Forests & Climate Change (MoEF& CC) and Ministry of Defence in conjunction with States for ecological assignments in the fragile and sensitive areas. ETFs have been created to execute specific ecology related projects with military like work culture and commitment. ETFs use technical expertise of the respective State Forest Department to prevent ecological degradation and promote environment.

Nature of Funding

2. The ETF Battalions could be funded by MoEF& CC or by the State Governments or partly funded by MoEF& CC and the State government concerned as under:-

(d) **MoEF&CC Funded Units**: MoEF&CC bears the cost of raising, maintenance, pay and allowances of the unit. The State Forest Department provides technical supervision and guidance including land, provision of saplings, budget for accommodation at the project site, telephones, electrification, fencing materials and related ancillaries and equipment for afforestation.

(e) **State Governments Funded**: The entire cost is borne by the State Government.

(f) **Partly funded by MoEF&CC and Partly by State Government**: The cost in respect some companies of the ETF Battalion are borne by MOEF&CC and in respect of some companies of the Battalion by the State Government concerned.

3. The estimated budgetary support required for raising a Battalion Headquarter and three companies of ETF, consisting of Six Officers, 11 Junior Commissioned Officers and 368 Other Ranks, are as under:-

(d) First Year

(iii)	Raising	-	Rs. 9 Crore
(iv)	Maintenance	-	Rs. 22 Crore

(e) **2nd year to 5th year** - Rs. 88 Crore

(f) **Total for Five Years** - Approximate Rs. 119 Crore

4. In the recent past efforts have been made by Additional Directorate General of Territorial Army to sensitize State Governments for raising of additional ETF Battalions by means of interaction at appropriate levels and by writing Demi Official letters to Chief Secretaries of Governments of Maharashtra, Kerala, Rajasthan, Uttar Pradesh, Chhattisgarh, Odisa, Madhya Pradesh, West Bengal, Bihar, Punjab, Andhra Pradesh, Haryana, Jharkhand, Tamil Nadu, Karnataka, Mizoram, Manipur, Tripura, Nagaland, Sikkim and Meghalaya.

5. The State Governments are keen to have ETF Battalions but owing to budgetary constraints, have shown their inability in raising ETF Battalions funded through State resources and have instead proposed the funding by Ministry of Environment, Forest and Climate Change (MoEF&CC).

6. In this connection, MoEF&CC has informed that the ETF Scheme is proposed to be continued in view of the commendable work done by them in raising plantations in difficult terrains. However, the cost of plantations is comparatively very high compared to plantations taken up under different schemes. Due to budget constraint, the

MoEF&CC has in-principle decided not to support any more ETF battalions in future but to encourage the state governments to raise their own ETF battalions with their own financial support like Delhi and Himachal Pradesh.

7. To mitigate the excessive cost, MoEF&CC has proposed to share the raising cost and subsequent recurring cost of raising of ETF battalion, with States, Ministry of Defence and MoEF&CC in the ratio 50:25:25 respectively. MoEF&CC has stated that till such time a decision on the sharing of cost is taken, that Ministry shall not be able to raise/ support any more battalions.

8. Ministry of Defence does not agree with the proposal of MoEF&CC, as all the ETF Battalions (TA) are eventually funded by the concerned authority [Ministry/ Department of Government of India or the State Government concerned] on whose request the ETF Battalions are raised and no financial implication rests with Ministry of Defence.

<u>Proposals for opening up new avenues for the resettlement of Ex-Servicemen</u>

Recommendation (Para No. 86)

The Committee note that the Ministry is taking steps to create new resettlement avenues for ESM like setting up of Reservation Monitoring Cell (RMC), MOU with CII to provide direct interface with industry ensuring additional employment generation, concept paper on ESM in Nation Building - on the role of ESM in Nation Building has been prepared which envisages large scale employment of ESM in various Govt/Private activities approved by PMO, has been forwarded to Ministry of Skill Development for implementation, etc.

<u>Resettlement of Retired Officers and PBOR</u>

Recommendation (Para No. 87)

The Committee welcome the steps taken by the Ministry for opening up new avenues for the resettlement of Ex-Servicemen. The Committee desire that the concept paper which has been approved by PMO should implemented by the Ministry of Skill Development at the earliest so Service Personnel would not worry about their future and can be assured of the employment after their retirement from the Services.

Reply to the Government

An MoU has been signed between Ministry of Defence and Ministry of Skill Development & Entrepreneurship on 13th July, 2015 related to skill development for provisioning of better certification to the retiring soldiers under National Skill

Development Corporation (NSDC) charter. Under this scheme, various Sector Skill Councils affiliated/ accredited by NSDC or its partners have been identified for National Occupational Standards (NOS) alignment of training and skill development. Various workshops have also been conducted by DGR to achieve this aim and implement the same as per the timelines given on each agenda, i.e. applicability of Common Norms as per Govt. of India Gazette Notification dated 8th August 2016 on skill development by Ministry of Skill Development & Entrepreneurship. The aim of implementation of this Mission is to ensure NOS alignment of DGR Training contents and providing them National Skill Qualification Framework (NSQF) desired standards, assessment and certification.

DGR courses are now aligned to various NSQF levels as per the National Occupational Standards under Ministry of Skill Development & Entrepreneurship, overall aim being towards job creation and getting suitable employment for retiring/retired soldiers.

Lateral Induction of Ex-Servicemen in Central Para Military Forces and State Police Forces

Recommendation (Para No. 89)

The Committee have been recommending in their various reports regarding lateral induction of Servicemen in Central Para Military Forces and State Police Force. The Ministry was again requested to submit the latest updates on the issue. The Ministry has referred to the sitting of the Standing Committee on Defence (2016-17) which was held on 16.1.2017 to take oral evidence of the representatives of Ministry of Defence & Ministry of Home Affairs on 'Resettlement of Ex-Servicemen with specific reference to lateral induction of Ex-servicemen in Central Para Military Forces and State Police Forces'. It further stated that as regards the issue of commencement of lateral induction of service personnel into CAPFs, Ministry of Defence/Department of Defence is pursuing the matter with Ministry of Home Affairs at appropriate level from time to time. However, implementation of the proposal is contingent upon both MoD and MHA evolving a system of induction acceptable to both.

Recommendation (Para No. 90)

The Committee are of the view that the issue should be dealt holistically by both the Ministries and some solution may be find out which is beneficial to them. The Committee desire that intervention of higher authorities may be sought to resolve this deadlock.

Reply of the Government

(a) The lateral induction of the Armed Forces in the Central Para Military Forces (CPMF), is required to be done of the in-service Armed Forces Personnel and not for Ex-servicemen. In the Sitting of the Standing Committee on Defence (2016-2017) which was held on 16 Jan 2017 to take oral evidence of the representative of Ministry of Defence & Ministry of Home Affairs it was stated that MHA in consultation with Ministry of Defence, Department of Defence and the Armed Forces, is pursuing the matter. There is a need to finalise a mechanism for intake of ESM which provides them rank, seniority and pay protection. Intake of ESM in CAPFs should be based on their training and experience and must protect their seniority and last pay.

(b) A meeting was convened under the Chairmanship of JS (Police–II), MHA on 21 Jan 2016 to discuss the issues regarding filling up of vacancies reserved for ESM in Central Armed Police Forces (CAPF), and to ascertain reasons for the lower percentage of ESM finally getting selected in the recruitment for the post of Constables and Sub Inspectors/ Asstt Sub Inspectors in CAPFs. The reasons that were highlighted were non-availability of Pay and Seniority Protection and compulsion of qualifying Physical Standard Test/ Physical Efficiency Test. It was decided in the meeting that due publicity and advertisement be given regarding recruitment of ESM in CAPF and Staff Selection Commission/ CAPF were directed to keep Directorate General of Resettlement and Ministry of Defence in their mailing list. Staff Selection Commission was also requested in the Meeting to provide details of number of ESM applied and finally selected and the details regarding reservation provided for ESM in various recruitment done for CAPF.

(c). As decided in the meeting, a Committee was formed by MHA consisting of a team of Officers headed by DIG, Central Reserve Police Force and two members from DGR to look into the matter of poor representation of ESM in CAPF under the prescribed quota of 10% and to submit its report to the Ministry. The following issues were brought to the notice of DIG, CRPF by DGR:-

- (ii) Protection of pay and seniority of ESM in CAPF.
- (ii) Syllabus of written examination to be made more job oriented than academic.
- (iii) Armed Forces personnel could be made to do only a Refresher Course/ Orientation training in view of their previous training in the Armed Forces.

- (iv) Relaxed standard of selection for ESM as per DOP&T Orders to be ensured.

(d) It is learnt that DIG, CRPF has since submitted the consolidated Minutes to MHA. Copy of the Minutes have not been endorsed to Ministry of Defence, Department of Ex Servicemen Welfare/ DGR.

(e). Para 6.2.134 of the Report of the 7th Pay Commission has also recommended that the Scheme of Lateral Entry needs to be reviewed in the context of retirements taking place in the services, absorption capacity in the CAPFs and the issues that have held back the Scheme from being implemented.

As mentioned above, lateral induction of the Armed Forces in the Central Para Military Forces (CPMF), is required to be done of the in-service Armed Forces Personnel and not for Ex-servicemen. Lateral induction of service personnel into Central Armed Police Forces (CAPFs) was a key recommendation of the Kargil Review Committee, Group of Ministers on reviewing National Security System, the 5th and 6th Central Pay Commissions and Standing Committee on Defence.

The proposal for lateral induction of serving army personnel into CAPFs after 7 years of colour service in the Army did not find favour with the Ministry of Home Affairs (MHA). A suggestion was, therefore, made to MHA that, to begin with, lateral induction of service personnel into CAPFs may be commenced on a pilot basis (say about 1000 Nos. initially). A new cadre/sub cadre could be created in the CAPFs for such lateral inductees, which will obviate inter se seniority issues etc. However, this proposal was not agreed to by MHA in view of the likely impact on CAPFs.

While disagreeing to MoD proposal, MHA put forth certain reasons/concerns which were conveyed to Army HQ. In response to this, Army HQ mooted a new proposal under which Army will recruit the personnel for CAPFs, the Armed Forces will train them and utilize their services for 5 years whereafter they will revert to CAPFs. This proposal is being considered by the Ministry of Defence and MHA.

Ex-Servicemen Contributory Health Scheme (ECHS)

Recommendation (Para No. 96)

The Committee understand that lesser allocation would affect opening of new ECHS clinics and would lead to delays in reimbursement of bills of beneficiaries pending in ECHS approved private hospitals.

Reply of the Government

Consistent shortage of funds will have a resultant effect on all aspects of the Scheme. The most important aspect being treatment of veterans at empanelled hospital. Pendency of bills in the online bill system as on 31st March, 2017 amounts to Rs.1195.1693 crore for payment to the Hospitals/ individuals.

CHAPTER III

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

Growth of Defence Budget

Recommendation (Para No.1)

As seen from the documents pertaining to the General Budget, the provisioning for Defence Services (category wise) for 2016-17, made under Demand Nos. 20 and 21 in the Budget Estimates (BE) was Rs. 2,27,085.53 crore (Gross) and Rs. 2,22,456.14 crore (Net). The provisioning was altered at the stage of Revised Estimates (RE) to Rs. 2,26,743.69 crore (Gross) and Rs. 2,20,751.34 crore (Net). The Net Revenue budget at the stage of BE 2016-17, which stood at Rs. 1,43,869.46 crore was increased by Rs. 5,181.88 crore thereby taking the RE allocation to Rs. 1,49,051.34 crore. As for the Capital Outlay, which is of vital importance, there has been a decrease of Rs.6,886.68 crore i.e. from Rs. 78,586.68 crore at the BE stage to Rs.71,700 crore at the RE stage, which totals to a reduction of Rs. 6,886.68 crore. Thus, the overall reduction of the budgetary provisioning at RE stage during 2016-17 has been to the tune of Rs. 1,704.80 crore.

CHAPTER IV

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

Recommendation (Para No. 9)

The Committee note from the information furnished that as at present, the shortage of personnel in the Army is to the extent of 8370 Officers and 35174 personnel of Other Ranks; 1332 Officers and 10982 Sailors in the Navy; 29 Officers and 9841 Airmen in the Air Force. The Committee find the shortage of personnel, except in the case of Officers cadre in the Air Force, to be of a perennial nature. The Committee are aware that the Government is constantly making efforts towards expediting the recruitment process of Officers and Personnel below Officer Rank (PBOR), increasing training facilities and undertaking publicity campaign to attract youth for induction in the Armed Forces. The Committee had, in their Report presented earlier recommended for providing five years compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. In their response, the Ministry of Defence have submitted that this recommendation is still under consideration with Department of Personnel and Training (DoPT) whose response is awaited. Taking serious note of the perennial and alarming situation of shortage of Officers and PBOR in Armed Forces, the Committee opine that it is high time the Ministry consider their recommendation seriously and expedited the process of its implementation.

Reply of the Government

The recommendation regarding providing five years compulsory military service to such aspirants wanting to directly join Central and State Government services, with a view to overcome shortage of officers in Armed Forces, has been taken up with Department of Personnel and Training (DoP&T) whose response is awaited.

<u>Appointment of Chief of Defence Staff (CDS)</u>

Recommendation (Para Nos. 12 & 13)

The Committee had, in their reports presented earlier, recommended the creation of the post of Chief of Defence Staff (CDS) so as to inter-alia enable in better co-ordination amongst the Services. The Committee are surprised to find that there has been no progress made in this direction and the reply furnished by the Ministry in this regard is almost similar to the one given earlier. It would be appropriate to recall here that a Committee of Group of Ministers (GoM) was constituted by the Government to review the National security system in its entirety and in particular, to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation. The GoM had, in their report, 'Reforming the National Security System', inter alia, recommended the establishment of the post of CDS. The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. It is surprising that the view points have reportedly not been received from all the political parties. The Committee would like to know the efforts undertaken by the Ministry to secure the views of the political parties on the issue.

The Committee are also not happy to observe that despite the recommendations made in the past for creating the post of CDS, no concrete steps seem to have been taken by the Ministry in this direction. It is a well-known fact that in the current times, integrated and harmonized efforts of all the Services are needed to achieve success in a war like situation. For accomplishing this objective, a permanent CDS, who possesses knowledge of and is well versed with functioning of all the Services becomes a necessity.

Reply of the Government

The Group of Ministers (GoM) constituted by the Government to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation, had inter-alia, recommended in its report, the establishment of the post of Chief of Defence Staff (CDS). The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. Replies were not received from all political parties.

2. In the interim, the Naresh Chandra Task Force (NCTF) on National Security, set up by the Government in May 2011, had in their report recommended establishment of

a Permanent Chairman, Chiefs of Staff Committee (COSC). MoD's views in this regard have already been conveyed to NSCS. The recommendations were considered and placed before the CCS on 29.04.2014. NSCS had conveyed the approval of CCS for other recommendations for implementation.

3. Considering that there are two proposals, for the establishment of CDS and Permanent Chairman, CoSC respectively, it is expected that at the time of a final decision in CCS on the recommendations of the NCTF, both proposals will be taken note of and the final decision would settle both proposals.

<u>Ex-Servicemen Contributory Health Scheme (ECHS)</u>

Recommendation (Para No. 95)

The Committee note that since 2010-11, Ex-servicemen Contributory Health Scheme (ECHS) has never been allocated the amount as per its projection thereby resulting non fructification of many schemes. During the year 2016-17, ECHS projected a requirement of Rs. 3,600 crore but allocation was only Rs. 2,363.54 crore. This year 2017-18, the ECHS projected for Rs. 4,487.12 crore but the allocation has only being Rs. 2,911.50 crore.

Reply of the Government

The content of this paragraph are factual and offers recommendation. An additional allotment of Rs.579.60 crore under Revenue Head was allotted at RE Stage of FY 2016-17. The final allotment under Revenue Head for FY 2016-17 after all adjustments is therefore Rs.2896.51 crore. Stage wise budgetary allocation since FY 2010-11 upto FY 2017-18 is as given below :

(Rs in crore)

FY	Projection	Allotment				Carry Over Liability
		BE	RE	MA	% of Incr	
2010-11	1180.00	901.04	1061.04	1061.04	Base Year	
2011-12	1600.00	991.14	1109.95	1225.95	15.54	42.98
2012-13	1860.00	1400.00	1473.86	1450.98	18.36	444.98
2013-14	2391.71	1476.46	1570.68	1789.46	23.33	597.41
2014-15	2489.21	1420.58	2470.58	2260.58	26.33	565.71
2015-16	3532.12	2639.00	2609.00	2562.86	13.37	1061.26
2016-17	3600.00	2363.54	2943.14	2896.51	13.02	1282.62
2017-18	4487.12	2911.50	-	-	-1.08	

As can be seen from the above the trend of increase in allotment which was 26% in the Year 2014-15 has dropped to 13% in 2015-16 and 2016-17. This has resulted in enhancement of carry forward liability of Rs.1061.26 crore and Rs. 1282.62 crore of the financial year 2015-16 and 2016-17 respectively.

Recommendation (Para No. 96)

The Committee understand that lesser allocation would affect opening of new ECHS clinics and would lead to delays in reimbursement of bills of beneficiaries pending in ECHS approved private hospitals.

Reply of the Government

Consistent shortage of funds will have a resultant effect on all aspects of the Scheme. The most important aspect being treatment of veterans at empanelled hospital. Pendency of bills in the online bill system as on 31st March, 2017 amounts to Rs.1195.1693 crore for payment to the Hospitals/ individuals.

CHAPTER V

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

- NIL -

New Delhi	**MAJ GEN B C KHANDURI, AVSM (RETD)**
12 March, 2018	**Chairperson**
21 Phalguna, 1939 (Saka)	**Standing Committee on Defence**

APPENDIX II

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

The Committee sat on Friday, 12 March, 2018 from 1000 hrs. to 1030 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C Khanduri, AVSM (Retd) - Chairperson

Lok Sabha

2. Shri Suresh C Angadi
3. Shri Shrirang Appa Barne
4. Col Sonaram Choudhary(Retd)
5. Shri Dharambir Singh
6. Shri Gaurav Gogoi
7. Smt Mala Rajya Lakshmi Shah
8. Smt Pratyusha Rajeshwari Singh

Rajya Sabha

9. Shri Harivansh
10. Shri Sanjay Raut

SECRETARIAT

1.	Smt. Kalpana Sharma	-	Joint Secretary
2.	Shri T G Chandrasekhar	-	Director
3.	Smt Jyochnamayi Sinha	-	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 took up for consideration the following draft Reports:-

i) Thirty-Seventh Report on 'Action Taken by the Government on the Observations/Recommendations contained in the Twenty Eighth Report (16th Lok Sabha) on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Canteen Stores Department, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme'.

ii) Thirty-Eighth Report on 'Action Taken by the Government on the Observations/Recommendations contained in the Thirtieth Report (16th Lok Sabha) on Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance and National Cadet Corps'.

iii) Thirty-Ninth Report on 'Action Taken by the Government on the Observations/Recommendations contained in Thirty Fourth Report (16th Lok Sabha) on Provision of Medical Services to Armed Forces including Dental Services'.

iv) Fortieth Report of the Standing Committee on Defence (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme (Demand No. 19 & 22)'.

v) Forty-First Report of the Standing Committee on Defence (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on Army, Navy and Air Force (Demand No. 20)'.

vi) Forty-Second Report of the Standing Committee on Defence(16th Lok Sabha) on `Demands for Grants of the Ministry of Defence for the year 2018-19 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'.

vii) Forty-Third Report of the Standing Committee on Defence(16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 pertaining to Revenue Budget of Ordnance Factories, Defence Research and Development Organisation, DGQA and NCC (Demand No. 20)'.

3. After deliberations, the Committee adopted the above mentioned reports with slight modifications.

4. The Committee 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.

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APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-EIGHTH REPORT (16TH LOKSABHA) ON 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2017-18 ON GENERAL DEFENCE BUDGET, BORDER ROADS ORGANISATION, INDIAN COAST GUARD, MILITARY ENGINEER SERVICES, CANTEEN STORES DEPARTMENT, DIRECTORATE GENERAL DEFENCE ESTATES, DEFENCE PUBLIC SECTOR UNDERTAKINGS, WELFARE OF EX-SERVICEMEN, DEFENCE PENSIONS AND EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (DEMAND NO. 19 & 22)'

1. Total number of recommendations **100**

2. Observations/Recommendations which have been accepted by the Government:

   Para Nos. 6,7,17,18,32,33,34,35,36,38,40,41,42,43,44,46,47,48,49,50,51,52, 53,54,55,56,57,58,59,60,61,62,63,64,65,66,67,68,69,70,71,72,73,74,75,76,77,78 ,80,81,82,83,84,88, 91,92,93,94,97,98,99 and 100

   Total : 62
   Percentage: 62%

3. Observations/Recommendations which have been accepted by the Government and to be commented upon:

   Para Nos. 1, 2, 3, 4, 5, 8, 10, 11, 15, 16, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 39, 45, 85, 86, 87, 89, 90 and 96

   Total : 32
   Percentage: 32%

4. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

   Para No. 1

   Total : 01
   Percentage: 1%

5. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration and to be commented upon:

   Para Nos. 9, 12, 13, 95 and 96

   Total : 05
   Percentage: 5%

6. Observations/Recommendations in respect of which Government have furnished interim replies:

   -Nil-

   Total : Nil
   Percentage: 0%