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**STANDING COMMITTEE ON DEFENCE
(2019-20)**

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

**DEMANDS FOR GRANTS
(2019-20)**

**GENERAL DEFENCE BUDGET, BORDER ROADS ORGANISATION, INDIAN COAST
GUARD, MILITARY ENGINEER SERVICES, DIRECTORATE GENERAL DEFENCE
ESTATES, DEFENCE PUBLIC SECTOR UNDERTAKINGS, CANTEEN STORES
DEPARTMENT, WELFARE OF EX-SERVICEMEN, EX-SERVICEMEN CONTRIBUTORY
HEALTH SCHEME, DEFENCE PENSIONS AND SAINIK SCHOOLS**

(DEMAND NOS. 18 AND 21)

FIRST REPORT



LOK SABHA SECRETARIAT

NEW DELHI

December, 2019 / Agrahayana, 1941 (Saka)

FIRST REPORT

STANDING COMMITTEE ON DEFENCE

(2019-20)

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

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(DEMAND NOS. 18 AND 21)

Presented to Hon'ble Speaker, Lok Sabha on 20.12.2019

Laid in Rajya Sabha on 13.12.2019



LOK SABHA SECRETARIAT

NEW DELHI

December, 2019 /Agrahayana, 1941 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2019-20)

SHRI JUAL ORAM

-

CHAIRPERSON

Lok Sabha

2. Shri Deepak Adhikari (Dev)
3. Shri Hanuman Beniwal
4. Shri Ajay Bhatt
5. Shri Devusinh J. Chauhan
6. Shri Nitesh Ganga Deb
7. Shri Rahul Gandhi
8. Shri Annasaheb Shankar Jolle
9. Prof (Dr.) Ram Shankar Katheria
10. Smt. (Dr.) Rajashree Mallick
11. Shri Pashupati Kumar Paras
12. Shri Kapil Moreswar Patil
13. Shri Anumula Revanth Reddy
14. Shri Jugal Kishore Sharma
15. Dr. Shrikant Eknath Shinde
16. Shri Prathap Simha
17. Shri Brijendra Singh
18. Shri Mahabali Singh
19. Shri Kotagiri Sridhar
20. Shri Durga Das Uikey
21. Dr. Kalanidhi Veeraswamy

Rajya Sabha

22. Dr. Ashok Bajpai
23. Shri Prem Chand Gupta
24. Shri V. Lakshmikantha Rao
25. Shri Sanjay Raut
26. Dr. T. Subbarami Reddy
27. Smt. Vijila Sathyananth
28. Dr. Abhishek Manu Singhvi
29. Shri Kamakhya Prasad Tasa
30. Lt. Gen. Dr. D. P. Vats
31. Vacant

SECRETARIAT

- | | | | |
|---|--------------------|---|-----------------------------|
| 1 | Smt Kalpana Sharma | - | Additional Secretary |
| 2 | Dr. Sanjeev Sharma | - | Director |
| 3 | Shri Rahul Singh | - | Deputy Secretary |
| 4 | Smt. Preeti Negi | - | Assistant Committee Officer |

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2019-20), having been authorised by the Committee, present this First Report (Seventeenth Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2019-20 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen, Ex-Servicemen Contributory Health Scheme, Defence Pensions, Sainik Schools (Demand Nos. 18 and 21)'.

2. The Demands for Grants of the Ministry of Defence were laid on 17 July, 2019 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 14, 15 and 18 November, 2019. The draft Report was considered and adopted by the Committee at their Sitting held on 09 December, 2019.

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

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

**New Delhi
09 December, 2019
18, Agrahayana, 1941 (Saka)**

**JUAL ORAM
Chairperson
Standing Committee on Defence**

ABBREVIATIONS

S.No.	Abbreviations	Full Form
1.	ACRR	Acquisition, Custody Relinquishment Rules
2.	ALH	Advanced Light Helicopter
3.	ACCS	Air Command & Control System
4.	AOA	Air Officer-in Charge Administration
5.	A&A	Aircraft and Aeroengines
6.	AWS	Akash Weapon System
7.	AMWP	Annual Major Works Programme
8.	APP	Annual Procurement Plan
9.	AWP	Annual Works Plan
10.	ASW	Anti-Submarine Warfare
11.	ASW SWCs	Anti-Submarine Warfare Shallow Water Craft
12.	ATGMs	Anti-Tank Guided Missile
13.	AFGIS	Armed Forces Group Insurance Scheme
14.	ARV	Armoured Recovery Vehicle
15.	AGI MBS	Army Group Insurance Medical Branch Scheme
16.	Civil	Assistant Executive Engineer
17.	AMRUT	Atal Mission for Rejuvenation and Urban Transformation
18.	BTA	Basic Trainer Aircraft
19.	BDL	Bharat Dynamics Limited
20.	BEML	Bharat Earth Movers Limited
21.	BEL	Bharat Electronics Limited
22.	BPCL	Bharat Petroleum Corporation Limited
23.	BOCCS	Board of Control for Canteen Services
24.	BRDB	Border Roads Development Board
25.	BRO	Border Roads Organization
26.	BE	Budget Estimates
27.	BFE	Buyer Furnished Equipment
28.	CSD	Canteen Stores Department
29.	CB	Cantonment Board
30.	CLAR	Cantonment Land Administration Rules
31.	CA	Capital Acquisition
32.	CBRP	Capital Booking Revenue Procedure
33.	COC	Carry Over Capital
34.	CGE	Central Budget Expenditure
35.	CCA	Central Coordinating Authority
36.	CDO	Central Design Office
37.	CGE	Central Government Expenditure
38.	CPSU	Central Public Sector Undertakings

39.	CEMILAC	Centre for Military Airworthiness & Certification
40.	CE	Chief Engineer CE
41.	CETFC	Chief Engineer and Task Force Commander
42.	CDS	Chief of Defence Staff
43.	COP	Chief of Personnel
44.	COSC	Chief of Staff Committee
45.	CEO	Chief Executive Officer
46.	CIL	Coal India Limited
47.	CGO	Coast Guard Organisation
48.	CSN	Coastal Surveillance Network
49.	COCO	Company Owned Company Operated
50.	CNA	Competent National Authority
51.	CII	Confederation of Indian Industry
52.	CFI	Consolidated Fund of India
53.	CPI	Consumer Price Index
54.	CGDA	Controller General of Defence Accounts
55.	CPI-C	CPI-Combined
56.	CAS	Cradle Assembly Shop
57.	DAD	Defence Accounts Department
58.	DAC	Defence Acquisition Council
59.	DEO	Defence Estates Officers
60.	DP	Defence Pensions
61.	DPSU	Defence Public Sector Undertakings
62.	DRDO	Defence Research and Development Organisation
63.	DS	Defence Secretary
64.	DSC	Defence Security Corps
65.	DSE	Defence Services Estimates
66.	DFG	Demands for Grants
67.	DoD	Department of Defence
68.	DoDP	Department of Defence Production
69.	DDR&D	Department of Defence Research & Development
70.	DDEW	Department of Defence, Ex-Servicemen Welfare
71.	DoESW	Dept of Ex-Servicemen Welfare
72.	DGQA	Director General Quality Assurance
73.	DGAQA	Directorate General of Aeronautical Quality Assurance
74.	DGR	Directorate General of Resettlement
75.	DGOF	Directorate General Ordnance Factories
76.	DGDE	Directorate General, Defence Estates
77.	DG	Director-General
78.	DGBR	Director-General Border Roads
79.	DRDC	Disaster Recovery Data Centre
80.	DCB	Ditch cum Bund
81.	DSV	Diving Support Vessels

82.	EMC	Electromagnetic Compatibility
83.	EMI	Electromagnetic Interference
84.	EVM	Electronic Voting Machines
85.	EWS	Electronic Warfare System
86.	E-in-C	Engineer-in- Chief
87.	EPC	Engineering Procurement Construction
88.	ERV	Exchange Rate Variation
89.	ESM	Ex-Servicemen
90.	ECHS	Ex-Servicemen Contributory Health Scheme
91.	ESW	Ex-servicemen Welfare
92.	FIB	Fast Interceptor Boats
93.	FPVs	Fast Patrol Vessels
94.	FRP	Fibre Reinforced Plastic
95.	FPR	Final Project Report
96.	FOJ	Fitting Out Jetty
97.	FMA	Fixed Medical Allowance
98.	FAR	Floor Area Ratio
99.	FSI	Floor Space Index
100.	GJHJ	Ganga Jetty & Hooghly Jetty
101.	GRSE	Garden Reach Shipbuilders & Engineers Ltd
102.	GTG	Gas Turbine Generators
103.	GDB	General Defence Budget
104.	GREF	General Reserve Engineer Force
105.	GSL	Goa Shipyard Limited
106.	GST	Goods and Services Tax
107.	GP	Government Person
108.	GRIHA	Green Rating for Integrated Habitat Assessment
109.	GDP	Gross Domestic Product
110.	GBMES	Ground Based Mobile Elint System
111.	GSE	Ground Support Equipment
112.	GDB	Growth of Defence Budget
113.	HDT	Heavy Duty Truck
114.	HTT	High Temperature Test
115.	HAL	Hindustan Aeronautics Limited
116.	HSL	Hindustan Shipyard Limited
117.	ICG	Indian Coast Guard
118.	ICGA	Indian Coast Guard Academy
119.	IOCL	Indian Oil Corporation Limited
120.	ISRO	Indian Space Research Organisation
121.	IDES	Indian Defence Estates Service
122.	ICBRs	Indo-China Border Roads
123.	IOC	Initial Operating Capability
124.	IPV	Inshore Patrol Vessels

125.	ICA	Inside Civil Area
126.	IACCS	Integrated Air Command & Control System
127.	ICS	Integrated Communication System
128.	ISO	Inter-Service Organisations
129.	J&K LI	Jammu & Kashmir Light Infantry
130.	JNNURM	Jawaharlal Nehru National Urban Renewal Mission
131.	JS	Joint Staff
132.	JCO	Junior Commissioned Officers
133.	KCR	Kargil Committee Report
134.	KSB	Kendriya Sainik Board
135.	LRF	Ladle Refining Furnace
136.	LDP	Landing Platform Dock
137.	LTD	Licence Technical Documents
138.	LCA	Light Combat Aircraft
139.	LCH	Light Combat Helicopter
140.	LUH	Light Utility Helicopter
141.	LWT	Light Weight Torpedo
142.	LSP	Limited Series Production
143.	LMA	Local Military Authority
144.	LTEP	Long Term Equipment Plan
145.	LTRoWP	Long Term Roll on Works Plan
146.	LRSAM	Long-Range Surface-to-Air Missile
147.	LIC	Low Intensity Conflict
148.	LIC EWS	Low Intensity Conflict Electronic Warfare System
149.	MIS	Management Information System
150.	MSAR	Maritime Search and Rescue
151.	MDL	Mazagon Dock Shipbuilders Limited
152.	MMP	Mazdock Modernization Project
153.	MoU	Memorandum of Understanding
154.	MES	Military Engineer Services
155.	MF	Military Farms
156.	MCMVs	Mine Counter Measure Vessels
157.	MoDoNER	Ministry of Development of North Eastern Region
158.	MEA	Ministry of External Affairs
159.	MHA	Ministry of Home Affairs
160.	MoRT&H	Ministry of Road Transport and Highways
161.	MIDHANI	Mishra Dhatu Nigam Limited
162.	MWS	Missile Warning System
163.	MHS	Modern Hull Shop
164.	MDMB	Mother Dairy Milk Booths
165.	MFSTAR	Multi-Function Surveillance, Track and Guidance Radar
166.	NCC	National Cadet Corps
167.	NCA	National Coordinating Agency

168.	MSAR	National Coordinating Agency for Maritime Search and Rescue
169.	NDA	National Defence Academy
170.	NHAI	National Highway Authority of India
171.	NSA	National Security Advisor
172.	NSDC	National Skill Development Corporation
173.	NV	Naval Vessels
174.	OPVs	Offshore Patrol Vessels
175.	OROP	One Rank One Pension
176.	OFs	Ordnance Factories
177.	OFB	Ordnance Factories Board
178.	OEMs	Original Equipment Manufacturers
179.	OCA	Outside Civil Area
180.	PBOR	Personnel Below Officers Rank
181.	POL	Petroleum, Oil and Lubricant
182.	PSQR	Preliminary Services Qualitative Requirements
183.	PWC	Price Water Coopers
184.	QMG	Quarter Master General
185.	RBD	Raja Bagan Dockyard
186.	RM	Raksha Mantri
187.	RRM	Raksha Rajya Mantri
188.	RR	Rashtriya Rifles
189.	RRMI	Refurbishment & Replacement of Machinery and Infrastructure
190.	RDA	Regular Departmental Action
191.	ROH	Repairs and Overhaul
192.	RFP	Request for Proposal
193.	R&D	Research & Development
194.	RDO	Research & Development Organisations
195.	R&TD	Research and Technology Development
196.	RDO	Retired Defence Officers
197.	RE	Revenue Expenditure
198.	RE	Revised Estimates
199.	RSP	Rooftop Solar Plants
200.	RSS	Rooftop Solar Scheme
201.	SBS	Safal Booth Schemes
202.	SSS	Sainik Schools Society
203.	SS	Sanik Schools
204.	SBS	Sarvatra Bridge System
205.	SECI	Solar Energy Corporation of India
206.	SPS	Solar Power System
207.	SACEP	South Asia Co-operative Environment Programme
208.	SSR	Standard Schedule of Rates
209.	SIPRI	Stockholm International Peace Research Institute

210.	SSA	Submarine Section Assembly
211.	SMT	Surface Mount Technology
212.	SA	Suspended Animation
213.	TPCR	Technology Perspective and Capability RoadMap
214.	CCS	The Cabinet Committee on Security
215.	ToT	Transfer of Technology
216.	UPP	Under Posting Plan
217.	UPSC	Union Public Service Commission
218.	URC	Unit Run Canteens
219.	UNCLOS	United Nations Convention on the Laws of the Sea
220.	UGC	University Grants Commission
221.	VD	Vacuum Degassing
222.	VOD	Vacuum Oxygen De-carburizing
223.	VoP	Value of Production
224.	VTL	Vertical Turning Lathe
225.	VCoNS	Vice Chief of Naval Staff
226.	VVPAT	Voter Verifiable Paper Audit Trail
227.	WLR	Weapon Locating Radar
228.	WSPI	Whole Sale Price Index
229.	WUS	Windows Update Solution

REPORT

PART - I

CHAPTER I

GENERAL DEFENCE BUDGET

Introductory

The Committee found that the principal task of the Ministry of Defence is to obtain policy directions of the Government on all defence and security related matters and communicate them for implementation to the Service Headquarters, Inter-Service Organisations, Production Establishments and Research & Development Organisations. It is also required to ensure effective implementation of the Government's policy directions and the execution of approved programmes within the allocated resources. The Ministry of Defence comprises of four departments viz. Department of Defence (DoD), Department of Defence Productions (DDP), Department of Defence Research & Development (DDR&D) and Department of Defence, Ex-Servicemen Welfare and also Finance Division.

Demands for Grants 2019-20

1.2 There are four Demands for Grants in respect of the Ministry of Defence. They are as follows:

- (i) Grant No 18 – Ministry of Defence (Civil)
- (ii) Grant No 19– Defence Services (Revenue)
- (iii) Grant No 20 – Capital Outlay on Defence Services
- (iv) Grant No 21 – Defence (Pension)

1.3 While examining the subject, the Committee learnt that the requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, Jammu & Kashmir Light Infantry (J&K LI), Border Roads Organization, etc., and Defence Pensions, are provided for in two separate Civil Demands for Grants of the Ministry of Defence, viz. Demand No.18 - MOD(Civil) and Demand No. 21 - Defence Pensions. These are not included in the overall Defence Services allocation of ₹ 3,05,296.07 crore in Budget Estimates 2019-20.

1.4 The 'running' or 'operating' expenditure of the three Services and other Departments viz., Defence Research and Development Organisation (DRDO), Directorate General Ordnance Factories (DGOFF), Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC), Military Farms and Ex-Servicemen Contributory Health Scheme (ECHS) are provided under the Demand No. 19-Defence Services (Revenue), which caters for the Revenue expenditure, while the Demand No 20 viz., Capital Outlay on Defence Services, caters for the expenditure incurred on building or acquiring durable assets.

1.5 The Revenue expenditure includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, supplies by Ordnance Factories, rations, petrol, oil and lubricants, spares, etc.), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure. The Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, Tanks, Naval Vessels, Aircraft and Aeroengines, Dockyards, etc.

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

Defence Services Estimates (2019-20)

1.7 The Defence Services Estimates (DSE) reflects the detailed estimates for the Defence Services and Organizations/Services covered under Grant Number 19 and 20 of the Ministry of Defence. The Services and Organizations covered under DSE are as follows:

- i) Army (including National Cadet Corps and Director General Quality Assurance, Military Farms and Ex-Servicemen Contributory Health Scheme)
- ii) Navy (including Joint Staff)
- iii) Air Force

iv) Defence Research and Development Organization (DRDO)

v) Defence Ordnance Factories

[Military Farms and Ex-Servicemen Contributory Health Scheme have been shifted to Defence Services Estimates in BE 2019-20 (Regular Budget) by Ministry of Finance]

Civil and Pension Estimates (2019-20)

1.8 The requirement for the Civil expenditure of the Ministry of Defence and Defence Pensions are provided in Demand No. 18- Ministry of Defence (Civil) and Demand No. 21- Defence Pensions.

Demand No.18-Ministry of Defence (Civil)

1.9 The Committee learnt that major components of Gross Revenue expenditure in Revised Estimates 2018-19 are Canteen Stores Department (CSD)(₹ 16,507.43 crore), Defence Accounts Department (₹1,562.00 crore), Coast Guard Organisation-(CGO) (₹ 2,391.42 crore), Ministry of Defence Secretariat (₹ 224.05 crore), Defence Estates Organisation (DEO) (₹ 474.54 crore) and Jammu & Kashmir Light Infantry (₹ 1,256.21 crore), etc. In the Capital outlay of Ministry of Defence (Miscellaneous) of ₹ 4,490.99 crore (Net) in the Revised Estimates 2018-19, the major allocations are for the Capital outlay on other fiscal services- Customs (₹2,250.00 crore), Border Roads Organization (2,165.15 crore), Construction of Office and Residential buildings (₹ 18.10 crore & ₹ 12.69 crore) and Miscellaneous Loans for Unit Run Canteens (URC) by Canteen Stores Department (CSD) (₹ 1.80 crore), etc. BE & RE 2018-19 includes Military Farms and ECHS and BE 2019-20 excludes Military Farms & ECHS. The provisions in RE 2018-19 and BE 2019-20 under Demand No. 18 are given below:

(₹ in crore)

	BE 2018-19	RE 2018-19	BE 2019-20
Gross Revenue	28458.04	28811.18	27270.66
Capital	6651.73	6640.98	6967.85
Gross Expenditure	35109.77	35452.16	34238.51
<i>Receipts (CSD) (-)</i>	<i>17625.00</i>	<i>16775.00</i>	<i>18450.00</i>
Recoveries (BRO) (-)	1120.00	2200.00	2153.36
Army (Receipts & Recoveries)	158.68	158.68	0.00
Net Expenditure	16206.09	16318.48	13635.15

Demand No. 21- Defence Pensions

1.10 Defence Pensions, under the Ministry of Defence provides for Pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three services viz. Army, Navy and Air Force and also employees of Ordnance Factories etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc. The position of budgetary allocation under this head is as under:

(₹ in crore)

BE 2018-19	RE 2018-19	BE 2019-20
1,08,853.30	1,06,775.14	1,12,079.57

1.11 The requirement of ₹ 1,12,079.57 crore for BE 2019-20 has been worked out after taking in to account the variation of ₹3,226.27 crore over BE 2018-19 (₹1,08,853.30 crore). This is mainly due to Dearness Relief announced by the Government and growth in pension. There is also increase in amount of Gratuity, Family Pension, Leave Encashment and Superannuation & Retirement Benefits as a result of increase in number of retirees.

Budget Allocations for 2018-19 for Defence Services:

1.12 The Committee, from the General Budget found that the provision for Defence Services under Demand Nos. 19 and 20 for 2018-19 in the Budget Estimates (BE) was ₹ 2,99,107.93 crore (Gross) and ₹2,79,305.32 crore (Net). The Revised Estimates (RE) have been provided at ₹ 3,01,902.84 crore (Gross) and ₹ 2,82,100.23 crore (Net). On a net basis, the R.E. for 2018-19 shows an increase of ₹ 2,794.91 crore over the B.E. 2018-19. The net Revenue budget for BE 2018-19 at ₹ 1,85,323.19 crore has been increased by ₹2,794.91 crore to bring the RE at ₹1,88,118.10 crore. In the Capital Outlay, there is no increase and RE 2018-19 is same as BE 2018-19 of ₹ 93,982.13 crore.

1.13 The Major Head wise position under the Demands is as follows:

(₹in crore)				
S. No.	Demand	Major Head	B.E. 2018-19	R.E. 2018-19
1.	19- Defence Services (Revenue)	2076- Army (Revenue expenditure of Army including NCC, Rashtriya Rifles, DGQA but excluding Mil Farms & ECHS)	1,28,076.53	1,30,816.17
		2077- Navy (Revenue expenditure of Navy and Joint Staff)	19,571.37	20,795.04
		2078-Air Force (Revenue expenditure of Air Force)	28,821.27	28,105.43
		2079- Ord Fys (Revenue expenditure of Def Ord Fys)	727.28	472.82
		2080- R&D (Revenue expenditure of DRDO)	8,126.74	7,928.64
2.	20- Capital Outlay on Defence Services	4076- Capital Outlay on Defence Services (Capital expenditure of all Services i.e (Army excluding Mil Farms & ECHS, Navy including Joint Staff , Air Force, Ordnance Factories, R&D, DGQA)	93,982.13	93,982.13
		Total (Gross)	2,99,107.93	3,01,902.84
		Receipts/Recoveries	19,802.61	19,802.61
		Total (Net)	2,79,305.32	2,82,100.23

1.14 Out of the Revised Estimates of ₹ 2,82,100.23 crore for 2018-19, the provision for Revenue expenditure was ₹1,88,118.10crore, while that for Capital expenditure was ₹93,982.131 crore. The major components of the net Capital expenditure of ₹93,982.13

crore are for Land – ₹274.54crore, Works – ₹7,937.54 crore (incl. MAP), Aircraft – ₹ 29,080.11 crore, Heavy and Medium Vehicles (incl. DGOF Issues) – ₹ 1,857.94 crore, Other Equipment (incl. DGOF issues) – ₹ 28,686.06 crore (in respect of the three Services), Naval Fleet – ₹ 11,313 crore, Naval Dockyard – ₹ 2,405 crore and other items ₹ 12,427.94 crore.

Budget Estimates 2019-20

1.15 The Budget Estimates for 2019-20 work out to ₹ 3,25,751.70 crore (Gross) and ₹3,05,296.07 crore (Net). Details are as under:

(₹in crore)					
S.No.	Demand	Major Head	B.E. 2018-19	R.E. 2018-19	BE 2019-20
1.	19- Defence Services (Revenue)	2076- Army (Revenue expenditure of Army including NCC, Rashtriya Rifles & DGQA, Mil Farms & ECHS)	1,28,076.53*	1,30,816.17*	1,41,501.19
		2077- Navy(Revenue expenditure of Navy and Joint Staff)	19,571.37	20,795.04	22,211.71
		2078-Air Force (Revenue expenditure of Air Force)	28,821.27	28,105.43	29,601.69
		2079- OrdFys (Revenue expenditure of DefOrdFys)	727.28	472.82	50.58
		2080- R&D (Revenue expenditure of DRDO)	8,126.74	7,928.64	8,536.59
2.	20- Capital Outlay on Defence Services	4076- Capital Outlay on Defence Services (Capital expenditure of all Services i.e (Army including Mil Farms & ECHS, , Navy including Joint Staff , Air Force, Ordnance Factories, R&D, DGQA)	93,982.13*	93,982.13*	1,03,394.31
		Total (Gross)	2,99,107.93	3,01,902.84	3,25,751.70
		Receipts/Recoveries	19,802.61	19,802.61	20,455.63
		Total (Net)	2,79,305.32	2,82,100.23	3,05,296.07

(*Does not include allocations for ECHS & Military Farms)

1.16 The net Budget Estimates of Revenue expenditure for the year 2019-20 ₹ 2,01,901.76 crore which shows an increase of ₹ 13,783.66 crore when compared with the Revised Estimates for 2018-19. The net Budget Estimates of Capital expenditure for the year 2019-20 is ₹1,03,394.31 crore which shows an increase of ₹ 9,412.18 crore over the Revised Estimates 2018-19.

1.17 A comparison of the Service/Department-wise allocations in RE 2018-19 and BE 2019-20 is given below:

(₹ in crore)

Service/ Deptt.	R.E. 2018-19	%age of Total Budget	B.E. 2019-20	%age of Total Budget
Army	1,56,628.05*	55.52%	1,69,909.74	55.65%
Navy	41,685.91	14.78%	45,368.14	14.86%
Air Force	63,875.60	22.64%	68,948.88	22.58%
DGOF	1,276.50	0.45%	934.63	0.31%
R&D	17,610.38	6.24%	19,021.02	6.23%
DGQA	1,023.79	0.36%	1,113.66	0.36%
Total	2,82,100.23	100.00%	3,05,296.07	100.00%

(*Does not include allocations for ECHS & Military Farms.)

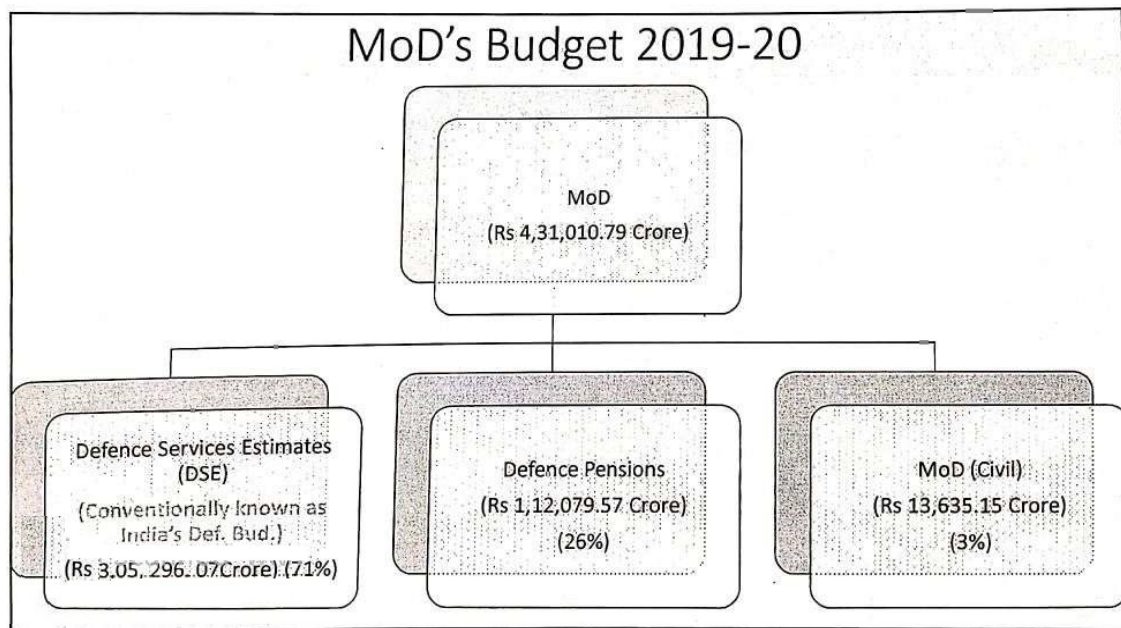
Net Revenue plus Capital provision has been shown here.

1.18 The Gross Revenue Expenditure in the Budget Estimates for 2019-20 is 68.26 percent of the gross allocation as compared to 68.87 percent in the Revised Estimates 2018-19. The Gross Capital Expenditure in the Budget Estimates 2019-20 is 31.74 percent as against 31.13 percent in the Revised Estimates 2018-19.

1.19 The Net Revenue expenditure in the Budget Estimates for 2019-20 is 66.13 percent as compared to 66.68 percent in the Revised Estimates, 2018-19. The Net Capital expenditure in the Budget Estimates 2019-20 is 33.87 percent as against 33.32 percent in the Revised Estimates 2018-19.

Defence Budget 2019-20: At a glance

1.20 During examination of DFG 2019-20 the Ministry, through a power point presentation before the Committee, submitted the following information:



Defence Budget : At a Glance

(Rs.in Crore)

Service	2018-19(BE)	2019-20 (BE)	2018-19(BE)	2019-20(BE)	2018-19(BE)	2019-20(BE)
	Revenue	Revenue	Capital	Capital	Total	Total
Army	1,28,076.53	1,41,501.19	26,825.67	29,522.21	1,54,902.20	1,71,023.40
Navy	19,571.37	22,211.74	20,848.16	23,156.43	40,419.53	45,368.14
Air Force	28,821.27	29,601.69	35,770.17	39,347.19	64,591.44	68,948.88
DGOF	727.28	50.58	803.68	884.05	1,530.96	934.63
DRDO	8,126.74	8,536.59	9,734.45	10,484.43	17,861.19	19,021.02
Total-DSE	1,85,323.19	2,01,901.76	93,982.13	1,03,394.31	2,79,305.32	3,05,296.07
MoD(Civil)	10,624.36	8,780.66	5,581.73	4,854.49	16,206.09	13,635.15
Total					2,95,511.41	3,18,931.22
Defence Pension					1,08,853.30	1,12,079.57
Grand Total					4,04,364.71	4,31,010.79

13 November 2019

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1.21 Details of budget provided under the Defence Services Estimates (DSE) in Budget Estimates (BE), Revised Estimates (RE) and Actual Expenditure for the last five years and the current year 2019-20 are tabulated as under:

(₹ in crore)

Years	BE Projections	BE Allocations	RE Projections	RE Allocation	Actual Expenditure
2014-15	3,08,362.72	2,29,000.00	2,42,139.91	2,22,370.00	2,18,694.18
2015-16	2,87,386.33	2,46,727.00	2,50,381.69	2,24,636.00	2,25,894.85
2016-17	2,91,983.55	2,49,099.00	2,89,744.69	2,48,004.97	2,51,780.73
2017-18	3,27,497.84	2,62,389.81	3,26,758.33	2,67,107.95	2,76,572.48
2018-19	4,01,043.61	2,82,733.27	3,67,388.18	2,85,423.14	2,90,803.99
2019-20	4,05,784.84	3,05,296.07	-	-	-

Growth of Defence Budget vis-a-vis rate of inflation

1.22 On being asked to furnish details of the growth of Defence Budget, considering the present rate of inflation in terms of whole sale price index (WSPI) and Consumer Price Index (CPI), the Ministry of Defence submitted the following information:-

“Present annual rate of inflation as per the Economic Survey 2018-19 based on CPI-Combined (CPI-C) New Series has fluctuated around 3.4 percent. The annual rate of inflation based on monthly Wholesale Price Index (WPI) stood at 4.3 percent (Provisional) for the year 2018-19 as compared to 3.0 percent for the previous year 2017-18. Based on Consumer Price index, the inflation stood 3.99 percent (Provisional) in September, 2019 as compared to 3.70 percent in September, 2018. Comparison with the growth of Defence Budget considering the CPI based inflation as per the Economic Survey is as follows:

Defence Budget	2017-18 (Actuals)#	2018-19		2019-20 (BE)
		BE	RE	
Revenue Expenditure	1,82,121.42	1,85,323.19	1,88,118.10	2,01,901.76
Capital Expenditure	90,438.39	93,982.13	93,982.13	1,03,394.31
Total	2,72,559.81	2,79,305.32	2,82,100.23	3,05,296.07
Defence Budget % Growth			3.50*	8.22**
Inflation Rate (CPI) Annually (%)			3.40	
Actual Increase Adjusting Inflation			0.10%	

* Based on RE of 2018-19 over 2017-18 (Actuals)

** Based on BE of 2019-20 over 2018-19 (RE)'

Growth of Defence Budget vis-a-vis Central budget expenditure (CGE) and Gross Domestic Product (GDP):

1.23 The allocation of Defence Budget, including Civil estimates and Pension for 2019-20 is ₹ 4,31,010.79 Crore, which accounts for 15.47 percent of total Central Government Expenditure and 2.04 percent of GDP for the year 2019-20. Further, Capital budget of the Ministry of Defence for 2019-20 is 32 percent of the Capital Expenditure of Central Government Expenditure.

1.24 Data on growth of Defence Budget as given to the Committee in comparison to central budget and GDP, in absolute and relative terms, for the last five years is as under:

(₹ in crore)

Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp % of CGE	GDP	Def. Exp % of GDP
2014-15	2,85,202.87	17,90,783	15.93	1,05,36,984	2.71
2015-16	3,10,079.60	17,90,783	17.32	1,13,81,002	2.72
2016-17 (Actual)	3,40,921.98	19,75,194	17.26	153,62,386 (2nd RE)	2.22
2017-18# (RE)	3,59,854.12	22,17,750	16.23	170,95,005 (1st RE)	2.11
2018-19 (BE)	4,04,364.71	24,42,213	16.56	188,40,731	2.15
2019-20(BE)	4,31,010.79	27,86,349	15.47	211,00,607	2.04

Note: GDP figures for FY 2016-17 and 2017-18 have been taken from Economic Survey 2018-19 (Vol-II) – Components of GDP at Current Prices

-GDP figures for 2018-19 and 2019-20 are as per Budget at a Glance (2019-20)

-BE: Budget Estimates RE: Revised Estimates.

1.25 When asked to provide relevant information in regard to the Defence Budget of neighbouring and developed countries *vis-a-vis* their Central Budget and GDP, the Ministry furnished following information:

“A like to like comparison of the data on defence spending vis-à-vis that of other countries is difficult due to lack of uniformity in treatment of different components of expenditure and non-availability of reliable published data. Nevertheless, based on inputs from Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, data on Defence Budget in respect of neighbouring countries and some advanced countries, including defence spending as percentage of their GDP and share of government spending, is given below:

[In current US \$ Million]

Country	2016			2017			2018		
	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp
China	[216031.3]	[1.9]	6.0	[227829.4]	[1.9]	5.9	[249996.9]	[1.9]	5.5
Pakistan	9973.8	3.6	18.0	11461.3	3.8	17.7	11375.5	4.0	18.5
USA	600106.4	3.2	9.2	605802.9	3.1	8.9	648798.3	3.2	9.0
Russia	69245.3	5.5	14.8	66527.3	4.2	12.1	61387.5	3.9	11.4
UK	48118.9	1.8	4.7	46433.3	1.8	4.6	49997.2	1.8	4.6

Figures in [bracket] are SIPRI Estimates.”

1.26 In the 40th Report of Standing Committee on Defence (16th Lok Sabha), the Committee had recommended for having a benchmark percentage of GDP earmarked for deciding on the allocation to the Defence Sector. When asked as to how the Ministry of Defence would ensure that the Defence Budget is at least 3 percent of GDP, the Ministry in its written reply submitted as under:

“It may not be always appropriate to link Defence spending in terms of national economic output. If the economy grows at a faster rate, spending decreases as a percentage of GDP. But it doesn’t mean that the level of spending has fallen, or has even become inadequate. Looking at the spending as a percentage of

GDP thus creates an illusion of declined spending by ignoring the size of economy

This question was also examined in detail by the Kargil Review Committee. It too, did not recommend a specific, targeted percentage of GDP to be earmarked for Defence. It exhorted the need to extract the maximum value from each defence rupee, inter-alia, through rigorous prioritisation, restructuring of the defence forces, integration with defence production and focussing resources in areas likely to enhance the effectiveness of the defence forces”.

1.27 On being specifically asked if the growth of Defence Budget could be termed as negative, the Ministry of Defence submitted following reply:

“The amount allocated/expended in respect of Capital Acquisition (Modernization) for last five years is as under:-

(₹ in crore)

Year	BE	RE	MA (Final Grant)	Expenditure
2014-15	75,148.03	66,151.73	65,706.04	65,862.38
2015-16	77,406.69	65,400.00	61,699.39	62,235.54
2016-17	70,000.00	62,719.36	64,953.86	69,396.69
2017-18	69,473.41	68,965.24	68,980.89	72,732.20
2018-19	74,115.99	73,882.95	74,538.54	75,892.85
2019-20	81,008.57	-	-	58,519.37*

* As on 30.09.19

From the above data it may be seen that from 2014-15 onwards, expenditure under Capital Acquisition head has increased by more than ten thousand crore by 2018-19. Lesser expenditure than previous year in some years may occur due to various factors including cut at RE stage, non-fructification of contractual milestones, non-delivery of equipment/items, lesser number/volume of projects than previous year etc.”

1.28 When asked the manner in which growth of Defence Budget will impact the modernisation/ acquisition plans of the Forces, the Ministry replied as under:

“Acquisition Wing, being a specialist organization created on the basis of the Kargil Committee Report and recommendations of the Group of Ministers, not only monitors capital expenditure, but also looks after all capital acquisition projects from inception to finality. In addition, the Defence Procurement Board, which is chaired by Defence Secretary and The Defence Acquisition Council headed by Raksha Mantri comprises of all stakeholders, monitors adherence to broad timelines in Defence Procurement.

The modernisation plans of the Forces will proceed as planned. Additional funds will be sought as and when required.”

Projections made by the Services

1.29 Details regarding the projections made by the three services, allocations made at BE and RE stage and the expenditure incurred during the last five years, and the projected outlay and BE allocation for 2019-20, separately for capital and revenue, are as follows:-

REVENUE

(₹ in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2014-15	Army	1,04,837.88	91,844.02	99,420.15	97,501.40	95,973.22
	Navy	19,570.57	13,975.79	15,753.51	13,935.79	13,678.87
	Air Force	27,073.41	20,506.84	22,368.56	20,185.86	19,741.06
2015-16	Army	1,09,758.22	1,03,315.91	1,04,408.45	1,00,106.78	1,02,847.18
	Navy	18,546.58	15,525.64	15,838.30	14,635.18	14,992.04
	Air Force	29,632.28	23,000.09	23,000.09	20,377.09	21,020.95
2016-17	Army	1,15,561.78#	1,12,764.62#	1,21,686.11#	1,17,925.22#	1,16,901.93#
	Navy	18,502.56	17,424.79	19,348.23	17,813.99	17,136.77
	Air Force	25,728.60	23,655.83	23,817.22	23,817.52	22,856.44
2017-18	Army	1,52,491.22	1,19,961.51	1,29,287.59	1,21,451.80	1,27,507.48
	Navy	22,473.64	18,493.82	20,545.47	18,878.93	18,715.05
	Air Force	29,147.29	24,802.33	29,746.42	27,209.61	27,393.20
2018-19	Army	1,51,814.73	1,27,059.51	1,41,456.91	1,29,812.34	1,34,241.38
	Navy	23,747.75	19,571.37	24,420.58	20,795.04	20,856.23
	Air Force	35,260.79	28,821.27	32,407.37	28,105.43	28,291.25
2019-20	Army	1,57,896.23	1,40,398.49			
	Navy	27,086.29	22,211.71			
	Air Force	34,849.50	29,601.69			

(# Includes allotment to NCC, Military Farms, Rashtriya Rifles and ECHS which were shifted to modified Grant No. 20-Ministry of Defence(Miscellaneous) from FY 2016-17, but have been transferred back to Defence Services Estimates in FY 2017-18, with exception of Military Farms and ECHS, for the purpose of comparison with previous as well as future years)

Note: Navy includes Joint Staff

CAPITAL				(₹ in crore)		
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2014-15	Army	41,936.15	26,533.60	23,832.67	21,933.54	18,586.73
	Navy	28,253.21	23,832.67	22,903.31	18,507.07	22,269.66
	Air Force	62,408.33	33,710.68	38,948.19	33,710.68	32,796.42
2015-16	Army	31,938.67	27,342.42	27,845.33	24,230.47	20,703.70
	Navy	26,268.13	25,003.24	25,152.20	19,740.06	19,874.69
	Air Force	46,191.96	33,686.75	35,780.78	30,442.15	31,198.32
2016-17	Army	37,960.18#	26,935.81#	34,489.90#	24,017.86#	28,462.11#
	Navy	30,223.31	22,000.09	22,530.04	19,596.28	19,996.88
	Air Force	41,266.41	29,795.42	36,512.95	28,239.86	30,414.79
2017-18	Army	42,485.93	25,205.71	40,791.43	25,205.71	27,148.26
	Navy	28,591.56	19,348.16	27,717.41	19,348.16	20,118.58
	Air Force	62,048.85	33,570.17	52,548.50	33,570.17	34,917.60
2018-19	Army	44,572.63	26,815.71	41,614.41	26,815.71	27,438.66
	Navy	35,695.41	20,848.16	30,735.65	20,890.87	21,509.60
	Air Force	77,694.74	35,770.17	68,579.46	35,770.17	36,451.74
2019-20	Army	44,690.98	29,511.25			
	Navy	37,220.98	23,156.43			
	Air Force	74,894.56	39,347.19			

(# Includes allotment to NCC, Military Farms, Rashtriya Rifles and ECHS which were shifted to modified Grant No. 20-Ministry of Defence(Miscellaneous) from FY 2016-17, but have been transferred back to Defence Services Estimates in FY 2017-18, with exception of Military Farms and ECHS, for the purpose of comparison with previous as well as future years)

Note: Navy includes Joint Staff

REVENUE + CAPITAL

(₹ in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2014-15	Army	1,46,774.03	118,377.62	123,252.82	119,434.94	114,559.95
	Navy	47,823.78	37,808.46	38,656.82	32,442.86	35,948.53
	Air Force	89,481.74	54,217.52	61,316.75	53,896.54	52,537.48
2015-16	Army	1,41,696.89	1,30,658.33	1,32,253.78	1,24,337.25	1,23,550.88
	Navy	44,814.71	40,528.88	40,990.50	34,375.24	34,866.73
	Air Force	75,824.24	56,686.84	58,780.87	50,819.24	52,219.27
2016-17	Army	1,53,521.96#	1,40,675.80#	1,69,576.52#	141943.08#	145364.04#
	Navy	48,725.87	39,424.88	41,878.27	37410.27	37133.65
	Air Force	66,995.01	53,451.25	60,330.17	52057.38	53271.23
2017-18	Army	1,94,977.15	1,45,167.22	1,70,079.02	1,46,657.51	1,61,680.78
	Navy	51065.20	37841.98	48262.88	38227.09	42,425.13
	Air Force	91,196.14	58,372.50	82,294.92	60,779.78	64,743.83
2018-19	Army	1,96,387.36	1,53,875.22	1,83,071.32	1,56,628.05	1,61,680.04
	Navy	59,443.16	40,419.53	55,156.23	41,685.91	42,365.83
	Air Force	1,12,955.53	645,91.44	1,00,986.83	63,875.60	64,742.99
2019-20	Army	2,02,587.21	1,69,909.74			
	Navy	64,307.27	45,368.14			
	Air Force	1,09,744.06	68,948.88			

(# Includes allotment to NCC, Military Farms, Rashtriya Rifles and ECHS which were shifted to modified Grant No. 20-Ministry of Defence(Miscellaneous) from FY 2016-17, but have been transferred back to Defence Services Estimates in FY 2017-18, with exception of Military Farms and ECHS, for the purpose of comparison with previous as well as future years)

Note: Navy includes Joint Staff.

Additional allocation sought by the services

1.30 When the Ministry was asked to furnish the details of additional allocation sought by the services and the actual allocation given to term during the last five years, the Ministry submitted following information:

(₹ in crore)

Year	Service	BE	RE		Additional amount sought in RE
		Allocated	Projected	Allocated	
2014-15	Army	118,377.62	123,252.82	119,434.94	4,875.20
	Navy	37,808.46	38,656.82	32,442.86	848.36
	Air Force	54,217.52	61,316.75	53,896.54	7,099.23
2015-16	Army	1,30,658.33	1,32,253.78	1,24,337.25	1,595.45
	Navy	40,528.88	40,990.50	34,375.24	461.62
	Air Force	56,686.84	58,780.87	50,819.24	2,094.03
2016-17	Army	1,39,700.43#	1,69,576.52	1,41,943.08	29,876.09
	Navy	39,424.88	41,878.27	37,410.27	2,453.39
	Air Force	53,451.25	60,330.17	52,057.38	6,878.92
2017-18	Army	1,45,167.22	1,70,079.02	1,46,657.51	24,911.80
	Navy	37,841.98	48,262.88	38,227.09	10,420.90
	Air Force	58,372.50	82,294.92	60,779.78	23,922.42
2018-19	Army	1,53,875.22	1,83,071.32	1,56,628.05	29,196.10
	Navy	36,622.59	50,380.02	37,795.25	13,757.43
	Air Force	64,591.44	1,00,986.83	63,875.60	36,395.39

Trends in Ministry of Defence Expenditure

1.31 During their presentation before the committee, the Ministry submitted following data regarding trends of expenditure by the Ministry of Defence during the last ten years:

Trends in Ministry of Defence Expenditure				
	Ministry of Defence (Misc./ Civil) (₹ in Crore)	Pensions (₹ in Crore)	DSE (₹ in Crore)	Total (₹ in Crore)
2010-11	3382	37336	154117	194606
2011-12	5194	37569	170913	213673
2012-13	5567	43368	181776	230642
2013-14	5235	45500	203499	254133
2014-15	5960	60450	218694	285005
2015-16	7787	60238	225895	293920
2016-17	15014	87826	248710	351550
2017-18	15143	92000	272560	379703
2018-19	13996	101775	287689	403460
2019-20 (BE)	13635	112080	305296	431011

Compromises made or likely to be made due to reduced budgetary allocation

1.32 When asked to furnish the reasons for reduction in the allocation of projected funds to the services as adduced by the Ministry of Defence and Finance, the Ministry of Defence replied as under:

“This Ministry proposes requirements projected by Services to Ministry of Finance for favourable consideration. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services and the pace of expenditure in the current Financial Year”.

1.33 When asked to state the areas where compromises have been made or likely to be made due to reduced budgetary allocation as compared to the projections made by the three Services and other organisations/heads, the Ministry of Defence responded as under:

“Under the revenue segment, provision is first made for salary 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.

In so far as the capital segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialise during the year. The remaining allocation is distributed to meet the projected requirement for other items.

The allocated funds are optimally and fully utilized towards operational activities. If required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Forces.” (Preliminary Replies, Part-I, Pg. 56)

1.34 During oral evidence existing for examination of Demands for Grants (DFG) 2019-20, the Defence Secretary apprised the Committee of the compromises made due to reduced budgetary allocations by stating:

“मोटे तौर पर हम कोशिश करते हैं कि हमारी रिकायरमेंट पूरी हो सके। उसमें हम 10(1) के लिए प्रायरिटी देते हैं ताकि 10 दिनों की एम्युनिशंस और दूसरी चीजों की जो भी रिकायरमेंट्स हैं, वे पूर्णतया पूरी की जा सके।

हमने कैपिटल में प्रायरिटी बनाने की कोशिश की है, मैं वाइसचीफ ऑफ नेवी स्टाफ सेरिक्रेस्ट करूंगा कि वे इस संबंध में उल्लेख करेंगे। लेकिन एक प्रायरिटी बनाई जाती है ताकि अगर बजट कम पड़ जाए, तो जो टॉप प्रायरिटी के आइटम्स हैं, उनको पहले प्रोक्योर करने की कोशिश करते हैं।”

1.35 In this regard, the Vice Chief of the Naval Staff supplemented as under:

“नेवी का कैपिटल बजट लगभग 85 पर्सेंट खर्च हो गया है। जैसा कि डिफेन्स सेक्रेटरी साहब ने हाइलाइट किया, हमें प्रायरिटी देनी होती है। कुछ चीजें, जो हमारी प्रायरिटी लिस्ट में इस साल हैं, हमें बाई फोर्स उनको पोस्टपोंड करना पड़ता है।

जो भी पेमेंट्स हैं, हमें फॉरेन ओ.ई.एम्स. के लिए तो कम्पलसरी तौर पर पेमेंट करना ही पड़ता है, नहीं तो लीगल इश्यूज हो जाएंगे। डिफेन्स पीएसयूज आदि के पेमेंट्स को हम थोड़ा पोस्ट पोंड कर देते हैं। हम उनको कहते हैं कि थोड़ा इंतजार कीजिए, अगले बजट में हम पेमेंट कर देंगे। अभी नेवी के 50 शिप्स ऑन ऑर्डर हैं, जिनमें से 48 शिप्स तो इंडियन शिपयार्ड्स में ही बन रहे हैं। बाहर से सिर्फ दो शिप्स आ रहे हैं। अभी हमें 41 शिप्स और 6 सबमरीन के लिए एओएन मिले हैं, वे पूरी तरह से इंडिया में ही बनने वाले हैं। कुछ एयरक्राफ्ट्स जैसे पी आई-8 बाहर से लाते हैं, बाकी डोनियर, चेतक आदि एचएएल में ही बनते हैं। हम एचएएल का पेमेंट थोड़ा डिले कर देते हैं। इस तरह से हम मैनेज करते हैं।

प्रायरिटी देकर और पेमेंट में डिले करके हम चीजों को मैनेज करते हैं।”

Chief of Defence Staff

1.36 The Committee in their earlier reports had recommended creation of the post of Chief of Defence Staff for better coordination among the services. The Hon'ble Prime Minister announced creation of the post of Chief of Defence Staff on 15 August, 2019.

1.37 On this issue the Defence Secretary, during oral evidence of the representative of the Ministry of Defence, apprised the Committee as under:

“.... the Cabinet has approved setting up of a Committee under the Chairmanship of NSA to finalise the roles, responsibilities and mandate of CDS. So, the decision for CDS has already been taken, and was also announced by the hon. Prime Minister. Now, the Committee has had several rounds of discussion and it is likely to give its report shortly, after which this should go forward.”

CHAPTER II

BORDER ROADS ORGANISATION

The Committee were informed that Government of India (Allocation of Business Rules 1961) has been amended vide notification dated 9th January 2015 to include 'all matters relating to Border Roads Development Board and Border Roads Organisation (BRO)' in the list of business allocated to the Ministry of Defence. Accordingly, the budget allocation for BRO from BE 2015-16 onwards is under the Ministry of Defence. In addition, separate budget allocation is done to BRO by other agencies such as Ministry of Road Transport and Highways (MoRT&H), Ministry of External Affairs (MEA), Ministry of Home Affairs (MHA), etc for which BRO is executing certain works.

Allocations to BRO

2.2 The details of allocation to BRO, made by various Ministries at BE and RE stage and expenditure incurred during last five years are given below:-

(₹ in Crore)				
YEAR	AGENCY	BE Allotment	Final Allotment	Expenditure
2015-16	MoD(Misc)	3481	3316.22	3276.70
	MoRT&H	540	434.00	432.15
	MEA	76	56.31	56.22
	MHA	60	60.00	59.17
	MoD	442	447.08	440.14
	Ministry of Development of North Eastern Region (M DoNER)	10	10.00	9.95
	Deposit	59	37.09	37.09
	Total	4668	4360.70	4311.42
2016-17	MoD(Misc)	3526	3790.87	3881.12
	MoRT&H	400	338.00	337.22
	MEA	57	40.62	40.51
	MHA	74	74.20	72.07
	MoD	845	602.04	606.01
	M DoNER	3	5.00	4.95
	Deposit	60	70.15	27.98
	Total	4965	4920.88	4969.86
2017-18	MoD(Misc)	4168.20	4180.69	4239.56
	MoRT&H	370.00	320.00	317.90

	MEA	35.08	49.75	49.75
	MHA	101.62	83.15	82.97
	MoD	523.60	726.43	725.67
	M DoNER	5.00	5.00	5.00
	Deposit	70.94	91.55	36.85
	Total	5274.44	5456.57	5457.70
2018-19	MoD(Misc)	4426.16	4860.77	5360.82
	MoRT&H	450.00	385.00	362.54
	MEA	34.91	42.33	42.33
	MHA	136.57	183.78	183.92
	MoD	510.35	692.21	691.68
	M DoNER	5.00	5.00	5.00
	Deposit	19.55	112.72	59.56
	Total	5582.54	6281.81	6705.85
2019-20 (Sept)	MoD (civil)	5234.22	Not yet allocated	2905.64
	MoRT&H	427.50		270.87
	MEA	22.65		8.06
	MHA	221.12		73.62
	MoD	920.11		398.20
	MDoNER	4.74		0.00
	Deposit	19.74		41.12
	Total	6850.08		3697.60

2.3 The Ministry was asked to submit the details of the projected amount and allocations during the last five years, however, it has not submitted any information in this regard.

2.4 The details of Capital and Revenue budget allocation and expenditure for the last five years are given below:-

(₹ in Crore)

Year	Agency	Capital Budget		Revenue Budget		Total Allotment	Total Expenditure
		Allotment	Expenditure	Allotment	Expenditure		
2015-16	MoD (Misc)	2154.80	2104.86	1161.42	1171.84	3316.22	3276.70
	MoRT&H	294.00	293.64	140.00	138.51	434.00	432.15
	MEA	0.00	0.00	56.31	56.22	56.31	56.22
	MHA	60.00	59.17	0.00	0.00	60.00	59.17
	MoD	433.00	427.50	14.08	12.64	447.08	440.14

	Others & Deposit	47.09	47.04	0.00	0.00	47.09	47.04
	Total	2988.89	2932.21	1371.81	1379.21	4360.70	4311.42
2016-17	MoD (Misc)	2517.53	2587.46	1273.34	1293.66	3790.87	3881.12
	MoRT&H	223.00	222.47	115.00	114.75	338.00	337.22
	MEA	0.00	0.00	40.62	40.51	40.62	40.51
	MHA	73.81	71.81	0.38	0.27	74.20	72.08
	MoD	580.73	584.71	21.31	21.30	602.04	606.01
	Others & Deposit	75.15	32.92	0.00	0.00	75.15	32.92
	Total	3470.22	3499.37	1450.65	1470.49	4920.88	4969.86
2017-18	MoD (Misc)	2708.46	2774.47	1472.23	1465.09	4180.69	4239.56
	MoRT&H	185.00	183.11	135.00	134.79	320.00	317.90
	MEA	0.00	0.00	49.75	49.75	49.75	49.75
	MHA	82.15	81.97	1.00	1.00	83.15	82.97
	MoD	708.90	708.53	17.53	17.13	726.43	725.67
	Others& Deposit	96.55	41.85	0.00	0.00	96.55	41.85
	Total	3781.06	3789.94	1675.51	1667.76	5456.57	5457.70
2018-19	MoD (Misc)	2028.50	2120.43	2832.27	3240.39	4860.77	5360.82
	MoRT&H	270.00	248.10	115.00	114.44	385.00	362.54
	MEA	0.00	0.00	42.33	42.33	42.33	42.33
	MHA	182.22	182.36	1.56	1.56	183.78	183.92
	MoD	683.23	683.05	8.98	8.63	692.21	691.68
	Others& Deposit	117.72	64.56	0.00	0.00	117.72	64.56
	Total	3281.67	3298.50	3000.14	3407.35	6281.81	6705.85

2019-20 (Sept)	MoD (Civil)	2321.00	1049.15	2913.22	1856.48	5234.22	2905.63
	MoRT&H	312.50	204.36	115.00	66.51	427.50	270.87
	MEA	0.00	0.00	22.65	8.06	22.65	8.06
	MHA	218.82	73.36	2.30	0.26	221.12	73.62
	MoD	912.50	395.23	7.61	2.98	920.11	398.21
	Others & Deposit	24.48	41.21	0.00	0.00	24.48	41.21
	Total	3789.30	1763.31	3060.78	1934.29	6850.08	3697.60

2.5 When specifically asked to explain as to how the Ministry of Defence has been able to maintain Border Roads in the wake of inadequacy of funds being faced from time to time, the Ministry through a written note replied as under

“Finance Ministry allocates funds, based on the absorption capacity of the department and resources available. Resurfacing works are planned accordingly. Further, with a view to improve the quality of maintenance, Director-General Border Roads (DGBR) has been delegated powers to fix rates for maintenance and snow clearance.”

Additional Allocation sought by BRO

2.6 The details of additional allocation sought by BRO from Ministry of Finance during the Financial Year 2018-19 were provided to the Committee which are given below:-

- (a) An additional amount of ₹ 1162.84 crore was sought during the Second batch of Supplementary Demand for Grants 2018-19.
- (b) An additional amount of ₹ 4.00 crore was sought during the third batch of Supplementary Demand for Grants 2018-19
- (c) An additional amount of ₹ 1302.84 crore was sought at the RE stage.

However, an additional amount of ₹ 434.61 crore was allotted to BRO at RE 2018-19 stage.

2.7 The Ministry was asked to state the areas where compromises have been made or likely to be made due to reduced budgetary allocation against the projections made by the BRO. In a written note the Ministry apprised the Committee as under:

“Ministry of Finance (MoF) imposes ceiling on the allocation of budget at the (BE) and Revised Estimate (RE) stage, based on the actual expenditure incurred during the last financial year and in the current financial year respectively. In order to increase the pace of expenditure following steps have been taken:-

- (a) **Guidelines for preparation of AWP and APP:** In order to prioritize the Annual Works Plan and to make it more realistic with reference to the budget availability, new policy guidelines for preparation of AWP and APP have been issued.
- (b) **Enhanced Delegation of Administrative and Financial Powers:** The main objective of enhanced delegation of powers right upto the level of Chief Engineer and Task Force Commander is to bring transformational changes in the organization in order to improve the pace of execution of works to meet the requirement of the Armed Forces and to avoid delays on account of references between the Chief Engineer and HQ DGBR and also between HQ DGBR and MoD.
- (c) **Engineering Procurement Contract (EPC) Mode of execution:** In order to enhance the capacity of BRO and to ensure the completion of various roads projects in the border areas as per the requirement of the Army, guidelines for adoption of EPC mode of execution have been issued by the Ministry, so that BRO is able to outsource road projects to big companies.
- (d) Delinking of salary of BRO personnel from works has been approved.”

Additional Allocation sought by the BRO during 2018-19

2.8 The Committee have been informed about the details of additional allocation sought by BRO from Ministry of Finance during the FY 2018-19 which are given below:-

- (a) An additional amount of ₹ 1162.84 crore was sought during the Second batch of Supplementary Demand for Grants 2018-19.
- (b) An additional amount of ₹ 4.00 crore was sought during the third batch of Supplementary Demand for Grants 2018-19
- (c) An additional amount of ₹ 1302.84 crore was sought at the RE stage.

However, an additional amount of ₹ 434.61 crore was allotted to BRO at RE 2018-19 stage.

Required and existing number of equipment with BRO

2.9 The details of requirement and existing equipment of BRO for the last five years are given below:-

Type of Equipment	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20	
	Requirement	Existing	Requirement	Existing	Requirement	Existing	Requirement	Existing	Requirement	Existing
Dozer-II Equivalent	1797	1458	1702	1394	795	1261	1278	1230	1457	1317
Stone crusher all types	721	177	995	385	316	298	279	327	280	324
Road Roller	908	777	1215	984	543	737	595	813	557	807
Air Compressor	1412	1107	1182	872	546	710	1158	1087	713	1123
Hot Mix Plant	192	91	166	104	82	100	84	117	84	113
Wet Mix Plant	46	38	66	36	28	38	18	39	16	38
Paver Finisher	238	156	230	155	108	150	103	151	102	146
Tippers	6263	3758	9913	4178	4561	3978	6348	4912	5266	4964

2.10 When asked to delineate the steps taken to fill the gap between required and existing equipment with BRO, the Ministry replied as under:

“Earlier, the approval for procurement of equipment was based on the approved five year Long Term Equipment Plan which was not realistic with reference to the allocation of budget to BRO. Accordingly, Policy guidelines for preparation of Annual works plan (AWP) and Annual procurement plan (APP) with reference to fund allocation to BRO has been issued vide this office letter dated 19 June 2017 so that the planning of works and the requirement of resources i.e. the size of APP is more realistic.

Accordingly, based on the requirement and shortage of equipment Annual Procurement Plan amounting to ₹ 168.90 crore has been approved for FY 2019-20.

Further, in order to induct the latest Vehicles/Equipment/Plants (V/E/P) in BRO and to complete the preparatory action for timely procurement, enhanced delegation of powers for procurement of both indigenous and foreign construction equipment has been accorded to DGBR.”

2.11 The Committee desired to know whether any order to import equipment to be used by BRO has been pending in the Ministry. In this regard, the Ministry of Defence through written reply submitted the following information:

“No order for import of equipment to be used by BRO is pending with the Ministry. However, to expedite the induction of construction equipment in BRO, DGBR has been delegated enhanced financial powers for procurement of both indigenous and foreign equipment upto ₹ 100Cr.”

Construction of Roads by BRO

2.12 In regard to construction of roads by BRO, the Ministry of Defence in a written reply state:

“In order to concentrate simultaneously on the Northern and North-Eastern Borders and for the holistic development of roads in border areas, a five year (2018-23) Long Term Roll on Works Plan (LTRoWP) has been approved for the construction/improvement for 265 roads of length 14224.12 km, 4 Ditch cum Bund (DCB) of length 353.22 km and 4 bridges. As such there is no specific definition for border roads and all roads strategically important approaching to border and approved in the LTRoWP may be considered for border roads.”

2.13 The state wise details as submitted to the Committee are given below:-

S/No	State	Nos. of roads	Length (in km)	Remarks
a	Arunachal Pradesh	62	3173.82	(including 1 Br)
b	Himachal Pradesh	07	567.64	
c	Jammu & Kashmir	61	2295.63	(including 2 DCB of length 139.87km)
d	Ladakh	44	3185.95	(including 1 Br)
e	Manipur	09	520.61	
f	Nagaland	02	251.25	
g	Uttarakhand	24	936.55	
h	Andaman & Nicobar	01	23.94	
i	Bhutan	08	550.99	
j	Mizoram	08	589.63	
k	Punjab	06	250.13	(including 2 Br and 2 DCB of length 213.35 km)
l	Rajasthan	23	1630.04	
m	Sikkim	18	601.18	
Total		273	14577.33	

2.14 The Committee have been given to understand that at present BRO is also entrusted with the construction of roads in Bhutan and Tajikistan. Further, BRO has also constructed roads in Myanmar and Afghanistan.

Cost of Construction of Roads

2.15 As regards the comparative cost of construction as well as maintenance of roads by BRO and NHAI perform the Ministry of Defence submitted as under:

“The project cost depends upon various factors such as terrain, geographical area, geological aspect, traffic plying on the stretch, number of cross roads, number and size of structure, availability of construction material, distance for transporting the construction materials and standard schedule of rate. Therefore, it is very difficult to arrive at a normative cost of construction for various lane configurations across the country.

However, the cost of construction of roads by BRO and Ministry of Road Transport and Highways (Mo RT & H) is given below:-

Description of work	Hilly terrain rate per km (in crore)	
	BRO	MoRT&H
New double lane road	9.86	10.11
Improvement to double lane specification	6.64	6.73

The cost of maintenance for various types of roads and terrain in BRO and MoRT&H is given below:-

Type of road	Type of terrain	Rate in BRO (in lakh) km/year	Rate in MoRT&H (in lakh) km/year
Class-9	Hilly	2.88	In case of MoRT&H, most of the works are executed on EPC mode wherein as per the contract the maintenance of road is to be done for a period of five year at a cost of 2.5 percent of the civil cost.
Intermediate width		4.21	
Double Lane		4.98	

2.16 Directorate General Border Roads (DGBR) has revised various maintenance grants for the F.Y. 2017-18, 2018-19 and 2019-20. Revision of rates based on revision of Standard Schedule of Rates (SSR) 2016 due to price escalation has been done for the following:-

- (i) Maintenance of roads
- (ii) Resurfacing
- (iii) Snow clearance
- (iv) Building maintenance

2.17 When asked to furnish details of impact of such revision would have on functions of BRO, the Ministry submitted as under:-

“The revised maintenance rates will enable BRO executives to deploy more resources to carry out the routine maintenance of roads and resurfacing as per the specifications, which will help to improve the following:-

- (i) Reduce the rate of deterioration of road surface.
- (ii) Lower the cost of operating vehicles on the road by providing a smooth riding surface.
- (iii) Improve safety of road users.
- (iv) Improve the reliability of the road allowing it to remain open for traffic on a continuous basis and thus contribute to a more reliable transport service.”

Status of roads in difficult area like Uttarakhand, J&K, Ladakh and North East region.

2.18 The Committee have been informed that out of the 273 roads of length of 14577.33 kilometre, identified by the Army for construction/improvement, 24 roads of length 936.55 kilometre are in the state of Uttarakhand, 61 roads of length 2295.62 kilometre are in Jammu & Kashmir, 44 roads of length 3185.95 kilometre are in Ladakh and 100 roads of length 5610.43 kilometre are in the North Eastern Region (excluding roads in Bhutan).

Status of Indo-China Border Roads (ICBRs)

2.19 The Ministry of Defence submitted the status of ICBRs as on 10 November, 2019 during its power point presentation, which is as under:-

COMPLETION SCHEDULE: ICBRs

<u>S No</u>	<u>Head</u>	<u>FY 2018-19</u>		<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>Total Bal</u>
		<u>Planned</u>	<u>Comp- leted</u>					
1.	CSG	02	01*	01 + 01	03	-	01	06
2.	Army (GS)	04	04	07	05	04	01	17
3.	MHA (ITBP)	-	-	02	01	02	-	05
Total		06	05	10 + 01	09	06	02	28

- 75 km out of 86 km complete on Tato - Manigong – Tadadege road, traffic plying upto end point. Only top layer balance.

CSG-China Study Group

GS-General Staff

ITBP- Indo-Tibetan Border Police

Delay in executive of Projects and difficulties in maintenance of roads

2.20 The Ministry enumerated followings reasons for certain delays in execution of road projects:-

- “(a) Delay in Forest/Wildlife clearance
- (b) Hard rock stretches
- (c) Limited working season
- (d) Difficulties in availability of construction material
- (e) Due to natural disaster resources are diverted
- (f) Delay in land acquisition
- (g) Poor performance of contractors
- (h) Non availability of local labour

Issues related to land acquisition, forest/wildlife clearance and lack of quarries etc. are some of the impediments for the smooth progress of works. In order to resolve these issues the State Governments of Sikkim, Arunachal Pradesh, J&K, Himachal Pradesh and Tripura have constituted the Empowered Committee.”

2.21 When asked to enumerate the difficulties faced by BRO in maintenance of existing roads, the Ministry submitted as under:

- (a) Adverse and harsh climatic conditions.
- (b) Non availability of sufficient labour.
- (c) Limited working season.
- (d) Repeated damages due to landslides, natural calamities i.e. flash floods and cloud burst.
- (e) Non allocation of stone/sand quarries by the State Governments.
- (f) Weak geological strata especially in North Eastern region causing sinking/formation breaches.
- (g) Due to insurgency affected areas.

In order to facilitate the maintenance of existing roads DGBR has been delegated powers to fix/revise the rates for maintenance and snow clearance grants for roads entrusted to BRO for maintenance and outsource maintenance of roads.

2.22 The Ministry in reply to a question informed the committee of the following steps taken for early construction of roads in border areas:

“To overcome the various impediments and to expedite the construction of roads in the border areas, the following specific measures have been taken:-

- (a) **Guidelines for preparation of Annual Works Plan (AWP) and Annual Procurement Plan (APP):** In order to prioritize the Annual Works Plan and to make it more realistic with reference to the budget availability, new policy guidelines for preparation of AWP and APP have been issued.
- (b) **Enhanced Delegation of Administrative and Financial Powers:** The main objective of enhanced delegation of powers right upto the level of Chief Engineer and Task Force Commander is to bring transformational changes in the organization in order to improve the pace of execution of works to meet the requirement of the Armed Forces and to avoid delays

on account of references between the Chief Engineer and HQ DGBR and also between HQ DGBR and the Ministry of Defence.

(c) **Engineering Procurement Construction (EPC) Mode of execution:**

In order to enhance the capacity of BRO and to ensure the completion of various roads projects in the border areas as per the requirement of the Army, guidelines for adoption of EPC mode of execution have been issued by the Ministry, so that BRO is able to outsource road projects to big companies.

(d) States Governments of Sikkim, Arunachal Pradesh, J&K, Himachal Pradesh and Tripura have constituted the Empowered Committee to resolve the various issues of BRO.”

2.23 Apprising the Committee of the noticeable import of delegation of powers to DGBR in the working of BRO, the Ministry of Defence intimated as under:-

“Enhanced administrative and financial powers to the Border Roads Organisation (BRO) right upto the level of Chief Engineer and Task Force Commander has been accorded, so as to avoid delays on account of references between the Chief Engineer and HQ DGBR and also between HQ DGBR and the Ministry and to bring transformational changes in the organization in order to improve the pace of execution of works and to achieve the desired outcomes according to the requirement of the Armed Forces. The impact of these delegations of powers upto Oct 2019 after August 2017 is summarized below:-

Item	Nos. of cases	Cost (crore)
Sanction of Estimate/DPR	811	6199
Sanction of RAE/RDPR	336	7455
Acceptance of Contract	530	4413
Closure of Jobs	1486	4119

Construction of underwater tunnel

2.24 During the oral evidence, on the progress of construction of underwater tunnel in Brahmaputra river, a representative of the Ministry submitted that global tendering of RFP for the same has been completed on 15 October, 2019. The timeline to finish the work is 2028.

Shortage of Manpower

2.25 The Ministry in reply to a question submitted the following information with regard to the required (authorized) and existing force level of BRO for the last five years. :-

“The required (authorized) and existing force level of BRO for the last five years is mentioned below:-

SI No	Year	Authorized force level (in Nos)	Existing force level (in Nos)
i	2014-15	42646	34877
ii	2015-16	41600	35059
iii	2016-17		34693
iv	2017-18		34671
v	2018-19		33855
vi	2019-20		34188

Note: Against the authorization of 41600 posts, 9082 posts are required to be rationalized of 11 Noncore posts in a phased manner.”

2.26 The Committee have found that BRO submitted a demand in respect of Officers to UPSC and SSC. When asked to specify as to when BRO noticed the existence of vacancies and date of sending the demand to UPSC and SSC, the Ministry of Defence replied as under:

“Depending upon the workload, certain Functional Units are placed under Suspended Animation (SA) or the full authorization strength is not posted as

part of Under Posting Plan (UPP). Therefore, the requirement of manpower accordingly varies from year to year. Accordingly, the vacancies are projected to SSC and advertised for recruitment departmentally after factoring in the increase/decrease on account of SA/UPP at any given point of time.”

2.27 The details of vacancies in respect of Group A Officers intimated to UPSC are given below:-

Year	Post	Nos. of Vacancies advertised	Officers joined BRO
2013	Assistant Executive Engineer (AEE) (Civ)	53	17
	AEE (E&M)	09	02
2014	AEE (Civ)	80	19
	AEE (E&M)	18	04
2015	Medical Officer-II	20	01
2016	AEE (Civ)	66	15
	AEE (E&M)	24	05
2017	AEE (Civ)	82	52
	AEE (E&M)	16	05
2018	AEE (Civ)	56	09
	AEE (E&M)	19	06
2019	AEE (Civ)	68	Under process
	AEE (E&M)	18	
2020	AEE (Civ)	37	
	AEE (E&M)	10	
Total	AEE (Civ)	442	112
	AEE (Electrical & Mechanical)	114	22
	Medical Officer-II	20	01

The details of vacancies in respect of Group C posts advertised and the recruitment under process departmentally at GREF centre, Pune are given below:-

Year	Post	Nos of Vacancies advertised	Candidates inducted
2013	Laboratory Assistant	6	5
	Hindi Typist	11	7
	Vehicle Mechanic	111	111
	Driver MT (OG)	612	429
	OEM (OG)	149	88
	Total	889	684
2016	Draughtsman	52	16
	Supervisor Store	6	-
	Supervisor Nursing	6	-
	Hindi Typist	8	4
	Vehicle Mechanic	133	114
	Welder	13	13
	MSW Mess Waiter	16	15
	MSW Cook	330	188
	Driver MT (OG)	475	447
	MSW Nursing Assistant	65	-
	Driver RR (OG)	73	69
	MSW DES	384	-
	MSW Mason	154	-
	OEM (OG)	139	-
	Total	1854	866
2019	Driver MT (OG)	388	under process
	Electrician	101	
	Vehicle Mechanic	92	
	MSW Cook	197	
	Total	778	-

The details of vacancies in respect of Group B posts advertised and recruited through SSC are given below:-

Year	Post	Nos of Vacancies advertised	Candidates inducted
2013	LDC	146	90
2014	Junior Engineer (Civil)	861	394
	Junior Engineer (E&M)	119	25
	Junior Hindi Translator	5	-
	LDC (PH)	10	3
2015	Junior Engineer (Civil)	651	273
	Junior Engineer (E&M)	134	70

2016	UDC	128	44
2018	Junior Engineer (Civil)	767	Vacancies notified by SCC
	Stenographer Grade 'B'	24	
2019	Stenographer Grade 'B'	44	Vacancies yet to be notified by SCC
	LDC	784	
	Junior Hindi Translator	16	
	UDC	88	
	Junior Engineer (Civil)	158	
	Junior Engineer (E&M)	76	

2.28 The Committee found that certain projects of Indo-China Border Roads were given to Border Roads Organisation (BRO) and desired to know the rationale behind such a change keeping in view the fact that BRO is already overburdened with their ongoing Projects. The reply has not been furnished yet by the Ministry.

2.29 During deliberations on Demands for Grants 2019-20 in connection with Border Roads Organisation, the Committee pointed out that certain projects were initially given to BRO and when the work commenced, the responsibility was taken from them and consequently again handed over again to BRO. They desired to be apprised of the reasons for this and status of such projects. A representative of BRO responded as under:

“जहां तक इसकी बात है कि कुछ काम बीआरओ से ले लिए गए थे तो उसमें एक निर्णय यह लिया गया था कि बीआरओ फॉरवर्ड एरियाज में जाकर ज्यादा काम करेंगे और हिन्टरलैंड के जो रोड्स हैं, वे दूसरी ऑर्गेनाइजेशन करेंगी। पर, तीन-चार सालों के बाद दूसरे ऑर्गेनाइजेशन ने भी यह महसूस किया कि शायद यह काम उनसे नहीं हो पाएगा इसलिए भारतमाला के काम, खासकर उत्तराखण्ड और सिक्किम में, हमें वापस मिले हैं। अरुणाचल प्रदेश के भी कुछ काम, जिसे एनएचआईडीसीएल ने ले लिया था, वे सारे करीब 250 से 300 किलोमीटर के काम बीआरओ के पास वापस आए हैं। यह अभी पिछले छः महीने में मिले हैं।”

2.30 The written reply of the Ministry of Defence on the administrative problems and time-cost escalations due to this tedious procedure of reassigning the projects to BRO is still awaited.

2.31 The Committee have learnt that there were some projects given to BRO in lower areas but were subsequently taken from them and given to other agencies. They understand that giving roads to BRO in lower altitudes will help them to rotate its manpower

periodically otherwise they have to remain at very high altitudes for a long stretch of time. The explanation of the Ministry of Defence in this regard is still awaited.

2.32 During their recent study visit to North-Eastern parts of the country, the committee found that the Service rules of Border Roads Organisation (BRO) are quite old and have not been changed for the last 20 years. They have not received the reply as to whether any study has been undertaken to amend the Service Rules.

2.33 One of the issues that came up during the Committee's study visit was the lack of mobile banking facilities available to the workforce of Border Roads Organisation, that are placed in very remote and high altitudes due to functional needs, for transferring their money to the families. The representative of BRO replied as under during the oral evidence:

“As far as the staff and the mobile banking is concerned, now the e-banking and e-payment has become mandatory. जो बहुत ही अन्दर हैं, जैसे अरुणाचल प्रदेश और लद्दाख में कुछ जगहों पर हम ये प्रॉब्लम्स फेस कर रहे हैं। We are in contact with the banks and we are trying to come out with some kind of solution on this, if they can provide some kind of mobile ATM or some thing like this for twice or thrice in a month.”

2.34 To a query of the Committee pertaining to any plans to install satellite dish for better satellite monitoring of the Projects, the Ministry has not responded till date.

2.35 During oral evidence of the representatives of the Ministry of Defence, the Committee desired to learn about the plans to provide single-window formation for clearing the issues relating to road construction instead of seeking multiple approvals etc. The written submission of the Ministry in this regard has not been furnished yet to the Committee.

2.36 Considering the importance of BRO for security purposes, the Committee enquired about possibility of providing imprest funds to BRO in order to make their work faster. They have not received any reply yet.

2.37 The Committee have been given to understand that the roads constructed by BRO in Bhutan are state-of-the-art and 'one-way traffic type' and no such road apparently exist in India. They wanted the Ministry to explain the reasons for such roads not being built in our country. The response of the Ministry is still awaited.

CHAPTER III

INDIAN COAST GUARD

The Committee have been given to understand that since 1960s, the Indian Navy had been requesting the Govt of India for setting up an independent service for Maritime Law Enforcement and undertaking Safety and Security tasks in Indian waters. It was also considered uneconomical to deploy the sophisticated and high value naval assets for peace time roles and law enforcement tasks at sea. This logic of the Navy was lent support in early 1970s by following three important developments which precipitated the institution of a Coast Guard:

- (a) United Nations Convention on the Laws of the Sea (UNCLOS) in 1973, which awarded Exclusive Economic Zone to all coastal states.
- (b) Rampant smuggling and poaching in the Indian waters.
- (c) Discovery of oil in Mumbai High and consequent development of high value offshore installations.

3.2 Consequently, a committee constituted by the Government of India in 1974 recommended the setting up of a separate Coast Guard Organisation for peace-time charter. Accordingly, in January, 1977, the Cabinet approved raising of the Indian Coast Guard. An interim Coast Guard came into being on 1 February, 1977 and was formally established on 19 August, 1978 with the enactment of the Coast Guard Act.

Charter of Duties

3.3 The Committee learnt that the Charter of Duties of Indian coast Guard (ICG) is as follows:

- (i) Safety and protection of Artificial Islands and Offshore Terminals.
- (ii) Protection of fishermen and provide assistance to them during distress at sea.
- (iii) Preservation and protection of Marine Environment.
- (iv) Assisting the Customs and other Enforcement Agencies in anti-smuggling operations.
- (v) Enforcement of Maritime Laws.
- (vi) Safety of life and property from natural or man-made disasters at sea and
- (vii) Collection of meteorological and oceanographic data for use by the scientific fraternity.

3.4 ICG has also been assigned responsibilities for the following:

- (i) Coastal Security in Territorial Waters.
- (ii) Offshore Security Coordination.
- (iii) Lead Intelligence Agency for Coastal & Sea Borders.
- (iv) Competent National Authority (CNA) under South Asia Co-operative Environment Programme (SACEP).
- (v) National Coordinating Agency for Maritime Search and Rescue (MSAR).
- (vi) Central Coordinating Authority for PR.

Force Level

3.5 During Power Point Presentation to the Committee, a representative of the ICG furnished following details regarding Force Level in ICG:

<u>Ships</u>	<u>2009</u>	<u>Present</u>	<u>Accretion</u>
Offshore Patrol Vessels/ Pollution Control Vessels	14	22	08
Fast patrol vessels	28	43	15
Interceptor boats	13	60	47
Air cushion vehicles	06	18	12
Total	61	143*	82

*Despite decommissioning of a number of boats and ships

<u>Aircraft</u>	<u>2009</u>	<u>Present</u>	<u>Accretion</u>
Dornier	24	39	15
Chetak	21	19	--
ALH		4	4
Total	45	62	19

3.6 The Indian Coast Guard currently has 143 Surface Platforms, 62 Aircraft, 42 Stations, 16 District Headquarters, 5 Regional Headquarters and 2 Commanders Sea Board.

Budget for Financial Year 2019-20

3.7 During the Power Point Presentation before the Committee, the representative of the Indian Coast Guard furnished following information regarding budget for the Financial Year 2019-20:

(₹ in crore)

	BE Projected	BE	RE Projected	Excess of RE Projected over BE Allocation
Revenue	2758.90	2385.27	2955.94	570.67
Capital	5830.00	2500.00	3630.00	1130.00
Total	8588.90	4885.27	6585.94	1700.67

3.8 The details of Revised Estimates (RE) requirement for 2019-20 are as follows:

(₹ in crore)

<u>HEADS</u>	<u>BE PROJECTION</u>	<u>BE</u>	<u>EXPENDITURE AS ON 31 OCT 19</u>	<u>RE PROJ.</u>	<u>DIFFERENCE OF RE OVER BE ALLOCATION</u>
REVENUE	Sal: 996.40	885.27	732.27 (83%)	1084.39	199.12
	Non-Sal :1762.50	1500.00	843.71 (56%)	1871.55	*371.55
CAPITAL	5830.00	2500.00	1398.53 56%)	3630.00	**1130.00
Total	8588.90	4885.27		6585.94	1700.67

* Revenue: Increase in Petroleum, Oil and Lubricant (POL) & 'Minor Works' ₹ 371.55 crore in view of carry over liabilities of ₹ 202 Cr and Operational Deployment of Assets

** Capital: 10 Committed Liabilities projects : ₹ 390.48 Cr

New schemes- Coastal Surveillance Network (CSN)-II, Dornier Mid-life upgradation, Auxiliary Barges & 'Capital Booking Revenue Procedure' (CBRP) Cases : ₹ 516.36 Cr

Major Works and Land Acquisition : ₹ 350.00 Cr

Manpower

3.9 The Committee have been apprised that at present, total manpower strength with Coast Guard is 14,313 comprising of 1982 officers, 10997 Enrolled Personnel and 1334 Civilians. Shortages of about 15 percent being liquidated with enhanced induction rate.

Indian Coast Guard Academy

3.10 The Committee learnt that the Indian Coast Guard Academy is coming up in Mangalore, Karnataka. In this regard, Director General, Indian Coast Guard, informed the Committee that the Academy will be catering for the specialised task of the Indian coast Guard as law enforcement agency which is required to be performed.

Challenges and Constraints

3.11 On being specifically asked about the challenges and constraints being faced by the Indian Coast Guard, the Director General, Indian coast Guard deposed as under:

“When we talk about challenges *per se*, Coast Guard can be construed as a policeman on beat; it is as good as a police organisation out at sea. Challenges are always there. Being a maritime organisation, as my counterpart the Vice Chief of Naval Staff has brought out, the maritime activities will continue to be there. As land resources are depleting, humankind is heading towards the sea and the ocean. There is also a blue economy and there are things like that. So, challenges will continue to be there and the Coast Guard is ready. As with the other organisations including the Navy, we are prepared to handle any new architecture which has been thought about or planned and to handle or curtail them. Both the organisations are adequately prepared.”

3.12 He further elaborated as under:

“The only requirement is of budget to maintain the operation and maintenance of assets to be maintained 24/7/365; otherwise, I cannot maintain my platform operations. On a single day, five or six operations continue to be on-going. Before the cyclone, I have to warn the fishermen; during the cyclone, I have to remain there; during the same cyclone, I have to handle the merchant vessels that are in danger and rescue of people; at the same time, I have to address the security aspect in another area. Similarly, at the same time, I have to respond to the requirement over land for disaster management. So, Coast Guard, at one single time, needs to be there in five-six places. With the available manpower it is constrained. We would request that manpower should be provided to Coast Guard alongwith adequate Budget to maintain the operation and maintenance of our platforms.”

CHAPTER IV

MILITARY ENGINEER SERVICES

The Committee have been informed that the Military Engineer Services (MES) is the premier construction agency and one of the pillars of Corps of Engineers of the Indian Army which provides rear line engineering support to the Armed Forces. It is responsible for creating the strategic and the operational infrastructure other than major roads, as also the administrative habitat for all three Services and the associated organisations of the Ministry of Defence. It has pan India footprint to provide engineering support to various formations of Army, Air Force, Navy and Defence Research and Development Organisation (DRDO). For this, the MES has over six hundred stations spread across the main land and the island territories of India. MES is a military organisation but has both Army and Civilian component of officers and other subordinate staff.

4.2 Further, the Committee found that the MES functions under the overall control of the Engineer-in- Chief (E-in-C), who is the advisor to the Ministry of Defence and the three Services on operational and peace time construction activities. The Military Engineer Services is responsible for the design, construction and maintenance of all infrastructure assets of the Army, Navy and Air Force. It has an integral multi-disciplinary team of architects, civil, electrical and mechanical engineers, structural designers, quantity surveyors and contract specialists for planning, designing and supervision of works.

4.3 MES is the only construction agency in the country which carries out all construction related tasks like construction of residential and office buildings, hospitals, roads and runways, marine structure like docks and harbours across the country including border areas. Besides conventional buildings, MES is largely involved in the construction of sophisticated and complex laboratories, factories and workshops, hospitals, airfields, runways and hangars, dockyards, wharves and other marine structures. It also deals with all the multifarious associated requirements such as air-conditioning, cold storage, electric and water supply, sewage treatment and so on. Most important of all, the facilities, assets and infrastructure created are maintained in a serviceable state and, in some cases, operated too, by the MES.

4.4 As enshrined in its responsibilities, the MES also contributes significantly towards nation building and disaster mitigation. MES has been entrusted with a number of important projects, vital for the operational efficiency of the Defence Forces which includes important infrastructure projects of the three Services and also projects like the National War Memorial etc. As part of environmental initiatives, MES is undertaking several measures in the field of energy conservation, use of renewable energy and green technology. Solar energy power projects are being undertaken in various parts of the country. Green Rating for Integrated Habitat Assessment (GRIHA) norms are being mandated and use of LED lighting is being implemented in all projects to ensure energy efficient and environment friendly buildings in future.

Projections and Allocations by MES

4.5 The Committee noted that E-in-C's Branch is responsible for monitoring of budget allotted for carry over Capital and some Heads of Revenue and Maintenance Services for Army only. The allocations for the balance Code Heads of Army and all Code Heads of other Services is carried out to lower MES formations by Service Headquarters through staff channel.

4.6. The factors considered before projecting the funds are as under:-

- (a) Number of ongoing works and their financial, physical progress and residual value.
- (b) The time required to complete the project.
- (c) Works for which administrative approvals has been issued and are likely to be tendered as well as their forecasted progress within the Financial Year.
- (d) Environmental constraints due to local climatic conditions and availability of local materials which may affect progress of work.
- (e) Works likely to be approved within the Financial Year based on Annual Major Works Programme (AMWP) listing and ceiling.

4.7 The allotments and expenditure incurred in the last five years including Financial Year 2019 -20, as apprised to the Committee during power point presentation of MES, is given below :-

Financial Year	Capital		Revenue	
	Allocated	Utilised	Allocated	Utilised
2015-16	5297.09	5256.36	9531.15	9257.10
2016-17	5734.88	5686.99	10514.37	10126.42
2017-18	6756.79	6552.79	9457.81	9089.65
2018-19	7142.63	7129.75	9384.58	9352.28
2019-20*	7889.94	5060.23 (64%)	10154.30	5370.72 (53%)

* As on 31 October, 2019

Additional Allocations sought by MES

4.8 The Committee learnt that the consolidated additional allotment sought over BE allotment from respective Service Headquarters and provided during last five years in respect of Carry Over Capital Head is given below :-

S. No	F.Y.	Additional Allotment	
		Sought	Additional Allotment Provided
(a)	2014-15	2695.32	808.19
(b)	2015-16	2010.18	1303.27
(c)	2016-17	2852.78	1478.63
(d)	2017-18	3616.59	643.71
(e)	2018-19	6173.12	1504.29

Compromises made or likely to be made due to reduced budgetary allocations

4.9 When asked to state the areas where compromises have been made or likely to be made due to reduced budgetary allocations, if any, against the projections made by the MES, the Ministry through a written note replied as under:

“There was a problem in availability of funds especially in Carry Over Capital in both Army and Air Force in Financial Years 2017-18 and 2018-19. The same has persisted in Carry Over Capital for Air Force in current Financial Year. To mitigate effects of the same, following actions were initiated:-

- (a) AMWP ceilings for both Army and Air Force reduced to manage within available funds.
- (b) Extension of probable dates of completion accorded for delayed projects.
- (c) Re-appropriation/ foreclosure/ cancellation of certain sanctioned works.”

Work pending with MES

4.10 On being asked about work pending with MES and its effect on the working of MES as well as of the Services, the Ministry of Defence apprised the Committee as under:

“MES is responsible for planning and execution of works which have been listed in the AMWP, duly approved by Ministry of Defence. In addition, there are certain special projects sanctioned by the CCS which are also in the charter of the MES. Once administrative approvals are given, the works are taken up for design and tender action before execution. Due to shortage of funds, MES establishments will not be optimally utilised. Details of liabilities for last five years are as given below:-

<u>Ser No</u>	<u>Date as on</u>	<u>Liabilities (Amount in crore)</u>
(a)	01 Apr 15	18849
(b)	01 Apr 16	29010
(c)	01 Apr 17	33034
(d)	01 Apr 18	37534
(e)	01 Apr 19	29969

4.11 As regards the future plans of MES to carry out these works, the Ministry submitted as follows:

“As a thumb rule, the allocation of funds to MES in a Financial Year should be at least one-third of the liabilities at the beginning of the Financial Year to complete the works within the stipulated time frame. However, due to mismatch between the ceiling and allocation of funds, especially for Army and Air Force, the liabilities have steadily increased over successive years. In order to reduce these liabilities, following actions have been initiated:-

- (a) Ceiling holiday was observed by Army for Financial Year 2018-19 wherein only ₹ 198 crore worth of new works were sanctioned. Similarly restriction of ceiling for Air Force to 50 percent in Financial Years 2018-19 and 2019-20 was resorted to.
- (b) Reprioritisation/ foreclosure/ cancellation of certain sanctioned works which are yet to be tendered.”

4.12 To a pointed question on the ability of MES to achieve its construction targets as per the established standard and schedule during the last five years, the Ministry of Defence intimated the Committee as under:

“By and large the MES has been able to achieve its construction targets for Capital Works, other than those where change in site or scope of work due to operational or administrative reasons takes place or on account of hindrances.

The comparison of targets versus achievement within the allocated funds can be gauged from the figures of actual final allocation versus final expenditure under Capital Head which ranges from 99 to 100 percent.”

CHAPTER V

DIRECTORATE GENERAL DEFENCE ESTATES

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

5.2 The Committee have been apprised that DGDE has under its jurisdiction six Principal Directorates namely, Principal Directors, Central, Eastern, Northern, Southern, South-western and Western Command. Under the Principal Directorates, there are 38 Defence Estates Offices and four independent ADEO Circles for management of defence lands in the country.

5.3 There are 38 Defence Estates Circles each headed by Defence Estates Officers (DEO). DEOs are custodians of all defence land records. They carry out hiring, requisitioning and acquisition of land and buildings for defence purposes. DEOs also advise the users of defence lands such as Army, Navy, Air force, DRDO, and other Defence Establishments in land matters. DEOs also take care of all land title or acquisition/resumption related litigations. Leasing and licensing functions are carried out through the field offices.

Cantonment Boards

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

5.5 Each Cantonment has a system of local self-governance and has a Cantonment Board. Each Cantonment Board has its own budget and comprises of elected, nominated and ex-officio members. The Board is responsible for all civic, social, developmental and regulatory functions. The Cantonment Board has a Chief Executive Officer (CEO) who functions as Member-Secretary to the Cantonment Board. She/he is an officer of Indian Defence Estates Service.

5.6 The total population residing in Cantonments is 20,81,980.

5.7 Administration of Cantonment Board is governed by the provisions of Cantonment Act 2006 and Rules and By-laws made there under.

5.8 During the Power Point Presentation, a representative of DGDE threw light on the financial aspects of Cantonment Boards as under:

- “Main sources
 - Property tax
 - Fees under Section 67 of Cantonments Act, 2006
 - Service Charges from Govt. properties
 - Grants from Central Government
- Limited tax and non-tax resources
 - Demand of Service Charges not fully met
 - Small area/population with limited tax base
 - Commercialization/redevelopment of properties restricted by land tenures and security considerations
 - Restrictive land use/construction policy
- States do not share tax/other revenue proceeds (except Telangana, MP, Jharkhand, Delhi and Karnataka).
- Funds under centrally sponsored schemes like Jawaharlal Nehru National Urban Renewal Mission (JNNURM)/Atal Mission for Rejuvenation and Urban Transformation (AMRUT)/Smart Cities Mission not made available to Cantonment Boards.
- Introduction of GST resulted in annual loss of revenue of about ₹ 165 crore in 16 Cantonment Boards w.e.f. 2017-18 due to subsuming of Octroi/ Terminal Tax/ Local Body Tax etc. “

Projection and allocation of funds

5.9 The representative of DGDE furnished following information regarding DFG 2019-20 to the Committee:

(₹ in crore)

Head	Actual 2018-19	BE 2019-20	RE 2019-20 (Projected)
Revenue Head	426.07	479.46	1459.07
Capital Head	2.83	15.86	29.97

5.10 When asked whether DGDE is solely dependent on grants given by the Ministry of Defence, the Ministry submitted as under:

“Cantonment Boards which are local autonomous bodies have their own budget and own local sources of revenue apart from Grant-in-Aid as sanctioned by Central Government.

With regards to budget of Defence Estates Organization, it is intimated that the same is allotted under demands for Grants No.-19. Revenue sources comprise of auction of trees, license fees, damage charges, auction of advertisement rights, ground rent fee and monetary compensation received for transfer of defence land.”

5.11 The Major expenditure of DGDE is Grant-in-Aid-General for meeting the deficits between income and expenditure of the cantonment boards. This component accounts for approximately 60 – 65 percent of the total expenditure of DE organization budget. Besides Grant-in-Aid (General), other major expenditures are on account of salary (voted) (15 percent) and Grants for Creation of Capital Assets (11 percent).

5.12 The major sources of income of Cantonment Boards, as the Committee have been informed, are local taxes such as house tax, conservancy tax, water tax, lighting tax, trade and profession tax, service charges and vehicle entry fee, rent on buildings etc.

Encroachment of Defence Lands

5.13 The total area of defence land under the management of Defence Estates Organisation is 66,097 acres.

5.14 The infrastructure of DE organization is constructed over land comprising 31.53 Acres, excluding the infrastructure / municipal assets of Cantonment Boards, which are local municipal bodies for Cantonment areas.

5.15 The Committee learnt with surprise that as on 30.06.2019, about 4505 acres of Defence Land under the management of DEO is under encroachment. The details of total area under the encroachment, DEO-wise and CEO-wise is as follows:

CEO-wise details of encroachment on defence land under the management of Defence Estates Organisation (as on 30.06.2019)

Sl. No.	Name of Cantonment Board	Encroachment area (in acres)
1	Agra	0.318
2	Ahmedabad	0.243
3	Ahmednagar	0.935
4	Ajmer	1.584
5	Allahabad	3.274
6	Almora	0.031
7	Ambala	38.425
8	Aurangabad	5.155
9	Babina	0.638
10	Badamibagh	0.316
11	Bareilly	62.343
12	Barrackpore	0.246
13	Belgaum	0.933
14	Cannanore	0.109
15	Dagshai	0.100
16	Dalhousie	0.051
17	Danapur	0.850
18	Dehu Road	5.069
19	Delhi	5.259
20	Deolali	1.917
21	Faizabad	0.206
22	Fatehgarh	2.829

23	Ferozepur	15.198
24	Jabalpur	3.939
25	Jalandhar	0.961
26	Jammu	1.050
27	Jhansi	1.010
28	Jutogh	0.031
29	Kamptee	0.918
30	Kanpur	2.290
31	Kasauli	0.455
32	Kirkee	6.090
33	Landour	0.052
34	Lansdowne	0.005
35	Lucknow	3.916
36	Mathura	0.362
37	Meerut	12.819
38	Mhow	7.460
39	Nasirabad	19.972
40	Pachmarhi	1.840
41	Pune	0.256
42	Ramgarh	0.610
43	Ranikhet	1.388
44	Roorkee	0.018
45	Saugor	5.549
46	Secunderabad	4.118
47	Saharanpur	0.134
48	Shillong	0.145
49	St. Thomas Mount Cum Pallavaram	3.939
50	Subathu	1.960
51	Wellington	0.047
	Total	227.361

DEO-wise details of encroachment on defence land under the management of Defence Estates Organisation (as on 30.06.2019)

Sr. No.	Name of DEO	Encroachment area (in acres)
1	Agra	132.69
2	Ahmedabad	2.95
3	Allahabad	899.80
4	Ambala	337.24
5	Bangalore	0.95
6	Bareilly	8.18
7	Bhatinda	85.47
8	Bhopal	1085.71
9	Chandigarh	20.07
10	Chennai	34.25
11	Cochin	1.80
12	Danapur	417.46
13	Delhi	57.35
14	Guwahati	0.41
15	Jabalpur	370.45
16	Jalandhar	69.43
17	Jammu	12.77
18	Jodhpur	3.07
19	Kolkata	2.33
20	Lucknow	106.33
21	Meerut	46.56
22	Mhow	49.71
23	Mumbai	142.99
24	Pathankot	37.83
25	Pune	43.88
26	Secunderabad	133.65
27	Siliguri	142.34
28	Srinagar	19.65
29	Visakhapatnam	12.60
29	Total	4277.926

5.16 In a written reply furnished to the Committee, the Ministry delineated following steps to evict the encroachers:

“Detection, prevention and removal of encroachments is an ongoing process. While old encroachments are being removed gradually, adequate steps are being made not to allow new encroachments and to take prompt action against such cases. Following steps have been taken in this connection:

- (i) An annual certificate is obtained from the Station Commander or the Defence Estates Officer under whose management the land is placed, as the case may be, under the provisions of Rule 14 of ACR Rules, 1944 or Rule 13 of CLAR, 1937 which provides information on physical verification of land and unauthorised constructions or encroachments thereon. This enables the concerned defence authorities to take stock of illegal or unauthorised occupation and monitor action taken by field officers.
- (ii) Demarcation survey of entire defence land outside Cantonments and detailed polygon survey of defence land inside Cantonments have already been undertaken which has enabled the concerned authorities to reconcile the recorded land data with the physical occupation of land and also to ascertain if there are encroachments on defence land.
- (iii) Computerisation of defence land records and digitization of important land files and documents have also resulted in efficient management of records and taking timely action against illegal encroachments or addressing land disputes.
- (iv) The process of defence land audit has been institutionalised from 2011-12 as a continuing process.
- (v) A Committee has been constituted under the Chairmanship of Additional Secretary, Ministry of Defence which periodically reviews action taken on removal of encroachments and also suggests ways and means to make the system more efficient from time to time.
- (vi) Because of regular monitoring and timely action by Defence Estates Officers and Chief Executive Officers, 215.78 acres of encroachments have been removed in the last three years and 25.82 acres in 2019 (upto 30.06.2019)."

Non-implementation of Central Government Schemes

5.17 During deliberations on Demands for Grants 2019-20, the Committee raised the issue of non-implementation of various Central and State government Schemes in the Cantonment areas. The Director-General, Defence Estates, responded as under:

“सबसे बड़ी चुनौती यह है कि हम यह बताना चाहते हैं कि केन्टोनमेंट्स में सेन्ट्रली स्पांसर्ड स्कीम्स या स्टेट्स स्पांसर्ड स्कीम पूरी तरह से लागू नहीं होती हैं। डी.एम्स अपनी स्कीम्स में या मिशन डायरेक्टरेट्स चाहे वह अमृत की स्कीम्स हो या कोई भी सेन्ट्रली स्पांसर्ड स्कीम हो, उसमें केन्टोनमेंट की पोपुलेशन का न कोई जायजा लेते हैं और थोड़ा-बहुत काम पर्सनल इनीशिएटिव से होता है लेकिन यह इंस्टीट्यूशनेलाइज नहीं हुआ है”

5.18 The Defence Secretary during evidence submitted following information on this issue:

“हम लोग जो इस के संबंधित मंत्रालय हैं और स्टेट गवर्नमेंट है, क्योंकि ज्यादातर स्कीम्स स्टेट के द्वारा ही इम्प्लीमेंट की जाती हैं। उनसे हम लोग निरन्तर सम्पर्क में रहने की कोशिश कर रहे हैं और जो हमारे केनटोनमेंट बोर्ड के सीईओ हैं, उनको भी कहा है कि आप भी अपने स्तर पर राज्य सरकार से एप्रोच करिए और अगर किसी स्कीम, इस प्रोजेक्ट के अंदर बनाकर देना है तो वह आप दीजिए। इसमें थोड़ा सा गैप है कि राज्य सरकार अक्सर जब अपनी म्युनिसिपैलिटी के लिए स्कीम्स बनाती है तो केनटोनमेंट बोर्ड को छोड़ देती है। हमारी तरफ से उसमें कोई विरोध नहीं है। लेकिन हम चाहते हैं कि एससीएसटी और बीपीएल के बेंनेफिट वाली सारी स्कीम्स हों या स्वच्छ भारत की स्कीम्स का लाभ हमारे केनटोनमेंट बोर्ड में मिले और सिविल एरिया के लोगों को उनका लाभ मिल सके। हम लोग रक्षा मंत्री के स्तर पर भी इस को ले चुके हैं।

Building Bye-Laws

5.19 During the deliberations of the Committee on Demands for Grants 2019-20 related to DGDE, the Committee raised issues relating to Floor Space Index (FSI) and commercialization of non-sensitive areas in Cantonment areas. In this connection, the Director-General, Defence Estates apprised the Committee as under:

“.....बिल्डिंग बाइलॉज का जो मुद्दा है, वह हर कैंटोनमेंट में है। बिल्डिंग बाइलॉज बहुत पुराने हो चुके हैं, यह हम भी मानते हैं और इसमें पिछले साल रक्षा मंत्रीजी के आदेश से सुमित बोस कमेटी बिठायी गई थी। उनका एक टर्म ऑफ रेफरेंस था कि बिल्डिंग बाइलॉज को एग्जामिन कर के वे सुझाव दें कि यह बिल्डिंग बाइलॉज कितने रिलैक्स्ड हो सकते हैं। कमेटी ने अपनी रिपोर्ट मंत्रालय को दे दी है और इस मुद्दे पर एग्जामिन हो रहा है। ये सभी केनटोनमेंट में कवर करेगा।”

Renewal of Leases

5.20 The Committee learnt that Cantonments were set up primarily to quarter troops that necessitated provision of civic amenities such as houses, shops, schools, cinemas, clubs, banks etc. Certain land was, therefore, allotted on lease for such purposes under the provisions of Cantonment Codes of 1899 and 1912 and Cantonment Land Administration Rules (CLAR) of 1925 and 1937. Leases were granted for various tenures on payment of appropriate premium and annual rent. Some of these leases were granted in perpetuity and fixed tenures while others were renewable. Such sites are placed under the management of Cantonment Boards and Defence Estates Officers. There are about 6556 leased sites.

5.21 The representatives of DGDE, in their power point presentation during evidence in connection with examination of Demands for Grants 2019-20, submitted following information regarding leased sites:

Fully Expired Leases

Management	No. of expired leases where extension of lease to be done as on 30.09.2019	No. of leases extended	Rental (Arrears) collected
Inside Civil Area	431	226	1,92,35,769
Outside Civil Area	266	75	1,80,02,859
Total	697	301	3,72,38,628

Leases Due For Renewal

Management of	No. Of leases due for renewal as on 30.06.2019	No. Of leases renewed	Rental (Arrears) collected
Inside Civil Area	1894	534	41,12,146
Outside Civil Area	431	69	1,70,533
Total	2325	603	42,82,699

Ammunition Dumps around populated areas

5.22 During their deliberation, the Committee expressed concern over hazards posed by ammunition dumps in vicinity of main population.

CHAPTER VI

DEFENCE PUBLIC SECTOR UNDERTAKINGS (DPSU)

Introduction

The Committee understand that there are nine Central Public Sector Undertakings under the administrative control of the Department of Defence Production, Ministry of Defence.

- (i) Hindustan Aeronautics Limited (HAL)
- (ii) Bharat Electronics Limited (BEL)
- (iii) Bharat Dynamics Limited (BDL)
- (iv) BEML
- (v) Mishra Dhatu Nigam Limited (MIDHANI)
- (vi) Mazagon Dock Shipbuilders Limited (MDL)
- (vii) Garden Reach Shipbuilders and Engineers Limited (GRSE)
- (viii) Goa Shipyard Limited (GSL)
- (ix) Hindustan Shipyard Limited (HSL)

Profit of DPSUs

6.2 The following are the figures of profit of the nine DPSUs for the last five years:

(₹ in Crore)					
Name of DPSU	2014-15	2015-16	2016-17	2017-18	2018-19
HAL	2388	1998	2616	1987	2282
BEL	1167	1307	1548	1399	1927
BEML(PBT)	6.91	77.92	98.29	163.79	130.96
BDL (PBT)	614.19	847.31	802.81	773.82	671.36
GRSE(PBT)	76.02	249.15	20.89	127.75	178.96
GSL	78.24	62.28	117.41	217.33	131.52
HSL*	-202.84	19.00	53.77	20.99	36.23
MDL	491.59	602.51	548.99	439.93	519.40
MIDHANI	102.13	119.89	127.29	130.30	131.04

* HSL after a long spell of losses has finally started making profit since F.Y. 2015-16.

6.3 The Committee were informed of the details of profit percentage DPSUs charge from the services while supplying an item which are as follows:-

“(1) HAL: the profit percentage for supply of equipment by DPSUs has been reduced to 7.5 percent from 10 percent.

(2) BEL: Invariably, contracts are negotiated by BEL with the Customer before conclusion of the Contract and hence the percentage varies from case to case (from 7.5 percent to 12.5 percent).

(3) BEML: BEML operates in a very competitive environment and participates in tenders which are finalized and order placed by virtue of being lowest among the bids. As such, the quotes are always competitive and the margins are thin that are charged on items and vary from case-to-case, depending on competition. This generally varies between 5-10 percent on overall basis which however, comes down when the tender is finalized after negotiation.

(4) BDL: As per guidelines, now it is 2.5 percent -7.5 percent over cost, based on valued added percent.

(5) GSL: 7.5 percent profit is charged from the Services in nominated cases while supplying an item. However in competitive bidding, profit percentage may vary depending on loading on Yard and other prevailing market conditions.

(6) HSL: 7.5 percent profit is charged from the services in nominated cases. For competitive bids profit may be variable.

(7) MDL: 7.5 percent on cost (excluding input tax, ERV and certain other cost).

(8) GRSE: For Nomination Ship Projects from Navy / Coast Guard - Profit charged @ 7.5 percent of platform cost. For Competitive Bids for Ships (All category) - Variable profit percent as a corporate decision.

(9) MIDHANI: MIDHANI does not supply directly to the services.”

Cost and Time Slippages

6.4 When asked whether there have been any cost and time slippage by DPSUs during the last five years while supplying items to the forces, the Ministry of Defence replied as under:-

“(1) **HAL:** Currently, HAL is supplying Su-30 MKI fighter aircraft, Light Combat Aircraft (LCA – Tejas), Dornier Do-228, Advanced Light Helicopters (ALH), Chetak and Cheetal helicopters to the Defence Forces. As these supplies are against firm and fixed contracts, there are no slippages on account of cost.

HAL products are highly technology intensive and first of its kind development in the country, with dependence on multiple stakeholders, including foreign OEMs in most of the cases, which at times poses unforeseen challenges. The US sanctions during LCA Tejas development which in turn led to delay in certification of the aircraft, delay in receipt of Licence Technical Documents (LTD) from Licensor in case of Su-30MKI manufacturing etc, are few such instances. Due to such project/ production aspects, there are certain instances of rescheduling of deliveries in consultation with the customers. All such issues concerned with timely delivery of products have been addressed from time to time and actions such as augmentation of facilities, increase in outsourcing, duplication of jigs etc., are implemented as required.

(2) **BEL:** All contracts signed between BEL & Ministry of Defence are fixed price contracts and are based on negotiated prices firmed up prior to signing of contract. Any delay in completion of projects does not lead to cost escalation unlike Cost Plus contracts.

Meeting the delivery requirements of our customers, primarily the Indian Armed Forces is of paramount importance to BEL. With the usage of state-of-the-art Project Management tools, all efforts are made to ensure timely delivery to customers as per contract. As part of our continuous improvement of on-time delivery, the root cause for delay in delivery of some of the projects is analysed and necessary corrective/preventive measures are taken to minimize/zero down the same. The On-time delivery during last 5 years is around 80 percent. However, it is re-iterated that though BEL provides thrust on timely delivery, it is inevitable that some of the large complex projects get delayed due to Concurrent Engineering, accord of Bulk Production Clearance, Change in user requirement, Specifications to incorporate additional features, Site/platform Readiness etc. All these measures and improvement processes are expected to further enhance the on-time delivery.

(3) **BEML:** All contracts that the Company is executing are at either firm prices or with escalation clause. The company has been supplying equipment and spares to the Forces in time in the past. In the recent past, the deliveries of BEML, Tatra 8x8 Heavy Duty truck, ARV and Bulk Production Clearance for Sarvatra Bridge System have been delayed due to the extraordinary situation that the Company has faced on these counts. The Heavy-Duty Trucks supply has commenced from October, 2015 and all pending orders in respect of Heavy-duty

truck completed as per the revised delivery schedule. In the case of ARV, early dispensation for delivery extension, reimbursement of ERV, Incorporation of custom duty and reimbursement, taxes are under examination of the Ministry of Defence.

(4) **BDL**: Yes, There Are Slippages in the Execution of Akash Weapon System Contract & ATGM Contracts

(5) **GRSE**: The delivered ships are under fixed term contracts and there is no cost overrun in any case. However, there has been some delay in delivery of ships.

(6) **GSL**: There have been no time and cost slippages while supplying items to the forces.

(7) **HSL**: There has been cost and time slippage due to various reasons like delay due to lack of working capital, numerous design changes, re-works, various modifications and delay in getting approval of drawings. This has affected the delivery schedule of the vessels.

However, the ongoing projects such as Fleet support vessel, Normal refit of INS Sindhuvir, 2 No Diving support vessels, 4 nos 50T BP Tugs for Indian Navy are being executed as per strict contractual time lines. New concept of 'Throughput assignment' has been introduced in the production processes for construction of 2 Nos. Diving Support Vessels (DSV) and 50 T Tugs projects in order to meet the contractual timelines. Based on this concept, 70 Nos. Blocks are being fabricated simultaneously for both the projects in the Steel Complex.

(8) **MDL**: There has been no cost escalation, however, there has been delay in delivery of Shipbuilding Projects. There has been time and cost escalation in P-75 due to various extraneous reasons. The revised timelines and cost have been approved by the CCS.

(9) **MIDHANI**: MIDHANI is not supplying directly to Forces."

Complaints regarding product quality, delay and graft

6.5 The Committee desired to know whether any complaints w.r.t. product quality, delay and graft have been received by DPSUs during the last 3 years. They also enquired about the remedial measures so taken. In response, the Ministry submitted as under:-

"(1) **HAL**: HAL is regularly supplying aircraft, aero-engines and accessories to Defence Forces. Any failure during the course of utilisation is reported to HAL in the form of request for Defect Investigation on the specific accessory/aero-engine. Each of these defect investigations is carried out by a team comprising members from customer, Directorate General of Aeronautical Quality Assurance (DGAQA), Centre for Military Airworthiness & Certification (CEMILAC) and HAL. Original

Equipment Manufacturers (OEMs) are also involved in the investigations. Based on these investigations, remedial measures are implemented. Implementation of these measures is monitored through joint team of HAL, Customers, DGAQA and CEMILAC on need basis.

(2) BEL: BEL has set stringent quality norms to eliminate equipment faults during the manufacturing phase itself. The product is tested at different stages as per the approved Test Specification provided by the customer. The products / systems manufactured are subjected to various quality assurance tests like bump and vibration, rain test, salt spray test, mould growth, Electromagnetic Interference/ Electromagnetic Compatibility (EMI / EMC) etc. The products / systems are tested in presence of the resident customers who are positioned in the company by the quality wings of the Armed Forces before dispatch of product / systems. This process ensures supply of reliable / quality products. The complaints related to post-delivery, if any, are being handled on top priority through structured product support mechanism.

(3) BEML: The Company has no significant complaints with regard to product, quality, delay and graft during the last 3 years.

(4) BDL: No major complaints have been received with reference to product quality. The products are tested at every stage so that faulty parts are eliminated. BDL is making all out efforts to support its users by promptly addressing the users' complaints as and when required. To avoid recurrence of complaints BDL is arranging to visit depots for maintenance and repair, rework of faulty lots/equipment, checking product storage conditions, joint review inspections, training, remedial measures, etc

(5) GRSE: There were no complaints received for delivered products regarding quality or delay during the last 3 years in respect of ship division.

Three complains related to graft were received in last three years and are as follows;

Year 2018

- (i) The 1st Complaint related to malpractices after submission of price bid. After investigation it was found that the allegations were not factually correct.
- (ii) The 2nd complaint was against particular vendor for supplying substandard materials and bribing officials. Since there were no specific details, the investigation could not be initiated.

Year 2019

- (i) Information received regarding vendors, having to pay to GRSE officers for acceptance of products. The matter has been referred to other Agencies.
- (6) GSL: No complaint has been received for the last three years.
- (7) HSL: No major complaints have been received for the last three years.
- (8) MDL: No complaint has been received on product quantity and graft.
- (9) MIDHANI: No complaint relating to graft. The product quality issues are negligible. However, due to capacity constraints, there are delays some times in adhering to the delivery schedules. To address this issue, MIDHANI has undertaken expansion & de-bottlenecking program.”

Modernisation of DPSUs

6.6 On the present status of modernization of DPSUs, the Ministry of Defence submitted following information:-

“(1) HAL: Considering that aerospace is a highly technology intensive domain and is also characterised by rapidly changing technologies, obsolescence issues etc and to cater to increasing customer demands for existing products, need for Modernisation/up gradation is reviewed on a regular basis at HAL. The modernization plans are finalized considering the available capacity and augmentation required in new projects being undertaken. 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. Currently, creation of additional capacity is under process for manufacturing of Light Combat Aircraft (LCA), Repairs and Overhaul (ROH) of SU-30MkI, ROH of AL-31FP engine 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. The futuristic indigenous design and development programs like 10-12 ton class helicopter, higher thrust class aero-engine etc once sanctioned will enable further Modernisation and up gradation of the existing state-of-the-art facilities of the company and add to the indigenous product capability portfolio.

A state-of-the-art Greenfield helicopter manufacturing facility is being set up at Tumakuru, about 100 km from Bengaluru. Hon'ble Prime Minister, Shri Narendra Modi laid the foundation stone for this Helicopter Manufacturing Facility on 3rd Jan 2016. HAL has successfully flown LUH from the Tumakuru facility on 29th Dec 2018 and also met the timeline of 2018 given by the Hon'ble Prime Minister during foundation stone laying Ceremony.

(2) **BEL:** Company has been continuously modernizing its infrastructure to be in tune with the changing needs of the technology / products. Specific groups in all the units scan the technology changes that are taking place and identify new processes in the world market for acquisition. This enables BEL to maintain its infrastructure on par with international standards. BEL's investment towards modernization and acquiring new plant & machinery (including Test instruments, R&D investments, infrastructure up-gradation etc.) was ₹ 634 Cr in 2017-18 and ₹ 674 Cr in 2018-19.

BEL's annual modernization expenditure is fully met through internal accruals. Some of the major facilities established during the year include Shock Test Facility, High Temperature Test facility, Surface Mount Technology (SMT) Assembly Line etc.

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

(4) **BDL:** Modernizations was taken up & completed. Further there is no modernization plans as on date.

(5) **GRSE:**

(a) **Phase-I Modernization** (completed in 2005). GRSE embarked upon a phased modernization program for modernizing the Shipbuilding infrastructure and accordingly the following major facilities created / activities completed.

- i. Modern Hull Shop (MHS) of 8500 square metre area at MW for fabrication of blocks with block handling facility up to 65 tons
- ii. Store at FOJ of 2500 sqm.
- iii. Increased the block handling facility in SBS at MW from 40 tons to 60 tons
- iv. Increased the launching capacity of Inclined Berth from 1900 tons to 2500 tons
- v. Introduction of TRIBON Ship Design Software
- vi. Augmentation of Power capacity at MW for Modern Hull Shop
- vii. Upgrading / induction of new production Assets like CNC pipe bending m/c, Automatic Flanging Machine, KAT Oscillator for automatic welding, Moggy m/c, CO2/Mixed Gas MIG welding etc.

The total financial outlay for Phase-I was ₹ 76.05 Cr.

(b) **Phase- II Modernization** (completed in 2013). In accordance with the Final Project Report (FPR) made by the Consultants, M/s Gifford, UK (became M/s Ramboll subsequently), following co-located new facilities were constructed at an expenditure of ₹ 530 crore, at the erstwhile Slipway No-4 (900 Ton capacity) at MW, in order to have Integrated Shipbuilding

Construction of large ships starting from P28, using advanced Modular Shipbuilding Technology. The new “Integrated Shipbuilding Facility” was formally inaugurated by Hon'ble Raksha Rajya Mantri on 06 Jun 2013. The facility consists of the followings:

- i. Dry Dock (180M x 29M) of 10000 Tons capacity
- ii. Inclined Berth (180M x 23M) of 4500 Tons capacity
- iii. Module Hall (99x30 M) with telescopic sliding roof arrangement
- iv. Goliath Crane of 250 Tons capacity, covering above Dry Dock, Inclined Berth and Module Hall, for handling of Mega Hull Blocks up to 250 tons.
- v. Paint Cell for blasting and painting of hull blocks at controlled conditions of temperature and humidity.
- vi. Portable Shelters for Dry Dock and Inclined Berth, to provide all weather ship construction facility.
- vii. Electrical Sub-Station of 6 KV capacity to meet enhanced power supply requirements.
- viii. ERP Phase-2 implementation consisting of Data center at MW, SAP, Mail-Messaging & DMS

The total financial outlay was ₹ 529.8 Cr for Phase-II and also expenditure incurred for ERP Phase-II was ₹ 22 crore (approx.)

Expenditure incurred in Phase-I & II. The total financial outlay was ₹ 605.85 Cr (₹ 76.05 Cr for Phase-I and ₹ 529.8 Cr for Phase-II). ₹ 274.12 Cr expenditure from internal accruals of GRSE and ₹ 331.73 Cr expenditure funded by Navy as part of ASW Corvette Project (P-28).

(c) Phase III / Subsequent Modernization Jobs completed.

- i. Disaster Recovery Data Centre co-located at Mumbai (completed in 2013)
- ii. Pipe Bending Machine at FOJ (completed in 2014)
- iii. 30-ton capacity Mobile Crane (procured in 2015)
- iv. Portable Shelters for Dry Dock-1 for all weather working (completed in 2016).
- v. 02 Nos. Mobile Cranes of 55-ton capacity (procured in 2016).
- vi. 02 Nos. Transporters of 200-ton & 80-ton capacity each (procured in 2016)
- vii. Up gradation of Workshop of DEP, Ranchi (completed in 2017) to have MTU engine assembly from Fully Knockdown condition.
- viii. Tower Crane of 25-ton capacity for DD-2 and BB-2 at MW to optimize/restrict the use of 250 Ton Goliath Crane (completed in 2017).
- ix. Hydraulic Press of 1000-ton capacity at MHS, MW (completed in 2017).
- x. Pipe Collaring & Pipe Branching Machine at MW (completed in 2017).
- xi. Access control system of men & materials (CISF) including Bio-Metric entry /exit of GRSE employees in 2017.
- xii. Virtual Reality Centre at CDO,61-Park (completed in 2018).

- xiii. Data Centre of CDO at 61-Park (completed in 2018).
- xiv. Underwater CNC Plasma Cutting Machine at RBD (completed in 2018).
- xv. Rooftop Solar Plants of total 1000 kwp capacity at Main, FOJ & RBD (till Mar-2019) to decrease carbon foot print and reduce electricity bill
- xvi. New Steel Stockyard at Taratala Lease Land from KOPT (completed in 2018)
- xvii. Pipe Bending Machine at MW (completed in 2018)
- xviii. Pump Test bed at TU (completed in 2018)
- xix. Refurbishment of Plate Preparation Shop at Main (completed in 2019)
- xx. 3-storied new Office Building at MW to cater the offices for HR Division, Material Division, ERP Dept. and Production Planning & Control (completed in 2019)
- xxi. Network up gradation from MBPS to GBPS and Windows Update Solution at Central Design Office (CDO) (completed in 2019)
- xxii. Up gradation of PS-SAP and Integration of QM-SAP to PS-SAP (completed in 2019)
- xxiii. Up gradation of Engineering Complex at MW (completed in 2019)

Approximate total financial outlay was about ₹ 150 Cr for the Phase-III.

- (d) Following modernization/upgradation activities are currently under way:
- i. Installation of CCTV at Main, RBD & FOJ with centralized control room at MW to improve the security surveillance across
 - ii. 02 Nos. Structural Shops at RBD for fabrication of panels/blocks for P17A Ships
 - iii. 4-storied new Corporate Office Building at 61-Park to Shift the Corporate office out of MW, the major Ship production unit.
 - iv. 300 kilowatts peak Rooftop Solar Plants at Main, FOJ & RBD to decrease carbon foot print and reduce electricity bill
 - v. Refurbishment of Ship Building Shop at Main
 - vi. Installation of Load Bank for testing of 1.5 MW DA at DEP, Ranchi
 - vii. Gantry Crane of 15 ton capacity for Steel Stockyard at Main
 - viii. Pallet Racking System for modernized Stores
 - ix. Dehumidification System for modernized Stores

The approximate financial outlay would be around ₹ 75 Cr.

Generally the modernisation activities at GRSE are carried out against Board Approved Capital Expenditure Budget of Financial Years for continual up gradation of facilities of the company.

- (6) **GSL:** GSL has undertaken a planned modernisation programme and is in the process of creating new infrastructure for indigenous construction of MCMVs (Mine Counter Measure Vessels) for the Indian Navy. Infrastructure Modernisation plan is being implemented in four phases, of which Phase 1 & 2 were completed in Mar 2011. Phase 3A was completed and inaugurated by Hon'ble Prime Minister in Nov 2016. Work for balance phases (Phase 3B & 4) is also in progress and is planned to

be completed by 2020. On completion of Modernisation Plan, GSL will have the capability to build high Technology Fibre Reinforced Plastic (FRP), Hull Mine Counter Measure Vessels (MCMVs) indigenously, with the help of foreign technology provider. In addition, this will also substantially enhance the rate of production and shipbuilding capacity of the Yard.

Modernisation plan for MCMV construction facilities is being executed, partly from internal accruals and part from Govt. funding. The Government has sanctioned ₹ 400 Cr. in Oct 2010 towards development of facilities for indigenous construction of MCMV. The funding from internal accruals from GSL is approximately ₹ 320 Cr.

Ministry of Defence has further sanctioned ₹ 480 Cr. in 2015 for augmentation of infrastructure under Phase 3B & 4 for MCMV Project.

(7) **HSL:** There is 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 ₹ 457.36 Cr and the same has been projected to Ministry of Defence vide HSL letter CMD/HSL/025/2010 dated 26 Nov 2010. Accordingly, Government of India vide letter 1(10)/2010/HSL/DPO(NSM))/PLG-VIII/10 dated 23 Dec 2011 had sanctioned ₹ 457.36 Cr for Refurbishment & Replacement of Machinery and Infrastructure (RRMI) under Landing Platform Dock (LPD) Project. The RRMI activities are being carried out expeditiously.

ERP Implementation: As part of infrastructure up-gradation, implementation of SAP S4/HANA ERP solution is in progress. The unique feature of this ERP system would be integration of Design software, Aveva Marine including its 3D features with an embedded PLM in SAP. This would be first time in any Indian Shipyard that Design software would be integrated with any ERP software through PLM. 'GO LIVE' of the SAP S4/HANA ERP system commenced on 10 May 2019

Solar Power System: HSL has undertaken clean and green energy initiatives by inaugurating a 02 MW rooftop solar power system on September 21, 2018. This is the largest rooftop solar plant in Andhra Pradesh installed at a single location and will help HSL to save about ₹ 48 lakh per annum in energy costs, while reducing its environmental footprint. The rooftop solar plant will meet around 35 percent of the HSL's total power demand, generating 28 lakh of units of clean energy per annum.

The entire project including design, supply, erection, testing, commissioning including warranty, operation & maintenance is being undertaken by M/s Clean Max without any operation and capital expenditure from the yard side. HSL is required to buy the generated power from M/s Clean Max at a cost of ₹ 3.939/kWh as against ₹ 5.60/kWh grid power of APEPDCL. Seven buildings in the shipyard premises have been equipped with solar panels, including the iconic blue sheds where naval ships & submarines are built and repaired. Overall the panels will result in the abatement of 2300 tons of CO₂ per annum, for the next 25 years. This abatement is equivalent to planting 58,000 full grown trees. While there is no investment on the part of HSL, as per the agreement arrived at with Clean Max, the yard has to buy power from it

for 25 years. The project was executed under the Solar Energy Corporation of India (SECI) Rooftop Solar Scheme.

(8) **MDL:** MDL has completed the augmentation of its infrastructure through Mazdock Modernization Project (MMP) which comprise of a new Wet basin, a Heavy and Goliath Crane, a Module Workshop, a Cradle Assembly shop, Store Building and associated ancillary structures. The total cost of modernization was approx ₹ 966 crore.

MDL has recently completed construction of submarine section Assembly Workshop (SSA) at Alcock Yard. The cost to completion of project is ₹ 153 crore approx.

MDL is currently having a 300 T Capacity rail mounted Goliath Crane to facilitate its business activities. In order to effectively optimize the utilization of Gantry Crane, the southern track has been extended into the sea by 50 Meters to match with the already existing northern track. The cost to Completion of the Project is ₹ 10 Cr approx.

As part of strengthening the training activities of the Shipyard, augmenting CISF strength and to provide a material holding area to support Shipbuilding activities at Nhava Yard, MDL is considering to develop 1.94 Ha at Gavan by constructing Apprentice Training Centre comprising of CISF residential building, hostel building, corporate office and ATS building. Consultant has been appointed for the same. The Work shall be tendered out shortly. The tentative Cost of the Project is ₹ 80 Crore.

The Submarine Launch Facility is being created to facilitate load out/ launch of fully constructed Submarine in the Submarine Assembly Workshop. The project comprises of a) Hard Stand of the area in front of SSA workshop, b) Fabrication of Lifting Beams and c) Construction of Floating Dry Dock. The hard Stand of the area in front of SSA Workshop is under construction and Fabrication of Lifting beams are under progress. The Work of Floating Dry Dock shall be tendered out. The tentative Cost of the Project is ₹ 175 Cr approx.

(9) **MIDHANI:** Phase I Modernization of MIDHANI at a Capital outlay of around ₹ 400 Cr. was successfully completed by revamping /upgrading /enhancing production capacities. Prominent among them are; 6000 T Forge press with 20 T Manipulator, Radial Axial Ring Rolling Mill, Fastener plant, R&D Building, installation of 20 Ton Electric Arc Furnace with Vacuum Degassing (VD) / Vacuum Oxygen De-carburizing (VOD) and Ladle Refining Furnace (LRF). Phase II Modernization of MIDHANI is planned at a capital outlay of around ₹ 1000 Crore. Capital expenditure of about ₹ 500 Crore will be incurred by the end of current financial year (FY2019-20) for addition of major facilities. Details of Phase II projects are mentioned below:

a. Projects under Phase I:

- 4 MW solar power plant
- Modernizing the forging facility
 - Setting up of Re-heating & heat treatment furnaces
 - Revamping of 1500 Ton capacity forge press

- Addition of 25 Ton Manipulator to 6000 Ton Forge press
- Four-die & Isothermal Forging facilities
- Indigenous Auto Billet Grinding facility
- Vertical Turning Lathe (VTL) and Revamping of old Extrusion Press
- Construction of Center of Excellence - Special Materials
- Additional storage facility at Stores
- New 4 Ton & 6.5 Ton chargers
- New Plate leveler for Hot Rolled Plates

b. Major projects under progress (Phase II) :

- Spring manufacturing plant for Railways and earth moving equipment
- Armour Production Plant at Rohtak, Haryana for body armour & vehicle armouring
- Wide Plate Mill facility for production of alloy plates for special applications in space, defence, nuclear sectors
- Re-heating & heat treatment furnaces for forging applications
- Cold Draw Bench and Plasma cutting machine facilities

There is no budgetary allocation from Govt. of India for modernization of MIDHANI.”

6.7. On being asked to furnish details of the proposed allocation to be spent of modernization of DPSUs, the Ministry of Defence submitted as under:-

“(1) **HAL:** During the last five years expenditure to the tune of ₹ 6500 crore have been made by the company towards fulfilling the modernisation, capacity augmentation, facility upgradation and other capital / infrastructure requirements. During the current year proposed allocation to the tune of ₹ 1400 crore have been planned towards the same which include replacements of Plant & Machinery, test instruments for manufacturing, ROH etc.

(2) **BEL:** The proposed allocation is to the tune of ₹ 650 crore for the year 2019-20 towards fulfilling the Modernization & Capacity Augmentation needs of additions, replacements of Plant & Machinery, Test Instruments for Manufacturing, R&D facilities & up-gradation of Infrastructure.

(3) **BEML:** There is no 'proposed allocation to be spent' on modernization as there is no budgetary allocation from the Government.

(4) **BDL:** Capex for FY 18-19 was ₹ 90 crore & Capex planned for FY 19-20 is ₹ 70 cr.

(5) **GRSE:** The major modernisations of the company in the form of Phase-I & II and upgradation of Diesel Engine Plant at Ranchi, has already completed as stated above. Further modernisation/ upgradation activities at GRSE are carried out against Board Approved Capital Expenditure Budget of various Financial Years. These are need based modernisation for continual upgradation of facilities of the company. The Capital Expenditure for FY 2017-18 is ₹ 55.73 Crore and for FY 2018-19 is ₹ 46.80 Crore.

(6) **GSL:** infrastructure Modernisation plan is being implemented in four phases, of which Phase 1, 2 & 3A were completed. Work for balance phases (Phase 3B & 4) is presently in progress.

Modernisation plan for MCMV construction facilities is being executed using funds partly from internal accruals and partly from Govt. funding. The Government has sanctioned ₹ 400 Cr in Oct 2010 towards development of facilities for building MCMV. The funding from internal accruals from GSL for Phase 1, 2 & 3A is approximately ₹ 320 Cr.

Further, Ministry of Defence has sanctioned ₹ 480 Cr, as approved by Defence Acquisition Council (DAC) for augmentation of infrastructure under Phase 3B & 4 for MCMV Project, the work on which is in progress.

(7) **HSL:** Infrastructure upgradation will be carried out for the future projects like FSS and SOVs. Budget allocation will be worked out with the help of collaborator of these projects.

8) **MDL:** MDL Future Modernization plan is in planning stage. The details are as under:

Sr. No.	Description	Project Cost (₹ Cr)	Schedule
1	Acquisition of BPT Land Adjacent to MDL	1000	In process
2	Construction of Submarine Launch Facility	175	In process
3	Solar power Plant	260	2018-20
4	Development of Gavan Land	80	2020-21
	Total	1455	

(9) **MIDHANI:** Phase I Modernization of MIDHANI at a Capital outlay of around ₹ 400 Cr. was successfully completed by revamping /upgrading /enhancing production capacities. Prominent among them are; 6000 T Forge press with 20 T Manipulator, Radial Axial Ring Rolling Mill, Fastener plant, R&D Building, installation of 20 Ton Electric Arc Furnace with Vacuum Degassing (VD) / Vacuum Oxygen De-carburizing (VOD) and Ladle Refining Furnace (LRF). Phase II Modernization of MIDHANI is planned at a capital outlay of around ₹ 1000 Crore. Capital expenditure of about ₹ 500 Crore will

be incurred by the end of current financial year (FY2019-20) for addition of major facilities. Details of Phase II projects are mentioned below:

a. Projects under Phase I:

- 4 MW solar power plant
- Modernizing the forging facility
 - Setting up of Re-heating & heat treatment furnaces
 - Revamping of 1500 Ton capacity forge press
 - Addition of 25 Ton Manipulator to 6000 Ton Forge press
 - Four-die & Isothermal Forging facilities
 - Indigenous Auto Billet Grinding facility
- Vertical Turning Lathe (VTL) and Revamping of old Extrusion Press
- Construction of Center of Excellence - Special Materials
- Additional storage facility at Stores
- New 4 Ton & 6.5 Ton chargers
- New Plate leveler for Hot Rolled Plates

b. Major projects under progress (Phase II) :

- Spring manufacturing plant for Railways and earth moving equipment
- Armour Production Plant at Rohtak, Haryana for body armour & vehicle armouring
- Wide Plate Mill facility for production of alloy plates for special applications in space, defence, nuclear sectors
- Re-heating & heat treatment furnaces for forging applications
- Cold Draw Bench and Plasma cutting machine facilities

There is no budgetary allocation from Govt. of India for modernization of MIDHANI.”

6.8 As regards the impact of modernization on the production capacity, export and import substitution of products, the Ministry submitted as under:-

“(1) **HAL:** The planned increase in capacity is primarily in the area of helicopters manufacturing (LCH and LUH) and aircraft manufacturing (LCA) to meet the requirement schedule of Defence forces. Increase in capacity would also cater to the requirements of export for helicopters. The greenfield facility planned for helicopters would cater to the manufacture of indigenously developed LUH program which will replace the ageing fleet of Cheetah/ Chetak helicopter produced under

Transfer of Technology (ToT). Manufacture of state-of-the-art products like LCA, ALH, LCH, LUH, HTT-40 etc within the country helps avoid direct import to the extent of production by HAL thus furthering the import substitution efforts. All these platforms have export potential.

(2) **BEL:** The new infrastructure/technology which is inducted has a bearing on the production capacity. The increase in Value of Production, turnover year-on-year clearly justifies the objective of modernization. Modernization and up-gradation of infrastructure setup in the recent past has enabled the company to indigenously manufacture critical equipment/systems thereby, minimizing the dependency on foreign OEMs. Some of the major systems like Integrated Air Command & Control System (IACCS), Weapon Locating Radar (WLR), Cdr TI Sights, Tropo Upgrade, Integrated Communication System (ICS), Ground Based Mobile Elint System, Low Intensity Conflict Electronic Warfare System (LIC EWS), Electronic Voting Machines (EVM), Voter Verifiable Paper Audit Trail (VVPAT) etc., are indigenously designed & manufactured. Around 87 percent of turnover on an average generated from indigenous technology by making use of in-house infrastructure/facilities, skilled manpower etc., reflects company's endeavor towards self-reliance.

(3) **BEML:** Modernization helps in quality products resulting in reduction of cost and reduction towards warranty. Modernization would also ensure repeat orders from overseas customers as well as new countries for export like Middle East and Latin American Countries. With progressive indigenization through domestic suppliers and modernization would help promote in-house capacity for critical components. BEML is going for outsourcing wherever capability / capacity is available in the private sector and generally restricts capital expenditure only to add machines for carrying out very critical operations.

(4) **BDL:**

Following are the technologies being introduced under modernisation programme.

- ✓ Introduction of robotic welding.
- ✓ Automatic loading and progression of jobs introduced in electro Plating production line.
- ✓ Introduced unification / automation of cold and hot conditioning of Missiles / sub-systems including thermal shock capability.
- ✓ Introduction of flow forming in place of deep drawing process.
- ✓ Introduction of hybrid micro circuits.
- ✓ Introduction of latest thin film hybrid technology.
- ✓ Introduced li-based thermal batteries in place of cd-based Thermal batteries.
- ✓ Automated tension controls introduced in winding process of wire Spool.
- ✓ Epoxy flooring in place of conventional flooring for shock proofing.
- ✓ Automated pressure testing in place of manual process.
- ✓ Vapour Extractors.

- ✓ Twin chambers, auto intra-transport based vacuum heat treat Process are being introduced.
- ✓ Safety shield for soldering of igniters.

IMPORT SUBSTITUTION OF PRODUCTS: BDL is putting up determined efforts towards indigenization of ATGMs with the objective of self-reliance, reduction of foreign exchange out flow and achieving cost reduction. Indigenization of products like KONKURS-M, INVAR, MILAN-2T has been achieved upto 95 percent, 78.6 percent and 71 percent respectively.

EXPORT: BDL has executed export orders for ₹ 66cr during the year 2018-19. In 2019-20, BDL has already exported products valued ₹ 126 crore upto 2nd qtr. Capacity enhancement by modernisation will be helpful for further export. For achieving exports, BDL has regular interaction with the overseas customers. Offset implementation also offers a major opportunity to achieve export targets. BDL is interacting with aero-space majors in Europe and Russia to exploit opportunities arising out of offsets.

- (5) **GRSE:** At present GRSE can undertake construction of 20 Nos. of ships (08 Large ships and 12 small ships) concurrently.

Details regarding construction of 08 Nos. Large Ships:-

Construction of 04 Nos. Large Ships up to launching stage is being constructed in 02 Nos. Dry Docks and 02 Nos. Inclined Berths located at Main Unit of the company. Construction of 04 Nos. Large Ships for post launch Fitting-out & Trials up to delivery stage is carried out at 02 Nos. Jetties located at Fitting out Jetty (FOJ) Unit of the company.

- (6) **GSL:** With completion of Infrastructure Augmentation Plan for MCMV, GSL has indigenous capacity to build high technology Mine Counter Measure Vessels (MCMVs) using composite material first time in the country. The infrastructure capacity of the Shipyard has enhanced by approximately three folds.

- (7) **HSL:** The Refurbishment & Replacement of Machinery and Infrastructure (RRMI) activities are being taken up for replacement of old machinery and infrastructure to undertake construction of sophisticated and Hi-tech Defence vessels such as FSS and SOVs which are in pipeline.

- (8) **MDL: Post modernization**

The shipbuilding capacity has increased from 6 to 10 major combatants and 11 submarines from 6 submarines.

The Submarine Launch Facility will facilitate launching of Submarines directly independent of availability of deep dry dock and MDL shall not be dependent on Naval Dockyard or Dry Docks available with Mumbai Port Trust.

(9) **MIDHANI:** The up-gradation and modernization program of the company over the last three years i.e FY 2017-18 to FY 2019-20 will contribute towards setting up of additional facilities to increase the production capacity, improve the process efficiency and reduce energy consumption. It also aims to add new product lines, substitution in imports and reach new markets – domestically & internationally.”

6.9 When asked to specify the long term perspective planning for the DPSUs so as to make them financially viable and their products world class, the Ministry of Defence apprised the Committee as under:-

“(1) **HAL:** Perspective Plan, outlining the long term objectives, envisaged product portfolio, financial projections and projections for other functional areas of the company, factoring in the Technology Perspective Capability Roadmap (TPCR) of the customers and export target road map of the company has been drawn up to guide the operations of the Company.

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 IISc, IITs(six chairs have been established), creation of Research & Development 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.

(2) **BEL:** BEL has been preparing long term Strategic Growth Plans aligning with Perspective Plans like Technology Perspective and Capability RoadMap (TPCR) of Indian Defence forces / DRDO labs. BEL operates on 3 year R&D Plan and Technology Roadmaps have been drawn aligning to TPCR. BEL also has a 5 year Roll-on-Plan which is reviewed on a quarterly basis for various business performances, financial and other important operational parameters. BEL is financially viable & the products supplied to customer are comparable with international manufacturers. BEL is a continuously profit making DPSU and BEL strives that the products manufactured by BEL are world Class.

(3) **BEML:** Defence business has its 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.

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. As a part of 'Make in India' endeavor BEML has Designed, developed and Supplied India's Biggest Eco

friendly 180T Electrical Excavator. The Company has also designed, developed and supplied India's biggest Dump Truck BH205E and BH150E.

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. Further, having supplied more than 1500 cars and having established world class infrastructure required for manufacturing Metro coaches, BEML is fully geared up for addressing the metro coach requirement of all the upcoming cities in India. BEML has already augmented the Capacity for manufacturing of Metro cars and is capable of manufacturing 30 metro cars per month from the earlier level of 18 cars per month.

(4) **BDL:** BDL has a long term perspective plan where BDL has intended to collaborate with foreign OEMs for indigenous manufacturing of fifth generation ATGMs (anti-tank guided missile) and also working on indigenous development of 3rd generation ATGMs. Apart from ATGMs BDL will be working in the field of propellants and explosives manufacturing

(5) **GRSE:** GRSE has Board Approved Corporate Plan (FY 2016-17 to 2023-24) with regard to long term perspective planning for business growth, financially viable and supplying products of world class.

(6) **GSL:** GSL has drawn up long term Perspective Plan to encourage 'Make in India' projects and is working as per the plan. The Shipyard has plans to make import substitute products like Mine Counter Measure Vessels (MCMVs) first time in the country. Under Make in Initiative, the Shipyard has signed contract for construction of Missile Frigates indigenously under Transfer of Technology. The Shipyard is gearing up to undertake this state of art projects to equip Navy with high technology state of art ships which are best in the class. Ship Repair and General Engineering activities are being aggressively undertaken to increase the turnover. GSL is putting concert efforts to secure the export orders with the assistance from Ministry of Defence/MEA.

(7) **HSL:** The Company is striving hard to continuously innovate and improve upon its performance and reach its vision of being internationally competitive Shipyard for building & repairs of ships & Submarines within the budgeted cost and fulfilling the requirements of quality that is expected by its customers.

(8) **MDL:**

- a) MDL has drawn up long term perspective plan which gives guidance for the robust growth and sustaining financial viability for the long term.
- b) Modernisation facilities in MDL have enhanced the facilities for integrated construction resulting in considerable reduction in build period of ships
- c) 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.
- d) To sharpen competitive edge, improve efficiency and cut costs, MDL will benchmark its key processes with best organization in the private sector globally.

- e) Export identification and equipping for export markets for MDL products and service.
- f) Imparting training and education to the employees to keep them updated with the latest technologies, methods, techniques and processes.
- g) Outsourcing of the activities to reduce overhead cost and remain competitive in the market.
- h) Implementation of Government initiatives such as Make in India, Start-up India, Digital India, Skill India, CSR etc. shall be the prime focus areas in MDL.

(9) **MIDHANI:** MIDHANI: MIDHANI has achieved desired targets as envisaged in its Corporate Plan. Implementation of new Corporate Plan with vision 2025 is in progress.”

International Competition

6.10 The Committee desired to know whether any comparative study has ever been made by the DPSUs to assess as to how their products are comparable with the leading international manufactures in the field. The Ministry replied as under:-

“(1) **HAL:** The majority of HAL’s products are made based on Staff Requirements. While formulating the Requirements, the Service HQ makes an assessment of the Operational needs, state-of-the-art and comparable products in the international markets. Hence, at a very basic level, it would be evident that the technological benchmarking are done even while the Staff Requirements are drawn up. From this fact, it can be inferred that these products are comparable to their international equivalents.

Some highlights of HAL platforms, in comparison with international products are as follows:

- ✓ The **Light Combat Aircraft (LCA)-Tejas**, is the smallest and lightest multi-role supersonic single engine fighter aircraft in its class. The performance parameters of LCA Tejas are comparable with that of F16 and Gripen, the other options from the international market being considered for single engine fighter aircraft. Further, LCA structure has a higher percentage of composites compared to F16 and Gripen, making it the lightest aircraft among the three.
- ✓ The **Basic Trainer Aircraft HTT-40** under Design and development at HAL has features such as 0-0 ejection capability, role adaptability to armed/weaponised version if required etc which are not available in the Pilatus PC-7 aircraft currently available with the Services. The HTT-40 platform has demonstrated compliance to all PSQR requirements, with the successful demonstration of 6-turn spin during trials in Sep – Oct 2019 and is moving closer to certification.

- ✓ The indigenously designed and developed 5.5 ton class **Advanced Light Helicopter (ALH)** Dhruv is a proven platform with over 250 helicopters produced so far and having clocked more than 2 lakh flying hours. Dhruv helicopter is suitable for high altitude operations, over 19,000 ft and was used in airlifting soldier Lance Naik Hanumanthappa from Siachen glacier in Feb 2016, having been trapped under the snow for more than five days.
- ✓ The dedicated attack helicopter **LCH**, can perform comparable roles like Apache and Mi-24, and exhibits superior performance at higher altitudes. LCH is the only attack helicopter which can operate above 10,000-12,000 ft altitude with considerable load of armament and fuel. LCH has attained Operational Clearance for both IAF and Army variants. HAL has submitted quotation for 15 LCH against RFP in Mar 2018. HAL has also built seven LCH airframes in advance awaiting orders.
- ✓ The **Light Utility Helicopter (LUH)** is a 3 ton class helicopter under advanced stages of development at HAL, is planned to replace the Cheetah/Chetak helicopters in operation with services. LUH is comparable with the Kamov Ka 226T helicopters being planned to be manufactured under licence from Russia.

(2) **BEL:** Prior to launch of a new product development, detailed study and analysis of the customer requirements is carried out. Also the benchmarking study is done with the available similar products in the global market. Based on these, the approach and methodology for design is finalized. The products supplied to the customer are comparable with international manufacturers.

Similarly, whenever, BEL attempts to market its products to any new international markets, a detailed Market study is carried out with respect to the equivalent products available, their features, pricing etc.

(3) **BEML:** Comparative study, comparing its products with international manufacturers is a routine practice to develop the products in line with market requirement and to have matching competitive edge over competitors. The market is scanned on a regular basis by the R&D group in association with the Marketing group to understand, imbibe & develop the technological innovations being brought out by the international players. Proactive innovations are also undertaken in line with the changing customer expectations.

(4) **BDL:** There have been no definitive comparative studies done on BDL products with international manufacturing. However BDL has been manufacturing Mila- 2T Anti-tank guided missile, KONKURS-M anti-tank guided missile. These products are internationally competitive.

BDL has also positioned its products for export market and have bagged export contract in the internationally competitive markets for its light weight torpedo

The Following Products Are Competitively Positioned For Exports

- ✓ AKASH
- ✓ MILAN-2T
- ✓ LIGHT WEIGHT TORPEDO (TAL)
- ✓ VARUNASTRA

(5) **GRSE:** M/s PricewaterhouseCoopers, India conducted Benchmarking Study of all 05 Nos. CPSU Shipyards (namely MDSL, GRSE, GSL and HSL under Ministry of Defence and CSL under Ministry of Shipping) on comparative study to assess products and capability with the leading international manufactures in the field.

(6) **GSL:** In case of GSL also, M/s PricewaterhouseCoopers, India conducted Benchmarking Study of all 05 Nos. CPSU Shipyards (namely MDSL, GRSE, GSL and HSL under Ministry of Defence and CSL under Ministry of Shipping) on comparative study to assess products and capability with the leading international manufactures in the field.

(7) **HSL:** Likewise for HSL too, M/s PricewaterhouseCoopers, India conducted Benchmarking Study of all 05 Nos. CPSU Shipyards (namely MDSL, GRSE, GSL and HSL under Ministry of Defence and CSL under Ministry of Shipping) on comparative study to assess products and capability with the leading international manufactures in the field.

(8) **MDL:** Similarly for MDL, M/s PricewaterhouseCoopers, India conducted Benchmarking Study of all 05 Nos. CPSU Shipyards (namely MDSL, GRSE, GSL and HSL under Ministry of Defence and CSL under Ministry of Shipping) on comparative study to assess products and capability with the leading international manufactures in the field.

(9) **MIDHANI:** Since MIDHANI is manufacturing a diverse range of products, one to one comparison is not feasible. However, it is observed that MIDHANI's products are at par with other global players in terms of quality. Further, MIDHANI is working to make the products more cost effective."

Expenditure on Research & Development (R&D) by DPSUs

6.11 The total expenditure on R&D (as percent of Value of Production) for the last three years in respect of all DPSUs is as under:

Name of DPSU	2016-17	2017-18	2018-19
HAL	7.51	9.18	7.89
BEL	8.41	10.22	9.03
BEML **	2.75	3.09	2.04

BDL	0.70	0.86	1.64
GRSE	1.42	0.83	0.85
GSL	0.94	0.75	1.22
HSL	1.7	0.86	0.81
MDL	2.18	1.67	1.83
MIDHANI	2.02	2.21	3.68

** BEML is spending much larger amount in order to develop new products to have a competitive edge over the competitors and sustain the market share. R&D expenditure as a percentage of sales is on an average 2.63 percent of the sales in the last 3 years which is in line with the international standards in the sectors it operates.

6.12 The total expenditure on R&D (as percent of Profit After Tax) in respect of all DPSUs is as under:

Name of DPSU	2016-17	2017-18	2018-19
HAL	49.10	81.13	64.15
BEL	50.19	70.62	55.89
BEML	92.47	78.83	111.39
BDL	6.62	7.6	12.63
GRSE	107.84	12.11	10.66
GSL	8.25	4.64	7.85
HSL	19.90	26.49	13.33
MDL	14.04	17.07	16.44
MIDHANI	11.02	11.84	22.69

Delay in achievement of Targets

6.13 The PSU wise position of value of production/sales, target fixed and achieved is as under:

(1) HAL:

(₹ in crore)

Year	Target	Achieved
2014-15	14900.00	15621.18
2015-16	16000.00	16586.00
2016-17	16600.00	17604.00
2017-18	17600	18284.00
2018-19	18000	19705.00

(2) BEL:

(₹ in crore)

Year	Target*	Achieved
2014-15	6,833	6,695
2015-16	7,050	7,541
2016-17	7,300	8,825
2017-18	8,600	10,085
2018-19	9,700	11,789

* Memorandum of Understanding (MoU) Targets for "Very Good" Rating.

(3) BEML:

(₹ in crore)

Year	Target	Achieved
2014-15	3600	2809
2015-16	3800	2981
2016-17	3150	2499
2017-18	2900	3245
2018-19	3246	3481

Target and actual are net of interest and other income (operating turnover), sales turnover does not include excise duty, custom duty, VAT or any other tax, duty, etc. as per definition of MoU guidelines 2017-18.

(4) **BDL:**

(₹ in Crore)

Financial Year	Target	Achieved (excluding taxes)
2014-15	2721	2782
2015-16	3740	3785
2016-17	4400	4536
2017-18	5300	4576
2018-19	4600	3218

(5) **GRSE:**

(₹ in crore)

Year	Target	Achieved
2014-15	1800	1613
2015-16	1890	1661
2016-17	1800	928
2017-18	1350	1345.52
2018-19	975	1378.77

(6) **GSL:**

(₹ in crore)

Year	Target	Achieved
2014-15	550.00	569.55
2015-16	620.00	725.96
2016-17#	760	1055.45
2017-18	1000.00	1373.43
2018-19	950.00	905.61

Note: The target for turnover was fixed in terms of Value of Production (VoP) upto FY 2015-16.

From FY 2016-17 onwards, the target for turnover was fixed in terms of Revenue from Operations which is equal to the sum of Value of Production and Other Operating Income.

(7) **HSL:**

(₹ in crore)		
Year	Target	Achieved
2014-15	650.00	294.16
2015-16	650.00	593.29
2016-17	600.00	629.05
2017-18	600	644.78
2018-19	620	595.00

(8) **MDL:**

(₹ in crore)		
Year	Target	Achieved
2014-15	3300.00	3592.60
2015-16	3675.00	4121.65
2016-17	4100.00	3523.67
2017-18	4500.00	4399.16
2018-19	4500.00	4649.15

(9) **MIDHANI:**

(₹ in crore)		
Year	Target	Achieved
2014-15	590.00	647.38
2015-16	650.00	716.50
2016-17	700.00	773.28
2017-18	780	661.69
2018-19	750	710.85

6.14 When asked to provide the reasons for unachieved targets, if any, separately for each DPSU, the Ministry replied as under:-

“(1) **HAL:** Not applicable

(2) **BEL:** For the year 2014-15, though BEL could not achieve the set target for 'Very Good' rating, the achievement is above the target set for 'Good' rating (6,491Cr).

(3) **BEML:** The Company could not achieve the MoU targets during 2014-15 to 2016-17 due to the Market Situation and Business Environment in Mining & Construction Business Group, Constraints in execution of Orders in Defence Business and No Rail Coach Order in Rail & Metro Business Group. The detailed reasons are as under:

Mining & Construction vertical:

- ✓ Recession in Mining & Construction segment both in domestic and global markets. Due to the above production was moderated, considering FGI on hand and aligning with market requirements which had direct impact on profitability.
- ✓ Delay in tenders from Coal India Limited and its subsidiaries.
- ✓ Rope Shovel and Walking Dragline equipment Business was lost as our collaborator Company was taken over by our competitor. However, we are pursuing with Coal Companies for development of indigenous Rope Shovels.

Due to the above, Mining & Construction Business was down by almost ₹ 250-300 Crore compared to previous years.

Defence vertical:

The constraints faced in the Defence vertical continued to severely affect the Business. The reasons attributable are as follows:

- ✓ Non-receipt of order amendment for Mast (8X8) from Ministry of Defence.
- ✓ Non-receipt of bulk production clearance for Sarvatra
- ✓ Non-receipt of free supply Titanium material from M/s BDL for AKASH Stage V
- ✓ The constraints in respect of Armoured Recovery Vehicle (ARV) contract execution.

- ✓ Delay in BPC for supply of Command Post Vehicle.
- ✓ Extra ordinary situation for supply of Heavy-Duty Trucks - The Heavy-Duty Trucks supply has commenced from October, 2015 and all pending orders in respect of Heavy-duty truck has been completed as per the revised delivery schedule for BDL, BEL & BrahMos.

It can be observed that due to above constraints in Defence Business, Company's turnover was down by more than ₹ 250 Cr.

Rail & Metro vertical:

The Rail & Metro Business that had achieved a sales turnover of ₹ 1370 Cr in the year 2013-14 (44 percent of Company's turnover) dropped down to a turnover of ₹ 567 Cr. in 2016-17 (20 percent of the Company's turnover). The reasons are due to the following:

- ✓ The Company also depends on orders for Rail Coaches, EMUs & OHES from Indian Railways and used to execute over 600 Nos. valued around ₹ 400 Cr. with a contribution of over 100 Cr. against an established capacity for producing around 720 coaches every year. From the year 2014-15, no Rail coach order were placed to BEML which severely affected the financial of the Company.
- ✓ BEML has executed sub-contract order of DMRC RS-10 from the year 2016-17 with free material supply from M/s. Rotem due to which there was no increase in top-line.

By considering all the above factors, Company's performance could have been much higher, but for the shortfall which were beyond BEML's control.

- (4) **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 modify the design from time to time as per the requirement.

There is reduction in value of sale in the year 2018-19 due to

AKASH GSE: Because major portion of ground support equipment was executed in 2017-18 itself and the balance order book of GSE is amounting to ₹ 526 crore, out of which ₹ 269 crore executed in 2018-19 and balance ₹ 257 crore will be executed in 2019-20. There is no further order.

MILAN-2T AND REFURBISHMENT: During 2017-18, BDL had firm order of MILAN-2T and refurbishment whereas in 2018-19 there was no firm order of MILAN-2T and refurbishment. Further order for MILAN-2T and refurbishment is awaited.

AKASH SAM: Though VOP in 2018-19 is ₹ 120 crore more than 2017-18, sales could not be setup proportionate to that due to non-completion of static test of booster grains as polymerization time of booster grains is required to get the desired results. Booster grains require 9 months curing time to achieve the desired parameters before assembly is done. Akash SAM army order will be completed by 2019-20.

KONKURS-M AND INVAR ATGM: The deficiency in production was tried to be compensated by increasing production of KONKURS-M which was increased from ₹ 375 crore in 2017-18 to ₹ 729 crore in 2018-19. Invar production could not be increased significantly due to non-availability of indigenous thermal battery in time. Efforts are being put to enhance indigenous capacity of vendors.

(5) **GRSE:**

Reduction in Turnover during FY 2016 -17.

During FY 2016-17, the company achieved a Turnover of ₹ 927.84 crore as against ₹ 1800 crore. (MOU Very Good target) due to the following reasons:-

- (i) Total Ship delivery planned – 06 Nos.; Achieved - 04 Nos.
- (ii) The reduction in Value of Production (VoP) is due to the fact that the current projects are in the final stages of execution wherein conventionally the rate of increase in Value of Production tends to saturate.
- (iii) Besides not achieving the target of delivery of 02 ships, there was also delay in delivery of ASW Corvette & LCU projects due to reasons described below:-

Major reasons of delay in delivery of Mk IV – LCU Project (07 nos.)

- > Numerous design challenges observed & major Modification necessitated post sea trials in Jan 16.
- > Modifications in Major Under water Hull and series of trials delayed delivery of 1st LCU
- > Structural failure of Antenna Array Assembly of COMINT & Sanket 'S' system
- > Major modifications/ defect rectification by OEMs onsite for proving of their equipment caused major delays
- > Cascading effect on other ships of this Class

Delay in delivery of P-28 (3rd and 4th ships)

(i) the VoP target of Deck Machinery could not be achieved due to non-receipt of order for Rail Less Helo-Traversing system for P-15B ships for MDL.

(6) **GSL:** Nil

(7) **HSL:** The decrease in Value of Production during FY 2018-19 is mainly attributable to extremely low order book position. HSL has achieved an Operating and net profit of ₹ 68 Cr and 36 Cr respectively during FY 2018-19 even with a low value of production of ₹ 595 Cr. This could be achieved as a result of increase in productivity, decrease in overheads and various expenditure control measures adopted by the company.

(8) **MDL:** MDL: The main reasons for shortfall in VoP during 2016-17 are as follows:

- Lack of adequate vendor eco system for indigenous supply.
- Delays in supply of equipment by OEMs.
- Lack of design maturity at start of construction and consequent delays.

(9) **MIDHANI:** MIDHANI registered higher ever Value of Production (VoP) of ₹ 814.83 crore in 2018-19. Revenue target wasn't achieved because VoP didn't materialize into sales in 2018-19. Issues related to converting VoP into sales are being analyzed and addressed at the planning level for improved sales performance in 2019-20 & beyond."

Decline in production of DPSUs

6.15 The Committee desired to be apprised of the details of DPSUs where production is declining, alongwith the reasons and measures taken to arrest the decline. The Ministry of Defence submitted as under:-

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

HAL's production over last several years has been growing with highest turnover of ₹ 19705 crore recorded in the last financial year 2018-19. However, the major part of existing orders for supply of aircraft and helicopters will be liquidated shortly with the major manufacturing order of Su-30MKI being completed in 2019-20. There is no firm order currently available on the company beyond 2021-22. Considering production / procurement lead time of the order of 18 to 24 months involved in the manufacture of aircraft / helicopters, the existing facilities at HAL face the threat of idling and production will show a declining trend for want of confirmed orders.

HAL has submitted quotations against RFP in Mar 2018 for supply of 83 LCA Mk1A and 15 LCH LSP. The LCH platform has attained IOC for both Air force and Army variants and is fully ready for operational induction awaiting orders. The Basic Trainer Aircraft, HTT-40 under development at HAL has demonstrated compliance to all PSQR requirements, with the successful demonstration of 6-turn spin during trials in Sep – Oct 2019 and is moving closer to certification. Similarly LUH has also completed major tests including the high altitude capability in hot and high weather conditions in the Himalayas during trials in Aug - Sep 2019 and is also moving towards Operational Clearance. Two Do-228 civil certified aircraft have been manufactured and is available for supplies.

HAL is expecting additional orders for on-going programs like ALH, LCA, Hawk, Do-228 & SU-30 MKI and fresh production orders for new platforms like Do-228 Civil variant, LCH, HTT 40, LUH and Hawk-i. These anticipated orders once materialised only would help in sustaining the growth of organisation in the coming years.

(2) **BEL:** Not applicable.

(3) **BEML:** The production details of BEML Limited in the last 5 years is given below:

(₹ in crore)

Sl. No.	Year	Value of Production (Net)
1	2014-15	2599.93
2	2015-16	2736.90
3	2016-17	2623.90
4	2017-18	3226.89
5	2018-19	3466.83

There is reduction in production in the year 2016-17 as compared to 2015-16 due to execution of subcontract order of DMRC RS-10 Metro car with free material supply from M/s Rotem. However, it is worth to be mentioned that BEML has supplied an all-time high 205 Metro cars during 2016-17.

(4) **BDL:** Value of production for the last 4 years is as given below:

(₹ in crore)

2015-16	2016-17	2017-18	2018-19
4298	5011	4641	3235

There is reduction In Value of Production in the Year 2018-19 due to following;

AKASH GSE:

Because major portion of ground support equipment was executed in 2017-18 itself and the balance order book of GSE is amounting to ₹ 526 cr, out of which ₹ 269 cr executed in 2018-19 and balance ₹ 257 cr will be executed in 2019-20. There is no further order.

MILAN-2T AND REFURBISHMENT:

During 2017-18, BDL had firm order of Milan-2t and refurbishment whereas in 2018-19 there was no firm order of Milan-2t and refurbishment. Further order for Milan-2t and refurbishment is awaited.

AKASH SAM:

Though VoP in 2018-19 is ₹ 120 cr more than 2017-18, sales could not be setup proportionate to that due to non-completion of static test of booster grains as polymerization time of booster grains is required to get the desired results. Booster grains require 9 months curing time to achieve the desired parameters before assembly is done. Akash SAM army order will be completed by 2019-20.

KONKURS-M AND INVAR ATGM:

The deficiency in production was tried to be compensated by increasing production of KONKURS-M which was increased from ₹ 375 cr in 2017-18 to ₹ 729 cr in 2018-19. INVAR production could not be increased significantly due to non-availability of indigenous thermal battery in time. Efforts are being put to enhance indigenous capacity of vendors.

(5) **GRSE:** The value of production of GRSE has declined to ₹ 927.84 Cr in the year 2016-17 with respect to the previous year figure of ₹ 1,707 Cr. The reduction in value of production is due to the fact that the current projects are in the final stages of execution wherein conventionally the rate of increase in value of production tends to saturate. The trend is likely to reverse in the coming years as production in respect of the new projects of P17A, survey Vessels and ASW SWCs will be commencing in due course.

(6) **GSL:** VoP declined in FY 2018-19 in view of interim low order book position and project P1135.6 at design stage. It is a transitional phase till commencement of production of the said project.

- (7) **HSL:** The VoP achieved during the last 5 years are given below:

(₹ in crore)		
S.No.	Year	Value of Production
1	2014-15	294.16
2	2015-16	593.29
3	2016-17	629.04
4	2017-18	644.78
5	2018-19	595.00

During the year 2017-18, HSL achieved a total income of ₹ 651.67 Cr and a Value of Production of ₹ 644.78 Cr which have been the highest and the third best since inception of the company respectively.

The decrease in Value of Production during FY 2018-19 is mainly attributable to extremely low order book position. HSL has achieved an Operating and net profit of ₹ 68 Cr and ₹ 36 Cr respectively during FY 2018-19 even with a low value of production of ₹ 595 Cr. This could be achieved as a result of increase in productivity, decrease in overheads and various expenditure control measures adopted by the company.

- (8) **MDL:** Not applicable.
- (9) **MIDHANI:** There is no decline in production.”

Defence Exports by DPSUs

6.16 The value of defence exports as estimated by the Ministry over the last three years from DPSUs is as under:

(₹ in crore)			
Name of the PSU	2016-17	2017-18	2018-19
	Defence	Defence	Defence
GRSE	0.26	3.89	4.55
GSL	360.59	607.20	14.54
HSL	0	0	0

MIDHANI	0	0	0
MDL	0	0	0
BEL	282	87	78
BDL	0	0	66.46
HAL	239.86	148.81	210.54
BEML*	30.16	28.14	19.20

* (including Deemed Export)

6.17 In a power point presentation, a representative of Ministry of Defence informed the Committee about the steps taken for export promotion:

- ✓ Export Promotion Cell set up.
- ✓ Role of Defence Attaches expanded to promote exports.
- ✓ Export Action Plans and Strategies created for all DPSUs/ OFB.

Inadequate capacity utilization

6.18 During deliberations on Demands for Grants 2019-20, the issue of insufficient capacity utilisation of DPSUs was brought to attention of committee. The Defence Secretary informed the Committee as under:-

“The DPSUs are not working to capacity. It is a challenge for them because they have to now also think of diversification. While they are actually manufacturing for the Armed Forces, it depends on the orders that the Armed Forces will have as per their long-term plans. So, at some point, order books will go up and at some point, it may not go up to that level. But at the same time, if we look at the challenges of creating assets for what is called a Blue Water Economy, for the fishing sector and inland transport, there will be other challenges that they can meet.”

6.19 He further elaborated on the measures taken in order to realise the full potential of DPSUs:

“आज की तारीख में हमारे डिफेंस पीएसयूज का टर्नओवर करीब 65 हजार करोड़ रुपये का है। देश में जो टोटल प्रोक्योरमेंट है, वह लगभग 85 हजार करोड़ रुपये का है। हमें बहुत-सी ऐसी चीजों की भी जरूरत पड़ती है, जो यहाँ नहीं बनती हैं। कुछ चीजें हमें विदेशों से इम्पोर्ट भी करनी पड़ती हैं। इसमें आने वाले समय में ग्रोथ होगा, लेकिन जिस स्पीड से डीपीएसयूज के ग्रोथ करने का पोटेंशियल है, उस स्पीड से हमारी डिमांड ग्रो नहीं करने वाली है। इसलिए यह अनिवार्य हो गया है कि ये कम्पनियाँ एक्सपोर्ट मार्केट की ओर जाएँ।

जैसा कि प्रजेंटेशन में दिखाया गया था, पहले ये कम्पनियाँ एक्सपोर्ट की तरफ ज्यादा नहीं देखती थीं। दुनिया में डिफेंस के क्षेत्र में जितने बड़े-बड़े देश हैं, चाहे यूएस, रशिया, चीन, इज़रायल हो, इनका तीन-चौथाई यानी लगभग 80 परसेंट प्रोडक्शन एक्सपोर्ट में जाता है। ये दूसरे देशों को बेचते हैं। इसलिए आने वाले समय में इनको अपनी कपैसिटी बढ़ाते समय एक्सपोर्ट की तरफ ध्यान देना होगा। एक्सपोर्ट के मार्केट में हमें दो फायदे होते हैं, जो देश हम से डिफेंस के सामान खरीदते हैं, वे निरन्तर हम पर डिपेंड होते चले जाते हैं। पहला, इससे हमें इकोनॉमिक बेनिफिट होता है और दूसरा, इससे स्ट्रेटजिक फायदा भी है। जब हम अन्य देशों को एक्सपोर्ट करते हैं, तो उन देशों से हम अपना बंधन बढ़ा लेते हैं। इसलिए अब से सभी डीपीएसयूज को निर्देश दिया गया है कि आने वाले समय में ज्यादा-से-ज्यादा एक्सपोर्ट की तरफ जाएं।”

6.20 During oral evidence of the representative of the Ministry of Defence, the Committee enquired about delay in supplying of Sukhoi SU-30MKI Aircraft to Indian Air force by HAL. In this regard, the Director, HAL apprised the Committee as under:-

“With regard to Su-30MKI, you rightly brought out that out of 222 aircraft, we have only supplied 213 aircraft as of October. This year, we will be producing what we are expected to produce. In so far as our supplies are concerned, it is almost consistent, except for last year, which was 11 because of one particular mishap. Otherwise, we have been consistently producing 12 aircraft. In fact, production is generally 13 but we normally, show only 12.

In so far as your upgrade issue is concerned, we are definitely thinking of upgrading Su-30MKI, which will definitely improve the lethality of this particular platform.”

6.21 The Committee further desired to know about specific complaints received by HAL from the Indian Air Force and remedial action so taken by HAL. The Director, HAL informed as under:-

“..... So far so far as aircrafts are concerned, it goes through a very very complex process of certification. Not only HAL, internal systems are there, and in addition, we have DGQA, CEMILAC, etc. As far as fighter aircraft and trainers are concerned, it goes through a very rigorous process of certification. In each aircraft, whatever you have to put has to be certified. Even if you change a small system or a component in an aircraft, it has to go through the process of certification.

As far as complaints are concerned, we have an excellent relation with Air Force. I do not think there are many issues. There are certain issues but we are able to handle those issues between us and Air Force. They are very small issues. In any supplier-customer relation, there will be some issues but we are able to effectively handle those issues.

6.22 The Committee also enquired about self-sufficiency of HAL to produce state-of-the-art products according to the requirements of our Defence Sector. The Director, HAL responded as under:-

“We are developing HTT-40 trainer aircraft and on the rotary wing side LCH and we are only one of the five countries in the world. For instance, HTT-40 is a basic trainer but it is one of the best trainers to have been developed by any country. On the helicopter side, LCH is one of the best helicopters developed by any country. So, HAL is trying to indigenously develop platforms which could be produced within the country but certain systems will, of course, have to be imported from abroad.”

Welfare Issues

6.23 In regard to a query on the welfare of Retired officers of Bharat Electronics Limited (BEL), the Committee learnt that as per the current arrangements, the retired employees in Delhi/NCR/nearby cities are entitled to purchase their prescribed medicines only at Apollo Pharmacy Delhi and they can subsequently get reimbursement. The representatives of the BEL assured the Committee that a policy is being drafted where this facility of getting discounted medicines from Apollo, which started from Bengaluru, could be extended to other cities as well.

CHAPTER VII

CANTEEN STORES DEPARTMENT (CSD)

Introduction

The Committee have been informed the Canteen Stores Department, a Government of India Undertaking under the Union Ministry of Defence, is committed to welfare of troops of the Army, Navy and Air Force and their families, through easy access to quality products of daily use at less than market prices.

Organization Structure

7.2 The Committee took note of the facts that the governing body of the Canteen Services in India is the Board of Control for Canteen Services (BOCCS) which is headed by Hon'ble Raksha Rajya Mantri (RRM) and has the Defence Secretary, Secretary Defence (Finance), the Quarter Master General (QMG), Chief of Personnel (COP Naval HQ) and Air Officer-in Charge Administration (AOA Air HQ) as members. The Board is assisted by an Executive Committee of BOCCS while the day to day management of CSD is controlled by the General Manager CSD who is ex-officio Chairman of the Board of Administration.

CSD Operations

7.3 CSD's trading operation is worked around seven basic products: Toiletries, Household Requisites, General Use Items, Watches and Stationery, Liquor, Food & Medicinal Items, and four Wheelers, two Wheelers & white goods.

Budget 2019-20

7.4 The Committee have learnt that as against the projection of ₹ 21,978.86 crore, BE allocation to CSD for 2019-20 is ₹ 18,305.78 crore.

Functioning of CSD

7.5 During presentation before the Committee, the Quartermaster General, Indian army, threw light on functioning of CSD as under:

“हम 18 हजार करोड़ रुपये का कारोबार करते हैं। इकोनॉमी ऑफ स्केल की वजह से हमें मल्टीनेशनल कम्पनीज़ ऑफर करती हैं, जैसे अगर एक पेन का दाम दस रुपये है, वह हमें सात रुपये में मिलता है। But we have 2,500 employees. We have operational expenses, warehousing, transportation, insurance, etc. My operating expenses have to come out from this margin which I earn. So, depending upon the type of item, there are seven various groups of items, starting from toiletries to car, etc. कहीं पांच परसेंट, कहीं तीन परसेंट है। इसको दो भागों में बांटा गया है एक तो ऑपरेटिंग एक्सपेंस कवर करने के लिए है। दूसरा, हमारे टूप्स के वेलफेयर के लिए है, जिसे कैंटीन ट्रेड सरप्लस बोलते हैं, उसमें से भी 50 परसेंट सीधा सीएफआई में हर साल जमा करते हैं। So, being a Government department of India, we are not technically a profit generating or a dividend generating organisation. It is just a self-sustaining organisation. Due to volume of sales, we generate some amount for operating expenses, some for welfare and some for Consolidated Fund of India (CFI). “

Irregularities in CSD

7.6 When asked to furnish information regarding any irregularities or scams reported in CSD during the last seven years, the Ministry of Defence submitted as under:

“In July 2012, CBI arrested two CSD officers for graft charges. During the course of investigation, CBI registered FIR against few other officers and sought prosecution sanction for two serving officers and recommended suitable departmental action against other officials. Prosecution sanction was issued in respect of two officials of CSD and disciplinary action has already been initiated against two Group B officers of CSD. Regular Departmental Action (RDA) against two retired officers of CSD cannot be processed being time barred in terms of the time limit prescribed in Rule 9 of CCS Pension Rules, 1972.

In December 2012, one case has been registered by CBI against CSD officers for taking unfair hospitalities from private party in which CBI had held an inquiry. As recommended by CBI, prosecution sanction has been issued for one officer and suitable departmental action is under progress. The case is also pending in the CBI Court. CBI also recommended suitable departmental action against other officers for which the case is under progress.

In a case reported in 2013, one CSD officer was dismissed from service for unauthorised hoarding of CSD listed items at residence.

One case of irregularity at CSD Depot, Ahmedabad regarding diversion of large quantity of CSD stores at civil market was also reported in the year 2015-16. The case has been handed over to CBI for investigation. Also, prosecution sanction has been issued as requested by CBI in case of officials of CSD.”

Quality of items supplied by CSD

7.7 To a pointed enquiry regarding the quality of items available in CSD/Unit Run Canteens (URC) Canteens, the General Manager, CSD replied as under:

“I would only like to say that 80 per cent of the items, which are coming to the canteen, are coming from the top-end companies. हमारे पास में मार्केट सर्वे, मार्केट इंटेलिजेंस का एक जरिया, मुद्दा है। We also outsource it to people like Nielson. The batch number, lot number of tomato sauce or the blades is same as that of what is being sold in the malls because 80 per cent items are coming from HUL, P&G and Nestle.”

Online Presence of CSD

7.8 During discussion on examination of Demands for Grants 2019-20, the Committee pointed out the stiff completion being faced by CSD from other online retailers. The General Manager, CSD, responded as under:

“...post-automation it will become very easy for us to go online, especially, for the after sales demand. All this will happen the moment we get automated; the moment 34 depots and the 4,000 Unit Run Canteens get integrated online, it will become a very, very near reality.”

Related issues

7.9 During discussion with the representatives of the Ministry of Defence and Canteen Stores Department, the Committee raised the issues of quality of the products available in CSD, timely supply of items, expansion of Unit Run Canteens to other areas and prevention of fake/fraudulent purchases.

Chapter VIII

WELFARE OF EX-SERVICEMEN

The Committee note of the fact that in view of the ever expanding population of Ex-Servicemen (ESM), there were persistent demands from Service Headquarters and various associations for a separate department to look after the welfare, resettlement and rehabilitation of ESM, war widows and their dependents. In 1986, a decision was taken to create an independent resettlement division in the Department of Defence. Accordingly, a new Department of Ex-servicemen Welfare (ESW) was set up in September, 2004 within the Ministry of Defence. This Department formulates various policies and programmes for the welfare and resettlement of ESM in the Country.

8.2 This Department has two Divisions viz., the resettlement Division and the Pension Division and has 3 attached offices namely (i) Secretariat of Kendriya Sainik Board (KSB), (ii) Directorate General of Resettlement (DGR) and (iii) Ex-servicemen Contributory Health Scheme (ECHS) Organisation.

8.3 Welfare of the Ex-Servicemen and their dependents is the joint responsibility of the Centre and the States / UTs. Like the Kendriya Sainik Board at the Centre, the Rajya / Zila Sainik Boards are responsible for policy formulation and implementation of resettlement and welfare schemes for Ex-Servicemen, widows and their dependents residing in their respective States / UTs / Districts. To assist the Central Government in this regard, there are 32 Rajya Sainik Boards and 392 Zila Sainik Boards in the country.

Role of Directorate General of Resettlement (DGR)

8.4 The main role of DGR is to empower retiring/ retired service personnel and widows with additional skills through training courses and assist them in choosing a second career through employment/ self employment. Its objectives are accomplished through three well structured Directorates namely Training Directorate, Employment Directorate and Self-Employment Directorate.

Avenues of resettlement of retired officers and Personnel Below Officers Rank (PBOR)

8.5 For the perusal of the Committee, the Ministry of Defence has furnished following information regarding avenues of resettlement available to retired Officers and Personnel Below Officers Rank (PBOR):

“Resettlement Opportunities.

(1) Reservation in Jobs:

(a) Reservation in Central Govt. Ministries/Departments

- (i) 10 percent Direct recruitment posts upto the level of Assistant Commandant in Central Para Military Force.
- (ii) 10 percent Direct recruitment posts in Group ‘C’.
- (iii) 20 percent Direct recruitment posts in Group ‘D’.

(b) Reservation in Central Public Sector Enterprise

- (i) 14.5 percent in Group ‘C’ Posts
 - (ii) 24.5 percent in Group ‘D’ Posts
- (Including 4.5% for disabled ESM/dependents of servicemen killed in action)

(c) Reservation in Nationalised Banks

- (i) 14.5 percent in Group ‘C’ Posts
 - (ii) 24.5 percent in Group ‘D’ Posts
- (Including 4.5% for disabled ESM/dependents of servicemen killed in action)

(d) 100 percent in Defence Security Corps.

(e) In State Govt Ministries/Departments:

State Governments have also reserved State Government jobs for Ex-servicemen. The percentage and groups in which these jobs have been reserved for Ex-servicemen by the State Governments varies from State to State. Hon’ble Raksha Rajya Mantri has written a D.O. letter dated 16.10.2017 followed by reminders dated 1.6.2018 and 15.7.2019 to Chief Ministers/Lieutenant Governors/Administrators of States/UTs requesting them to review the reservation in their respective States/UTs.

2. Placement Assistance through DGR

Directorate General Resettlement (DGR) sponsors Ex-Servicemen (Officers) to various Government organizations, Public Sector Undertakings, Corporate Houses, Private Sector, Central Para Military Forces etc. based on their requisition for re-employment of ESM. The DGR sponsored ESM are re-employed by the requisitioning agencies after due process of selection by them. In the recent past Officers have been employed with Armed Forces Tribunal, Enforcement Directorate, Central Bureau of Investigation, Government PSUs, Banks (including Private banks

and Financial Institutions), LIC, Legal and Medical Vacancies of various State and Central undertakings, and vacancies in corporate sectors in a plethora of sectors, most prominently being in middle and senior level opportunities of HR, Administration and Logistics etc.

3. Self-Employment Schemes of DGR

At present the following self-employment schemes are in vogue to assist ESM for transition to civil jobs:-

- > Allotment of BPCL/IOCL COCO Outlets/Retail Pumps. Until, 2016, the said guidelines on allotment of Company Owned Company Operated (COCO) Retail Outlets specified “Retired Defence Officers” of the rank of Lieutenant and above. As such DGR sponsored the names of Retired Defence Officers to Oil Companies as per their request. However since 2017, new guidelines have been promulgated by the Oil Companies where it is clearly stated that “Retired Defence Officers as well as JCOs” are now eligible for allotment of COCO Retail Outlets. ESM (O) & JCOs who is registered with DGR and has not availed any other benefit is sponsored for the COCO outlets in the state of choice given by ESM (O)/JCOs based on Oil Company’s requisition. Selected ESM (O)/JCOs is required to submit the Bank Guarantee as per three day’s sale of the COCO outlet. The Oil Company pays monthly remuneration of ₹ 23000/- to 25000/- and commission on sale as per slabs promulgated by Oil Companies. The monthly emoluments is approx ₹ 50,000/- onwards and is dependent upon sale.
- > Management of CNG Station. Based on requirements projected by IGL, DGR has been sponsoring names of Retired Officers of Army, Navy and Air Force up to the rank of Brig/Equivalent to IGL to manage these CNG Pumps in NCR. The selection process out of this panel is the sole prerogative of IGL. Desirous ESM(O)s registered in the scheme are sponsored on receipt of requisition from IGL. The selected ESM (O) is contracted for a period of five years on a yearly renewable basis. The remuneration ranges from ₹ 45,000/- to ₹ 90,000/- depending on the sale and size of the outlet. Similar scheme has also been launched with MNGL in Pune (Maharashtra).
- > Allotment of Regular LPG Distributorship. The Ministry of Petroleum and Natural Gas has 8percent reserved quota for allotment of Dealership of Regular LPG Agency advertised under the ‘Government Person (GP)’ category. The said category includes personnel of the Para Military Forces/Central Govt /State Govt and Central /State PSU employees and Defence Personnel. The defence personnel eligible include war widows/dependents of those who died in war, war disabled/disabled on duty while serving in operational areas, widows/dependents of those who died in harness due to causes attributable to or aggravated by military service and Ex-servicemen disabled in peace due to causes attributable to or aggravated by military service. Eligible applicants can apply when a newspaper advertisement under the above category is published by the oil companies. The office of DGR issues eligibility certificate to the above entitled

ESM/Widow/Dependent which is required to be submitted in original at the time of interview/selection. Able bodied Ex-servicemen are also eligible for the said scheme and are required to apply directly to the Oil Company with a copy of their Discharge Order or Pension Order. Selection of a Distributor/ Dealer is done through draw of lots by the concerned oil company of all eligible applicants.

- Security Agency Scheme:The DGR empanels / sponsors ESM run Private Security Agencies and State ESM Corporations for providing security guards to various CPSUs, Corporate Houses, Private sector Undertakings etc. The scheme offers self-employment opportunities to retired officers and adequate employment opportunity to retired JCOs/OR, in a field, where they have sufficient expertise. As per the guidelines, at least 90 percent ESM would be employed by the individual ESM Security Agency and 100 percent by the State ESM Corporations.
- ESM Coal Loading and Transportation Scheme:This scheme came into existence with a MoU between Ministry of Defence and Min of Energy in 1979, which was signed by DGR and Coal India Limited (CIL) to ensure union free captive coal transportation fleet for the coal mines. The MoU and guidelines have been revised regularly, the last revision was in 2013. The MoU clearly specifies the eligibility conditions of Directors (Retired Defence Officers), Tipper Owners (all Ex-servicemen, Widows, Dependents). On receipt of requisition from the Coal Subsidiary(SECL Chhattisgarh, WCL Nagpur, MCL Odisha), the offer is given to the five senior most eligible empanelled ESM(O) willing to undertake the work to form an ESM Company to be registered under The Company Act of 1956, post conduct of a feasibility study. The ESM Company has to start with capital of Rs. 60 to 80 lakh shared in equal ratio between the Directors of the Company. The company procures pay loaders for loading and attaches tippers owned by ESM for Coal Loading and Transportation of work. This business venture is carried out for five years, extendable for another 4 years on satisfactory performance.

(a) Coal Tipper Attachment Scheme.This scheme is part of the ESM Coal loading and transportation scheme. It is open for all ranks other than officers. Desirous ESM who enrol for this scheme are allotted to Coal transportation companies to own and attach a tipper truck. They are required to deposit seed money for buying the tipper truck.

(b) Tipper Attachment Scheme for War Widows and Disabled Soldiers. This scheme is part of the ESM Coal loading and transportation scheme. War Widows upto age of 65 and disabled soldiers having 50percent or more disability are also allowed to enrol for this scheme. However they do not own any tipper but deposit a max of ₹ 1 Lac with the ESM Coal Transportation Company who purchases the tipper. The widow / disabled soldiers are paid a monthly sum of ₹ 3,000/- per month for a period of five years. At the end of five years the principal amount is returned back.

- Allotment of Mother Dairy Milk Booths and Fruit & Vegetable (Safal) Shops in NCR: These schemes of DGR are exclusively available only upto the rank of JCOs. The ESM register for Milk / SAFAL (Fruit and Vegetable booths separately and give multiple choice of zones for the purpose of areas where booths are required. On receipt of requisition from Mother Dairy the ESM are sponsored in the ratio of one is to three zone wise. The selected ESM are required to sign an agreement with Mother Dairy and deposit a security deposit of ₹ 1 lakh. They are imparted two weeks of training and allotted booths on their turn in the respective zones opted by them. An amount of Rs. 50,000/- appox. is also required at the time of allotment of booth for the products. The ESM earn by the commission on all the products revised from time to time by Mother Dairy. However an assured amount of ₹ 11000/- per month throughout in terms of commission is ensured by Mother Dairy for Milk booths and ₹ 15000/- per month (for first six months only) for SAFAL booths. The ESM is allowed to run booths up to the age of 60 years and extendable by two years for ESM on satisfactory performance.
- Retail Outlet Dealership (Petrol/Diesel). The Ministry of Petroleum and Natural Gas has 8percent reserved quota for allotment of Regular/Rural Retail Outlet Dealership under 'CC1' category. The said category includes personnel of the Para Military Forces/Central Govt /State Govt and Central /State PSU employees and Defence Personnel. The defence personnel eligible include widows/dependents of those members of Armed Forces who died in war or in harness due to causes attributable to or aggravated by military service, ex-servicemen who are war disabled/disabled in peace due to causes attributable to or aggravated by military service. Eligible applicants can apply when a newspaper advertisement under the above category is published by the oil companies. The office of DGR issues eligibility certificate to the above entitled ESM/Widow/Dependent which is required to be submitted in original at the time of interview/selection. Able bodied Ex-servicemen are also eligible for the said scheme and are required to apply directly to the Oil company with a copy of their Discharge Order or Pension Order. Selection of a Distributor/ Dealer is done through draw of lots by the concerned oil company of all eligible applicants.

4. Corporate Initiatives. A large percentage of soldiers retire from defence service at a relatively early age typically between 35 to 45 yrs wherein they are left with major social and personal obligations which necessitates taking on a second career. Government support is available in providing resettlement to ESM through various facilities which include Reservation in Government jobs, various self-employment and employment ventures through DGR/other agencies. Further in order to provide suitable Pan India options for employment of ESM, a Memorandum of Understanding (MoU) was signed in 2014 between DGR and the Confederation of Indian Industry (CII) with the aim to generate employment opportunity for ESM in the corporate sector. To meet the above aim, regular interaction with concerned officials in CII is being carried out both at New Delhi and Regional offices of CII.

5. ESM Job Fairs. Based on the MoU, Job Fairs are being regularly organized since 2014. These job fairs are organized with the support of CII and the three services at selected locations at no cost to the ESM/Corporate employers. These Job Fairs are conducted at a suitable venue where the suitably identified ESM are provided to the prospective corporate employers based on the vacancies offered matched with the skills of the ESM. These events have been successful and the Ex-servicemen fraternity and the corporate houses have lauded this initiative in providing such a simple, direct, no cost platform for employment of ESM in the corporate sector.

6 . Training Directorate: About 55,000 – 60,000 Armed Forces personnel retire every year at a relatively young age and require a second career. They constitute a very valuable, well-trained and dedicated talent pool. To take care of their need for rehabilitation, Directorate General Resettlement (DGR) conducts various training courses and prepares retiring/ retired officers and JCOs/OR and their equivalent ranks in Air Force and Navy for a second career. Majority of these resettlement courses are oversubscribed reflecting their popularity. The generic details of the courses are as under:-

Officers' Training

- 24 Weeks Management Courses at IIMs and other reputed B-Schools
- Certificate courses in Management (usually upto 12 Weeks duration) like Management of Academic Institutions, Supply Chain Management, Retail Management etc.
- Newly introduced courses certified by National Skill Development Corporation (NSDC) in various skill sectors.
- Courses approved by Government bodies like DG Shipping, DG Civil Aviation etc.
- 60 percent Course fee is paid by DGR while 40 percent is paid by each individual officer.
- Widows of officers are also eligible for the above courses.

JCOs/OR and Equivalents' Training at Institutes

- Courses include IT, Security, Management and other Skill Sectors approved by National Skill Development Corporation (NSDC) as also courses conducted by Govt institutions/approved by Govt Bodies.
- 100 percent Course fee is paid by DGR
Widows/one dependent of JCOs/OR are eligible to do any course sponsored by DGR."

Employment generated by the DGR under various Schemes

8.6 The details of employment generated by the DGR under various Schemes during last five years (i.e. 2014-18) are shown as under:-

<u>Sl. No</u>	<u>Scheme</u>	<u>Number of ESM Employed/Sponsored</u>					<u>Remarks</u>				
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>					
(a)	Security Agency Empanelled*	382	322	325	458	648	Number of ESM Registered with DGR*				
							2014	2015	2016	2017	2018
	Number of ESM Sponsored**	41764	23627	40863	33394	35558	427	479	562	581	1010
							(a)* These figure are representing number of ESM registered with DGR for various schemes i.e. DGR Security Agency, ESM Coal Company, Management of CNG and COCO Schemes. (b)** Number of ESM Sponsored are the actual number of ESM registered for Security Guards.				
(b)	ESM Coal Company Sponsored*	06	05	13	21	80	* These figure are representing number of ESM registered with DGR for various schemes i.e. DGR Security Agency, ESM Coal Company, Management of CNG and COCO Schemes.				
(c)	ESM & Widows/Disa bled ESM attached in ESM Coal Company	96	220	213	194	361	--				

(d)	Management of CNG*	63	31	45	35	40	* These figure are representing number of ESM registered with DGR for various schemes i.e. DGR Security Agency, ESM Coal Company, Management of CNG and COCO Schemes.				
(e)	COCO Scheme (For BPCL/ IOCL/ HPCL)*	499	131	29	66	21	* These figure are representing number of ESM registered with DGR for various schemes i.e. DGR Security Agency, ESM Coal Company, Management of CNG and COCO Schemes.				
(f)	Issue of Eligibility Certificates for allotment Oil Product Agencies	65	9	18	384	180	Number of ESM issued with Eligibility Certificates are the actual number of ESM registered for OPA Scheme.				
(g)	Mother Dairy Milk Booths/Safal Booth	211	303	296	320	329	ESM Applications Sponsored to Mother Dairy				
							2014	2015	2016	2017	2018
							398	578	621	581	691
(h)	Army Surplus Class-V 'B' Vehicles	65	67	39	33	11	Number of ESM issued with Eligibility Certificates are the actual number of ESM registered for Class-V 'B' Vehicles. The Army Surplus Class-V 'B' Vehicles scheme is abolished in the year 2018.				

(j)	ESM Placement by DGR (EmpDte)	4957	5263	5126	9604	11315	JCOs / OR & equivalents register their name with Rajya Sainik Board / Zila Sainik Board. DGR only forward the name of applicants for various vacancies based on the recommendation of RSBs / ZSBs.
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New Avenues for resettlement of Ex-Servicemen

8.7 The Ministry has also informed that apart from the regular employment schemes of DGR, new avenues for employment opportunity for Ex-Servicemen are being explored in the Corporate Sector and High Security Installations.

CHAPTER IX

EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (ECHS)

Introduction

The Committee have been informed that Retired Armed Forces personnel till 2002 could avail medical facilities only for specific high cost surgery/treatment for a limited number of diseases covered under the Army Group Insurance (Medical Branch Scheme) (AGI(MBS)) and Armed Forces Group Insurance Scheme (Management Information System) (AFGIS (MIS)) schemes. These medicare schemes could provide some relief to the Ex-Servicemen (ESM), but it was not a comprehensive scheme as compared to and available for other Central Government Employees. Therefore, the requirement was felt of establishing a medicare system which could provide quality medicare to the retirees of the Armed Forces.

9.2. Accordingly, the ECHS was launched with effect from 01 Apr 2003. With the advent of this scheme, Ex-servicemen pensioners and their dependants who were only entitled for treatment in service hospital are now entitled for authorised treatment, not only in service hospitals, but also in those civil/private hospitals which are specifically empanelled with the ECHS. The Scheme is financed by Government of India.

9.3. Conceptually, the ECHS is to be managed through the existing infrastructure of the Armed Forces in order to minimise the administrative expenditure. The existing infrastructure includes command and control structure, spare capacity of Service Medical facilities (Hospitals etc.), procurement organisations for medical and non medical equipment, defence land and buildings etc.

Organisation of ECHS

9.4. As intimated to the Committee, the ECHS Central Organisation is located at Delhi and functions under the Chief of Staff Committee (COSC) and is headed by Managing Director, ECHS, a serving Major General. There are 30 Regional Centres, 427 ECHS Polyclinics and 2634 empanelled medical facilities. ECHS has membership of approximately 55 lakhs including veterans and their dependents. 353 out of 718 districts of

the country are covered under ECHS. ECHS is also an attached office of Dept of Ex-Servicemen Welfare (DoESW), Ministry of Defence.

9.5. The existing Command and Control Structure of the Army, Navy and Air Force have been given the Administrative and Financial Powers to run this Scheme. Station Commanders will exercise direct Control over the ECHS polyclinics. Regional Centres ECHS are under Command HQ/ Area HQ.

Budget 2019-20

9.6 During presentation before the Committee, a representative of ECHS informed them about Capital and Revenue Budget allocated to ECHS for 2019-20. ECHS has been allocated ₹ 3,281.26 crore under Revenue (BE) Head, against the projection of ₹ 5,733.50 crore. Against the projection of ₹ 35 crore for capital expenditure, ₹ 13.97 crore have been allocated for 2019-20 BE.

9.7 The details of expenditure by ECHS for the last five years and requirement of funds at RE stage are as follows:

Expenditure: Last Five Years

FINANCIAL YEAR	ALLOTMENT	EXPENDITURE	(₹ in crore)
			CARRIED FWD LIABILITY
2015-16	2562.86	2547.95	1061.26
2016-17	2896.50	2905.82	1282.62
2017-18	3928.70	3864.47	1097.35
2018-19	3198.02	3223.55	2201.06
2019-20	3281.26	1920.29	2130.00

Requirement of Funds: 2019-20

(₹ in crore)

SUB HEAD	PROJ ECTED BE	BE	PROJ ADDL REQUIREMENT	TOTAL REQUIREMENT
MEDICAL STORES	1250.00	806.50	550.00	1356.50
MED TREATMENT	3987.00	2092.80	2909.96	5002.76
OTHER MISC INCLUDING SALARY	515.00	381.96	40.04	422.00
TOTAL	5752.00	3281.26	3500.00	6781.26

Medical Bills pending with ECHS

9.8 The Committee desired to know the status of pendency of medical bills of empanelled hospitals with ECHS. The Managing Director, while deposing before the Committee stated:

“तकरीबन 2,200 करोड़ रुपये एम्पैनल्ड हॉस्पिटल्स के लिए पेंडिंग है। ये बिल्स अलग-अलग जगहों पर हैं। इसमें तीन-चार लेबल्स होते हैं। तकरीबन 900 करोड़ रुपये अप्रूव्ड बिल्स हैं और सिस्टम के अंदर 1,300 करोड़ रुपये बैलेंस है। इस प्रकार कुल मिलाकर 2,200 करोड़ रुपये पेंडिंग हैं। बजट के लिहाज से हमने इस साल 5,700 करोड़ रुपये मांगा है, लेकिन हमें 3,281 करोड़ रुपये ही मिले हैं। यह तकरीबन 2,000 करोड़ रुपये कम है, जो कि पिछले साल का कैरी फॉरवर्ड लाइअबिलिटी था।

हमने आर.ई. स्टेज में गवर्नमेंट से अर्ज किया की एडिसनल 3,500 करोड़ इस साल में हमें उपलब्ध कराए जाएं, ताकि इस फाइनेंशियल ईयर के 31 मार्च तक हम लोग विदाउट एनी पेंडेंसी ऑफ बिल स्कीम को अगले साल लेकर जा सकते हैं और स्कीम को बिना किसी हिचकिचाहट से हम चला सकते हैं।”

New Proposals

9.9 The Managing Director, ECHS stated before the Committee on certain new proposals:

“वैटरन हॉस्पिटल के लिहाज से एक कंसीडरेशन प्रपोजली सर्विस हेडक्वार्टर्स में है और इसकी फाइनेंशियल वायबिलिटी और कंपेयर टू इम्पैनल्ड हॉस्पिटल ऑफ सिविल लॉस या प्रॉफिट कितना होगा, यह अभी अंडर कंसीडरेशन है। हो सकता है कि बहुत जल्दी हम इस प्रपोजल को आगे ले पाएंगे। Regarding a merger with the military hospitals, everything functions based on the availability of funds. जैसे फंड्स नहीं मिल रहे हैं, इसकी वजह से हम आपस में कोशिश कर रहे हैं, जहां-जहां पर हम ऑप्टिमाइजेशन कर सकते हैं, जिस मिलिट्री हॉस्पिटल में ओपीडी देखने की स्पेयर कैपेसिटी है, वहां पर क्या एक्सिस्टिंग पॉलीक्लीनिक को हम मर्ज कर सकते हैं या नहीं, यह अभी ड्राइंग बोर्ड के ऊपर है। इसके बारे में कोई डिजीजन नहीं लिया गया है। This matter is under examination. जैसे-जैसे यह मेच्योर होगा, हम मिनिस्ट्री के साथ उसे शेयर करेंगे।”

Empanelment of specialized doctors under ECHS

9.10 During the deliberations, the Committee raised the issue of unwillingness of private empanelled hospitals to admit patients under ECHS due to the lower rate of specialized doctors fixed in ECHS as compared to other health Schemes. To this pinpointed query, the Managing Director, ECHS responded as under:

“...the issue which you brought out with respect to the rates, we follow the Central Government Health Scheme rates for each procedure Notwithstanding that, they are still lower than the aspirations of the empanelled hospitals. Most of the hospitals give cashless treatment despite the pending bills while a number of hospitals refused treatment under the pretext of the provisions which you have brought out. Whenever these are officially reported to us, we initiate action against the hospitals as per the provisions in the Memorandum of Agreement.”

Expansion of ECHS

9.11 The Committee desired to know about the steps taken by the Ministry to increase the reach of ECHS in far flung areas. The Ministry submitted as under:

"Under the scheme there is provision for Mobile Polyclinics for catering to requirements of far flung areas. 17 Mobile Polyclinics have been sanctioned in the State of Uttarakhand, Karnataka, Himachal Pradesh, Assam, Arunachal Pradesh, Punjab, Madhya Pradesh, Jammu & Kashmir and West Bengal. Also, a proposal for opening of new ECHS Polyclinic is under consideration. Fixed Medical Allowance (FMA) has been granted to all ECHS beneficiaries who are residing in far flung areas where Polyclinics are not available."

CHAPTER X

DEFENCE PENSION

The Committee learnt that Defence Pensions, under Ministry of Defence provides for Pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three services *viz.* Army, Navy and Air Force and also employees of Ordnance Factories etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc. The position of budgetary allocation under this head is as under:

(₹ in crore)

BE 2018-19 (Allocation)	RE 2018-19 (Allocation)	BE 2019-20 (Projection)	BE 2019-20 (Allocation)
1,08,853.30	1,06,775.14	1,14,000.00	1,12,079.57

10.2 As given to understand, the requirement of ₹ 1,12,079.57 crore for BE 2019-20 has been worked out after taking into account the variation of ₹ 3,226.27 crore over BE 2018-19 (₹ 1,08,853.30 crore). This was mainly due to Dearness Relief announced by the Government and growth in pension. There was also increase in amount of Gratuity, Family Pension, Leave Encashment and Superannuation and Retirement Benefits as a result of increase in number of retirees.

One Rank One Pension (OROP)

10.3 One Rank One Pension (OROP) was implemented for the Ex-Servicemen w.e.f. 01.07.2014. OROP implies that uniform pension be paid to the Defence Forces Personnel retiring in the same rank with same length of service regardless of their date of retirement. It aims at bridging the gap between the rates of pension of current and past pensioners at periodic intervals.

10.4 The Committee have learnt that as per the reports received from the Controller General of Defence Accounts (CGDA), a sum of ₹ 4,172.64 crore, ₹ 2,397.22 crore, ₹ 2,322.91 crore and ₹ 1,902.63 crore have been paid towards first, second, third and

fourth instalment of OROP arrears respectively. 20,60,220 Ex-Servicemen/family pensioners, 15,94,311 Ex-Servicemen, 15,76,478 Ex-Servicemen and 13,56,212 Ex-Servicemen are the beneficiaries during these four installments respectively. Total arrears to the tune of ₹ 10,795.4 crore have been paid (Status upto 30.09.2017 and compiled till 01.05.2018).

10.5 During deliberations of the Committee, the issue of pending cases of settlement regarding OROP was discussed. The Secretary, Defence Finance clarified as under:-

“ओआरओपी की शिकायतें तो आती रहती हैं कि सभी लोग इससे संतुष्ट नहीं हैं कि हमारा काम ठीक हो गया है। इसे कंट्रोलर जनरल ऑफ डिफेंस अकाउंट्स (सीजीडीए) इम्प्लीमेंट करता है। वे रेगुलर्ली पेंशन अदालत करते रहते हैं, जैसे अभी 23 नवम्बर को लखनऊ में पेंशन अदालत है। वे रेगुलर्ली हर स्टेट में जाकर पेंशन अदालत करते हैं और एक्रॉस-द-बोर्ड वहीं बैठ कर केसेज सेटल किए जाते हैं।”

CHAPTER XI

SANIK SCHOOLS

The Committee have been given to inform that presently, there are 31 Sainik Schools in the country and proposal for 17 new Sainik Schools in under consideration by the Ministry of Defence.

11.2 The aims and objectives of Sainik Schools are as follows:

- (i) To prepare cadets for entry into the NDA and Naval Academy
- (ii) To remove regional imbalance in the Officer Cadre of the Defence Services
- (iii) To bring public school education within the reach of the common man
- (iv) To develop qualities of body, mind and character which will enable the young boys to become good and useful citizens.

11.3 The funding pattern of the Sainik Schools, as apprised to the Committee, is as under:

<u>State government</u>		
Land	-	40-50 Acres
Building	-	Approx. 100-150 Cr for New Schools
Maintenance & Scholarships	-	Varies from State to State (01-05 crore)
<u>Central Government</u>		
Defence Scholarships		
NDA Incentive		
Fee & Dietary Subsidy		
Additionality due to VI th CPC		
IT & Training Grant		
Grant-in-aid for infra development		
		Total: 84.22 Crore (2018-19)

<ul style="list-style-type: none"> ▪ <u>Parents</u> 		
Tuition Fee (Rs 79860)		
Dietary Charges (₹ 21500)		
Pocket Money (₹ 1500)		
Miscellaneous (₹ 9500)		
Caution Deposit (₹ 3000)		
		Total Approx Charges – ₹ 1,15,360/- P.A. (2019-20) (10 percent increase in tuition fee/annum)

Board of Governors

11.4 The Committee have learnt that a Board of Governors, functioning under the Chairmanship of the Raksha Mantri, is the Chief Executive body of the Sainik Schools Society. The membership of the Board *inter alia* constitutes of Raksha Rajya Mantri / URM (Minister in charge of Sainik Schools in Ministry of Defence), Chief Ministers or Education Ministers of the States where the schools are established, Defence Secretary, Education Secretary, Financial Advisor, Ministry of Finance (Defence), Chairman of University Grants Commission, Vice Chiefs of Staff or the Principal Staff Officers dealing with Education in the three Defence Services, Director General of NCC and Education Secretary of each State Government.

11.5 During the oral evidence of the representatives of the Ministry of Defence, the Committee enquired about the number of meetings of the Board of Governors held in a year. The Inspecting Officer, Sainik Schools Society replied that the meeting is held every year and last year, the meeting was held in March, 2018.

Budget 2019-20

11.6 The Inspecting Officer, Sainik Schools Society, informed the Committee during his evidence that there is no separate budget for the Sainik Schools and they get the money from the Army Budget. He further submitted that as against a projection of ₹ 114 crore, the Sainik Schools have been allocated ₹ 40 crore for 2019-20.

11.7 The Defence Secretary, while highlighting the challenges faced by the Sainik Schools due to lack of requisite funds, stated before the Committee as under:

“इस समय इनकी सबसे बड़ी दिक्कत फण्ड की है। लेकिन यदि आप इनका परफॉर्मेंस देखें, तो आज की तारीख में सैनिक स्कूल्स बेहतर कर रहे हैं। इनकी फीस लगभग 1 लाख 20 हजार प्रति स्टूडेंट प्रति वर्ष है। इसके बावजूद लगभग द्वाइ हजार एडमिशन के लिए लगभग 1 लाख बच्चे अप्लाई करते हैं। आईआईटीज में जिस तरह से होता है, उसी तरह से इसमें है। इनका स्तर अच्छा है। लोग अपने बच्चों का एडमिशन यहाँ कराना चाहते हैं। इनकी सबसे बड़ी कठिनाई यह है कि इनके पास पैसे की कमी है, क्योंकि जो वहाँ पर टीचर्स हैं, जो गवर्नमेंट के स्टाफ हैं, उनकी सैलरी बढ़ गई है, इंफ्रास्ट्रक्चर कॉस्ट आदि है। हम राज्य सरकारों से कहते हैं, लेकिन बहुत-सी राज्य सरकारों ने अपना शेयर नहीं दिया है। इसलिए पैसे नहीं आ पाते हैं। इनको फण्ड का अभाव सबसे ज्यादा अखरता है।”

11.8 He further apprised the Committee of the steps taken to resolve the funding requirements of Sainik Schools:

“अभी हाल में हमने एक कमेटी बनाई थी, वह स्टडी कर रही है कि यहाँ पर फण्ड कैसे मुहैया करा सके। इसके बारे में उस कमेटी की रिपोर्ट जल्दी ही उपलब्ध हो जाएगी। इसलिए हम लोग इनकी फण्डिंग को इनक्रीज करने के तरीके के बारे में सोच रहे हैं। हमारे अपने फण्ड में भी लिमिटेशन हैं। हमारे दूसरे रिकायरमेंट्स हैं और अन्य प्रेशर्स भी हैं। आर्मी जितना दे पाती है, उतनी राशि वह देती है। राज्य सरकारों से भी राशि मिलने में कठिनाई होती है। इसलिए इनकी फण्डिंग रिकायरमेंट को हम कैसे सॉल्व करें, इसके लिए हम कोशिश कर रहे हैं।”

Admission of Girl Students in Sainik Schools

11.9 The Defence Secretary elucidated before the Committee regarding admission of girl students in Sainik Schools by stating:

“रक्षा मंत्री जी ने निर्णय ले लिया है कि स्कूलों में गर्ल्स के लिए सेपरेट टॉयलेट्स बनाये जाएं और सेपरेटली दूसरे इंफ्रास्ट्रक्चर्स भी बनाए जाएं, तो जिन-जिन स्कूलों में ये सारी चीजें बनती जाएंगी, ऐसे सभी स्कूलों में लड़कियों के लिए एडमिशन शुरू हो जाएंगे। जो नये स्कूल्स बने हैं, उनमें यह काम अभी से ही शुरू हो जाएंगे, पुराने स्कूलों में धीरे-धीरे इंफ्रास्ट्रक्चर्स बनाने की प्रक्रिया शुरू करेंगे।”

11.10 The Inspecting Officer, Sainik Schools Society, apprised the Committee that presently the intake of girls in the Schools is 10 percent.

Intake of Sainik School Students into NDA

11.11 During a presentation before the Committee, the representative of Sainik Schools furnished following information regarding intake of Sainik School students into NDA:

ANNUALINTAKE OF SAINIK SCHOOL CADETS INTO NDA DURING LAST FIVE YEARS				
Year of Pass Out	Course Numbers	NDA Course Strength	No. of SS Cadets	% of SS Cadets
2013-14	132 & 133	563	121	21.5
2014-15	134 & 135	604	147	24.3
2015-16	136 & 137	595	158*	26.6
2016-17	138 & 139	644	179	27.8
2017-18	140 & 141	662	147*	21.5
2018-19	142 (July 19)	341	87	25.5
*ALL INDIA TOPPER IN UPSC/NDA EXAM FOR COURSES 136 & 140 FROM SAINIK SCHOOL AMBIKAPUR AND SAINIK SCHOOL NALANDA, RESPECTIVELY				

11.12 The Committee enquired about the low percentage of Sainik School students as compared to that of non-Sainik School students joining NDA. The Defence Secretary clarified as under:

“The percentage of students who are appearing from Sainik School and getting into NDA is far higher than the percentage of non-Sainik school students who are appearing because there are lakhs and lakhs of students who are appearing in NDA. There are a lot of students who aspire to go for NDA. But they are not going to Sainik Schools. We were all at some point of time were not Sainik School students but we all wanted to go to NDA as a possible career. There are a large number of good students outside the Sainik Schools also in the country.”

11.13 The Inspecting Officer, Sainik Schools Society, supplemented by stating:

“On an average, there are 600 vacancies in NDA. Around 170 to 180 children are from Sainik Schools and similar schools are being run by MoD which are called Rashtriya Military Schools. Their purpose is also the same. There are five such schools. Around 30 to 40 children from the Rashtriya Military School join NDA every year. There is one RIMC in Dehradun, Rashtriya Indian Military College. Around 20 to 22 children from RIMC join every year to this. So, overall from these similar schools, around 250 children join every year to the NDA. Rest of the 350 are civilians. As mentioned by Defence Secretary, about two lakh appear in the NDA entrance exam and out of two lakh students, only 350 get into NDA whereas in our case, the percentage of success is quite high.”

OBSERVATIONS/RECOMMENDATIONS

Ministry of Defence Budget and Demands for Grants 2019-20: A bird's eye view

1. After gleaning through all the facts and figures provided to the Committee, they find that there are four Demands for Grants in respect of the Ministry of Defence viz. Grant Number 18 – Ministry of Defence (Civil), Grant Number 19– Defence Services (Revenue), Grant Number 20 – Capital Outlay on Defence Services and Grant Number 21 – Defence (Pension). The Committee also find that the total budget for the Ministry of Defence for 2019-20 is ₹ 4,31,010.79 crore. 71 percent of this amount i.e. ₹ 3,05,296.07 crore has been allocated for Defence Services Estimates (DSE), which is conventionally known as India's Defence Budget. The Defence Services Estimates reflects the detailed estimates for the Defence Services and Organizations covered under Grant Number 19 {Defence Services (Revenue)} and Grant Number 20 (Capital Outlay on Defence Services) of the Ministry of Defence. The Services and Organizations covered under DSE are Army (including National Cadet Corps and Director General Quality Assurance, Military Farms and Ex-Servicemen Contributory Health Scheme, Navy (including Joint Staff), Air Force, Defence Research and Development Organization (DRDO) and Defence Ordnance Factories. Defence Pensions has claimed 26 percent of the total budget i.e. ₹ 1,12,079.57 crore. Defence Pensions, under Grant number 21, provides for Pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three services viz. Army, Navy and Air Force and also employees of Ordnance Factories etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc. The remaining 3 percent of the total budget i.e. ₹ 13,635.15 crore have been allocated to Ministry of Defence

(Civil) {Grant Number 18}. The requirements for the Civil expenditure (both revenue and capital) of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, Jammu & Kashmir Light Infantry, Border Roads Organization, etc. are covered under Grant Number 18.

Trends in Ministry of Defence expenditure and compromises made due to reduced allocations

2. An analysis of the data provided by the Ministry of Defence on expenditure on Defence Services Estimates, Pensions and Ministry of Defence (Miscellaneous/Civil) reveals that allocation under these three Grants has shown an increase of ₹ 17,607 crore, ₹ 10,305 crore and (-) ₹ 361 crore in 2019-20 (BE), respectively, when compared to that in 2018-19. The total Defence Budget for 2019-20 is ₹ 4,31,011 crore, an increase of ₹ 27,551 crore than that in 2018-19. It is a matter of concern that as compared to 2018-19, while the total Defence Budget and Defence Services Estimates have shown an increase of 6.82 percent and 6.12 percent, respectively, Defence Pension has exhibited an increase of 10 percent in 2019-20(BE). The Defence Secretary, while tendering his evidence before the Committee, also shared his concern in this regard. He elaborated that while the budget in Defence Services Estimates has doubled in the past decade, pension has increased thrice in amount. This has led to deficiency of funds in the requisite critical areas.

3. Another disconcerting feature which draws the attention of the Committee is mismatch between the projected and allocated Defence Budget. They have been apprised that as against projection of ₹ 4,05,784.84 crore under Defence Services Estimates for 2019-20 (BE), only ₹ 3,05,296.07 crore have been allocated i.e. a shortfall of ₹ 1,00,488.77 crore. Under the revenue segment, provision is first made for salary 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. In so far as the capital segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialise during the year. The remaining allocation is distributed to meet the projected requirement for other items. As per the Ministry's written submission, the allocated funds are optimally and fully utilized towards operational activities. If required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Forces. During oral evidence in connection with examination of Demands for Grants 2019-20, the Vice Chief of Naval Staff threw light on the complexities arising due to availability of limited funds which result in postponement of some items in the priority list for the financial year as payments to foreign vendors and Original equipment manufacturers has to be made compulsorily, which otherwise would lead to legal issues. The reprioritizing affects the payment schedule of Defence Public Sector Undertakings (DPSUs), which sometimes is pushed to next financial year. Thus, the reduced allocations are managed through prioritizing and delay in payments.

4. The Committee note that the Ministry and the Services have to resort to such *ad-hoc* mechanisms to manage their affairs in wake of reduced allocations. The Committee have always supported justified demands of increase of funds for Defence Budget at Budget and Revised Estimates stage and will continue to do so. Nevertheless, they recommend that all-out efforts be made and right trajectory be drawn to find new avenues of earning revenue. Seamless planning and coordination be undertaken by the Ministry of Defence, particularly in the field of Defence exports of arms and ammunition by Defence Public Sector Undertakings and Ordnance Factories board (OFB) to our friendly countries. The Committee fully concur with the assertion of the Defence Secretary, as brought out in other portions of this Report, that such exports not only create firm markets for our Defence products but also create 'dependence' on our products in the long run. The Committee however would like to see this as a reality sooner than later. They would like to be informed about the planning and execution in this regard and would like to be apprised in detail as this would be to its logical conclusion. The Committee have immense trust in talents of manpower, science and research available in the country. Indian Space Research Organisation's (ISRO) recent mission is a testimony to the technological and scientific prowess of our country. Therefore, the Committee exhort the Ministry, Services, DRDO, OFB and DPSUs to work in tandem to make India a global hub in defence manufacturing, earn revenue by exploring novel opportunities and areas and eliminate wasteful expenditure. Whenever required, invariable help be taken from the Ministry of External Affairs as well. The Committee also desire that the Ministry should give enough thrust to the application of principles of financial discipline and propriety and also avoid wasteful expenditure.

Growth of Defence Budget vis-à-vis rate of inflation:

5. The Committee have learnt that the annual rate of inflation as per the Economic Survey 2018-19 based on CPI-Combined New Series ranged around 3.4 percent. The annual rate of inflation based on monthly Wholesale Price Index (WPI) stood at 4.3 percent (Provisional) for the year 2018-19 as compared to 3.0 percent for the previous year 2017-18. The actual increase at the stage of Revised Estimates 2018-19 over actuals of 2017-18 amounts to only 0.10 percent after adjusting inflation rate of 3.4 percent. The Committee, in this regard, specifically recommend that allocations for Budget for the Ministry of Defence for 2019-20 at RE stage should be appropriately increased so that inflation does not nullify the benefits supposed to be accrued to the Forces after the actual increase in the funds.

Growth of Defence Budget vis-à-vis Central Government Expenditure and Gross Domestic Product (GDP)

6. The Committee can apparently see that the allocation of Defence Budget, including Civil estimates and Pension for 2019-20 is ₹ 4,31,010.79 Crore, which accounts for 15.47 percent of total Central Government Expenditure and 2.04 percent of GDP for the year 2019-20. Further, Capital budget of Ministry of Defence for 2019-20 is 32 percent of the Capex of Central Government Expenditure. A close scrutiny of the data provided by the Ministry reveals that during 2018-19 (BE), Defence Expenditure, as a percentage of Central Government Expenditure was 16.56 percent. This has declined to a level of 15.47 percent in 2019-20 (BE). Defence Expenditure, as a percentage of GDP, which was to the extent of 2.72 percent in the year 2015-16 has also been steadily declining to the level of 2.04 percent in 2019-20 (BE).

7. A comparison of data provided by the Ministry, based on the Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database indicates that in 2018, 5.5 percent of the Chinese Government Expenditure has been on Defence. During the same year, Defence expenditure, as a percentage of the Government expenditure has been to the extent of 18.5 percent in case of Pakistan, 9.0 percent for USA, 11.4 percent for Russia and 4.6 percent for UK. Also, during 2018, Defence Expenditure as a percentage of GDP was 1.9 percent in case of China, 4.0 percent in case of Pakistan, 3.2 percent in the case of USA, 3.9 percent for Russia and 1.8 percent in the case of UK. In the 40th Report of Standing Committee on Defence (16th Lok Sabha), the Committee had recommended for having a benchmark percentage of GDP earmarked for deciding on the allocation to the Defence Sector. However, the Ministry of Defence is of the opinion that it may not be always appropriate to link Defence spending in terms of national economic output. The reason adduced by the Ministry is that if the economy grows at a faster rate, spending decreases as a percentage of GDP but it doesn't mean that the level of spending has fallen or has even become inadequate. Looking at the spending as a percentage of GDP thus creates an illusion of declined spending by ignoring the size of economy. It has been further submitted that this question was also examined in detail by the Kargil Review Committee which did not recommend a specific, targeted percentage of GDP to be earmarked for Defence. It exhorted the need to extract the maximum value from each defence rupee, *inter-alia*, through rigorous prioritisation, restructuring of the defence forces, integration with defence production and focusing resources in areas likely to enhance the effectiveness of the defence forces.

8. The intention of the Committee in recommending for having a benchmark percentage of GDP earmarked for deciding on the allocation to the Defence Sector is to ensure that the plans for modernisation and upgradation of our forces do not suffer from lack of budget. The Committee fail to understand that with Defence Expenditure being 15.47 percent in 2019-20(BE) as a percentage of Central Government Expenditure, compared to 16.56 percent to that in 2018-19 (BE), how the Ministry is going to cater to the requirements of capital acquisition and burgeoning salary and pension bills. Therefore, the Committee recommend that the Ministry of Defence should vigorously pursue its case for adequate allocation at RE stage and also a fixed percentage of GDP from the next budget.

Projections made by the three Services

9. The Committee deduce from the data supplied to them that the figures of allocations to the Services are much lower than what they had projected at both Budget Estimates (BE) and Revised Estimates (RE) stage. Moreover, the Services have been mostly able to spend the amounts allocated at the stage of RE. For the previous financial year i.e. 2018-19, at the stage of BE, the Army projected a requirement of ₹ 1,96,387.36 crore for both Revenue and Capital expenditure, but was given only ₹ 1,53,875.22 crore. At the Revised Estimates stage of that year, the Army projected an amount of ₹ 1,83,071.32 crore but was allocated only ₹ 1,56,628.05 crore. In 2018-19, the Army spent 103.2 percent of the budget provided i.e. ₹ 1,61,680.04 crore. In the case of Navy, the projected amount was ₹ 59,443.16 crore for both Revenue and Capital. However, only ₹ 40,419.53 crore were provided at BE Stage. At the Revised Estimates stage of the year, the Navy projected an amount of ₹ 55,156.23 crore but was allocated only ₹ 41,685.91 crore. Of this, the Navy spent 101.63 percent

of the budget provided i.e. ₹ 42,365.83 crore. Similarly, while the Air Force projected a requirement of ₹ 1,12,955.53 crore, quite surprisingly, only ₹ 64,591.44 crore was allocated at BE stage. At the stage of Revised Estimates of the year, the Air Force projected an amount of ₹ 1,00,986.83 crore but was allocated only ₹ 63,875.60 crore. of this, the Air Force was able to spend more than 101.35 percent of the budget provided i.e. ₹ 64,742.99 crore. The Committee are satisfied to note that the Forces have been able to completely utilize the budgetary allocation.

10. Further, the Committee find that for the Budget Estimates 2019-20, the Army projected an amount of ₹ 1,57,896.23 crore under the Revenue Head, but has been allocated only ₹ 1,40,398.49 crore. Under the Capital Head, the projected amount is ₹ 44,690.98 crore but only ₹ 29,511.25 crore has been allocated, which amounts to 66 percent of the projected requirement. Again, for the current year 2019-20, while the Navy projected a requirement of ₹ 27,086.29 crore, the allocated amount has been ₹ 22,211.71 crore under the Revenue Head. Under the Capital Head, while the Navy projected an amount of ₹ 37,220.98 crore, the allocated amount is only ₹ 23,156.43 crore, which amounts to approximately 62 percent of the projected requirement. While an amount of ₹ 34,849.50 crore has been projected as the requirement under the Revenue Head by Air Force, ₹ 29,601.69 crore has been provided. Under the Capital Head, while the Air Force projected a requirement of ₹74,894.56 crore, the allocation has been only ₹ 39,347.19 crore.

11. The Ministry of Defence in their written submissions to the Committee stated that the requirements projected by Services are proposed to the Ministry of Finance for favourable consideration. While allocating funds, the Ministry of Finance analyses past absorption capacity of the Services and the pace of expenditure in the

current Financial Year. The Committee understand that if this logic is applied, there is no reason with the Ministry of Finance not to allocate requisite budget for the Forces as for the past few financial years they have been able to fully utilize the funds allocated to them at Revised Estimates stage. Moreover, while projecting their demands to the Ministry of Finance, the Services must have taken into account their capital and revenue expenditure to be met this year. Therefore, the Committee recommend that at least now the Ministry of Defence, citing healthy trend of utilization of funds and critical requirements of operational preparedness of the Forces, should strongly press for additional allocation of funds to the Ministry of Finance at Revised Estimates stage.

Chief of Defence Staff (CDS)

12. The Committee had, in their earlier reports, recommended creation of the post of Chief of Defence Staff for enabling better co-ordination among the Services. The Hon'ble Prime Minister announced creation of the post of Chief of Defence Staff on 15 August, 2019. While tendering his evidence before the Committee, the Defence Secretary submitted that the Cabinet has approved setting up of a Committee under the Chairmanship of National Security Advisor to finalise the roles, responsibilities and mandate of CDS. The Committee wholeheartedly welcome the creation of CDS and are of the considered view that it will go a long way in ensuring smooth co-operation amongst the three Services and all the Organisations falling under the ambit of the Ministry of Defence. This would not only strengthen the national security in the face of myriad regional and global threats but would also take our Forces to a high pedestal of combat/operational preparedness. They desire to be apprised of the latest developments in this regard within one month of the presentation of this Report.

BORDER ROADS ORGANIZATION (BRO)

13. The Committee, through post-evidence replies, had sought information on certain points, which are mentioned in the narration part of this Report. The information was particularly sought on handing over of certain projects of Indo-China border roads to BRO; taking of the projects of lower areas, amendments in the Service Rules of BRO; installing of satellite dish for satellite monitoring of projects; plans for providing single-window formation for clearing the issues relating to road construction, possibility of providing imprest funds to BRO and on that of state of roads to be built in India which BRO has already built in friendly foreign countries, etc. The Committee has not received this information. Timely submission of information to the Committee is very important in framing the relevant recommendations as well as their forming a part of the Report. The Committee would like the Ministry to take this issue very seriously and, in future, all the information as sought by the Committee must be sent within the timelines. The points on which information is waited must be sent expeditiously so that they could at least be added in the Report at the time of finalizing of the Action Taken Report.

Budgetary Allocation to BRO

14. The Committee note that budget to BRO has also been given by various other Ministries, besides the Ministry of Defence. Over the years, the budget of BRO is continuously growing. It has increased from ₹ 4,668 crore in 2015-16 to ₹ 6,850.08 crore in the year 2019-20. The Ministry was also asked to submit the details of the projected amount and allocations during same period, however, it has not submitted any information in this regard. In the absence of this information, it is very difficult to

comment on the shortfall of funds allocated. The Committee hope that in future, the Ministry would share such information with the Committee in a time-bound manner so that the Committee could be at a better pedestal and make suitable recommendations wherever required.

15. The Committee find that an additional amount of ₹1162.84 crore and ₹ 4 crore was sought from Ministry of Finance (MoF) during the second and third batch of Supplementary Demand for Grants 2018-19, respectively. Also, an additional amount of ₹ 1303.84 crore was sought from the Ministry of Finance at the stage of Revised Estimates. In total, BRO demanded ₹ 2470 crore from the Ministry, after the allocation of ₹ 5582.54 crore for the year 2018-19. In the absence of projection data also, it makes a total of ₹ 8052 crore (5582.54 + 2470). However, the final allocation made to BRO was ₹ 6281.81 crore, which is ₹ 1,770 crore short of the amount asked for. This amount is approximately 28 percent of the total allocation made in the year 2018-19.

16. The Committee understand that due to shortage of funds, construction and maintenance of bridges & roads, resurfacing works and other developmental activities get affected. Therefore, the Committee recommend that considering the atmosphere in the neighboring countries towards India, we must prioritize our spending and develop infrastructure and roads so our forces can ensure effective mobility of men and machine till the last post of the border. Due to paucity of funds, compromises are bound to be made and such a situation should be obviated in future to the maximum extent possible.

Required and existing number of equipment with BRO

17. The Committee take note of the details supplied by the Ministry regarding requirement and existing equipment of BRO for the last five years. As a consequence, they find that after delegation of financial powers to complete the preparatory action for timely procurement of both indigenous and foreign construction equipment to Directorate General Border Roads (DGBR), the gap between required and existing equipment with BRO, has been somewhat narrowed. The Ministry has also made an Annual Procurement Plan amounting to ₹ 168.90 crore to support the procurement of equipment. However, the Committee infer from the figures supplied to them that in case of Air Compressors, Dozer-II and Tippers, the situation is not comfortable and requirement is way behind the existing strength. The Committee, therefore, recommend that with requisite allocation, essential equipment should be procured so that BRO can be able to construct the roads and infrastructure in the required time frame.

Construction of Roads by BRO

18. The Committee note that in order to concentrate simultaneously on the Northern and North-Eastern Borders and for the holistic development of roads in border areas, a five year (2018-23) Long Term Roll on Works Plan (LTRoWP) has been approved for the construction/improvement for 265 roads of length 14224.12 km, 4 Ditch cum Bund (DCB) of length 353.22 km and 4 bridges. The Committee also note that as such there is no specific definition for border roads and all roads

strategically important approaching to border and approved in the LTRoWP are to be considered border roads.

19. The Committee further note that BRO is constructing 62 roads in Arunachal Pradesh, 7 roads in Himachal Pradesh, 61 roads in Jammu & Kashmir, 44 roads in Ladakh, 9 roads in Manipur, 2 roads in Nagaland, 24 roads in Uttarakhand, 1 road in Andaman & Nicobar, 8 roads in Mizoram, 6 roads in Punjab, 23 roads in Rajasthan, 18 roads in Sikkim and 8 roads in Bhutan. BRO has also constructed roads in Myanmar and Afghanistan.

20. The Committee recommend that construction of all 273 roads identified by Army should be completed in time bound schedule so there would be no hindrance to the men and machine in the movement. The Committee are also of the view that construction of roads in other countries proves that work of BRO is of international standard, therefore, they hope that BRO will make quality roads in the country also. The Committee desire that for this purpose, BRO should be given necessary help in procuring equipment and required budget and the Ministry should be propitious to assist in every conceivable area so that roads built in India are not only at par with international standards but also state-of-art.

Delay in execution of Projects and difficulties in maintenance of roads

21. The Committee learn from the reply furnished by the Ministry that certain delays in execution of road projects caused by the following reasons:

- (a) Delay in Forest/Wildlife clearance
- (b) Hard rock stretches
- (c) Limited working season

- (d) Difficulties in availability of construction material**
- (e) Due to natural disaster, resources are diverted**
- (f) Delay in land acquisition**
- (g) Poor performance of contractors**
- (h) Non availability of local labour**

22. The Committee also learn that issues related to land acquisition, forest/wildlife clearance and lack of quarries etc. are some of the impediments for the smooth progress of works. In order to resolve these issues, the State Governments of Sikkim, Arunachal Pradesh, J&K, Himachal Pradesh and Tripura have constituted the Empowered Committee which is seen as a positive step in this direction.

The Ministry has also enumerated difficulties i.e. adverse and harsh climatic conditions, non availability of sufficient labour, limited working season, repeated damages due to landslides, natural calamities i.e. flash floods and cloud burst, non allocation of stone/sand quarries by the State Governments, weak geological strata especially in North Eastern region causing sinking/formation breaches and also insurgency affected areas in maintenance of existing roads. In order to facilitate the maintenance of existing roads, DGBR has been delegated powers to fix/revise the rates for maintenance and snow clearance grants for roads entrusted to BRO for maintenance and outsource maintenance of roads.

23. The Committee find that to overcome the various impediments as brought out in the preceding paragraphs and to expedite the construction of roads in the border areas, the Ministry has issued Guidelines for preparation of Annual Works Plan (AWP) and Annual Procurement Plan (APP) and enhanced Delegation of

Administrative and Financial Powers It has also introduced Engineering Procurement Construction (EPC) Mode of execution in order to enhance the capacity of BRO and to ensure the completion of various roads projects in the border areas as per the requirement of the Army, guidelines for adoption of EPC mode of execution have been issued by the Ministry, so that BRO is able to outsource road projects to big companies. The Committee also note that States Governments of Sikkim, Arunachal Pradesh, J&K, Himachal Pradesh and Tripura have constituted the Empowered Committee to resolve the various issues of BRO.

The Committee hope that above measures will bring out positive change in the working of BRO and would concentrate more in its given task, instead of wasting energy in getting approval from the Ministry for minor reasons. It goes without saying that BRO should primarily focus on its basic objective due to it was formed which is building roads in difficult areas. They should also broaden their selection base for employing their manpower as their job is labour intensive. One suggestion in this regard would be hiring manpower from that difficult terrain itself given to bleak employment opportunities and better adaptability of the local inhabitants.

24. The Committee also desire for BRO there should be single window clearance system, which includes Central Government, State Government and other agency for wild life and forest clearance cases to speed up the progress of BRO roads. The Committee would specifically recommend that the issues relating to forest clearance must be handled very deftly as the Committee have come to that by the time clearances come, rest of the things for the roads etc. lag far behind the schedule. The Central/State Governments must be made to understand that in case of issues

pertaining to the national safety and security are concerned, such clearances should be given at a very fast pace and as a special case.

Construction of underwater tunnel

25. The Committee note that for the construction of underwater tunnel in Brahmaputra river, global tendering of Request for Proposal (RFP) for the same has been completed on 15 October, 2019 and the timeline to finish the work is 2028. The Committee are happy to know about this development, nevertheless they recommend that for such crucial works, BRO should adhere to the timelines and complete the work on schedule as envisaged by them. The role of the Ministry and other stakeholders such as State Government, Ministry of Environment and Forest, etc, is very crucial in accomplishing this project without registering any time and cost escalations. If required, the Ministry may constitute a monitoring committee for regular oversight in this regard under intimation to the Committee. They would also like to be apprised.

The Committee are also of the view that bridges on the rivers in North Eastern Region should be constructed at more than two places, so in case of one bridge is swept away due to natural fury, other option can be exploited. This move will definitely help in reducing the distance for the natives as well as help the forces to reach places in time.

Shortage of manpower

26. From the data furnished by the Ministry, the Committee note huge gap in the authorized and existing force level of BRO for the past five years. During the year 2014-15, the authorized force level was 42,646 and the existing force level was just

34,877. After some rationalization of posts, authorized force level was fixed at 41,600 in the year 2015-16 till the present, however, the number of existing strength tumbled down from 35,059 in 2015-16 to 34,188 in 2019-20. Further, for the post of Assistant Executive Engineer (Civil), against the 442 vacancies advertised only 112 officers joined. For AEE (Electrical & Mechanical), only 22 persons joined against the vacancy of 114, and for Medical Officer-II only 1 person joined against the vacancy of 20.

The Committee find that in the lower grade also plenty of vacancies exist. Such a large number of existence of vacancies in the organization indicates that the service conditions or pay & allowances are not attractive enough to attract the youth of India especially in the times where emoluments of Government Sector almost at par with the Private Industry. Therefore, the Committee desire that the BRO should conduct a study to know the reasons for such indifference of candidates towards getting a job in BRO, and take measures accordingly to fill the gap, so that work of BRO can be accomplished as per plan.

INDIAN COAST GUARD

Requirement of adequate budgetary support

27. The Committee note with concern that for 2019-20, while the Indian Coast Guard (ICG) projected a requirement of ₹ 5,830 crore, only ₹ 2,750.00 crore has been allocated under the Capital Head i.e. approximately 43 per cent of the projected amount. Similarly, under the Revenue Head, while the Budget Estimates (BE) projection was ₹ 2,758.90 crore, the allocation has been ₹ 2,385.27 crore. In total, while the ICG projected a requirement of ₹ 8,588.90 crore, the allocation has been

just ₹ 4,885.27 crore. As on 31st October, 2019, the Coast Guard has already spent 66 percent of the Revenue budget and 56 percent of the Capital budget allocated at Budget Estimates 2019-20. The Committee find that ₹ 2,955.94 crore for revenue expenditure and ₹ 3,630.00 crore for capital expenditure have been projected at Revised Estimates stage by ICG. The additional funds under Revenue head are required due to increase in prices of Petroleum, Oil and Lubricant (POL), carry over liabilities and operational deployment of assets. Similarly, committed liabilities, new schemes of Coastal Surveillance Network (CSN)-II, Dornier Mid-life upgradation, auxiliary barges, Capital Booking Revenue Procedure (CBRP) cases, major works and land acquisition, demand supplementary funds under Capital head.

28. The Committee understand that the Indian Coast Guard undertakes multiple duties in addition to its main responsibility of Maritime Law Enforcement and undertaking Safety and Security tasks in Indian waters. It has wide range of duties and functions related to safety and protection of artificial islands and offshore terminals, protection of fishermen and provide assistance to them during distress at sea, preservation and protection of marine environment, assisting the Customs and other enforcement agencies in anti-smuggling operations, safety of life and property from natural or man-made disasters at sea and collection of meteorological and oceanographic data for use by the scientific fraternity etc. Indian Coast Guard is additionally responsible as Offshore Security Coordination agency, Lead Intelligence Agency for Coastal and Sea Borders, Competent National Authority (CNA) under South Asia Co-operative Environment Programme (SACEP) and National Coordinating Agency for Maritime Search and Rescue (MSAR). While tendering his evidence before the Committee, the Director General, Indian Coast Guard forthrightly

presented demands for adequate budget and manpower for operation and maintenance of assets at sea, round the clock and throughout the year. Considering the significant multifarious tasks performed by the Indian Coast Guard and requirements of acquisition, development, maintenance and operational works to be undertaken this year, the Committee in no uncertain words recommend that requisite funds, as per projection, should be allocated to the Indian Coast Guard at Revised Estimates or Supplementary Grants stage. It goes without saying that in order to strengthen the Coast Guard and to enable them to effectively perform their duties, allocation of requisite funds assumes significance. The Committee would like to be apprised of the reasons as to why in total only 56.78 percent of funds were provided to the organisation.

Required and existing manpower

29. The Committee find that at present, total manpower strength with Coast Guard is 14,313 comprising of 1,982 officers, 10,997 Enrolled Personnel and 1,334 Civilian with shortages of about 15 percent being liquidated with enhanced induction rate. In his candid deposition before the Committee, the Director General, Indian Coast Guard highlighted the critical role served by manpower in Coast Guard by drawing its analogy with 'a policeman on the beat'. The Committee acquiesce with the fact that the various operations *viz.* maritime law enforcement, coastal security and surveillance, protection of fishermen and merchant vessels during distress, disaster management at sea etc., have to be attended by Coast Guard organisation simultaneously in a single day. In the opinion of the Committee, to undertake these functions effectively throughout the year, Coast Guard definitely requires strength to meet the challenges posed by emerging 'blue or ocean economy' discourse.

Therefore, keeping in view demands of maritime security and various contingencies in sea and coastal areas of the country, the Committee recommend that effective steps be taken so that the process of filling 15 percent shortage of manpower is done at the earliest. The timelines in this regard be intimated to the Committee alongwith the process put in place to obviate delays for the same.

30. The Committee also recommend that construction work of the Indian Coast Guard Academy in Mangalore, which would cater for the specialised task of the Indian Coast Guard as law enforcement agency, should be completed on priority within the timeframe. The Committee be apprised of the developments in this regard alongwith the targeted dates etc. within one month of the presentation of this Report.

MILITARY ENGINEER SERVICES

Budgetary Provisions and Compromises made or likely to be made

31. The Committee find that in the Financial Year 2019-20, an amount of ₹ 7,889.94 crore has been allocated to MES under Capital Head, out of which 64 percent i.e. ₹ 5,060.23 crore have been spent as on 31st October, 2019. Under the Revenue Head, MES has been allocated a sum of ₹ 10,154.30 crore, out of which 53 percent i.e. ₹ 5370.72 crore have been spent as on 31st October, 2019. The Committee also learn that to mitigate effects of the reduced allocation at Budget Estimates (BE) stage, Annual Major Works Programme (AMWP) ceilings for both Army and Air Force have been reduced, probable dates of completion accorded for delayed projects have been extended and certain sanctioned works have been re-appropriated/ foreclosed/ cancelled. The Committee understand that the Military Engineer Services (MES) is the premier construction agency and one of the pillars of Corps of Engineers of the

Indian Army which provides rear line engineering support to the Armed Forces. Therefore, keeping in view that strategic civil and military projects which may be affected in absence of the requisite budget, the Committee recommend that adequate funds should be allocated to MES at Revised Estimates or Supplementary Grants stage. It goes without saying that all-out efforts be done by the Ministry in this regard. The role of MES is of paramount importance not only during peace time to build requisite infrastructure but also during war-time where their role is crucial in the mobility of forces to strategic locations.

Achievement of construction targets by MES

32. The Committee take note of the fact that as per written submission of the Ministry of Defence, by and large the MES has been able to achieve its construction targets for Capital Works, other than those where change in site or scope of work due to operational or administrative reasons or on account of hindrances. The comparison of targets versus achievement within the allocated funds can be gauged from the figures of actual final allocation versus final expenditure under Capital Head which ranges from 99 to 100 percent. The Committee, therefore, recommend that details of such projects in the last five years which were interrupted due to operational or administrative reasons alongwith specific reasons for obstruction, their completion stage at the time the projects were hindered/aborted/foreclosed, amount of money spent etc., may be furnished to them within one month of the presentation of this Report. They also recommend that they be apprised of the steps being taken or proposed to be taken to ensure that such operational and administrative reasons for hindering the Capital works are invariably nullified and clientele satisfaction is ensured by MES.

DIRECTORATE GENERAL DEFENCE ESTATES

Budgetary provision

33. The Committee note that an amount of ₹ 479.46 crore and ₹ 15.86 crore has been allocated to Defence Estates Organization (DEO) for 2019-20 BE under Revenue and Capital Head, respectively. This amount is ₹ 53.19 crore and ₹ 13.02 crore more than the Actuals of 2018-19 in Revenue and Capital Head respectively. Again, the projected amount at Revised Estimates (2019-20) is ₹ 1,459.07 crore for Revenue expenditure and ₹ 29.97 for Capital expenditure. The Committee would like to be apprised of the reasons behind the steep demand of additional funds of ₹ 979.61 crore for Revenue Expenditure at RE stage and its utilization.

Revenue sources

34. The Cantonment Boards are local autonomous bodies have their own budget and own local sources of revenue such as Property tax, fees under Section 67 of Cantonments Act, 2006, service charges from Government properties etc. apart from Grant-in-Aid as sanctioned by Central Government. The budget of Defence Estates Organization is allotted under Demands for Grants and revenue sources comprise of auction of trees, license fees, damage charges, auction of advertisement rights, ground rent fee and monetary compensation received for transfer of defence land. During their power point presentation before the Committee, the representatives of the Ministry of Defence enumerated the details regarding financial limitations of the Cantonment Boards. These include demand of service charges not being fully met, small area/population with limited tax base, dependence of commercialization/ redevelopment of properties on land tenures and security considerations, restrictive

land use/construction policy, unwillingness of States (except Telangana, MP, Jharkhand, Delhi and Karnataka) to share tax/other revenue proceeds etc. The introduction of Goods and Services Tax (GST) and subsuming of Octroi/ Terminal Tax/ Local Body Tax has led to annual loss of revenue of about ₹ 165 crore in 16 Cantonment Boards w.e.f. 2017-18.

35. In the Committee's opinion, the Ministry of Defence may explore the options of commercialization of non-sensitive defence lands such as leasing lands to commercial establishments etc. to increase the sources of revenue so that the Cantonment Boards are able to provide better public services of health, education etc. to their residents. The Committee recommend that a study may be done by the Ministry in this regard and they be appraised accordingly.

Non-implementation of Central Government Schemes

36. The Committee are disappointed to learn that various Central and State Government Schemes are not being implemented in the Cantonment areas. The representatives of the Ministry of Defence candidly submitted before the Committee that there is no resistance from their side in implementation of these Schemes in Cantonment areas. However, the State Governments do not take into account the Cantonment Boards while formulating or implementing Schemes of welfare for other municipalities. The Committee understand that under Section 10 of the Cantonment Act 2006, the Cantonment Boards were declared as deemed Municipalities in accordance with Article 243 P of the Constitution for the purpose of receiving grants and allocations; or implementing the Central Government schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education.

Therefore, in their opinion, there is no reason that Central or State Government sponsored schemes may not be implemented in Cantonment areas. They recommend that the Ministry of Defence should vigorously take up the matter with the State Governments concerned so that benefits of such schemes are also extended to the population living in Cantonment areas, especially the Scheduled Caste/Scheduled Tribe/BPL Beneficiaries, and they do not feel secluded from the rest of the country. Further, a committee may be formed comprising of all stakeholders i.e. representatives of the Ministry of Defence, local Members of Parliament and Members of Legislative Assembly, Directorate General Defence Estates (DGDE), Cantonment Boards, State Government authorities etc. to monitor and review this situation and the Committee be apprised accordingly.

Building Bye-laws

37. During the deliberations of the Committee, the issues relating to archaic building bye-laws such as inadequate Floor Space Index(FSI), Floor Area Ratio(FAR), old lease agreements etc were brought out. The Committee have been apprised that examination of existing building bye laws is one of the terms of reference of the expert committee headed by Shri Sumit Bose. The expert committee has submitted its report to the Ministry of Defence and the matter is under examination. The Committee hope that the amendments in the laws will provide much needed relief to the residents of the Cantonment areas and would like to be apprised of the status of implementation of the report of the Bose committee at the earliest but in any case by the time of furnishing Action Taken Notes to the Committee.

38. With the passage of time and the changing shape of the ever growing urbanization, the Committee find that inspite of all the efforts done by them, the Cantonments are not able to maintain their pristine status. As already mentioned in these Recommendations, the Cantonments now figure mostly in the central parts of the cities. It is in this context, the Committee would like to recommend that when any bills in regard to Urban Ceiling etc., are introduced/put to consultative state, the Cantonments should take advantage of the same and maintain a balance where the interests of the civil population are not hurt and they also do not lose their status. The main problem witnessed by the Committee is in regard to the use of roads passing through the Cantonments, use of hospitals, schools etc. by the civil population. The Committee in this regard desire that balanced decisions be taken so as to build mutual faith and camaraderie between the civil society and defence dispensation.

Ammunition Dumps

39. The Committee, during their deliberations in connection with examination of Demands for Grants 2019-20, expressed concern over the hazards posed by the ammunition dumps in vicinity or amidst the inhabited areas of the country. The Committee desire that the Ministry of Defence should instruct the Services to relocate such ammunition dumps away from populated areas before any untoward incident take place. Here, it is pertinent to mention that almost all the Cantonments are currently situated amongst thick city population and are not mere secluded areas, away from the city dwelling units. The Committee may be apprised of the policy or guideline being issued within one month of the presentation of this Report.

Encroachment of Defence Lands

40. The total area of defence land under the management of Defence Estates Organisation (DEO) is 66,097 acres. The Committee have been informed that as on 30.06.2019, about 4,505 acres of Defence Land under the management of DEO is under encroachment. The Committee note that 25.37 percent and 21.03 percent of the encroached Defence land lies in Bhopal and Allahabad, respectively. The Ministry has submitted that while old encroachments are being removed gradually, following steps have been taken to not allow new encroachments and to take prompt action against such cases.

(a) An annual certificate is obtained from the Station Commander or the Defence Estates Officer under whose management the land is placed, as the case may be, under the provisions of Rule 14 of Acquisition, Custody Relinquishment, etc., of Military Lands in India (A.C.R. RULES), 1944 or Rule 13 of Cantonment Land Administration Rules (CLAR), 1937 which provides information on physical verification of land and unauthorised constructions or encroachments thereon. This enables the concerned defence authorities to take stock of illegal or unauthorised occupation and monitor action taken by field officers.

(b) Demarcation survey of entire defence land outside Cantonments and detailed polygon survey of defence land inside Cantonments have already been undertaken which has enabled the concerned authorities to reconcile and recorded land data with the physical occupation of land and also to ascertain if there are encroachments on defence land.

(c) Computerisation of defence land records and digitization of important land files and documents have also resulted in efficient management of records and taking timely action against illegal encroachments or addressing land disputes.

(d) The process of defence land audit has been institutionalised from 2011-12 as a continuing process.

(e) A Committee has been constituted under the Chairmanship of Additional Secretary, Ministry of Defence which periodically reviews action taken on removal of encroachments and also suggests ways and means to make the system more efficient from time to time.

41. The Committee have been apprised that because of regular monitoring and timely action by Defence Estates Officers and Chief Executive Officers, 215.78 acres of encroachments have been removed in the last three years and 25.82 acres in 2019 (upto 30.06.2019). They recommend that alongwith the steps mentioned above by the Ministry to remove encroachments on defence lands, special attention should be provided to Bhopal, Allahabad and Danapur as these regions account for almost half of the encroachment on defence land under the management of Defence Estates Organisation. The efforts of the Ministry in this direction may be apprised to the Committee within three months of the presentation of this Report. The Committee further desire that details and nature of various litigations received in connection with Defence Estates Organization and Cantonment areas may be furnished to them at the earliest.

Inconvenience to Civilian population

42. The Committee had taken up the issue of inconvenience to civilian population residing in Cantonments during the examination of Demands for Grants 2018-19. Similar issues, especially in the Southern Command were also raised during the course of deliberations this year. The Committee desire that the DGDE and his representatives take appropriate measures for resolving such issues amicably so that there would be no tension or conflict between the civilians and the military personnel. The Committee reiterate their recommendation that the Ministry of Defence instruct the Local Military Authority (LMA) and Cantonment Board Officers to get in touch with local Members of Parliament and Members of Legislative Assembly to sort out such matters amicably as and when they arise. The Committee also desire that a copy of communication and details of meetings may be communicated to them.

DEFENCE PUBLIC SECTOR UNDERTAKINGS (DPSUS)

Order Book Challenges and Declining trend of production in Defence Public Sector Undertakings (DPSUs)

43. After gleaning through the information and material supplied to the Committee and the oral evidence of the representatives of the Ministry of Defence, the Committee with certitude stress the need for the strong functioning, existence and growth of all the nine Central Defence Public Sector Undertakings in the national interest. Their role and contribution in the national security is in the paramount interest of not only the Defence Forces but the country as a whole.

44. The Committee note with profound concern the order book challenges and the plummeting trend of production in almost all the DPSUs of the country. Though Hindustan Aeronautics Limited (HAL) recorded turnover of ₹ 19,705 crore in the last financial year 2018-19, the major part of existing orders for supply of aircraft and helicopters will be liquidated shortly with the major manufacturing order of Su-30MKI aircraft being completed in 2019-20. There is no firm order currently available on the company beyond 2021-22. The Value of Production (VoP) in Bharat Dynamics Limited (BDL) in 2018-19 was ₹ 3,235 crore, ₹ 1,406 crore lesser than that in 2017-18. The major portion of ground support equipment for AKASH Ground Support Equipment (GSE) was executed in 2017-18 itself and the balance order book of GSE is amounting to ₹ 526 crore, out of which ₹ 269 crore executed in 2018-19 and balance ₹ 257 crore will be executed in 2019-20. Further order for MILAN-2T missiles and refurbishment is awaited. Akash Surface-to-Air Missile army order will be completed by 2019-20. In case of Garden Reach Shipbuilders and Engineers Ltd (GRSE), the reduction in VoP is due to the fact that the current projects are in the final stages of execution wherein conventionally the rate of increase in value of production tends to saturate. In Goa Shipyard Limited (GSL), VoP declined in 2018-19 in view of interim low order book position and project P1135.6 at design stage. The VoP achieved in Hindustan Shipyard Limited (HSL) for 2018-19 was ₹ 595 crore, ₹ 49.78 crore lesser than that in 2017-18.

45. The Committee further note that the production in DPSUs mainly depends on the contractual quantities, established production capacity, certification of products, timely availability of raw material etc. They also have been apprised that the situation of decline in production in the DPSUs is going to improve due to materialisation of

some anticipated orders and initiation of new projects. HAL has submitted quotations against Request for Proposal(RFP) in March 2018 for supply of 83 Light Combat Aircraft (LCA) Mk1A and 15 Light Combat Helicopter (LCH) Limited Series Production(LSP). The LCH platform has attained Initial Operating Capability (IOC) for both Air force and Army variants and is fully ready for operational induction awaiting orders. The Basic Trainer Aircraft, HTT-40 under development at HAL has demonstrated compliance to all Preliminary Services Qualitative Requirements (PSQR) and is moving closer to certification. Similarly, Light Utility Helicopter (LUH) has also completed major tests including the high altitude capability in hot and high weather conditions in the Himalayas during trials and is also moving towards Operational Clearance. Two Do-228 civil certified aircraft have been manufactured and is available for supplies. HAL is expecting additional orders for on-going programs like Advanced Light Helicopter (ALH), LCA, Hawk, Do-228 & SU-30 MKI and fresh production orders for new platforms like Do-228 Civil variant, LCH, HTT 40, LUH and Hawk-I. In GRSE, production in respect of the new projects of P17A, Survey Vessels and Anti-Submarine Warfare Shallow Water Craft (ASW SWCs) will be commencing in due course. Business Development Department of HSL has been created for market survey and submission of bids due to which HSL has turned around in securing orders in the competitive bidding process. The contracts for construction of 2 Nos. Diving Support Vessels worth ₹ 2,390 Cr and 4 Nos. 50 T Bollard Pull Tugs worth ₹ 260 Cr for Indian Navy have been signed.

46. Keeping in view the above facts and weighing all pros and cons, the Committee in no uncertain words recommend that all-out steps should be taken to ensure that the initiatives taken by the DPSUs bear fruit and their order book position

improves in the coming years. Here, it is pertinent to mention that the Ministry should extend all possible cooperation to the DPSUs in this regard. As the production in the DPSUs is majorly contingent upon the operational needs of the Forces, the Committee recommend that timely intimation and placement of orders by the Services, alongwith necessary financial support from the Ministry of Defence wherever necessitated, must be provided to the DPSUs to arrest the decline in their production. They also desire that the DPSUs should also vigorously adopt and implement reasonable and effective cost-cutting measures to increase their sustainability. The concrete plans made to achieve such measures in a timely manner should be intimated to the Committee at the time of furnishing the Action Taken Replies.

Inadequate capacity utilisation and Defence Exports

47. During deliberations of the Committee on examination of Demands for grants 2019-20, it was candidly admitted by the Defence Secretary that the DPSUs were not working to their capacity. The Committee have learnt that as on date, the turnover of the DPSUs is around ₹ 65,000 crore, whereas the total defence procurement in the country is around ₹ 85,000 crore. However, the speed of growth of the potential of the DPSUs is going to outrun that of the demands of our Defence Sector. The Committee note that this challenge can be met by the DPSUs by creating assets for 'blue water' economy and by increasing defence exports. Undoubtedly, the increase in defence exports would accrue immense economic and diplomatic benefits to our country. The Committee appreciate such an admission by the Defence Secretary, nevertheless they would like to know about the blueprint in detail, if any, and whether

the same is under preparation or initiation to follow the trajectory as brought by the Defence Secretary.

48. The Committee note that the value of exports from DPSUS in 2018-19 was ₹ 393.29 crore. The steps taken by the Ministry of Defence to promote defence exports include setting up of export promotion cell, expansion of role of Defence Attaches and creation of export action plans and strategies for all DPSUs and Ordnance Factories Board (OFB). The Committee agree with the views expressed by the Defence Secretary during his deposition that unlike earlier, the DPSUS have to provide specific attention towards exports while increasing their capabilities. The Committee understand that this is a gargantuan task as our DPSUs would have to compete with big players in the international market such as USA, Israel, Russia, etc. This would invariably require the DPSUs to possess sound financial profile, state-of-the art Research & Development, *avant garde* technology and infrastructure, reputation for timely delivery of products, collaboration with premier research agencies such as ISRO, focus on indigenisation etc. Therefore, they urge that concrete and concerted efforts be made by all the stakeholders i.e. DPSUs, the Ministry of Defence, the Forces, OFB etc., to carve a niche for India as a formidable force in Defence exports and 'blue water' economy.

In regard to the figures of value of Defence exports supplied by the Ministry, the Committee, would like to know why the value has gone down in the year 2018-19 in the exports of GSL, BEL and BEML. They would also like to know why this value has dipped to meagre ₹ 14.54 crore in GSL in comparison of ₹ 607.20 crore in year 2017-18.

Research and Development by DPSUs

49. The importance of the role of in-house research and development in the context of exports is no less. Notwithstanding the fact that transfer of technology etc. might come with the procurement of equipment from the original manufacturers, nevertheless in the long run, concerned efforts in the fields of R&D are very crucial. The Committee concur with the explanation of the Defence Secretary that after the enhanced capacity, the country gains not only economically but also strategically. The Committee find that the total expenditure as a percentage of value of production during the last three years have dipped in the PSUs like HAL, BEL and BEML.

Also the total expenditure on R&D as percentage of profit after tax has dipped in case of HAL, BEL, GRSE and HSL. The Committee would like to know as to why the percentage in both the fields is dwindling in the above mentioned DPSUs and the measures contemplated to arrest this trend. In case of GRSE, they would specifically like to know as to why the percentage in the latter case dipped from 107.84 in 2016-17 to 10.66 in the year 2018-19.

Time slippages in delivery of products

50. The Committee note that there have been slippages on the part of DPSUs in conforming to the delivery schedule of products for the Forces. Admittedly, the dependence of HAL products on multiple stakeholders, including foreign Original Equipment Manufacturers (OEMs) in most of the cases, at times poses unforeseen challenges. The US sanctions during LCA Tejas development which in turn led to delay in certification of the aircraft, delay in receipt of Licence Technical Documents

(LTD) from Licensor in case of Su-30MKI manufacturing etc, are few such instances. The Committee have been informed during evidence that as of October 2019, 213 out of 222 Su-30MKI aircraft have been supplied to Air Force. As regards BEL, some of the large complex projects get delayed due to concurrent engineering, accord of bulk production clearance, change in user requirement, specifications to incorporate additional features, lack of site/platform readiness etc. In the recent past, the deliveries of BEML Tatra 8x8 Heavy Duty truck, Armoured Recovery Vehicles(ARV) and Bulk Production Clearance for Sarvatra Bridge System have been delayed due to the extraordinary situations. Further, there are slippages in the execution of Akash Weapon System Contract & Anti-Tank Guided Missiles (ATGM) Contracts by BDL. In HSL, there have been cost and time slippages due to various reasons like delay due to lack of working capital, numerous design changes, re-works, various modifications and delay in getting approval of drawings. The Committee recommend that MDL should focus on the delays occurred due to various reasons and take steps so timelines are always met and our Navy get the submarines/ships etc. without delay as per their procurement plan.

51. The Committee find the situation paradoxical as on one hand, the DPSUs are facing the challenges of insufficient capacity utilisation and decline in production and on the other hand, supply of aircraft, vessels, heavy duty trucks, ATGMs, weapon systems, etc. to the Services has been delayed due to numerous reasons such as delay in receipts of sanctions, licences, certifications, change in user requirement, lack of site/platform readiness, software issues, re-works, delay in

delivery of material etc. They are disappointed to note that majority of the cited reasons for delay in delivery of the products for our Armed forces are noting but lapses in planning and execution by the DPSUs. At this stage, the Committee can only recommend that DPSUs build a better foresight mechanism and develop more rigorous systems in order to enable them to obviate the delays of the nature mentioned in the preceding paragraph. They need to build a sound mechanism with foreign Original Equipment Manufacturers (OEMs) and insert clauses that do not hamper the Defence commercial transactions in any manner. The Committee also recommend that each and every case of delay should be viewed seriously and explanation containing *inter alia* the efforts done to minimize the delay should be communicated to them. The Committee also recommend that the DPSUs should implement all corrective measures to ensure timely supply of various weapon systems and accessories as delay at their end affects the war preparedness of our country. In case, it is felt that the delays took place due to negligence/dereliction of duties, the DPSUs should not hesitate to fix responsibilities under intimation to the Committee.

Indigenisation and self-reliance in defence production

52. The Committee have been apprised of the efforts towards indigenisation and import substitution by the DPSUs. As regards HAL, the Greenfield facility planned at Tumakuru for helicopters would cater to the manufacture of indigenously developed LUH program which will replace the ageing fleet of Cheetah/ Chetak helicopter produced under Transfer of Technology (ToT). Manufacture of state-of-the-art products like LCA, ALH, LCH, LUH, HTT-40 etc within the country will help avoid

direct import to the extent of production by HAL thus furthering the import substitution efforts. Some of the major systems like Integrated Air Command & Control System (IACCS), Weapon Locating Radar (WLR), Cdr TI Sights, Tropo Upgrade, Integrated Communication System (ICS), Ground Based Mobile Elint System, Low Intensity Conflict Electronic Warfare System (LIC EWS), Electronic Voting Machines (EVM), Voter Verifiable Paper Audit Trail (VVPAT) etc., are indigenously designed & manufactured by BEL. Around 87 percent of turnover in BEL on an average is generated from indigenous technology by making use of in-house infrastructure/facilities, skilled manpower etc. BEML is going for outsourcing wherever capability / capacity is available in the private sector and generally restricts capital expenditure only to add machines for carrying out very critical operations. In BDL, indigenization of products like KONKURS-M ATGM, INVAR ATGM, MILAN-2T ATGM has been achieved upto 95 percent, 78.6 percent and 71 percent respectively. With completion of Infrastructure Augmentation Plan for Mine Counter Measure Vessels (MCMVs), GSL has indigenous capacity to build high technology MCMV using composite material for the first time in the country. Considering that the DPSUs are the backbone of our defence production, they recommend the DPSUs to develop their core competence and maximise the import substitution efforts so that our country achieves self-reliance in defence production.

Welfare Issues

53. The Committee appreciate the assurance given by the representatives of the Bharat Electronics Limited (BEL) that pharmacy facilities/reimbursement would be extended to Delhi/NCR/other cities consequent to the finalization of the policy in this regard. The Committee see it as a positive step for the retired as

well as serving officials and desire that all the offices of BEL including Liaison Offices are covered in some way or the other under the new Policy so that retired officers are not required to travel to far off places just to purchase the prescribed medicines from a particular pharmacy. They would like it to be a time-bound exercise.

CANTEEN STORES DEPARTMENT (CSD)

Budgetary Allocations

54. The Committee note that the Canteen Stores Department, a Government of India Undertaking under the Union Ministry of Defence, is committed to welfare of troops of the Army, Navy and Air Force and their families, through easy access to quality products of daily use at less than market prices. CSD's trading operation is worked around seven basic products like Toiletries, Household Requisites, General Use Items, Watches and Stationery, Liquor, Food & Medicinal Items, and four Wheelers, two Wheelers & white goods. The Committee have learnt during presentation before the Committee that against the projection of ₹ 21,978.86 crore, it has been allocated only ₹ 18,305.78 crore in BE 2019-20, leaving a gap of ₹ 3,670.08 crore. The Committee would like to know the reasons for not giving the projected amount to a profit making establishment and also to be apprised in what measure the working of CSD would be affected due to inadequate allocations.

Irregularities in CSD

55. The Committee note that there were irregularities in CSD, leading to arrest of two CSD Officers in July 2012 by CBI and FIR against few other officers leading to prosecution of two serving officers and departmental action against other

officials. In December 2012 also, one case has been registered by CBI against CSD officers for taking unfair hospitalities from private party in which CBI had held an inquiry. As recommended by CBI, prosecution sanction has been issued for one officer and suitable departmental action is under progress. The case is also pending in the CBI Court. CBI also recommended suitable departmental action against other officers for which the case is under progress. The Committee also note that few other cases were reported; in 2013, one CSD officer was dismissed from service for unauthorised hoarding of CSD listed items at residence and other case of irregularity at CSD Depot, Ahmedabad regarding diversion of large quantity of CSD stores at civil market in the year 2015-16. The case has been handed over to CBI for investigation and prosecution sanction has been issued as requested by CBI in case of officials of CSD.

56. During oral evidence also the matter regarding CSD items reaching to local market were raised. The Committee are of the view that considering the size of the organization, the cases are miniscule but as this organization is with the Armed Forces, perfection in every aspect is expected with zero tolerance in the cases of irregularity. The Committee, therefore, desire that CSD should be very cautious in appointment of officials at the sensitive positions so such cases do not recur. Also, foolproof mechanism keeping in view the changing scenario be developed to check instances of this nature. This should be on-going exercise and due precautions should invariably be taken.

Quality of items supplied by CSD

57. During evidence, the Committee note that 80 per cent of the items, which are being supplied to the canteen, are coming from the top-end companies like HUL, P&G and Nestle. However, the Committee are concerned to note that despite that the items supplied to CSD are not above the bar and issues related to inferior quality are often experienced by the personnel. Therefore, the Committee, in this regard, recommend that more quality checks should be performed before the items enter the supply chain of the CSD. The Committee may be apprised of the action taken in this regard. Also, the feedback from the users be regularly taken and their suggestion be viewed seriously to constantly improve the existing supply chain management eventually leading to better quality products having been placed before the users.

Online presence of CSD

58. During discussion on examination of Demands for Grants 2019-20, the Committee pointed out the stiff completion being faced by CSD from other online retailers. The Committee find that 34 depots and the 4,000 Unit Run Canteens of CSD are being integrated online and post automation, it would be easy for CSD to go online and give services all over the country. The Committee sincerely wish and hope that these services are commenced shortly and Service personnel, their families and Ex-Servicemen (ESM) can benefit from it. For fulfilling this purpose, the Committee recommend that the Ministry may take services of Department of Posts for delivering the items in far flung areas as Indian Post has acknowledged presence throughout the length and breadth of the country.

WELFARE OF EX-SERVICEMEN

Resettlement Opportunities

59. The Committee note that various opportunities/schemes are available for the retired Officers and Personnel Below Officers Rank (PBOR) for their resettlement. These include reservation in Central/State Government Ministries/Departments, Nationalised Banks and Defence Security Corps. Directorate General of Resettlement (DGR) sponsors Ex-Servicemen (Officers) to various Government organizations, Public Sector Undertakings, Corporate Houses, Private Sector, Central Para Military Forces etc. The self-employment schemes to assist Ex-Servicemen (ESM) for transition to civil jobs are allotment of Bharat Petroleum Corporation Limited (BPCL)/ Indian Oil Corporation Limited (IOCL) Company owned Company operated (COCO) Outlets/Retail Pumps to ESM (Officers) and Junior commissioned Officers (JCO), Management of CNG Stations by ESM (O), Allotment of Regular LPG Distributorship, empanelment in Private Security Agencies and State ESM Corporations for providing security guards to various Central Public Sector Undertakings, Corporate Houses, Private Sector Undertakings etc., ESM Coal Loading and Transportation Scheme, allotment of Mother Dairy Milk Booths and Fruit & Vegetable (Safal) Shops in NCR, and allotment of regular/rural Retail Outlet Dealership by the Ministry of Petroleum and Natural Gas. The Committee have been apprised that apart from the regular employment schemes of DGR, new avenues for employment opportunity for Ex-Servicemen are being explored in the Corporate Sector and High Security Installations. In this developing field, the Committee recommend that modalities developed by the Ministry in this regard may be finalized at the earliest under

intimation to the Committee. Also the broad framework developed to make this proposal feasible be also shared with the Committee in addition to the timelines drawn to accomplish this new venture.

60. The Committee had desired to be intimated of the details of applications received in each of the last five years requesting for resettlement of retired officers and PBOR through DGR. They further desired to know the number of actually resettled applicants out of the total number of applications so received. In response, the Ministry has furnished details of employment generated by the DGR under various Schemes during last five years (i.e. 2014-18). The number of ESM covered under DGR Security Agency, ESM Coal Company, Management of CNG, COCO Schemes, Mother Dairy Milk Booths/Safal Booth Schemes and ESM Placement by DGR (Employment directorate) in 2018 is 648, 80, 40, 21, 329 and 11315, respectively. However, the information regarding applications received in each of the last five years requesting for resettlement of retired officers and PBOR through DGR has not been made available to the Committee. The Committee, therefore, recommend that in order to gauge the efficacy of various resettlement schemes/opportunities provided by DGR, the requisite details may be furnished within one month of the presentation of this Report.

61. The Committee also recommend that in each State, a retired Officer of the rank of Brigadier and above should be appointed as Advisor on Veterans' Affairs to liaison with Government on the issues connected with welfare of Ex-Servicemen.

EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (ECHS)

Budgetary provisions

62. The Committee note that ECHS has been allocated ₹ 3,281.26 crore under Revenue (BE) Head, against the projection of ₹ 5,733.50 crore in 2019-20. Also, against the projection of ₹ 35 crore for capital expenditure, ₹ 13.97 crore have been allocated for 2019-20 BE. The carried forward liability in the current financial year is ₹ 2,130 crore. Further, an additional amount of ₹ 3,500 crore is projected to be required for expenditure on medical stores, medical treatment and other miscellaneous items like salary. Considering that ECHS has the responsibility to look after medical needs of 55 lakh persons including veterans and their dependants, the Committee recommend that requisite funds should be allocated to ECHS at Revised Estimates or Supplementary Grants stage.

Medical bills pending with ECHS

63. The Committee have been apprised that under ECHS, approximately ₹ 2,200 crore of medical bills of empanelled hospitals are pending for reimbursement, out of which bills of ₹ 900 crore are approved. The Managing Director, ECHS, while tendering his evidence, stressed on the need for additional funds to continue the Scheme without any strings. Since this non-reimbursement/delay in reimbursement of medical bills may cause reluctance on part of some empanelled hospitals to admit patients under ECHS, the Committee impress and urge upon the Ministry to look into this issue by according it top priority and ensure that the bills are expeditiously cleared. The Committee also

recommend that whatever system is there in place, it should be revisited to remove the bottlenecks so that the pendency is minimized. It should not be out of place here to mention this for internal purposes only, a Bill monitoring system be devised, if not in place already.

New Proposals

64. The Committee have learnt that a proposal regarding Veterans Hospital, its financial viability, profit or loss considerations as compared to empanelled hospitals etc. is under consideration in Service Headquarters. Further, proposal regarding merger of military hospitals with existing polyclinics is under examination. The Committee sincerely hope and recommend that decision on the said proposals is taken at the earliest keeping in mind amelioration of the medical services provided to our veterans and their dependents. They desire that further updates on these issues are intimated at the time of furnishing Action Taken Replies by the Ministry.

Issue of specialized doctors under ECHS

65. During the deliberations, the Committee raised the issue of disinclination of private empanelled hospitals to admit patients under ECHS due to the lower rate of specialized doctors fixed in ECHS as compared to other health Schemes. The Managing Director, ECHS clarified during his deposition that the Central Government Health Scheme rates for each procedure are also followed by ECHS. He further submitted that whenever cases of wrongful denial of empanelled hospitals to ECHS beneficiaries are officially reported, action is initiated against the hospitals as per the provisions in the Memorandum of Agreement. The

Committee recommend that clear and strongly worded advisories should be communicated to the empanelled hospitals in this regard. They also desire that details of officially reported cases of refusal of treatment of ECHS beneficiaries by ECHS empanelled hospitals and action initiated against them by the Ministry of Defence during last five years may be furnished to the Committee at the earliest.

Expansion of ECHS

66. The Committee observe that Fixed Medical Allowance (FMA) has been granted to all ECHS beneficiaries who are residing in far flung areas where Polyclinics are not available. Keeping in view the rising cost of medicare and non-availability of healthcare facilities in remote areas of the country, the Committee recommend that the Ministry of Defence should make all sincere efforts to provide the facilities of mobile polyclinics, other relevant emergency medicare facilities, particularly for women and children, on priority basis.

DEFENCE PENSION

Budgetary Provisions

67. Defence Pensions provides for Pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three services viz. Army, Navy and Air Force and also employees of Ordnance Factories etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc. The Committee have learnt that the amount allocated for BE 2018-19 in respect of Defence Pensions is ₹

1,12,079.57 crore, which is ₹ 5,304.43 crore more than the allocation of the previous year at Revised Estimates stage. They note that the Defence Pension liabilities will continue to increase exponentially every year due to increase in number of retirees, amount of Dearness Relief, Gratuity, Family Pension, Leave Encashment and Retirement Benefits. The Committee understand that Defence Pension is a significant retirement benefit for those who serve our country, however, burgeoning pension bill is a cause of concern. As mentioned in the earlier recommendation, the Defence Secretary submitted that while the budget in Defence Services Estimates has doubled in the past decade, pension has increased thrice in amount which has led to deficiency of funds in the requisite critical areas. For this financial year i.e. 2019-20, Defence Pensions has claimed 26 percent i.e. ₹ 1,12,079.57 crore of the total budget for the Ministry of Defence for 2019-20 i.e. ₹ 4,31,010.79 crore. Therefore, the Committee recommend that the Ministry of Defence, along with the Services, DRDO, OFB and DPSUs, should prepare a roadmap for generating and increasing sources of revenue to compensate for the rising financial liability due to Defence pension.

One Rank One Pension (OROP)

68. One Rank One Pension (OROP) was implemented for the Ex-Servicemen w.e.f. 01.07.2014. OROP implies that uniform pension be paid to the Defence Forces Personnel retiring in the same rank with the same rank with same length of service regardless of their date of retirement. It aims at bridging the gap between the rates of pension of current and past pensioners at periodic intervals. The Committee have learnt that a sum of ₹ 10,795.4 crore has been disbursed up to 30.9.2017 (data compiled till 1.5.2018) to Ex-Servicemen/Family pensioners on

account of implementation of OROP. During deliberations of the Committee in connection with examination of Demands for Grants 2019-20, the issue of pending cases of settlement and anomalies regarding OROP was discussed. The Secretary, Defence Finance apprised the Committee that the implementation of OROP is done by Controller General of Defence Accounts (CGDA). Regular 'Pension Adaalats' are held in each State and cases are settled there across the Board. The Committee desire that factual details regarding these 'Pension Adaalats' including *inter alia* the States covered so far, applications received, cases settled, number of pending cases, duration in which pension disbursed after case is settled in 'Pension Adaalat' etc., should be intimated to them within three months of the presentation of this Report. Based on these facts and figures, the Committee would like to form any definitive view. Further, an online platform dedicated to the grievances regarding OROP may be made available by the Ministry of Defence to enable resolving of anomalies and address discontent regarding implementation of this scheme.

SAINIK SCHOOLS

Budgetary provisions

69. The Committee note that Central Government, State Government and Parents are the stakeholders in funding of the Sainik Schools. While the Central Government provides for defence scholarships, NDA incentive, fee and dietary subsidy, IT & training grant and grant-in-aid for infrastructure development, the State Government provides for land, building, maintenance and scholarships. There is no separate budget for the Sainik Schools in Defence Budget and they get the money from the Army Budget itself. Further, as against a projection of ₹

114 crore, the Sainik Schools have been allocated ₹ 40 crore for 2019-20, a shortfall of ₹ 74 crore. It is appalling for the Committee to find that Sainik Schools have been given meager 35 percent of the projected budget. The Committee are of the view that such cuts in the allocation will definitely lead to compromise with the quality of the training and education system of the cadets of Sainik Schools, therefore, they desire that allocation as per the projection should be provided to them.

70. The Defence Secretary, while tendering his evidence before the Committee, pointed out the challenges faced by the Sainik Schools due to lack of requisite funds. He submitted that although the performance and standard of Sainik Schools has improved, the main constraint is paucity of funds due to rise in salary of teachers and staff and non-contribution of share by some State Governments. Considering that the main objective of Sainik Schools is to prepare cadets for entry into the Forces, the Committee recommend that necessary financial help should be extended to the Sainik Schools by the Ministry of Defence and the State Governments be vigorously pursued to contribute their share too in maintenance of the Schools.

71. The Committee have been apprised that a committee has been formed to solve the funding requirements of the Sainik Schools. The latest development in this regard should be intimated to the Committee within one month of the presentation of this Report.

Board of Governors

72. The Committee have learnt that a Board of Governors, functioning under the Chairmanship of the Raksha Mantri, is the Chief Executive body of the Sainik Schools Society. The Chief Ministers or the Education Ministers of the States in which the Schools are located, are among the members of the Board of Governors. During the oral evidence of the representatives of the Ministry of Defence, the Committee desired to be apprised of the number of meetings of the Board of Governors in a year. The Inspecting Officer, Sainik Schools Society replied that the meeting is held every year and the last meeting was held in March, 2018, last year. The Committee are dismayed to note that the annual meeting of the Board of Governors for 2019 has not been held yet. Keeping in view the fact that the meetings are necessary for monitoring and reviewing the important affairs of the Sainik Schools and ensure synchronization between Centre, State and the Sainik Schools, the Committee desire that the meetings of the Board of Governors should be held according to the schedule without any delay and they be apprised accordingly.

Admission of Girl Students in Sainik Schools

73. The Committee in their Twentieth Report (16th Lok Sabha) had recommended the Ministry of Defence to seriously look into the matter of admission of girl students in Sainik Schools and initiate the process of creating requisite infrastructure. They are pleased to learn that approval has been given to admit girls in the Sainik schools. The Committee have been apprised that admission of girl students will begin in the schools where necessary

infrastructure such as separate toilets etc. is available or being constructed. The Committee feel that entry of girls in Sainik Schools is a step forward in the right direction towards greater gender inclusiveness and equality in the country and desire that efforts should be intensified to facilitate admission of girls in Sainik Schools throughout the country. The details regarding provision of infrastructure in this regard in all the existing and proposed Sainik Schools should be intimated to the Committee within one month of the presentation of this Report.

Intake of Sainik School Students into National Defence Academy (NDA)

74. The Committee note that currently course strength of NDA is 341, out of which 87 Sainik School students were selected for 2018-19. The Inspecting Officer, Sainik Schools Society, informed the Committee that on an average, there are 600 vacancies in NDA. These are filled by approximately 250 cadets of Sainik Schools, Rashtriya Military Schools, Rashtriya Indian Military College and approximately 350 civilian students from the entire India. Perceiving that raising new battalions in NDA would have the dual advantage of removing the shortage of Officers in the Forces and giving better opportunities in terms of numbers to the able and desirous candidates, the Committee in their Sixteenth Report (15th Lok Sabha) had recommended that the proposal for raising 5th Battalion of NDA be considered as a priority and all clearances etc. be obtained within a timeframe. In this regard, the exact figures regarding number of cadets trained by NDA, course strength, number of Battalions and Squadrons, proposal for raising new Battalions/Squadrons should be furnished to the Committee at the time of furnishing the Action Taken Replies.

75. The intake of girl students has already been commenced in the Sainik Schools, yet, the Committee feel that more needs to be done in this regard so that the girl students are benefited eventually. In this context, it is pertinent to mention here that it is the need of the hour that intake of girl cadets should be opened in the NDA. Once the new battalion is raised in NDA, as brought out in the foregoing paragraph, the girl cadets will also get an opportunity to serve the Forces through this important entry level. The Committee, therefore, recommend that proposal of entry of girls in NDA should be considered a top priority considering their admission has been initiated in the Sainik Schools and no stone should be left unturned in pursuance of this recommendation. The Committee would like to be apprised of the developments made in this regard.

Even Expansion of Sainik Schools

76. Another area in regard to Sainik Schools on which the Committee would like to recommend is the expansion of Sainik Schools in remote and far flung areas such as Tribal belts, remote hills and geographical areas where no Sainik School has been hitherto established. In the Committee's opinion, there is no dearth of talent in the remote areas but the candidates residing in such areas need to be given an opportunity to prove their worth and serve the country by joining the Forces. The Committee, therefore, recommend that in the first instance, such areas be identified and thereafter, the follow-up action including consultations with the State Governments/ other stakeholders be effectively carried out in order to achieve this goal.

**New Delhi
09 December, 2019
18, Agrahayana 1941 (Saka)**

**JUAL ORAM
Chairperson,
Standing Committee on Defence**

STANDING COMMITTEE ON DEFENCE (2019-20)

**MINUTES OF THE SECOND SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2019-20)**

The Committee sat on Thursday, the 14th November, 2019 from 1100 hrs. to 1730 hrs. in Committee Room 'B', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Jual Oram

–

Chairperson

MEMBERS

LOK SABHA

2. Shri Nitesh Ganga Deb
3. Shri Annasaheb Shankar Jolle
4. Prof. (Dr.) Ram Shankar Katheria
5. Shri Pashupati Kumar Paras
6. Shri Kapil Moreshwar Patil
7. Dr. Shrikant Eknath Shinde
8. Shri Brijendra Singh
9. Shri Mahabali Singh
10. Shri Durga Das Uikey
11. Dr. Kalanidhi Veeraswamy

RAJYA SABHA

12. Dr. Ashok Bajpai
13. Shri Prem Chand Gupta

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Smt. Jyochnamayi Sinha - Additional Director
4. Shri Rahul Singh - Deputy Secretary

LIST OF WITNESSES

MINISTRY OF DEFENCE

S. No.	Name of Officer	Designation
1.	Dr. Ajay Kumar	Defence Secretary
2.	Ms. Gargi Kaul	Secretary (Defence Finance)
3.	Shri Barun Mitra	Special Secretary
4.	Shri Jiresh Nandan	Additional Secretary
5.	Dr. Chitra Rajagopal	Director General-Resource & Management (R&M)
6.	Lt. Gen. MM Naravane	Vice Chief of Army Staff (VCOAS)
7.	Vice Admiral G Ashok Kumar	Vice Chief of the Naval Staff (VCNS)
8.	Lt. Gen. SK Upadhaya	Master-General of the Ordnance (MGO)
9.	Air Mshl Sandeep Singh	Deputy Chief of the Air Staff (DCAS)
10.	Air Mshl HS Arora	Vice Chief of the Air Staff (VCAS)
11.	Lt. Gen. Arvind Dutta	Adjutant General
12.	Lt. Gen. Rajeev Chopra	Director General of National Cadet Corps (DGNCC)
13.	Lt. Gen. Paramjit Singh Sangha	Director General of Military Operations (DGMO)
14.	Shri Apurva Chandra	Director General (Acquisition) DG(Acq)
15.	Lt. Gen. Sanjay Chauhan	Director General (DG)
16.	Ms Mala Dutt	Additional Secretary & Financial Adviser (Acquisition), AS&FA (Acq)
17.	Lt. Gen. Gopal R	Quarter Master General (QMG)
18.	Shri Subir Mallick	Additional Financial Adviser & Joint Secretary, (Addl. FA&JS)
19.	Rear Admiral Sanjay Vatsayan	Assistant chief of Naval Staff (ACNS)
20.	Smt. Nidhi Chhibber	Joint Secretary
21.	Lt. Gen. Sanjay Chauhan	Director General
22.	Maj Gen. RK Malhotra	Additional Director General (ADG)
23.	Shri Puneet Agarwal	Joint Secretary
24.	Shri Rajeev Singh Thakur	JS (Army)
25.	Shri Ashwani Kumar	Additional Financial Adviser & Joint Secretary (Addl. FA&JS)
26.	Shri Rajesh Sharma	Addl. FA & JS
27.	Shri Shantanu	Joint Secretary
28.	Dr. Md. Nazmuddin	Economic Adviser & Joint Secretary
29.	Shri Sanjai Singh	Joint Secretary & Acquisition Manager (Air), JS&AM(Air)
30.	Lt. Gen. Sudarshan Srikant Hasabnis	Deputy Chief of Army Staff (DCOAS)
31.	Smt Dipti Mohil Chawla	Joint Secretary & Acquisition Manager (Maritime Systems), JS&AM (MS)
32.	Shri A N Das	Additional Financial Adviser (AN) Addl. FA(AN)
33.	Maj. Gen. HS Shanbhag	Technical Manager (Land Systems), TM(LS)
34.	Air Vice Mshl Jeetendra Mishra	Assistant Chief of Air Staff, Projects (ACAS)
35.	R Adm Alok Bhatnagar	Additional Director General ADG(A)

36.	Shri Shantanu	Joint Secretary
37.	Shri Vedveer Arya	Finance Manager (MS), FM (MS)
38.	Shri Ghayas Uddin Ahmad	Finance Manager (Land System)
39.	Shri Puneet Agarwal	Finance Manager (Air)
40.	Lt Gen Sanjay Verma	Director General (DG)
41.	Dr. Ravindra Singh	Director
42.	Sh. Vipul Gupta	Associate Director

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them that the Union Budget for the year 2019-20 had already been passed, however, examination of Demands for Grants for the year 2019-20 was a mandatory exercise consequent to the observation by the Hon'ble Speaker on 11th July, 2019 that the Demands stand referred to the concerned Departmentally related Standing Committees, after they have been constituted, for examination and report to the House. He further informed them of the agenda for the Sitting i.e. deliberation on the subjects 'General Defence Budget, Procurement Policy and Capital Outlay on Defence Services, Army, Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC), Sainik Schools and Air Force'. The Committee then welcomed the representatives of the Ministry of Defence and the Services/Organisations to the second Sitting of the Standing Committee on Defence and drew their attention to Direction 55(1) of the Directions by the Speaker, Lok Sabha.

3. Thereafter, the Chairperson requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day. The Defence Secretary initiated the discussion by briefly touching upon Defence Services Estimates and other Demands for Grants of the Ministry of Defence. He also apprised the Committee about healthy expenditure pattern of Ministry of Defence.

4. A Power Point Presentation on General Defence Budget was then made before the Committee. This was followed by detailed deliberations on the following issues:

- i. Mismatch between projection and allocation of funds leading to gap of ₹ 33,000 crore in committed expenditure;
- ii. Delegation of financial power and allocation of budget to National Cadet Corps (NCC);
- iii. Increase in Defence Budget in proportion of percentage of GDP of the country;

- iv. Projection and allocation of budget in regard to Air Force;
- v. Utilisation of total Defence budget till date;
- vi. Compromises made or likely to be made due to reduced budgetary allocations;
- vii. Commercial use of Defence Lands without compromising the security of the area;
- viii. Rationalisation of budget to avoid overspending;
- ix. Revenue generation by Defence Research and Development Organisation (DRDO) and Ordnance Factories Board (OFB);
- x. Creation of post of Chief of Defence Staff;
- xi. Improvement in quality of products of OFB, especially cloth/material used in parachute;
- xii. Penalty provisions in offset obligations;
- xiii. Special equipment like garment and footwear for Army personnel posted in high altitude and harsh weather conditions;
- xiv. Special Allowance for personnel posted in high altitude areas;
- xv. Defence Production Corridor; and
- xvi. Timely supply of equipment to the Forces.

5. Thereafter, a Power Point presentation on Defence Procurement Policy was made. This was followed by extensive discussion on the following points:

- i. Ensuring quality of products manufacture under 'Make in india'
- ii. Servicing of equipment provided by new indigenous companies and their sustainability;
- iii. Efforts to encourage indigenization in Defence Sector to reduce dependence on imports;
- iv. Greater value of contracts in terms of amount being awarded to foreign vendors;
- v. Steps taken to achieve timely, effective and efficient procurement;
- vi. Benchmark pricing in Acquisition; and
- vii. Transfer of Technology in Rafale aircraft.

The Committee took break for lunch and resumed the Sitting at 1430 hrs.

6. Thereafter, the Chairperson invited the representatives of Army for briefing. The Vice Chief of Army Staff commenced the briefing by giving an overview on Army to the Committee and thereafter, a Power Point presentation was made. This was followed by detailed deliberations on following issues:

- i. Mismatch between projection and allocation of funds to Army;
- ii. Requirement of surveillance equipment;
- iii. Anomalies in allowance to personnel posted in North-Eastern parts;
- iv. Rationalization of manpower in Army; and
- v. Modernisation.

7. Thereafter, the Chairperson invited representatives of Directorate General of Quality Assurance (DGQA). The representatives of DGQA commenced their briefing through a Power Point presentation which was followed by discussion on following issues:

- i. Involvement of users in DGQA;
- ii. Number of engineers in DGQA;
- iii. Updation of training given to DGQA personnel; and
- iv. Corrective measures taken to avoid supply of faulty equipment provided to the Services.

8. Thereafter, the Chairperson invited representatives of Sainik Schools. The representatives of the Sainik School also commenced their briefing through a Power Point presentation. This was followed by discussion on following issues:

- i. Budgetary provisions for Sainik Schools;
- ii. Meeting of the Board of Governors;
- iii. Expansion of Sainik Schools;
- iv. Intake of girl students in Sainik Schools; and
- v. Measures to increase intake of Sainik School Students into NDA.

9. The Vice Chief of the Air Staff briefed the Committee regarding overview on modernisation plan of Indian Air Force (IAF) and thereafter, a Power Point presentation was made. This was followed by detailed deliberations on following issues:

- i. Delay in supply of aircraft by Hindustan Aeronautics Limited (HAL);
- ii. Transfer of Technology in procurement of Rafale aircraft;
- iii. Measures taken to nullify accidents in IAF due to old aircraft/technical defects/human error;
- iv. Need for increase in number of Aircraft shelters;
- v. Solid waste management to avoid accidents due to bird hits;
- vi. Need to amend the Air Force Act of 1937;
- vii. Unauthorized construction around the air strips;
- viii. Squadron strength; and
- ix. Mismatch between projection and allocation of funds and effect on Air defence preparedness.

10. Thereafter, the Chairperson invited the representatives of National Cadet Corps (NCC). They made a Power Point presentation before the Committee which was followed by discussion on following issues:

- i. Efforts made by the Ministry to expedite processing of applications of institutions waiting to be attached with NCC and liaise with the State Governments in this regard;
- ii. Skill development of NCC Cadets, especially in the field of Defence Production;
- iii. Linking of NCC with employment generation to increase interest in NCC;
- iv. Recruitment of Ex-Servicemen in NCC;
- v. Expansion of NCC in private institutions;
- vi. Review of institutes attached with NCC where appropriate infrastructure is not available; and
- vii. Increase in budget of NCC.

11. The Chairperson directed the representatives of the Ministry to furnish written replies/information on the points raised by the Members at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2019-20)

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2019-20)**

The Committee sat on Friday, the 15th November, 2019 from 1100 hrs. to 1830 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Jual Oram

–

Chairperson

MEMBERS

LOK SABHA

12. Shri Nitesh Ganga Deb
13. Shri Annasaheb Shankar Jolle
14. Dr. Shrikant Eknath Shinde
15. Shri Brijendra Singh
16. Shri Mahabali Singh
17. Shri Durga Das Uikey
18. Dr. Kalanidhi Veeraswamy

RAJYA SABHA

9. Dr. Ashok Bajpai
10. Shri Kamakya Prasad Tasa
11. Lt. Gen. Dr. D.P. Vats

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Smt. Jyochnamayi Sinha - Additional Director
4. Shri Rahul Singh - Deputy Secretary

LIST OF WITNESSES

MINISTRY OF DEFENCE

S. No.	Name of Officer	Designation
1.	Dr. Ajay Kumar	Defence Secretary
2.	Dr. G Satheesh Reddy	Secretary DR&D
3.	Ms. Gargi Kaul	Secretary Defence Finance
4.	DG K Natrajan,	DG, ICG
5.	Vice Admiral G Ashok Kumar	VCNS
6.	Shri Jiresh Nandan	AS(JN)
7.	Shri Barun Mitra	Special Secretary
8.	Lt Gen Harpal Singh	DGBR
9.	Smt. Deepa Bajwa	DGDE
10.	Lt Gen R K Anand	DG LW&E
11.	Ms. Mala Dutt	AS & FA
12.	Lt. Gen SK Upadhya	MGO
13.	Lt Gen Manoj M Naravane	VCOAS
14.	Lt Gen Sudarshan Srikant Hasabnis	DCOAS
15.	Lt Gen Raj Shukla	DG PP
16.	Lt Gen Gopal R	QMG
17.	Lt Gen TK Chawla	DG
18.	Lt. Gen Paramjit Singh	DGMO
19.	Lt Gen PS Rajeshwar	CISC (Chairman Chief of Staff Committee)
20.	Lt Gen Harpal Singh	DGBR
21.	Lt Gen SK Shrivastava	Engineer-in-Chief
22.	Lt Gen Arvind Dutta	Adjutant General
23.	Lt Gen Surinder Singh Mahal	DG MP&PS
24.	Lt Gen Shantanu Dayal	DG DC&W
25.	Dr. MSR Prasad	DG (MSS)
26.	Dr. Sudhir Kumar Mishra	DG
27.	Dr. Guru Prasad	DG
28.	Dr. Chitra Rajagopal	DG(R&M)
29.	Dr Samir V Kamat	DG
30.	Shri Pravin K Mehta	DG
31.	Sh. Sudhir Gupta	DG
32.	Sh. KS Varaprasad	DG
33.	Dr. AK Singh	DG (LS) & DS
34.	Dr. Sudhir Kamath	DG (MED & CoS)
35.	Ms. J. Manjula	DG

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting. The Committee then invited the representatives of the Ministry of Defence and the Defence Services. The Chairperson welcomed the representatives to the fifth sitting of the Standing Committee on Defence and requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day and drew their attention to Direction 55(1) of the Directions by the Speaker, Lok Sabha.

3. The representatives of the Ministry of Defence commenced their briefing through a PowerPoint presentation on Defence Research and Development. This was followed by detailed deliberations on following issues:

- (i) allocation of adequate funds to meet estimated expenditure for DRDO,
- (ii) requirement of additional funds to take up futuristic projects,
- (iii) efforts towards 'Make in India',
- (iv) development of aircraft technology,
- (v) research in propulsion, material and chip technology within the country,
- (vi) manpower requirements in DRDO,
- (vii) modernization of research infrastructure, etc.

4. Thereafter, a power point presentation was given on Navy which was followed by discussion on following points:

- (i) shortfall between required and allocated budget for Navy,
- (ii) huge inadequacies in capital budget,
- (iii) shortage of manpower,
- (iv) depletion in fleet strength,
- (v) obsolescence,
- (vi) delay in delivery of vessels by Shipyards,
- (vii) modernization of naval airfields,
- (viii) international maritime cooperation,
- (ix) safety of fishermen,
- (x) Operational preparedness of Navy, etc.

5. Thereafter, a Power Point presentation on Joint Staff was made by the representatives of the Ministry of Defence which was followed by discussion on following points:

- (i) expanding role and responsibilities of Joint Staff,
- (ii) Chief of Integrated Defence Staff
- (iii) construction of Defence Museum,
- (iv) intelligence gathering and dissemination,
- (v) plan for Defence University, etc.

6. Thereafter, a presentation on Coast Guard Organization was made before the Committee by the representatives of Coast Guard. This was followed by deliberations on the issues as under:

- (i) requirement of adequate budgetary support,
- (ii) construction of Indian Coast Guard Academy, Mangalore,
- (iii) safety of fishermen, etc.

(The Committee took break for lunch and resumed the Sitting at 1430 hrs.)

7. Then a Power Point presentation was made on Directorate General Defence Estate (DGDE) by the representatives of DGDE which was followed with deliberations on the following points:

- (i) financial issues of Cantonment boards,
- (ii) encroachment of Defence Lands by civilians,
- (iii) ammunition dumps in Cantonment areas,
- (iv) non-implementation of Central Government Schemes,
- (v) inconvenience to Civilian population,
- (vi) issues relating to building bye-laws in Cantonment, etc.

8. Thereafter, the representatives of the Ministry of Defence gave Power Point presentation on Military Engineer Services (MES). This was followed by detailed discussions on the following issues:

- (i) prioritisation of available resources,
- (ii) achievement of construction targets by MES
- (iii) adoption of state-of-the-art technology,
- (iv) pending cases in the Ministry of Defence, etc.

9. Then the representatives of Ministry of Defence made Power Point presentation on Married Accommodation Project (MAP). This was followed by detailed discussions on the following issues:

- (i) budgetary allocations for MAP,
- (ii) review of satisfaction level of Forces,
- (iii) early completion of MAP,
- (iv) use of latest technologies in construction of MAP,

10. Thereafter, a Power Point presentation was made by the representatives of Ministry of Defence on Canteen Stores Department (CSD) which was followed by discussion on the following points:

- (i) irregularities in CSD,
- (ii) quality of items supplied by CSD,
- (iii) online presence of CSD, etc.

11. Thereafter, a Power Point presentation was made by the representatives of BRO on Border Roads Organization (BRO) which was followed by discussion on the following points:

- (i) status of fund availability in BRO,
- (ii) required and existing number of equipment with BRO,
- (iii) reasons for delays in execution of road projects,
- (iv) single window clearance system,
- (v) construction of underwater tunnel in Brahmaputra river,
- (vi) shortage of manpower, etc.
- (vii) priority to be assigned for construction of roads in difficult areas.

12. The Chairperson directed the representatives of the Ministry of Defence and other organisations to furnish written replies to all the queries at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2019-20)

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2019-20)**

The Committee sat on Monday, the 18th November, 2019 from 1500 hrs. to 1830 hrs.
in Committee Room No. C, Parliament House Annexe, New Delhi.

PRESENT

Shri Jual Oram

–

Chairperson

MEMBERS

LOK SABHA

2. Shri Hanuman Beniwal
3. Shri Ajay Bhatt
4. Shri Nitesh Ganga Deb
5. Smt. (Dr.) Rajashree Mallick
6. Shri Kapil Moreshwar Patil
7. Shri Anumula Revanth Reddy
8. Shri Jugal Kishore Sharma
9. Dr. Shrikant Eknath Shinde
10. Shri Brijendra Singh
11. Shri Durga Das Uikey

RAJYA SABHA

12. Dr. Ashok Bajpai
13. Shri V. Lakshmikantha Rao
14. Shri Sanjay Raut
15. Smt. Vijila Sathyananth
16. Shri Kamakhya Prasad Tasa
17. Lt. Gen. Dr. D. P. Vats

SECRETARIAT

- | | | | |
|----|------------------------|---|----------------------|
| 1. | Smt. Kalpana Sharma | - | Additional Secretary |
| 2. | Dr. Sanjeev Sharma | - | Director |
| 3. | Smt. Jyochnamayi Sinha | - | Additional Director |
| 4. | Shri Rahul Singh | - | Deputy Secretary |

LIST OF WITNESSES
MINISTRY OF DEFENCE

S. No.	Name of Officer	Designation
1.	Dr. Ajay Kumar	Defence Secretary
2.	Sh. Subhash Chandra	Secretary(DP)
3.	Ms. Gargi Kaul	Secretary (Defence Finance)
4.	Dr. G Satheesh Reddy	Secretary DR&D & Chairman
5.	Smt. Sanjeevanee Kutty	Secretary(ESW)/I.A.S
6.	Shri Barun Mitra	Special Secretary(DP)
7.	Shri Jiweish Nandan	Additional Secretary(JN)
8.	Dr. Chitra Rajagopal	DG(R&M)
9.	Shri Saurabh Kumar	DGOF & Chairman/OFB
10.	Lt Gen Sanjay Verma	DGWE
11.	Lt Gen Manoj M Naravane	VCOAS
12.	Lt Gen Sudarshan Srikanth Hasabnis	DCOAS (P&S)
13.	Lt Gen SK Upadhaya	MGO
14.	Lt Gen Raj Shukla	DGPP
15.	Lt Gen TK Chawla	DGFP
16.	Lt Gen Arvind Dutta	Adjutant General
17.	Lt Gen Surinder Singh Mahal	DG MP&PS
18.	Lt Gen Shantanu Dayal	DG DC&W
19.	Maj Gen J V Prasad	MDECHS
20.	Maj Gen MK Sagoch	DGR
21.	Maj Gen Mukesh Kumar	ADG MP
22.	Brig Mrigendra Kumar	Secretary(KSB)
23.	Major General Sanjeev Sengar	CEO IRRPI
24.	Shri Subir Mallick	Addl FA & JS
25.	Dr. Amit Sahai	JS(P&C)
26.	Sh. Rajesh Sharma	Addl. FA & JS
27.	Sh. Ashwani Kumar	Addl. FA & JS
28.	Sh. R.K. Karna	Addl. FA & JS
29.	Sh. A.N Das	Addl. FA & JS
30.	Sh Pudi Hari Prasad	JS(ESW)
31.	Shri Shantanu	JS(LS)
32.	Shri Chandraker Bharti	JS(Aero)
33.	Shri Sanjay Jaju	JS(DIP)
34.	Shri Vinay Mohan Chamola	Offg. CMD (HAL)
35.	Radm(Retd) L V Sarat Babu	CMD (HSL)
36.	Shri D.K. Hota	CMD(BEML)
37.	Cmde B.B. Nagpal, NM	CMD(GSL)
38.	RADM V K Saxena (Retd)	CMD (GRSE)
39.	Dr. D.K. Likhi	CMD(MIDHANI)
40.	Shri M.V. Gowtama	CMD, BEL
41.	Cdr Jasbir Singh	Dir(S&HE) (MDL)
42.	Shri Vivek C Verma	Secretary, OFB
43.	Sh. Ambarish Barman	Director (Budget)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting. The Committee then invited the representatives of the Ministry of Defence and the Defence Services. The Chairperson welcomed the representatives to the fourth sitting of the Standing Committee on Defence and requested them to brief the Committee on various issues included in the agenda for the day. He also drew their attention to Direction 55(1) of the Directions by the Speaker, Lok Sabha.

3. The representatives of the Ministry of Defence commenced their briefing through a Power Point presentation on Defence Public Sector Undertakings. This was followed by detailed deliberations on the following issues:

- 1) Inadequate capacity utilization due to low order book
- 2) Low cash resume due to delayed payments in DPSUs
- 3) Creating assets in Blue Water economy
- 4) Giving priority of payments to SMEs
- 5) Upgradation of Aircraft produced by HAL
- 6) International Competition
- 7) Decline in production of DPSUs
- 8) Measures to be taken to increase Defence Exports by DPSUs
- 9) Disinvestment of DPSUs

Thereafter, a Power Point presentation was given on the Ordnance Factory Board (OFB) which was followed by discussion on the following points:

- 1) Quality of mountaineering wear supplied to forces
- 2) Shortage of budget
- 3) Late receipt of indents from Army
- 4) Exporting of Ordnance Factories' products to other countries
- 5) Reduction in targets by Army after finalization

- 6) Upgradation and quality of tank and guns
- 7) Plans for filling the technological gaps for producing systems for higher altitudes
- 8) Delay in civil works done by Military Engineering Services (MES) leading to delay in capacity augmentation projects like T-72, T-90 etc.
- 9) Issues related to R&D by Ordnance Factories.
- 10) Issue regarding corporatisation of Ordnance Factories.

4. Thereafter, a presentation was made on Ex-Servicemen Welfare and Ex-Servicemen Contributory Health Scheme and pursued with deliberations on the subject which included following issues:

- 1) Resettlement of Ex-Servicemen
- 2) Issues related to One Rank One Pension (OROP)
- 3) Problems faced by Ex-servicemen in the states and appointment of a Brigadier level officer to liaison with Government on the issues
- 4) Complaints about non-availability of medicines in ECHS
- 5) Non-payment of medical bills to the hospitals
- 6) Delay of construction of buildings due to paucity of funds
- 7) Appoint of specialized doctors under ECHS

5. The Chairperson then directed the representatives of the Ministry of Defence to furnish written replies to all the queries which remain unanswered at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2019-20)

The Committee sat on Monday, the 9 December, 2019 from 1500 hrs. to 1530 hrs. in Committee Room No. 1, Block-A, Parliament House Annexe Extension Building, New Delhi.

PRESENT

Shri Jual Oram

–

Chairperson

Lok Sabha

- | | |
|---|------------------------------|
| 2 | Shri Devusinh J. Chauhan |
| 3 | Shri Nitesh Ganga Deb |
| 4 | Shri Annasaheb Shankar Jolle |
| 5 | Shri Kapil Moreswar Patil |
| 6 | Shri Jugal Kishore Sharma |
| 7 | Shri Brijendra Singh |
| 8 | Shri Kotagiri Sridhar |
| 9 | Shri Durga Das Uikey |

Rajya Sabha

- | | |
|----|---------------------------|
| 10 | Dr. Ashok Bajpai |
| 11 | Shri V. Lakshmikantha Rao |
| 12 | Shri Sanjay Raut |
| 13 | Smt. Vijila Sathyananth |
| 14 | Shri Kamakhya Prasad Tasa |
| 15 | Lt. Gen. Dr. D. P. Vats |

SECRETARIAT

- | | | |
|---------------------------|---|----------------------|
| 1. Smt. Kalpana Sharma | - | Additional Secretary |
| 2. Dr. Sanjeev Sharma | - | Director |
| 3. Smt. Jyochnamayi Sinha | - | Director |

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. First Report of the Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2019-20 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen, Ex-Servicemen Contributory Health Scheme, Defence Pensions and Sainik Schools (Demand Nos. 18 and 21)';
- ii. Second Report of the Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Army, Navy, Air Force and Joint Staff (Demand Nos.19 and 20)';
- iii. Third Report of the Standing Committee on Defence(17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodations Project (Demand No. 20)'; and
- iv. Fourth Report of the Standing Committee on Defence(17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2019-20 pertaining to Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)'.

3. After some deliberations, the Committee adopted the above reports without any modifications. Hon'ble Chairperson also informed the Members that in case they have any suggestion to make in the draft reports, they may do so by giving it writing to Hon'ble Chairperson by 12 noon of Tuesday, 10th December, 2019.

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

The Committee then adjourned.
