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**STANDING COMMITTEE  
ON DEFENCE  
(2014-2015)**

**SIXTEENTH LOK SABHA**

**MINISTRY OF DEFENCE**

**DEMANDS FOR GRANTS  
(2014-2015)**

**GENERAL DEFENCE BUDGET  
(DEMAND NOS. 20, 21 AND 27)**

**SECOND REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 2014/Pausha, 1936 (Saka)*



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STANDING COMMITTEE ON DEFENCE  
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS  
(2014-2015)

GENERAL DEFENCE BUDGET  
(DEMAND NOS. 20, 21 AND 27)

*Presented to Lok Sabha on 22.12.2014*

*Laid in Rajya Sabha on 22.12.2014*



LOK SABHA SECRETARIAT

NEW DELHI

*December, 2014/Pausha, 1936 (Saka)*

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## CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE (2014-2015) .....	(iii)
INTRODUCTION .....	(v)
PART I	
CHAPTER I General Defence Budget .....	1
CHAPTER II Welfare of Ex-Servicemen .....	35
CHAPTER III Military Engineer Services .....	44
CHAPTER IV Married Accommodation Project .....	47
CHAPTER V Canteen Stores Department .....	50
CHAPTER VI Coast Guard Organisation .....	53
CHAPTER VII Defence Public Sector Undertakings (DPSUs) .....	57
CHAPTER VIII Capital Budget for Defence Services .....	63
PART II	
Recommendations/Observations .....	66
APPENDICES	
Minutes of the sitting of the Committee held on 22.09.2014, 08.10.2014, 09.10.2014, 10.11.2014 and 17.12.2014 .....	87

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE  
(2014-2015)

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

MEMBERS

*Lok Sabha*

2. Shri Suresh C. Angadi
3. Shri Shrirang Appa Barne
4. Shri Dharambir
5. Shri Thupstan Chhewang
6. Col. Sonaram Choudhary (Retd.)
7. Shri H.D. Devegowda
8. Shri Sher Singh Ghubaya
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10. Shri Ramesh Jigajinagi
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14. Dr. Mriganka Mahato
15. Shri Tapas Paul
16. Shri Malla Reddy
17. Shri Rajeev Satav
18. Smt. Mala Rajya Lakshmi Shah
19. Capt. Amarinder Singh (Retd.)
20. Shri A.P. Jithender Reddy
- \*21. Shri Hemendra Chandra
- \*\*22. Shri Rajyavardhan Singh Rathore

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\* Sad Demise on 05.09.2014.

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

*Rajya Sabha*

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

SECRETARIAT

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

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

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

## INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2014-15), having been authorised by the Committee to submit the report on their behalf, present this Second Report on 'Demands for Grants of the Ministry of Defence for the year 2014-15 on General Defence Budget (Demand Nos. 20, 21 and 27)'.

2. Due to impending elections to the Sixteenth Lok Sabha, Parliament had passed Vote on Account for the first four months of the Account Fiscal 2014-15 (April to July, 2014). The Demands for Grants of the Ministry of Defence were laid in Lok Sabha on 01 August 2014. The consolidated Demands for Grants were passed by the Lok Sabha on 21 July, 2014 after suspension of Rule 331G of the Rules of Procedures and Conduct of Business in Lok Sabha. After the Demands were passed, Hon'ble Speaker observed that although the Demands have been passed by the House, they stand referred to the Standing Committees after they are constituted for examination and Report so that their Recommendations are utilized in the preparation of Demands for Grants for the next Fiscal.

3. The Committee took evidence of the representatives of the Ministry of Defence on 22 September, 08 October, 09 October and 10 November 2014. The draft Report was considered and adopted by the Committee at their sitting held on 17 December, 2014.

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

5. For facility of reference and convenience, the recommendations/ observations of the Committee have been printed in bold letters in Part-II of the report.

NEW DELHI;  
22 December, 2014  
1 Pausha, 1936 (Saka)

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



## PART I

### CHAPTER I

#### GENERAL DEFENCE BUDGET

##### **Introductory**

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

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

1.2 The budgetary requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, Jammu and Kashmir Light Infantry etc. and Defence Pensions are provided in two separate Civil Demands for Grants of the Ministry of Defence, *viz.* Demand No. 20—Ministry of Defence (Civil) and Demand No. 21—Defence Pensions. These are not included in the overall defence allocation of Rs. 2,29,000 crore (Rs. 1,34,412.05 crore Revenue Outlay and Rs. 94,587.95 crore Capital Outlay) in Budget Estimate 2014-2015. The budgetary requirements of the Border Roads Organisation are being provided by the Ministry of Road Transport and Highways.

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

Demand No. 22, Defence Services — Army (including NCC, Sainik Schools and DGQA, Rashtriya Rifles, Military Farms and ECHS).

Demand No. 23, Defence Services — Navy (including Joint Staff)

Demand No. 24, Defence Services — Air Force

Demand No. 25, Defence Ordnance Factories

Demand No. 26, Defence Services — Research and Development

Demand No. 27, Capital Outlay on Defence Services, includes All Services and Departments other than those covered by the Demands for Grants of Ministry of Defence (Civil).

1.4 The 'running' or 'operating' expenditure of the three Services and other Departments *viz.* DRDO, DGOE, DGQA, NCC, DGAQA and Directorate of Standardization, are provided under the above five Demands (22 to 26), which cater to the requirement of Revenue expenditure, while the sixth, *viz.* Capital Outlay on Defence Services, caters to requirement of the expenditure incurred on building or acquiring durable assets for all Services and Departments other than those covered by the Demands for Grants of Ministry of Defence (Civil).

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

1.6 Approval of Parliament is taken for the 'Gross' expenditure provision under different Demands for Grants. Receipts and Recoveries, which include items like sale proceeds of surplus/obsolete stores, receipts on account of Services rendered to State Governments/other Ministries, etc. and other miscellaneous items are deducted from the gross expenditure to arrive at the net expenditure on Defence Services. What is commonly referred to as the Defence Budget is the net expenditure thus arrived at for the six Demands, *viz.* Demands Nos. 22 to 27.

### **Grant No. 20 — Civil Expenditure of the Ministry of Defence**

1.7 Major components of gross Revenue expenditure in Revised Estimates 2013-14 are CSD (Rs. 12334.27 crore), Defence Accounts Department (Rs. 1084.89 crore), Coast Guard Organisation-CGO (Rs. 1130.26 crore), MOD Secretariat (Rs. 143.04 crore), Defence Estates Organisation (DEO) Rs. 341.38 crore), Jammu and Kashmir Light Infantry (Jammu and Kashmir LI) (Rs. 930.91 crore) etc. In the Capital outlay of

Rs. 1115.02 crore in the Revised Estimates 2012-13, the major allocations are for the Capital Outlay are other fiscal Services-customs Rs. 1060.00 crores, housing and office buildings Rs. 33.36 crore and Miscellaneous Loans for URC by CSD Rs. 2.30 crore etc. The provisions in BE and RE 2013-14 and BE 2014-15 under Demand No. 20 are given below:—

(Rs. in crore)

	BE 2013-14	RE 2013-14	BE 2014-15
Gross Revenue	15455.39	15696.87	14957.15
Capital	1838.40	1115.02	1620.72
Gross Expenditure	17293.79	16811.89	16577.87
Receipts (R) (CSD) (-)	12120.00	12508.00	11375.00
Net Expenditure	5173.79	4303.89	5202.87

### Grant No. 21—Defence Pensions

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

The position of budgetary allocation under this Head is as under:—

(Rs. in crore)

BE 2013-14	RE 2013-14	BE 2014-15
44500.00	45500.00	51000.00

1.9 The requirement of additional amount of Rs. 1000 crores in RE 2013-14 over BE 2013-14 is mainly due to normal growth in pension and impact of Dearness Relief during 2013-14. There is also increase in amount of Gratuity, Family Pension, Leave Encashment and Superannuation and Retirement Benefits as a result of increase in number of retirees etc. and increase in BE 2014-15 over RE 2013-14 is Rs. 5500 crores, which is mainly due to increase in the number of pensioners and other retirement benefits. Out of Rs. 5500 crores a sum of Rs. 1000 crores is provided by Ministry of Finance for 'One Rank and One Pension'.

In this report the Committee are commenting on the General Defence Budget consisting of Demand Nos. 20, 21 and 27.

## GENERAL DEFENCE BUDGET

### Projections made by the three Services

1.10 The Ministry submitted by following information on the expenditure incurred during the last two years of the Eleventh Plan, the first two years of the Twelfth Plan, and the projected outlay and BE allocation for 2014-15.

#### Revenue

(Rs. in crores)

Year	Service	BE		RE		Exp.
		Projected	Allocated	Projected	Allocated	
2010-11	Army	62,234.60	56,769.11	63,917.31	59,941.83	62,383.60
	Navy	10,723.76	9,329.67	11,147.73	9,833.52	9,979.02
	Air Force	17,483.60	15,210.73	15,249.01	15,003.55	14,551.07
2011-12	Army	77,350.49	63,609.80	74,252.98	70,810.98	69,133.47
	Navy	13,658.47	10,589.06	14,450.48	12,146.93	11,903.80
	Air Force	20,015.46	15,927.95	16,123.16	16,137.38	16,772.83
2012-13	Army	83,861.62	77,327.03	83,120.33	75,520.20	76,689.82
	Navy	15,835.71	12,548.02	15,765.78	11,401.91	11,833.65
	Air Force	19,887.73	17,705.81	20,942.36	17,103.72	17,529.02
2013-14	Army	93,355.38	81,119.20	91,294.13	85,516.45	85,030.92
	Navy	19,164.69	12,194.43	15,059.73	13,163.94	13,034.36
	Air Force	25,922.64	18,295.10	22,505.98	19,283.27	19,093.70
2014-15	Army	1,04,837.88	91,844.02			
	Navy	19,570.57	13,975.79			
	Air Force	27,073.41	20,506.84			

#### Capital

(Rs. in crores)

Year	Service	BE		RE		Exp.
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2010-11	Army	21,633.04	17,250.84	19,177.55	15,641.16	15,856.08
	Navy	15,221.78	12,137.84	17,890.87	15,323.77	17,140.18
	Air Force	31,667.56	25,251.72	25,271.72	24,266.79	23,625.42

1	2	3	4	5	6	7
2011-12	Army	25,611.68	19,210.69	20,641.69	16,005.69	14,947.82
	Navy	26,882.60	14,657.83	21,482.18	17,459.08	19,211.52
	Air Force	36,186.10	30,282.03	30,282.03	27,734.78	28,841.18
2012-13	Army	28,234.60	19,237.80	18,971.09	15,749.30	14,760.69
	Navy	28,643.19	24,766.42	25,002.85	18,266.42	17,759.88
	Air Force	36,950.52	30,514.45	36,999.62	30,517.95	32,980.11
2013-14	Army	25,528.08	17,883.83	19,271.59	14,967.25	14,433.29
	Navy	33,775.53	24,149.03	27,290.06	20,418.98	20,358.85
	Air Force	64,607.84	39,208.84	65,825.22	37,750.44	38,614.93
2014-15	Army	41,936.15	26,533.60			
	Navy	28,253.21	23,832.67			
	Air Force	62,408.33	33,710.68			

1.11 Details regarding the projections made by defence organisations other than the three Services, allocations made at BE and RE stage and the expenditure incurred during each year of the Eleventh Plan, separately for revenue and capital, are as follows:—

### Revenue

(Rs. in crores)

Year	Service	BE		RE		Exp.
		Projected	Allocated	Projected	Allocated	
2010-11	DGOF	282.98	246.19	247.34	150.13	-587.54
	R&D	6,011.98	5,230.42	5,719.50	5,230.42	5,183.83
	DGQA	613.05	557.88	745.93	588.98	550.72
2011-12	DGOF	-710.00	-1,176.75	-350.85	-356.59	-734.85
	R&D	7,243.17	5,624.87	5,636.01	5,386.01	5,277.56
	DGQA	747.55	641.75	702.25	668.29	658.09
2012-13	DGOF	-417.49	-535.09	-380.00	-968.37	-616.93
	R&D	6,934.12	5,995.56	5,345.46	5,201.93	5,150.37
	DGQA	838.23	787.33	716.71	665.50	690.73
2013-14	DGOF	-273.13	-944.62	1,067.38	397.47	833.05
	R&D	7,313.40	5,552.57	5,877.58	5,672.57	5,627.37
	DGQA	788.05	714.73	786.71	766.19	754.90
2014-15	DGOF	2,868.36	1,275.43			
	R&D	8,042.67	5,984.67			
	DGQA	878.54	825.30			

## Capital

(Rs. in crores)

Year	Service	BE		RE		Exp.
		Projected	Allocated	Projected	Allocated	
2010-11	DGOF	964.81	769.34	306.28	455.57	454.22
	R&D	5,741.54	4,578.30	5,530.76	5,129.01	4,965.09
	DGQA	15.00	11.96	20.60	16.96	15.01
2011-12	DGOF	399.96	399.96	332.54	299.96	278.48
	R&D	7,599.60	4,628.30	5,178.30	4,628.30	4,616.28
	DGQA	30.00	20.00	16.00	16.00	7.10
2012-13	DGOF	552.76	399.96	496.22	399.96	349.07
	R&D	7,528.54	4,640.00	6,910.36	4,640.00	4,644.43
	DGQA	25.00	20.00	11.75	5.00	4.94
2013-14	DGOF	973.40	435.96	802.30	465.96	465.34
	R&D	9,169.88	5,057.60	8,108.02	5,257.60	5,241.52
	DGQA	15.53	5.45	19.65	12.00	11.12
2014-15	DGOF	2,014.80	1,206.56			
	R&D	10,452.80	9,298.25			
	DGQA	26.00	6.19			

1.12 Details with respect to Coast Guard are as given below:—

(Rs. in crores)

Year	Service	BE		RE		Exp.
		Projected	Allocated	Projected	Allocated	
1	2	3	4	5	6	7
2010-11	Capital	1,907.22	1,100.05	1,200.18	1,200.19	1,200.83
	Revenue	937.28	882.40	882.40	882.26	813.58
	Total	2,844.50	1,982.45	2,082.58	2,082.45	2,014.41
2011-12	Capital	1,600.00	1,600.00	1,600.00	1,600.00	1,575.38
	Revenue	902.18	890.94	973.28	941.21	925.84
	Total	2,502.18	2,490.94	2,573.28	2,541.21	2,501.22
2012-13	Capital	2,000.00	1,800.00	1,690.00	1,650.00	1,564.71
	Revenue	1,037.21	971.21	991.64	959.95	945.39
	Total	3,037.21	2,771.21	2,681.64	2,609.95	2,510.10

1	2	3	4	5	6	7
2013-14	Capital	1,775.00	1,775.00	1,385.00	1,060.00	1,070.22
	Revenue	1,139.63	1,054.81	1,171.54	1,018.15	1,047.49
	Total	2,914.63	2,829.81	2,256.54	2,078.15	2,117.71
2014-15	Capital	1,550.00	1,550.00			
	Revenue	1,278.96	1,130.26			
	Total	2,828.96	2,680.26			

### **Compromises made**

1.13 The Ministry was asked to explain about the areas where compromises have been made or are likely to be made due to reduced budgetary allocation against the projections made by the Services and other organisations/heads. The Ministry submitted the following:—

‘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. These areas are likely to be impacted by the reduced allocation.

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 procurement plan for capital modernization schemes may have to be reviewed and reprioritized, based on available funds. Budget for high value acquisitions like MMRCA is not available under the current allocation. However, these schemes will continue to be processed and additional funds will be sought if approval for these schemes is likely to be forthcoming.’

1.14 The allocation under both components of the revenue segment – Salary and non-Salary are as per the ceilings conveyed by the Ministry of Finance, which are less than the requirements projected by this Ministry.

Revenue stores mainly comprise items like rations, fuel, ordnance stores (including clothing and ammunition), naval, aviation, engineering,

medical, IT and MT vehicle spares. Ordnance stores manufactures by DGO of revenue nature are also budgeted as revenue stores by the Services.

Revenue works involve maintenance of buildings, furniture and military roads, maintenance and operation of installations including payment of water and electricity tariffs, expenditure on rent, rates and taxes and operational works.

### **Additional allocation**

1.15 The details of additional allocation sought by the three Services under RE 2013-14 is as under:—

#### **(A) Army**

*(Rs. in crores)*

	BE 2013-14	Projected RE 2013-14	Additional Requirement
Revenue (Net)	81,119.20	91,294.13	10,174.93
Capital	17,883.83	19,271.59	1,387.76
Total	99,003.03	1,10,565.72	11,562.69

#### **(B) Navy (including Jt. Staff)**

*(Rs. in crores)*

	BE 2013-14	Projected RE 2013-14	Additional Requirement
Revenue (Net)	12,194.43	15,059.73	2,865.30
Capital	24,149.03	27,290.06	3,141.03
Total	36,343.46	42,349.79	6,006.33

#### **(C) Air Force**

*(Rs. in crores)*

	BE 2013-14	Projected RE 2013-14	Additional Requirement
Revenue (Net)	18,295.10	22,505.98	4,210.88
Capital	39,208.84	65,825.22	26,616.38
Total	57,503.94	88,331.20	30,827.26



## Capital and Revenue Ratio

1.16 The capital and revenue ratio allocated for the three Services for the last five years is given below:—

(Rs. in crore)

Year	Service	Revenue	Capital
2009-10	Army	76	24
	Navy	40	60
	Air Force	42	58
	Total	61	39
2010-11	Army	77	23
	Navy	43	57
	Air Force	38	62
	Total	59	41
2011-12	Army	77	23
	Navy	42	58
	Air Force	34	66
	Total	58	42
2012-13	Army	80	20
	Navy	34	66
	Air Force	37	63
	Total	59	41
2013-14	Army	82	18
	Navy	34	66
	Air Force	32	68
	Total	57	43

## Growth of Defence Budget

1.17 Data on growth of defence budget in comparison to central budget, in absolute and relative terms is given below:—

(Rs. in crore)

Year	Defence Expenditure	% increase on previous year
1	2	3
2001-02	54,266	9.36
2002-03	55,662	2.57

1	2	3
2003-04	60,066	7.91
2004-05	75,856	26.29
2005-06	80,549	6.19
2006-07	85,495	6.14
2007-08	91,680	7.23
2008-09	1,14,223	24.59
2009-10	1,41,781	24.13
2010-11	1,54,117	8.70
2011-12	1,70,913	10.90
2012-13	1,81,776	6.36
2014-14 (RE)	2,03,672	12.05
2014-15 (BE)	2,29,000	12.44

1.18 The Defence expenditure in comparison to Centre Government Expenditure is given below:—

Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp. % of CGE
2009-10	1,41,781	10,24,487	13.84
2010-11	1,54,117	11,97,328	12.87
2011-12	1,70,913	13,04,365	13.10
2012-13	1,81,776	14,10,372	12.89
2013-14 (RE)	2,03,672	15,90,434	12.81
2014-15 (BE)	2,29,000	17,94,892	12.76

### Growth of defence expenditure *vis-à-vis* other economic parameters

1.19 The following table shows Defence expenditure as a percentage share of the total Central Government expenditure as well as a percentage of GDP.

Year	Def. Exp. As % age of Central Government Expdr.	Def. Exp. As % age of GDP
1	2	3
1999-2000	15.79	2.41
2000-2001	14.97	2.38
2002-2003	13.44	2.27

1	2	3
2003-2004	12.74	2.18
2004-2005	15.24	2.34
2005-2006	15.91	2.18
2006-2007	14.65	1.99
2007-2008	12.86	1.84
2008-2009	12.92	2.03
2009-2010	13.84	2.19
2010-2011	12.87	1.98
2011-2012	13.10	1.90 <sup>2R</sup>
2012-2013	12.89	1.80 <sup>2R</sup>
2013-2014 (RE)	12.81	1.79 <sup>2R</sup>
2014-2015 (BE)	12.76	1.78*

2R-2nd Revised Estimates.

PE-Provisional Estimates.

1R-1st Revised Estimates.

•Projected by CSO as per Min. of Fin's Budget at a Glance 2014-15.

1.20 Military expenditure as a percentage of GDP in respect of some of the countries is as under:—

Country	2013	2012	2011	2010	2009
US	3.8	4.4	4.7	4.8	4.8
China	[2]	[2]	[2]	[2.1]	[2.2]
France	2.2	2.3	2.3	2.4	2.6
UK	2.3	2.4	2.4	2.5	2.6
Russia	[4.1]	[3.9]	[3.7]	[3.8]	[4.1]
Pakistan	3	3	[2.9]	2.8	2.9

[ ] = SIPRI Estimate.

On the issue of the percentage of GDP spent on Defence Budget and Budget spent on Defence in developed nations and neighbouring countries in percentage of GDP and absolute terms, the Ministry informed the Committee via a written note:—

‘Defence Budget at Rs. 2,29,000 crores under BE 2014-15 is 1.78% of GDP [as projected by CSO as per Ministry of Finance ‘Budget at a Glance 2014-15’].’

1.21 During the oral evidence, the Defence Secretary also apprised the Committee as under:—

“Just to come back to the budget, I would like to mention 2-3 figures before the presentation is done. One is that the defence budget amounts to about 18.77 per cent of the total Central Government non-plan expenditure. Secondly, as you have observed already that it amounts to about 1.78 per cent of the GDP which is a little low compared to what it was earlier. It is low compared to international experience which we will highlight.”

1.22 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 the expenditure and non-availability of latest published data. Nevertheless, based on inputs from SIPRI Military Expenditure Database, the expenditure figures in absolute terms in respect of some of the developed and neighbouring countries are as under:—

[In constant (2011) US \$ Million]

Country	2013	2012	2011	2010	2009
US	618,681	671,097	711,338	720,282	701,048
China	[171,381]	[159,620]	[147,268]	[136,239]	[128,734]
France	62,272	63,736	64,633	66,251	69,426
UK	56,231	57,717	60,284	62,942	64,297
Russia	[84,864]	[80,995]	[70,238]	[65,807]	[64,504]
Pakistan	7,637	7,375	[6,955]	6,597	6,362

[ ]= SIPRI Estimate

## Defence Preparedness

1.23 On the present defence preparedness, the Ministry informed the Committee as under:—

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

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

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

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

1.24 During oral evidence, the Defence Secretary apprised the Committee about the defence preparedness:

“First, I would like to submit that the 15-year Plan has subsequently been broken up into a Five-Year Plan and a Two-Year Plan. Where does this 15-year under plan come from? Periodically, the Raksha Mantri issues an instruction which is called the Raksha Mantri Operational Directives. These Directives are top-secret document which is addressed by the RM to the three Chiefs. These Directives tell the Chiefs what sort of war they have to prepare for. The 15-year Plan is based on the directions given by the RM to the three Chiefs that they have to prepare for a war where *vis-a-vis*@@, they should be able to dominate @@, whereas *vis-à-vis*@@, the instructions are that they should be able to reach a deterrence level. These are the two broad instructions which are there with the three Services. Their 15-Year Plan reflects on acquisition of platforms which would facilitate that objective.

The second point which I would like to make is the problems. Firstly, I would like to reiterate that despite our problems, we have been spending our Budget fully. Having said that, I would like to say that there are difficulties in how we spend the money which would surely be highlighted by my colleagues in the Services also. I will start with five or six different areas of problems that we are facing.

The first problem is that while I am spending my full budget, am I buying what is very critical for the Services concerned. Here, I would like to admit to the Committee that I am not necessarily

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@@ name of particular nation.

always buying what is the highest priority. That is why, we have now started further interacting with the three Services to find out what are the priority programmes. That needs to be focussed upon. It is being mutually discussed and we have decided that we would lay much greater emphasis on what is the priority item and not just fully spending the budget. This is one area of concern for us. Although we tried to address it, I would admit that this is an area of weakness for us.”

## **Procurement Procedure**

1.25 On the procurement of Defence items, during oral evidence, a representative of Ministry of Defence apprised the Committee as under:—

“The capital procurement is undertaken in accordance with the defence procurement procedure. The proposal for acquisition of capital assets flow from the defence procurement planning process and this planning process covers long-term, medium-term and short-term perspectives. Our 15-years long-term perspective plan is formulated by the Headquarter IDS in consultation with service headquarters and it is approved by the Defence Acquisition Council. The second layer, the five year service capital acquisition plan is formulated by service headquarter and approved by the defence acquisition council. It indicates the list of equipments to be acquired keeping in view the operational exigencies and the overall requirement of funds. In the last layer, the short-term plan, which is called the annual acquisition plan, is basically a two year roll-on plan. It is approved by the defence procurement board every year. It is a sub-sect of the five year plan. It consists of two parts. Part A consists of those schemes which are carried over from the AAP of the previous year and the schemes whose acceptance of necessity has been accorded during the year. Part B includes the cases which are likely to be initiated for seeking acceptance of necessity. The preferred order of categorisation for capital acquisition is, Buy Indian, Buy and Make (Indian), Make Indian, Buy and Make and lastly Buy Global. The emphasis is to give a boost to the Indian defence industry by according highest preference to Buy Indian, followed by Buy and Make Indian and then the Make category. Buy (Global) category is the last one. Broadly, acquisition is a sequential process. The steps involved, in capital acquisition for schemes, as per defence procurement procedure, are as follows. The first step is the formulation of Services’ qualitative requirement. This is followed by acceptance of necessity by the defence acquisition

council. After the acceptance of necessity, the preparation and issue of Request for Proposal and solicitation of offers is followed. After the offers are received, there is evaluation of technical offers by the Technical Evaluation Committee.”

1.26 He further apprised the Committee in difficulty in procurement as under:—

“.....The second major difficulty that we face relates to the timelines. The Defence Procurement Procedure lays down a certain timeline for each activity; my GSQR would be prepared in so much time; the RFP should be done in so much time; my CNC should negotiate and finish it in so much of time. Our observation is that in most cases adherence to our timelines is not up to the mark. This may be a problem of the usual bureaucracy that is raising queries and replies are coming. I would only like to submit to the Committee that we have been trying to minimise the bureaucratic part of it which means that if I have a problem, I would much rather sit down and discuss with all the concerned and try to arrive at a solution in a collegiate manner. This is increasingly being practised. It is helping. In fact, we have put in place a system to do reviews as to what is going off-track and what is getting delayed. But I would admit that timeline is a cause of worry for us.

The third cause of worry where we have to do our own introspection is where in the RFP itself we have made mistakes and those mistakes lead to delays, sometimes retraction of the RFP itself. There have been several instances where the RFP had to be retracted. It may have been because of procedural mistakes, because the QR that I made out was not really satisfactory. There may be a number of reasons but I am stating that mistakes in RFP formulation sometimes leads to delay. We have been facing that as a problem.

The fourth area of concern is where the vendor himself fails to adhere to the RFP.

Which means he may have told us that he is satisfying all the GSQR, etc. But when he actually produces the equipment for trial, we find that it is not up to the mark. Therefore, that is something which is beyond our control but in many cases, we find that vendor commits mistakes, he gives an offer which is not up to the mark, and we discover it, maybe two years down the line, and delays are happening.”

1.27 During oral evidence, the Committee enquired whether delay occurs as the Ministry is scared to make procurements and also is there a possibility of pre-audit, the Defence Secretary apprised the Committee that anybody who was in the procurement procedure not scared of and decisions were taken on merit and in some cases C&AG agrees to pre-audit, however, CBI and CVC would not do pre-audit. The procedure of Lok Pal has also not been started. Wherever there was a possibility of pre-audit we would try to do it. He also assured the Committee that there was no delay on grounds of fear.

### **Defence Five Year Plans**

1.28 Defence Five Year Plans are formulated to chalk out the necessary steps to maintain and augment defence capabilities in line with the Raksha Mantri's Operational Directives and the Long Term Integrated Perspective Plan (LTIPP) to meet the challenges thrown up by the changing security scenario. These plans help to estimate the outlay required to achieve the planned objectives. The Ministry was asked to submit a note on the achievements of 10th and 11th Plan in brief. It submitted the following information:—

'Expenditure incurred during the 10th and 11th Plan periods, as against initial projections is as follows:

(Rs. in crores)

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

1.29 The period of the 10th, 11th and 12th Plans are as under:—

10th Plan	2002-07
11th Plan	2007-12
12th Plan	2012-17

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



1.30 On the reason of non-implementation of 10th, 11th and 12th Plan, probable losses as an outcome of the same, the Ministry has stated as under:—

‘As already mentioned, plan activities proceeded within the available annual budget allocations. As such, planned projects were implemented to the extent possible within the available allocations. Thus, the Plans served as a guide for formulating annual budgetary projections even though formal approvals for the Plans could not be obtained.’

### **Private Sector Participation**

1.31 On the present private sector contribution in defence production and Research and Development, grant given to them to encourage, the Ministry supplied the following details:—

‘In May, 2001, the Defence Industry sector, which was hitherto reserved for the public sector, was opened up to 100% for Indian private sector participation, with Foreign Direct Investment (FDI) up to 26% both subject to licensing, which has now been raised to 49% notified under Press Note No. 7 (2014 Series) by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry and above 49% through Cabinet Committee on Security (CCS) on case to case basis, wherever it is likely to result in access to modern and ‘state-of-art’ technology in the country.

The contribution of Private Sector in Defence Production and Research and Development has shifted from that of supplier of raw material, components, sub-systems to the one of becoming partners in the manufacture of complete advanced equipment/systems. The basic objective of allowing private sector participation is to harness available expertise in the private sector and work towards attaining total self-reliance in defence manufacturing sector. In-built advantages of the private sector are its reservoir of management, scientific and technological skills coupled with its ability to raise resources. Department of Industrial Policy and Promotion (DIPP) has, so far issued 222 Letters of Intents (LoIs)/Industrial Licenses (ILs) to 131 companies till August 2014 for manufacture of a wide range of licensable defence items to private companies. 46 companies have so far reported commencement of production. After opening up of the defence industry sector for FDI, so far 33 FDI proposals/Joint ventures have been approved in defence sector

for manufacture of various defence equipments, both in public and private sector.

The Ministry of Defence informed that at present it does not give any grant to private sector for encouragement the manufacturing or Research and Development.'

1.32 On the contribution of private sector in manufacturing of world class defence equipment, the Ministry supplied the following:—

'Private sector is helping Defence Public Sector Undertakings (DPSUs) and Ordnance Factories (OFs) in manufacturing of complete systems/platforms. The DPSUs and OFs have a wide vendor base of Tier I, Tier II and Tier III vendors. These vendors supply raw material, components and sub assemblies and provide support through the DPSUs.

Since, opening up of defence industry sector for private sector participation, on the recommendations of Ministry of Defence, Department of Industrial Policy and Promotion (DIPP) has, so far issued 222 Letters of Intents (LoIs)/Industrial Licences (ILs) to 131 companies till August 2014 for manufacture of a wide range of licensable defence items to private companies. 46 companies have so far reported commencement of production. The licenses have been issued to the Indian private sector for manufacture of namely military aircrafts, Unmanned Aerial Vehicles, Radars, Electronic Warfare Systems, Ship borne platforms, armoured vehicles etc.'

1.33 On the impact of increase in FDI limit in development of Defence industry in India, the Ministry submitted the following:—

Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, *vide* Press Note No. 7 (2014 Series) has notified increase in FDI limit to 49% through Government route in defence sector. Above 49% through Cabinet Committee on Security (CCS) on case to case basis, wherever it is likely to result in access to modern and 'state-of-art' technology in the country. FDI limit of 49% is composite and includes all kinds of foreign investments *i.e.* Foreign Direct Investment (FDI), Foreign Institutional Investors (FIIs), Foreign Portfolio Investors (FPIs), Non Resident Indians (NRIs), Foreign Venture Capital Investors (FVCI) and Qualified Foreign Investors (QFIs) regardless of whether the said investments have been made under Schedule 1 (FDI), 2 (FII), 2A (FPI), 3 (NRI), 6 (FVCI) and 8 (QFI) of FEMA (Transfer of Issue

of Security by Persons Resident Outside India) Regulations. Portfolio investment by FPIs/FIIs/NRIs/QFIs and investments by FVCIs together will not exceed 24% of the total equity of the investee/joint venture company. Portfolio investments will be under automatic route.

The impact of increase in FDI to 100% on production of defence equipments as well as on R&D cannot be assessed, as no study has been carried out.'

1.34 On improvements in the procurement process and FDI, a representative of the Ministry further informed the Committee:—

“One amendment, the procedure for “buy and Make” Indian category has been simplified. It has been mentioned. Now, we have prescribed a hierarchy of categorisations where “the buy Indian” is the first category and “buy and Make Indian” is the second most preferred category. This category of “buy and Make Indian” has been further simplified. We have given a very clear definition to indigenous content. Earlier, we have not been able to capture the last tier of manufacturing. When we say “buy Indian” with 30 per cent Indian content, we should be able to capture till the last tier. That will give a boost to the indigenous manufacturing.

Secondly, for the first time, in the DPP, we have brought out that maintenance of equipment also can be carried out by the private sector along with the Defence PSUs. We have been nominating only Defence PSUs so far. We have constituted the Raksha Mantri Production Committee which is going to monitor and review the indigenisation and interaction with various stakeholders. The make procedure, which is a very important category, also is under revision now. We want to give a boost to the “Make in India” items. It is in the final stages. It is coming before the Defence Acquisition Council this month.

Then, we have brought out some very fundamental changes also. The Defence Product List used to be a huge list. Now, the List has been pruned down. We have taken out some components, parts, raw-materials, etc. from the licensing purview. Now, it is a very small list. So, not many people will have to run around for seeking defence licence.

Another thing is that the export strategy has also been finalised. This has been put into the public domain – how to promote exports.

We have been encountering another problem. The export procedure was very cumbersome. That procedure has now been simplified. What we feel is that unless we allow our industry to export, there will not be a boost to indigenisation.

Another point which I would like to highlight is that the technology perspective and capability road map has also been put into the public domain. This provides a road map to the industry in what type of infrastructure they should basically invest and what type of technology they should upgrade.

Coming to the FDI, earlier, the FDI permitted was 26 per cent. Recently, it has been raised to 49 per cent which has been notified by the Press Note 7 of 2014 series. There is a composite cap upto 49 per cent. Beyond 49 per cent also, in case we are able to access the modern and state-of-the-art technology, then approval will be given by the Cabinet Committee on Security. So far, the FDI inflow has been very low in the defence sector. It was only about \$ four million. We hope that by increasing this cap to 49 per cent, there will be promotion of a lot of joint ventures and a lot of manufacturing will be promoted in the domestic sector.

From the beginning when the sector was opened up in 2001, we have been issuing licences. So far, we have issued 222 Letters of Intent to 131 companies till August, 2014 and 46 companies have also reported productionisation of their facilities. We have also received FDI. We have also given approval for 33 FDI proposals and Joint Ventures so far. We hope that this number will go up substantially now.”

## **Offset Clause**

1.35 The Ministry of Defence (MoD) has mandated discharge of offset obligations by vendors under different categories of defence acquisitions with the primary objective of leveraging its capital acquisitions to develop the Indian defence Industry by: (i) fostering development of internationally competitive enterprise; (ii) augmenting capacity for research, design and development related to defence products and Services; and (iii) encouraging development of synergistic sectors like civil aerospace and internal security. The offset provisions apply to all Capital Acquisitions categorized as ‘Buy (Global)’, *i.e.* outright purchase from foreign/Indian vendor, or ‘Buy and Make with Transfer of Technology’, *i.e.* purchase from foreign vendor followed by Licensed

Production where the estimated cost of the acquisition proposal is 300 crore or more. They apply to Indian firms or their Joint Ventures under "Buy (Global)" procurements. 30 per cent of the estimated cost of the acquisition in 'Buy (Global)' category acquisitions and 30 per cent of the foreign exchange component in 'Buy and Make with ToT' category acquisitions will be the required value of the offset obligations. Further, foreign vendors could consider creation of offset programmes in anticipation of future obligations through offset banking. The offset policy was introduced in 2005 and thereafter, has successively evolved to put emphasis on the capacity augmentation for Research, Design and Development related to Defence products and Services by making it as a key policy objective. The policy further enlarged the scope of the avenues for discharge of offsets and included the option of provision of investment in kind in Indian enterprises in the form of equipment and /or ToT.

1.36 The Ministry was asked to apprise the Committee about the gains of the offset provisions and also whether the new DPP has made any change in the existing provisions. The Ministry replied as under:—

"The offset policy mandates foreign OEM's to discharge offset obligations through combination of permissible avenues *w.r.t.* eligible product and Services in all procurements cases where cost of the capital acquisition is Rs. 300 crores or more. As on date, a total of 24 Defence offset contracts have been signed in MoD out of which 16 cases pertain to Indian Air Force and 05 cases of Indian Navy and 03 of Indian Army. The total offset obligations are estimated at approx. Rs. 28,770 crore (4.5USD) over a period from 2008—22.

These offset contracts are under different stages of implementations by the foreign OEMs. Once executed, it is estimated that the respective contract shall cause, on account of offset provisions, generation of substantial business to Indian industries thus strengthening the defence industrial base. It shall also facilitate the Indian domestic industry to be a vital part of the supply chain of the major global defence industries reaping in more benefits.

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

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

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

1.37 On the achievements of Defence Offsets Monitoring Wing (DOMW), the Ministry supplied the following information:—

“The Ministry has setup a “Defence Offsets Management Wing” (DOMW) under the Department of Defence Production in August 2012 and has entrusted it with the following responsibilities:—

- (a) Formulation of Defence Offset Guidelines;

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

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

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

DOMW has been involved in the monitoring of the offset discharge claims from the vendors during the discharge of the contracted offset obligations. As on 31st March 2014, 24 offset contracts

(16=IAF, 5-IN and 3-IA) have been signed. The total offset obligations work out to USD 4,876,260,438 approx. (contracts with different denominations converted to USD) working out to Rs. 28,770 crores approx. The obligations to be discharged till 31st March 2014 amounts to 1.37 BUSD approx. against which the vendors have reported discharge claims worth 708 MUSD approx. through their quarterly reports. These discharge claims have been handled at DOMW and after *prima facie* examination, claims worth 370 MUSD approx. have been sent to audit and interim penalty amounting to 34 MUSD approx. has been processed against shortfalls reported. In addition, DOMW has been regularly participating in the different TOECs and the CNCs of on-going cases (44 in nos.) resulting in the conclusion of 18 out of 36 in all and signing of 4 offset contracts during last financial year.

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

1.39 During oral evidence the Defence Secretary informed the Committee that the Ministry is facing some problems in implementation of offset policy and it is in the process of revising it. At present, the Ministry has about Rs. 28,000 crore of offset commitments, however, he was in agreement with the Members of the Committee about delay in the process, as the policy has not been settled.

### **Self-reliance in defence production**

1.40 On the value of indigenized production in percentage/rupee terms in the form of equipment, armament, ammunition in comparison



to exports, the Ministry informed as under:—

‘The value of procurements from indigenous sources, in the form of equipment, armament, ammunition, from the capital budget and value of export of defence goods for the years 2010-11, 2011-12, 2012-13 and 2013-14 is tabulated below:—

(Rs. in crore)

Items	2010-11	2011-12	2012-13	2013-14
Value of Indigenous Procurement	40644.59	32022.65	33511.01	34900.9
Exports	290.35	512.04	444.45	686.21

It also submitted the following information on the total expenditure on direct payments to foreign vendors for Capital Acquisitions:—

(Rs. in crore)

	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Army	1659.36	800.39	424.82	884.84	1365.71
Air Force	4226.28	4364.82	15258.11	19220.95	20927.55
Navy	4576.83	4746.88	6532.37	5968.80	12577.81

1.41 The Ministry of Defence has taken a series of measures in the form of some major policy initiatives, amendments to Defence Procurement Procedure (DPP) and improving the monitoring mechanism for making the country Self-Reliant in defence production:—

- (a) Technology Perspective and Capability Roadmap (TPCR), which gives out the details of the equipment and technologies required by our Armed Forces, has been put in public domain to provide the industry an overview of the direction in which the Armed Forces intend to head in terms of capability over the next 15 years.
- (b) Preference to ‘Buy (Indian)’, ‘Buy and Make (Indian)’ and ‘Make’ categories over ‘Buy (Global)’ or ‘Buy and Make’ categories of Capital Acquisition cases.
- (c) The procedure for ‘Buy and Make (Indian)’ category, has been further simplified in order to make the category more attractive for Indian Defence industry.
- (d) A clear definition of indigenous content has been provided which would not only bring more clarity on the indigenous

content required for different categorization, but also enhance the indigenization of defence products in India.

- (e) Buy (Indian) must have minimum 30% indigenous content on the overall cost basis. Apart from the overall indigenous content of at least 30% of total contract value, a minimum 30% will also be required in the basic equipment; manufacturers recommended list of spares; special tools and test equipment taken together. These stipulations will ensure more meaningful efforts towards indigenization.
- (f) DPP, 2013 provides for participation of Indian Pvt. Sector along with public sector for maintenance ToT in cases categorised as 'Buy (Global)'.
- (g) Raksha Mantri Production Committee (RMPC) has been re-constituted for monitoring and review of indigenisation and interaction with various stakeholders like DDP, DRDO, Armed forces and DPSUs/OFB.
- (h) Make procedure is under final stages of streamlining as it has been cleared by Defence Procurement Board. The revised procedure caters for development in collaboration between Public Sector, private sector and research and academic institutions.
- (i) FDI Policy has been reviewed in defence sector and as per the new policy, composite foreign investment up to 49% has been allowed through FIPB route and beyond 49 % with the approval of Cabinet Committee on Security (CCS).
- (j) Defence products list for the purpose of industrial licensing has been revised and in the revised list most of the components/parts/raw materials have been taken out from the purview of industrial licensing.

### **Construction of Border Roads and roads in difficult areas**

1.42 In a written note, the Ministry has informed that it has taken following steps, by way of policy simplifications and empowerment of BRO, to expedite construction of roads:—

- (a) 'Role of BRO : In the meeting of National Security Council (NSC) held on 1.11.2013, it was decided that BRO would focus on core strategic functions on the Northern Border and

MoD and MoRT&H will work out modalities of separating BRO's strategic road building functions from infrastructure development in Left Wing Extremism affected areas and internal roads. Further, it was decided in a meeting held with NSA on 23.8.2013 that in order to reduce BRO's work load, MoRTH and BRO will jointly examine and prioritise the roads which are necessarily to be constructed by the BRO in Uttarakhand, Jammu and Kashmir and North East. MoRTH will make alternate arrangements for remaining roads. Accordingly, 28 roads of 2904 Kms. length have been identified for transfer to various agencies.

- (b) BRDB Programme: 747 roads have been included in the BRDB programme. This will facilitate DGBR to approve maintenance grant for roads which are part of BRDB Programme.
- (c) Long term Roll On Works Plan (LTROWP): A Long Term Roll On Works Plan (LTROWP) for Rs. 21133 Cr (2014 – 2018) has been finalized to help BRO to get clearances and complete the preparatory works/estimates in advance and so that works can be taken up in time without having to wait for approval of Annual Works Plan (AWP).
- (d) Standard Schedule of Rates (SSR): DGBR has been delegated powers to issue new/revised Standard Schedule of Rates (SSR). This will ensure timely assessment of correct cost of projects and avoid frequent review of estimates.
- (e) Change in Maintenance Grant and Snow Clearance Grant: With a view to improve quality of maintenance, DGBR has been delegated powers to fix rates of maintenance and snow clearance grant and carry out revision whenever required.
- (f) Work done/Revised AEs : Powers of DGBR to sanction Revised/work done estimates have been restored to expedite completion of works held up for revision of estimates.
- (g) Delinking of BCA from works in Bhutan : Bhutan Compensatory Allowance has been delinked from the estimates to reduce burden on works.
- (h) Procurement of Crawler Rock Drill: Procurement of 39 State of the art medium Crawler Rock drills have been approved,

induction of which would obviate the difficulty being faced by BRO in progressing works in hard-rock stretches of ICBRs/GS roads.

- (i) Annual Works Plan 2014-15 : AWP 2014-15 has been finalized for Rs. 5352 Crores and is being simplified with delegation to DGBR to do job-wise inclusion of SRMD/IRMD GS-works and to do job-wise inclusions in AWP in respect of capital works of MoRTH, MHA, MEA etc. in consultation with the concerned Ministries subject to the approved ceiling.
- (j) Increased out-lay for vehicle/equipment/plant procurement: The size of annual procurement plan for procurement of vehicle/equipment/plant has been increased. Besides to complete preparatory action for timely procurement of a road map has been drawn in the form of a long term equipment plan (LTEP) from 2014-15 to 2018-19 for Rs. 3913.47 crore. This LTEP envisage procurement of vehicle/equipment/plant worth Rs. 824 Cr. in 2014-15.
- (k) Shortage of critical category employee : In order to meet the deficiency in the posts of JEs, proposal for filling up the vacancies through outsourcing till the candidates are made available by the Staff Selection Commission (SSC) is in process.
- (l) Following measures have been put in place/initiated to ensure faster clearances of pending forest clearance (FC) cases, land acquisition (LA) cases, allotment of quarries by State Governments.
- (m) MoEF *vide* their letter No 11-246/2014-FC dated 4th July 2014 has accorded general approval under Section (2) of the Forest (Conservation) Act, 1980 for diversion of forest land in the State of Arunachal Pradesh, Himachal Pradesh, Uttarakhand and Sikkim as per details given below:—
  - (i) Construction and widening of two lane roads by the BRO and other road construction agencies entrusted with the job by the Ministry of Defence, in the area falling within 100km aerial distance from the LAC.
  - (ii) widening of road (by the BRO and other road construction agencies) which are identified by the Ministry of Defence as link roads between Border Roads

in the area within 100 kilometre aerial distance from the LAC and National Highways/State Highways/other State Roads, subject to fulfilment of the conditions.

- (iii) Periodic review of pending Forest Clearance (FC) cases is being done in the Ministry at the level of Additional Secretary with officials of State Governments and BRO to ensure proper coordination and timely sanction.
- (iv) Chief Secretaries of State Governments of Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Nagaland, Sikkim, Tripura and Uttarakhand have been requested to constitute an Empowered Committee under their Chairmanship with Principal Secretaries of Revenue, Forest, Mining, PWD and Power Departments along with the Principal Chief Conservators of Forests (PCCF) and Chief Engineers of BRO as members to resolve issues.
- (v) Ministry of Environment and Forests has been requested that BRO may be exempted from clause 19 and 21 of the Air (Prevention and Control of Pollution) Act, 1981 for installation of stone crusher and setting up of Hot Mix Plant on the above areas.'

1.43 The Ministry was asked to furnish written information on the roads which are separate from border roads in difficult areas. It submitted the following:—

'Border Roads Organization is presently concentrating on border roads which are important from operational point of view and no other roads will be taken up till completion of these roads. Other than the roads on the border, BRO has submitted that 187 roads are in difficult areas.'

1.44 On the status of roads in difficult areas like areas in Uttarakhand and Northern East Region and problems faced by the Ministry, it submitted the following:—

'A total of 218 roads are under development in Uttarakhand and North East region. In Uttarakhand, 29 roads are being developed by BRO. Out of this, 5 roads (NHs) are planned for handing over to State PWD Uttarakhand by 31.3.2015 with a view to concentrate on roads in borders.'

In North East region, 189 roads are being developed by BRO.

Project-wise details are as under:—

Sl.No.	Project	State	No of roads
1.	Shivalik	Uttarakhand	21
2.	Hirak	Uttarakhand	8
3.	Arunank	Assam and Arunachal Pradesh	13
4.	Brahmank	Arunachal Pradesh	21
5.	Dantak	Assam and Bhutan	9
6.	Pushpak	Assam, Manipur and Mizoram	14
7.	Setuk	Tripura	4
8.	Sewak	Nagaland and Manipur	24
9.	Swastik	West Bengal and Sikkim	35
10.	Udayak	Arunachal Pradesh	32
11.	Vartak	Assam and Arunachal Pradesh	37

'BRO is facing the following problems on the roads in which works are in progress in difficult and border areas:—

- (i) Delay in forest and wild life clearances.
- (ii) High Altitude areas and attendant problems of limited working period due to snow bound conditions.
- (iii) Hard rock stretches.
- (v) Adverse ground conditions.
- (v) Non-availability of quarries and difficulty in getting construction material.
- (vi) Permission for installation of HMP and stone crushers not being granted.'

1.45 Director-General Border Roads during oral evidence informed the Committee about the difficulties faced by BRO:—

“Sir, at the outset before we start our presentation that we have for the House, I would like to mention a few things about the Border Roads per say. It is a common perception that in the initial

years of its formation, the Border Roads performed very well and when we analyse it today it is quite clear that this was on account of the conditions that prevailed which were conducive to Border Roads performing their tasks in the expeditious manner for which it has been designed. To be specific, in the areas in which the Border Roads functioned then we had no issues regarding clearance, regarding construction material, regarding expeditious execution in terms of starting a job earliest after it was decided that we wanted a road meaning thereby that the operational necessity of a job took precedence over everything else. So, when a decision was taken that we required a particular stretch of road, the first thing that was done was we started the job, everything else fell in place. However, in the last decade or so, or little over than that, things have changed and for good reasons. For one, there has been a greater awareness as far as environmental issues are concerned, the aspect of compensation has come in a big way which was not there earlier. Ever since this aspect of compensation has come in everyone who is connected with land has an issue about compensation.

In States which have tribal laws in place, this is a major issue because the land is owned by the local man. Therefore, he has the right over every stone, every grain of sand and every drop of water. In such States, even when we negotiate with the State Governments and royalties are paid, it is not possible for us to go through the common man who has a right over all these and who claims his compensation. Very rightly, we have also become very conscious of our wildlife, environment and forests which are national issues. As Border Roads, while our progress is hampered, I must mention that to us, these issues are as important as to anybody else because as citizens, we need to protect and preserve all these. Therefore, these are not hindrances really; they are compulsions. That is the reason why the focus has shifted at the highest level while trying to resolve these issues most amicably.

The other aspect is the control that we want to exercise on the exchequer's money which is very right. We need to get value for money; we need to see where every rupee is going. Therefore, right from the beginning, control has to be exercised. This control has to be balanced with operational necessities. This balance is the key to the whole progress of works.

The last thing which I would like to mention before we get going is the fact that we want to enhance our capability in terms of a departmental organisation by also integrating the contractual capability of the country that exists today.

All these put together, we want to direct towards progressing our works in the best possible manner that we can.”

1.46 On the performance of BRO, the Defence Secretary during the oral evidence informed the Committee as under:—

“It is not satisfactory, and I would admit that straight away. It needs substantive improvement, and I would admit that straight away. Having said that, I would like to submit that we are taking a very large number of steps and we are also in the process of taking to improve the performance of BRO.....We are going to take some time, but we have initiated a very large number of steps to improve the functioning and also give powers to BRO. ....

We have substantially increased the allocation for new equipment. we have now made out a plan, which is almost double of that so that more procurement can be done.”

### **Requirement of funds in maintenance of BRO Roads**

1.47 On a written note the Ministry submitted:—

‘Maintenance of existing roads is carried out with the maintenance grants allocated based approved rates. With a view to improve quality of maintenance DGBR has been delegated powers to fix rates of maintenance and snow clearance grant and carry out revision whenever required. The revision of these rates is under process by DGBR.

Further, DGBR has also been authorized to carry out maintenance and snow clearance of all roads which are approved to be part of the BRDB programme. These simplifications in procedure would improve quality of maintenance.

The achievement of construction during the last three years is as under:—

Year	Formation Km	Surfacing Km	Pmt works Rs. in crore	Pmt Bridges metres
2011-12	1960	2389	1151	3149
2012-13	1669	2420	959	2462
2013-14	1588	2173	1122	2246



BRO is making all out efforts to maintain the roads at optimum level within the available Maintenance Grant. BRO has projected a demand of Rs. 698.14 crore against maintenance during RE 2013-14. However, the funds allotted was only Rs. 566.49 crores in 2013-14. Similarly, against a BE demand of Rs. 749.64 crores for 2014-15, the fund allotted is Rs. 637.00 crores.'

1.48 On the dual control of Border Roads Organization, the Defence Secretary explained as under:—

“Sir, as regards dual control, firstly, I would seek support of the hon. Committee as its recommendation to us. We have approval of our Minister to move a proposal that BRO should be entirely with the Ministry of Defence (MoD). Secondly, I have now the approval of the Minister of Road, Transport and Highways where he has said that either BRO should be fully with MoD or fully with the Ministry of Road, Transport and Highways. We have chosen that we would like the BRO to be fully with the MoD. Thirdly, this requires the approval of a Committee headed by the Cabinet Secretary. We have already moved a formal note to the Cabinet Secretary requesting this change because the two Ministries agree to this change. Now, I would be attempting to get that meeting done as early as possible so that this change can come about.”

### **National War Memorial**

1.49 The Committee desired to know the latest position on construction of National War Memorial which was long pending. The Ministry supplied the following information:—

‘In the Defence Services Estimates for the year 2014-15, Rs. 200 crores have been allocated for National War Memorial under Capital Outlay on Defence Services. In this connection, a draft proposal has been prepared by the Engineer-in-Chiefs’ Branch (IHQ of Army). The draft proposal contains the scope and the constitution/charter of various Committees/bodies, roadmap for the project and other planning parameters to take the project forward.

The Hon'ble Raksha Mantri had made a site visit to Princess' Park on 21st August 2014 where he was briefed in detail on the proposal. It was decided that a proposal for consideration of the Cabinet be prepared for approval of the project.'

## CHAPTER II

### WELFARE OF EX-SERVICEMEN

#### **Resettlement of Retired Officers and Person Below Officers Rank**

On the avenues available for resettlement of retired officers and Person Below Officers Rank (PBORs), the Ministry supplied the following information:—

1. Resettlement and welfare of Ex-Servicemen and the widows is the joint responsibility of the Central and State Govts. The Central and State Govts. have reservations for Ex-Servicemen (ESM) in Government jobs in Central Para Military Forces (CPMF), Railways, etc. Respective States have laid down percentage of reservations in various jobs. Reservation in the Central Govt. jobs are as follows:
  - (a) 10% in Gp 'C' and 20% in Gp 'D'.
  - (b) Banks and PSUs - 14.5% in Gp 'C' and 24.5% in Gp 'D'.
  - (c) CPOs/PMF - 10% upto the rank of Asstt. Comdt.
  - (d) Defence Security Corps - 100%.
2. Various employment/self-employment schemes which are in vogue are as follows:—
  - (a) Security agency scheme.
  - (b) ESM Coal Loading and Transportation Scheme.
  - (c) Management of CNG Stns. Scheme.
  - (d) Sponsorship for Company Owned Company Operated outlets.
  - (e) Mother dairy/Gopaljee dairy scheme for allotment of milk booth and Safal Outlets.

2.2 The Ministry submitted following information on applications received annually for resettlement of retired officers and PBORs through Directorate General Resettlement (DGR) and resettlement of ESM:—

‘ESM are registered with Directorate General Resettlement (DGR) and Rajya Sainik Board (RSB) for employment assistance and the details of ESM who were sponsored/provided Resettlement opportunities by DGR/RSBs/ZSBs are as given below:—

Sl. No.	Scheme	2011	2012	2013	2014 (As on date)
1.	Number of ESM registered for employment with DGR/RSB/ZSB	21615	26518	34364	19131
2.	Number of ESM provided employment by DGR/RSB/ZSB	12018	14447	14320	12566
3.	ESM Employed With DSC	4149	4220	4901	2867

#### Employment/Sponsorship through DGR Schemes

Sl. No.	Scheme	2011	2012	2013	2014 (As on date)
1.	Security Agencies Empanelled	203	156	314	253
	No. of ESM Sponsored Security Guards (contractual jobs)	37682	37162	39018	22145
2.	ESM Coal Companies Sponsored	3	9	Nil	06
3.	Widows/disabled ESM attached in ESM Coal COs	75	48	58	36
4.	Management of CNG Station in NCR	05	30	70	53
5.	ESM (O) Sponsored for COCO Scheme (for BPCL/IOCL)	348	380	741	319
6.	Mother Dairy Milk Booth/Safal Booth	345	336	227	477
7.	Gopaljee Dairy	-	-	58	53

2.3 On the new proposals being contemplated for opening up new avenues for the resettlement of Ex-Servicemen, the Ministry supplied the following information:—

‘Various new avenues are being explored for resettlement opportunities for ESM and utilizing their competencies for nation

building. A proposal is currently under preparation for further consultation on the subject.

DGR has taken an initiative for optimizing the employment opportunities in the Pvt. sector. DGR has made inroads in coordination with CII to identify and work as an interface for creating jobs for ESM. With this objective, a National Corporate Conclave was organized on 19 August 14 at New Delhi which was presided over by Hon'ble Raksha Mantri. An MoU was signed with CII for cooperation with industry. DGR has also introduced best ESM employer award to motivate corporate sector to employ ESM. To achieve better results DGR is in the process of creating National ESM data base compilation and management and creation of job portal for ESM. A twitter account has also been opened for making information available to ESM. DGR has organized a regional corporate conclave and job fair for ESM of Rajasthan State at Jaipur on 11-12 September 2014. Similar conclaves are planned in other regions in due course of time.'

2.4 During oral evidence, Secretary ESM apprised the Committee about the reason for various maladies of the Department of Ex-Servicemen as under:—

“The Department was created some time in 2003, but the first full-time Secretary was posted from the end of December 2007, and in approximately six years 8 Secretaries have moved in and out of the Department. So, it obviously affects the long-term planning and strategy. This is the situation, and I hope that in future we will have a different approach about this. There are three organisations under the Department.

As far as the Demands for Grants are concerned, you are aware that ECHS is critically short of funds and that is a scheme where we cannot afford to move with low BE because then it raises the issue of pending bills and the issue that you had mentioned earlier; we get into arrears with the hospitals; and then they refuse to treat the patients. This is one area where we would certainly request the Committee to help us. This year, for instance, we have only Rs. 1,420.58 crore against the projected requirement of Rs. 2,489 crore. So, in the presentation that we have they will explain the kind of problems that we are facing in ECHS and about the low allocation of funds.

Now, we have started looking at having more effective functioning of the Department. First is the automation of our functions. We have to be transparent, and we have to have clear database so that the people who are trained are available on the website portal. We need greater transparency of information, especially, in an organisation like DGAR where they are sponsoring the security agencies and other such organisations. Of course, there are problems, and the only way to come out of it is by complete automation.

There has to be closer monitoring, for instance, for reservation of ex-servicemen because there has not been effort at monitoring this. But we are now starting it, and we have started getting information also. Once they know that we are on the job and we are keeping an eye on it, then I am sure that others will also respond.

As regards delegation of power, the Ministry has been trying to delegate as much as possible to the attached offices so that they need not come to us for small amounts or for clearing of bills of Rs. 5 lakh. We have already submitted that we should speed up the attached offices; strengthen their hands; and make them more effective.

As regards restructuring of the organisation, none of these organisations have been restructured ever since the Department was created. Now, the number of ex-servicemen are continuing to grow every year, and to deal with that kind of clientele and to be able to address their issues with some degree of satisfaction we will have to look at restructuring of the DGAR, ECHS or even the Department. So, this is one area that I think that we have to start focusing upon if we are to be able to deliver with the kind of aspiration that ex-servicemen have from us.

I think that coordination between ex-servicemen and Department has been lacking. So, we have Ex-servicemen Associations who come and meet us from time to time, but they have been demanding that they should have a regular forum. So, we have now decided and a Committee has been set up under the MoS with recognised Associations who will come, and the idea is that they should provide feedback on policy issues so that we have input from them and also we should be able to mobilise voluntary efforts for the welfare of ESM. It has been done in other sectors, but here we are not able to leverage it."

## **Lateral induction of Ex-servicemen in Central Para Military Forces and State Police Forces**

2.5 The Committee have been recommending in their various reports regarding lateral induction of Ex-Servicemen in Central Para Military forces and State Police Force, therefore the Ministry was asked to provide the latest position in this regard. The Ministry in a written note submitted as under:—

‘As of now there is no scheme for lateral induction of ESM into Central Para Military Forces (CPMF) and State Police Force. As per the existing provisions there is 10% reservation upto Group ‘B’ posts (Asstt. Commandant level) for ESM in CPMF. Ministry of Home Affairs (Police II Division) *vide* letter dt. 10th April 2012 communicated broad guidelines regarding recruitment of ESM against vacancies in Central Armed Police Forces (CAPF). As per these guidelines the retired Armed Forces personnel are recruited against the quota earmarked for ESM and they do not get any seniority or pay protection. As these terms of recruitment are not favourable, it is reported that very few ESM have opted for these jobs. Therefore, a large number of vacancies are reportedly lying vacant.

Efforts have been made by DGR to obtain the information regarding no. of vacancies, date of advertisement etc. from Staff Selection Commission so that wide publicity could be given regarding CPMF vacancies for eliciting an adequate response from ESM.

The matter regarding the number of vacancies available for recruitment in Central Armed Police Forces as well as relaxation of service conditions of ESM, relating to seniority and pay protection, have also been taken up by the Department with MHA and DoP&T.’

## **Uniform Financial assistance to World War Veterans and awardees of war medals**

2.6 The Ministry supplied the following information about financial assistance given to world war veterans:—

- ‘1. The primary responsibility for providing assistance to World War Veterans is that of the State Govts. where they reside. Accordingly, the State Govt./UTs provide financial assistance to the world war veterans and their widows. However, the

financial assistance provided was inadequate. Therefore, the DESW took up the matter with the State Govts./UT Admns. in 2009 for enhancing the assistance to a minimum of Rs. 3000/- p.m.

2. The latest State-wise available data in this regard is as follows:—

S.No.	Name of State/UT	Monthly Financial Assistance	
		WW Veterans	Widows of WW Veterans
(a)	Goa	Rs. 6,000	Rs. 6,000
(b)	Bihar and Jharkhand	Rs. 5,000	Rs. 5,000
(c)	Uttar Pradesh, Puducherry, A&N Islands	Rs. 4,000	Rs. 4,000
(d)	Gujarat	Rs. 3,500	Rs. 3,500
(e)	Andhra Pradesh, Chhattisgarh, Delhi, MP, Karnataka, Maharashtra, Meghalaya, UK, Rajasthan, Sikkim, Telangana, Chandigarh	Rs. 3,000	Rs. 3,000
(f)	Tamil Nadu and Tripura	Rs. 3,000	Rs. 2,000
(g)	Nagaland	Rs. 3,000	Nil
(h)	Haryana, Jammu and Kashmir	Rs. 1,500	Rs. 1,500
(i)	Kerala	Rs. 1,500	Rs. 750
(j)	Mizoram	Rs. 1,200	Rs. 1,000
(k)	Punjab and Odisha	Rs. 1,000	Rs. 1,000
(l)	West Bengal	Rs. 1,000	Rs. 800
(m)	Himachal Pradesh	Rs. 750	Rs. 750
(n)	Assam	Rs. 500	Rs. 500
(o)	Arunachal Pradesh/Manipur	NIL	NIL

However, the State Govts. which are providing less than Rs. 3000/- p.m. have again been requested to enhance the assistance.'

### **One Rank One Pension**

2.7 One Rank One Pension (OROP) implies that uniform pension be paid to the Armed Forces Personnel retiring in the same rank with



the same length of service irrespective of their date of retirement and any future enhancement in the rates of pension to be automatically passed on to the past pensioners. This implies bridging the gap between the rate of pension of the current pensioners and the past pensioners, and also future enhancements in the rate of pension to be automatically passed on to the past pensioners.

The Committee wanted to know the present status of implementation of One Rank One Pension and utilization of Rs. 5000 crore made for the purpose. The Ministry informed the Committee in a written note as under:—

‘After the announcement of the Government’s acceptance of the principle of One Rank One Pension for the Defence Forces by the then Finance Minister in his interim Budget 2014-15 speech, a meeting was held on 26th Feb., 2014 under the Chairmanship of Hon’ble Raksha Mantri to discuss the modalities for implementation of OROP. The CGDA was directed to initiate necessary steps in consultation with the three Services, MoD (Finance) and Deptt. of ESW to give effect to this decision . The three Services were requested to submit a consolidated proposal for implementation of OROP.

It was decided in a meeting chaired by the then RM, on 22.4.14 to constitute a Working Group under the Chairpersonship of CGDA for examining the proposal submitted by the Services and preparing Government orders for implementation of OROP *w.e.f.* 01.04.2014. After detailed deliberations, CGDA submitted a report indicating that the Working Group could not arrive at any consensus. The modalities for implementation of OROP are still under consideration. An allocation of Rs. 500 crore was announced in the interim budget. In the current year, an allocation of Rs. 1000crore has been made for implementation of OROP.’

2.8 On the issue of implementation aspect of One Rank One Pension, during oral evidence, Secretary, Ex-Servicemen Welfare apprised the Committee as under:—

“For One Rank One Pension, this is an issue that has been pending for a long time. The Government has announced that the principle of One Rank One Pension in the Interim Budget this year. The then, Raksha Mantri, had taken a meeting with CGDA and with MoD as to how this is going to actually implemented on the ground.

What are the modalities? It was decided at that stage that the CGDA would examine this matter in consultation with three Services and the three Services in turn would consult also the Ex-servicemen before they came up with the proposal. Thereafter, sometime in May, the three Services prepared a proposal which they sent to the RM. When this proposal was there, there were certain issues with regard to the interpretation of the definition of OROP. There are also some of the exemptions that have to be made in the proposal which was prepared by the Services. So, it was decided that there will be a working group under the Chairmanship of the Controller General of Defence Accounts, who is the repository of all the information pertaining to the pensioners and also works out the details. Now, this working group had five rounds of discussion at five meetings in which the sole proposal was discussed threadbare. At the end of the meeting, we had entrusted this to the working group that with the idea that they will come up with the final draft letter that can then be considered by the Government and issued. But at the end of these five meetings, the report that we got from the CGDA was there was still no consensus on how it is going to be implemented. So, once it came back to us, after that in the meantime, the new RM, he also had several presentations from the forces as well as from our side on all the modalities. We also had some discussion on the working group. Till now, there has been really no clear consensus on how this is going to be implemented. We are still looking at the way forward. We hope that shortly, we should be able to come up with complete details.”

### **Marriage Grant to the daughter of ESM and their widows**

2.9 During the oral evidence, the Committee asked the Ministry about the marriage assistance given to for marriage of daughters is provided to ESM and their widows, the Ministry submitted the following written information:

‘Financial assistance of Rs. 16,000/- for marriage of daughters (maximum two) is provided to ESM and their widows, up to the rank of Hav./equiv. from the Armed Forces Flag Day Fund (AFFDF). Financial assistance is also provided to the ESM/dependents out of AFFDF for their identified personal needs such as Penury Grant and Children Education Grant, etc. The amount available is not sufficient to meet the annual requirement. Additional funds to the tune of Rs. 79 crore are required to clear the 50,000 backlog

applications during the current financial year 2014-15. In order to implement the enhanced rate of Rs. 50,000 as Marriage Grant, another additional amount of Rs. 10.30 crore (approx.) per annum will be required.

Efforts are underway to strengthen the AFFDF corpus through some options such as enhancing the Services' Contribution to AFFDF, exploring other sources of income such as contribution from CSR budget of PSUs and sharing of CSD canteen profit, etc. Presently, the upward revision of marriage grant may not be possible in view of the limited funds available for financial assistance. The proposal will be considered once the available funds are sufficient to meet the requirement.'

### **Veteran Commission**

2.10 The Committee have learnt that President of India in his address to Joint Session of Parliament on 09.06.2014 has *inter-alia* mentioned about appointment of a Veteran Commission to address their grievances. The Committee wanted to know the terms of reference of this commission and whether it has *quasi judicial* powers to pass orders. The Ministry in a written information has stated:—

'The Hon'ble President of India in his address to the joint session of the Parliament on 9th June, 2014 made a statement regarding Government's decision to appoint a Veterans Commission to address their grievances, so that they know that the Government does not stop caring for them when they retire from active service. The structure and functions of the proposed Commission are presently under consideration of the Government and details are yet to be finalized.'

## CHAPTER III

### MILITARY ENGINEER SERVICES

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

Financial Year	Capital Expenditure		Revenue and Maintenance	
	Allocated	Utilised	Allocated	Utilised
2010-11	3543.03	3428.61	5612.21	5668.19
2011-12	3712.16	3709.83	6116.09	6194.20
2012-13	4017.29	3925.41	6011.40	6211.76
2013-14	4027.96	4076.28	6695.89	6652.75
2014-15	4279.60	1668.35*	7213.08	3225.92*

\*Expenditure Upto Sep., 2014

3.2 Engineer-in-Chief of Military Engineer Services (MES) apprised the Committee about working and issues pending with MES as under:—

“.....So, when we have this simultaneous expansion in infrastructure from all three Services Coast Guard and coupled with the fact that a large number of works are now coming up in extremely challenging and difficult conditions closer to the border. There are now competing demands that the MES is facing as do all the other construction agencies for the same set of contractors, the same set of skilled engineers, the same set of skilled manpower, the same construction material and so on. That compounds the problems when we look at a task which is steering ahead to the tune of about one lakh crore in the next decade. The organisation is making efforts

with the active and in close involvement of the Ministry to enhance this capacity as early as possible to meet the upcoming requirements. For that, the organisation has adopted three pronged approach. First, deals with the Human Resource Capital. In that, there are some deficiencies in our manpower which we are working with the Ministry to overcome at the earliest. In the HR front, there are some management policies pertaining to the human resource. We have moved certain proposals to the Ministry for their consideration and they are in active stage of a decision making which will help us in utilizing the human resources.”

3.3 The second approach is pertaining to the procedural changes:—

“The third aspect of our to be just an improvement of existing systems. For example in military hospitals, a lot of additions are made because there are some sort of temporary structures approach is to seek much greater empowerment of the ground executives who can then make decisions without having to look over their shoulders and therefore deliver greater output and we can fix greater accountability for them. So, we have put forward a number of proposals to the Ministry. They are active consideration for some time now and we are hoping that within a short time, we will get decisions which will help us to build this capacity to meet the up-coming challenge. Our effort is now to ensure that we bring ourselves to deliver timely, qualitative and transparent output to the three Services and allied agencies of the Ministry.”

On the issue of design and construction Engineer-in-Chief informed that the design and build concept has not been yet tried by them.

3.4 On the sanctioning of works, he has further apprised the Committee as under:—

“I would also like to clarify that all of these Rs. 1 lakh crore worth of works have not been sanctioned as yet. It is not in the sanctioned list as yet. This is the work which the service headquarters of the three Services and the Coast Guard have conceptualised and brought before the Ministry as their wish list for the next ten years. That would be my reply at this point of time.”

3.5 The Defence Secretary also informed the Committee about budget constraints of MES as under:—

“Firstly, I will come back to the theme which I made in the last presentation before the hon. Committee, that what we are getting

in terms of Budget is Rs. 10,000 crore. It is never a wish list but I may have a desire to do more; but the Budgetary constraints are hard and cannot be violated.

.....What is happening today is that a large amount of construction which was done over the years also happen. Now it is desired to convert them into modern hospitals. That is the desire part. Obviously, there is a substantive part, which is necessary. Somewhere there is a desire to be modern in structure and somewhere it is a military imperative which I have to follow. What I would submit here is that there is a hard budgetary constraint which we have to confront and you would have observed it during the presentation.”

## CHAPTER IV

### MARRIED ACCOMMODATION PROJECT

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

#### The data regarding dwelling units sanctioned

Service	Phase-I	Phase-II	Phase-III	Phase-IV	Total
Army	50924	58382	33939	33195	176440
Navy	3225	3107	-	-	6332
Air Force	7509	5238	2484	878	16109
Total	61658	66727	36423	34073	198881*
Cost (Rs. in crore)	5478.73	5702.29	3186.18	2990.77	17357.97
Revised Cost (Rs. in crore)	6032.70	13681.90	18525.34		38439.94
Expenditure Till Date	5897.86	5309.76	Under PLG		11207.62

#### 4.2 The data regarding the progress of MAP:—

Phase	Total DUs To Be Constructed	DUs Constructed So Far	Balance	Remarks
I	57,875	57,439 (99.2%)	436	332 DUs by Dec., 2014 104 DUs by Mar., 2015
II	69,992	6,466+2601* (13%)	63,526	1,898 yet to be contracted
III	36,423	—	71,014	Phases-III and IV Combined
				Under Planning consideration
IV	34,591			
Total	1,98,881	63,905	1,34,976	Completion by end 2018 as per CCS mandate

\*2601 DUs ready for handing over.

4.3 The data regarding allocation and expenditure from 2007-08 to 2014-15 is below:—

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Final allot.	1503.981	914.060	456.200	1214.927	1284.024	1326.410	1373.938	1453.645
Expdr.	1481.932	904.913	458.147	1249.012	1169.768	1309.330	1327.515	697.906

4.4 Engineer-in-Chief apprised the Committee on the status of Married Accommodation Project:—

“.....till about a decade ago MAP was also being constructed by the MES as per the organisational structure that was shown in the previous Presentation. In order to give greater impetus to the MAP for the soldiers an organisation called MAP was culled out from the existing manpower of the MES and created in order to provide the focus that was required. The essence of MAP as an organisation was minimum organisation and maximum delivery wherein the MAP executives and the MAP organisation enjoyed much greater empowerment as compared to the counterparts in the MES, even though the manpower was taken out from the existing manpower of the MES itself.

In the last decade as the plan was to construct approximately two lakh dwelling units in a time span of 16 years over four phases, as has been explained in the presentation also, about close to 70,000 dwelling units have been so far constructed and another about 50,000 dwelling units are in different stages of construction. The model adopted by MAP was primarily outsourced including the design part and the project management part with minimum supervision by the MAP executive. Different strategies were adopted for different phases of the MAP project, including awarding initially certain works to the public sector undertakings and then combining the works into large packages, as I had mentioned earlier.

We have drawn mixed results from each of these experiments. Today, Sir, the situation is that we are about two to three years behind our schedule and the targets that were set to us which we are trying to overcome through certain innovative ways like trying out new construction technology in one of the pilot projects as also seeking different innovative mixes of work assignment to different agencies which will be explained during the presentation.”



4.5 Director-General, MAP apprised the Committee about level of satisfaction for jawan and officers:—

“The Government has laid down scales of accommodation, as per that the officers are authorised 100 per cent accommodation. The JCOs are also authorised 100 per cent accommodation. The other ranks; that is, NCOs and ORs have different scales of accommodation authorised to them. For EME, medical core and other static units hundred per cent NCOs are authorised accommodation. For static units like training centres fifty per cent of the NCOs are authorised accommodation. For other establishments across the country the scale authorised is 35 per cent of the authorised strength.”

4.6 He further informed about the delay:—

“Sir, Phases III and IV which were supposed to be done in a time-frame of four years each, it has now been telescoped and we will be tackling both the phases together. So, we hope that the mandate of 2018 would get fulfilled in case we can tackled both the phases together.

Sir, over all even after combining Phases III and IV, while we fulfil the mandate of providing two lakh dwelling units as was told to us but definitely there will be delays of about two years.”

## CHAPTER V

### CANTEEN STORES DEPARTMENT

The Canteen Stores Department, CSD as it is commonly referred to, was created to provide easy access to quality products of daily use, at prices less than market rates' to the soldiers, ex-servicemen and their families. CSD is a revenue neutral Department of the Government of India. CSD charges a marginal average profit of 6.5% on the goods sold to meet the operational cost as well to generate revenue for the Government and grants to the Defence Services for their welfare activities. Canteen Stores Department (CSD) has started its operation with initial capital of Rs. 48 lacs in 1948. The total capital of CSD is Rs. 1802.27 crore as on 31st March, 2014.

#### Allocation of Budget (Rs. in crore)

Year	2009-10	2010-11	2011-12	2012-13	2013-14
Amount	8689.80	9752.33	9746.59	10245.35	12217.24

#### Generation of Profit (Rs. in crore)

Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Amount	168.88	203.69	226.53	267.84	216.30	171

Total Rs. 1254.23 crore.

5.2 The Ministry informed that 50% of Profit credited to Consolidated Fund of India (CFI) and balance 50% is distributed as grants-in-aid. The CSD has requirement of Additional budget for Unit Run Canteens for new raisings and due to more ESM each year. The requirement of CSD is Rs. 13500 crore, however, it has been provided Rs. 10469 crore only.

5.3 On taking feedback from the Services about the quality and price of the product, the following details were provided by the Ministry:—

“CSD takes feedback about price and policy of the product from beneficiaries. In case any deviation is found in quantity or quality,

provisions exist for strict action against the firm including heavy penalty, suspension of sale and even deletion of the products.

CSD carry out quality checks of items on a regular basis to ensure that items approved are supplied by the manufacturers as per Technical Data Specifications/Approved Specifications of the product. In addition, CSD acts upon feedback from the Services about quality and price of the product. The Penalty is imposed as per departmental policy in case of any deviation about quality, quantity or prices. The objective of CSD is to provide items at the price lower than the market price and therefore the CSD is conscious that the prices in CSD must remain lower than the market. In case of any complaint investigation is done and necessary action is taken for correction.”

5.4 A representative of CSD apprised the Committee about the more facilities at far-flung areas:—

“You have very rightly expressed your concern. This issue is live. A large demand is there from the border areas. There are two or three things that we are doing without further expanding the infrastructure. One is the concept of extension counters. When we are seeing that pressure point is developing at a particular place and a large number of people gravitate from that place, we are having an extension counter. That is being established to which people can go. We have a Board of Officers. We hire these people. They have this particular facility there. That is one issue.

The second issue is we have the concept of mobile canteens. We are loading things from the CSD, sending them across and opening up in the villages where the pressure points are there, in the district headquarters where this is happening. What we are not being able to do is opening up of new canteens, though we are trying. That is what we are looking forward to. But that has been slightly in a retrograde fashion but we are looking into extension counters and mobile canteens.”

5.5 He further apprised the Committee:—

“To be honest with you, I would like to say that there have been certain instances. We are having instances of a certain misuse because it is to do with money and stores. But, at the same time, we are having strict measures which are being implemented at all levels, at the grass-root level. We are taking very strong, punitive steps as of now. When the employees are detected, we cancel the smart

card, we are blacklisting them. If they are trying to do something to get sanction before the stipulated time, we are making sure that they do not get the card sanctioned. Apart from that, we are initiating disciplinary proceedings.”

## CHAPTER VI

### COAST GUARD ORGANISATION

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

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

(ii) Enforcement, monitoring and surveillance of Deep Sea Fishing.

(iii) Assist civil administration for disaster response.

(iv) Lead Intelligence Agency for coastal and sea borders.

6.2 Projection and allocation of budget for the last five years is as follows:—

(Rs. in crore)

Financial Year		BE Projection	BE	RE Projection	RE	Modified Allocation
2009-10	Capital	1318.04	1300.01	1169.81	1100.00	921.33
	Revenue	663.64	604.39	614.25	604.34	604.39
	Total	1981.69	1904.40	1784.06	1704.34	1525.72
2010-11	Capital	1907.22	1100.05	1200.18	1200.19	1200.19
	Revenue	937.28	882.40	882.39	882.26	815.88
	Total	2844.50	1982.45	2082.57	2082.45	2016.07
2011-12	Capital	1600.00	1600.00	1600.00	1600.00	1600.00
	Revenue	902.18	890.94	973.28	941.21	932.87
	Total	2502.18	2490.94	2573.28	2541.21	2532.87
2012-13	Capital	2000.00	1800.00	1690.00	1650.00	1565.00
	Revenue	1037.21	971.21	991.63	959.95	960.41
	Total	3037.21	2771.21	2681.63	2609.95	2525.41
2013-14	Capital	1775.00	1775.00	1385.00	1060.00	1060.00
	Revenue	1139.63	1054.81	1171.53	1018.15	1018.15
	Total	2914.63	2829.81	2556.53	2078.15	2078.15
2014-15	Capital	1550.00	1550.00	-	-	-
	Revenue	1278.96	1130.26	-	-	-
	Total	2828.96	2680.26	-	-	-

6.3 On the support allocation of budget to Coast Guard, the Ministry of Defence apprised that the allocation of Rs. 1550 crore under Capital head for Coast Guard organization as per Demand No. 20 Document No. 11 for FY 2014-15 has been found insufficient to carry out the planned acquisition of Aircraft, Vessels, Coastal Stations, Chain of Statics Sensors,

Land and Berthing facilities. The calculation for the exact additional amount required against Capital head is under process and will be projected at RE 2014-15 stage.

## **Manpower**

6.4 On the present manpower, the Committee were informed as under:—

‘The total manpower sanctioned for Coast Guard is 13839 posts and the number of employees in position is 10646. Indian Coast Guard has seen rapid expansion in last five years with increased induction/commissioning of ships, aircrafts and stations and commissioning of 02 additional Regional Headquarters and 03 District Headquarters.

The shortages are due to the rapid expansion, commissioning of platforms/stations and enhanced sanction of manpower by MoD, GoI. It can be seen that sanction of 2569 personnel by the CCS on 16 Feb., 2009 and further sanction of 2580 posts thereafter have resulted in the gap between the number of posts and number of employees. In order to overcome the shortages the following measures undertaken by ICG:—

- (a) Wide publicity through media coverage/advertisement.
- (b) Increase in intake of personnel.
- (c) Increase in number of recruitment centres.
- (d) Introduction of Short Service Appointment (SSA) for officers.

However, the intake has been restricted due to limited allocation of vacancies for training by the Indian Navy due to availability of limited infrastructure at INA Ezhimala, INS Chilka and various other Naval training establishments.’

6.5 During the oral evidence, DG Coast Guard apprised the Committee on the Revenue Budget as under:—

“However, I have one submission to make. We have highlighted about the Coast Guard revenue budget. Our force strength has

gone up by 33 per cent in the last five years. But since the revenue budget has moved only at six per cent for the last years, which is as per the norm, we have requested if that could be increased so that the assets, which have been acquired in the last four-five years, need to be put to see for the purpose for what they have been acquired.”



## CHAPTER VII

### DEFENCE PUBLIC SECTOR UNDERTAKINGS (DPSUs)

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

(Rs. in crore)

Name of the DPSU	2009-10	2010-11	2011-12	2012-13	2013-14
Hindustan Aeronautics Ltd. (HAL)	1967.41	2114.26	2539.43	2996.91	2693.00
Bharat Electronics Ltd. (BEL)	721.00	861.00	830.00	890.00	932.00
BEML Ltd. (BEML)	222.85	149.76	57.25	(79.87)	4.68
Bharat Dynamics Ltd. (BDL)	33.77	51.70	234.96	288.40	345.51
Mazagaon Dock Ltd. (MDL)	240.19	243.52	494.31	412.72	397.67
Goa Shipyard Ltd. (GSL)	130.72	176.13	82.80	15.50	(-61.03)
Garden Reach Shipbuilders and Engineers Ltd. (GRSE)	114.15	115.71	108.03	131.54	121.46
Mishra Dhatu Nigam Ltd. (MIDHANI)	44.6	50.9	68.5	82.5	82.5
Hindustan Shipyard Ltd. (HSL)	2.32	55.00	(85.98)	(55.17)	(46.00)

HSL: As may be seen from the above Statement, HSL suffered losses during 2011-12, 2012-13 and 2013-14. The reasons for these losses were (i) low order book position; (b) shortage of working capital to procure essential materials for construction; (c) low productivity due to ageing work force; and (d) delay in finalisation of design for on-going projects.

GSL: During 2013-14, company suffered a loss of Rs. 61.03 crore mainly due to delay in delivery of two vessels in June 2013 and December 2013, leading to imposition of LD by the customer amounting to Rs. 12.92 crore; provisioning for extension of warranty for major equipment

amounting to Rs. 23.98 crore due to delay in indigenous development of Gear box which ultimately led to cancellation of order on KPCL and subsequent procurement from M/s. RENK Germany leading to revised project delivery schedule as approved by the Government.

## 7.2 Product Quality

**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. Based on these investigations, remedial measures are implemented. Implementation of these measures is monitored through joint team of Customers, DGAQA and CEMILAC. On need basis, even the OEMs are involved in the investigations.

**BEL:** 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/system. This process ensures supply of reliable/quality products. The complaints related to post delivery if any, are handled on top priority through structured product support mechanism.

**MIDHANI:** The product quality issues are very negligible. However, due to capacity constraints, there are delays in adhering the delivery schedules to the customers. For this MIDHANI has undertaken the expansion program.

**HSL :** During the last 3 years, 9 vessels have been delivered. These include two 53,000 DWT Diamond Series Bulk Carriers for M/s. Goodearth Maritime Limited, three 50-Ton Bollard Pull Tugs for Indian Navy and two for Visakhapatnam Port Trust and two Inshore Patrol Vessels for Indian Coast Guard. No major complaints have been received on the above deliveries.

**BEML, BDL, MDL, GSL and GRSE :** No complaints have been received regarding product delivery during the last 3 years.

**7.3 Graft:** There are no cases of graft received in the last 3 years

On the issue of cost and time slippages by DPSUs, the Ministry supplied the following information:—

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

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

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

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

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

MDL : (a) In case of P-15 A ships, there is delay mainly due to delay in receipt of indigenous developmental equipment and critical weapon and sensors from foreign OEMs. However, there is no financial loss to government as the cost of the project has not exceeded sanctioned cost. (b) There is no delay in project timelines in case of other two projects viz. P15B (Missile Destroyers) and P75 (Scorpene Submarines).

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

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

MIDHANI : No

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

GSL : Shipbuilding:—

- (a) 102 M/105 M Advanced Offshore Patrol Vessels—six nos. for Indian Coast Guard.
- (b) 105 M Naval Offshore Patrol Vessels—four nos. for Indian Navy.
- (c) 90 M Offshore Patrol Vessels—three nos. for Indian Coast Guard.
- (d) 50 M Fast Patrol Vessels – seven nos. for Indian Coast Guard.
- (e) Sail Training Ships – two nos. for Indian Navy.
- (f) Missile Crafts – four nos. for Indian Navy.
- (g) Extra Fast Attack Crafts – four nos. for Indian Navy.
- (h) Survey Vessels – two nos. for Indian Navy.

GRSE : GRSE constructs ships for Indian Navy, Coast Guard and Fast Interceptor Boats for MHA. Details of ships delivered during last five years given below:—

Year	No. of ships and boats delivered
2009-10	02 Nos. of Ships and 48 Nos. of FIB Boats
2010-11	03 Nos. of Ships and 38 Nos. of FIB Boats
2011-12	05 Nos. of Ships
2012-13	04 Nos. of Ships
2013-14	02 Nos. of Ships

#### 7.4 Modernization of DPSUs

##### HAL

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

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

BEML : There is no 'proposed allocation to be spent' on modernisation as there is no budgetary allocation from the Government. The budget for modernisation/CAPEX for the year 2014-15 is Rs. 50 crore for expenditure on critical debottlenecking, balancing equipment.

BDL : Rs. 606.70 crore has been allocated by the company for the period 2010-2015.

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

## 7.5 R&D in DPSUs

BDL: 0.5% on Profit after Tax is the norm fixed by the DPE and expenditure on R&D is being spent by BDL is over and above the norm.

HAL: 40.2%

BEL: 50% of PAT.

BEML: On an average 2.73% of the sales.

MDL: R&D expenditure is around 10% of PAT.

GSL: 3.23% of PAT.

GRSE: 2.5% of PAT.

MIDHANI: 9.6% of PAT.

HSL: The yard does not have an exclusive R&D department as the company has not been making profit. Accordingly, works undertaken in Design Department are construed as R and D. As per MoU, 1% of Value of Production (VoP) towards R and D expenditure has been targeted and achieved during the last five years.

## 7.6 Defence R&D Budget

### Projection, Allocation and Expenditure

Year	Projection	Allocation	Expenditure (Actual)	Expenditure (%age)
2009-10	9516.63	8514.81	8475.38	99.54
2010-11	11754.41	10210.33	10148.92	99.41
2011-12	14848.87	10014.31	9893.84	98.80
2012-13	14463.66	9884.94	9794.80	99.35
2013-14	16483.28	10930.17	10859.04	99.32
2014-15	18495.46	15282.92		

## CHAPTER VIII

### CAPITAL BUDGET FOR DEFENCE SERVICES

#### DEMAND NO. 27

Budget Estimates 2014-15 allocation to the various Services in respect of capital grant is as given below:

(Rs. in crores)

Service/Department	Allocation
Army	26,533.60
Navy	22,803.80
Jt. Staff	1,028.87
Air Force	33,710.68
DGOF	1,206.56
R&D	9,298.25
DGQA	6.19
Total	94,587.95

8.2 The Ministry supplied the following details of the heads/Services under which there was under-spending in the Capital Budget, during the year 2013-14, with reference to final grant:—

(Rs. in crores)

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

#### Committed Liabilities

8.3 Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years.

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

The Ministry was asked to submit information on committed liability and new schemes in the present defence budget and to provide details separately including the projected requirement of the Services.

8.4 The Ministry has further stated that in so far as the three Services are concerned, the projected requirement for new schemes and committed liabilities was as under:—

**Projected requirement for Capital Modernisation  
Budget 2014-15**

*(Rs. in crores)*

	Committed Liabilities	New Schemes	Total
Army	18,851.26	9,455.53	28,306.79
Navy	21,528.07	3,012.15	24,540.22
Joint Staff	473.07	41.61	514.68
Air Force	29,173.40	12,000.00	41,173.40
Total	70,025.80	24,509.29	94,535.09
Coast Guard	970.90	579.10	1,550.00

8.5 However, based on the actual allocation of funds by the Ministry of Finance and revised requirement for committed liabilities, the position of actual allocation under the regular budget is as under:—

**Capital Acquisition (BE 2014-15)**

*(Rs. in crores)*

	Committed Liabilities	New Schemes	Total
Army	18,851.26	2,084.15	20,935.41
Navy	21,248.07	663.92	21,911.99
Joint Staff	473.07	9.17	482.24
Air Force	29,173.40	2,644.99	31,818.39
Total	69,745.80	5,402.23	75,148.03
Coast Guard	970.90	579.10	1,550.00



8.6 The data regarding capital outlay spent during last two years of the Eleventh Plan and first two years of the Twelfth Plan on committed liabilities and new schemes in the context of Army, NCC, DGQA, DPSUs and Ordnance Factories is as under:—

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

(Rs. in crores)

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

## PART II

### RECOMMENDATIONS/OBSERVATIONS

#### GENERAL BUDGET

##### Growth of Defence Budget

1. The Committee note that Budget Estimates (Net) for the year 2014-15 are for Rs. 2,29,000 crore, which comprises Revenue Outlay of Rs. 1,34,412.05 crore and Capital Outlay of Rs. 94,587.95 crore. Although Defence expenditure has been increasing over the years, the percentage increase in Defence expenditure since 2000-2001 has not been consistent. The Defence expenditure in percentage terms increased by a healthy 26.29% in the year 2004-2005 in comparison to the preceding year. Such an increase was only witnessed in the years 2008-09 and 2009-10, when the percentage growth was 24.59% and 24.13%, respectively. However, during the year 2010-11, the percentage growth declined to 8.70%. In the subsequent years, although slight increase was seen but it never touched the level of growth achieved in the years 2004-05, 2008-09 and 2009-10. During the years 2011-12 and 2012-13, the percentage increase was 10.90% and 6.36%, respectively. The Committee are satisfied to some extent to find that in the year 2013-14, the growth was 12.05% and this year the growth in the budget is 12.44%. However, as stated by the Ministry during oral evidence, this growth in the budget is not sufficient for the projects and modernization of the Services. The Committee have also noted a revealing fact that revenue expenditure of Army is on rise since 2009-10 when it was 76% and touched 82% in 2013-14 leaving a little for capital expenditure. Therefore, the Committee desire that at least the growth in the budget should be such that would ensure sufficient funds with the Services in both the heads *i.e.* Revenue and Capital.

##### Growth of defence budget—other parameters

2. From the data supplied on the growth of defence budget, the Committee note that although the defence budget is increasing every year in numerical terms but in comparison to central budget, it has

consistently been declining. In 2009-10, with the defence expenditure of Rs. 1,41,781 crore, it was just 13.84% of total Central Government Expenditure (CGE), while in 2010-11; the budget rose to Rs. 12,336 crore but in percentage terms it came down to 12.87%. In 2011-12, defence expenditure rose to Rs. 1,70,913 crore but in percentage terms it was merely 13.10% to total CGE. Since then it is sliding continuously in percentage terms to the CGE. In 2012-13, defence expenditure was pegged at Rs. 1,81,776 which was 12.89% to CGE but the Committee was surprised to find that at the time of revised estimates it came down to 12.81%. In the current year also, it is just 12.76% of total Central Government Expenditure. The Committee are unhappy with the continuous fall of defence expenditure in comparison to CGE. The Committee desire that this declining ratio should be arrested in the next financial year itself, so that the Services are provided adequate funds and hence they are not deprived of essential equipment and ammunition. Therefore, the Committee want that the Government should consider fixing a minimum benchmark for this percentage, which should be adhered to, in every case.

3. The Committee are given to understand that defence expenditure as a percentage share of Gross Domestic Product (GDP) in some of the developed and neighbouring countries is in the range of 2% to 4% and it is growing every year. On the other hand, our defence expenditure as a percentage to GDP is in reverse mode and declining every year. In 1999-2000; the defence expenditure was 2.41% of the GDP and it had a continuous slide and since then this financial year, it came down to 1.78% of the GDP. The Committee perceive it to be a grim and unacceptable situation which is affecting all the Services of defence forces considerably. The Committee desire that the Ministry should raise the bar and gradually increase defence expenditure at the level of 3% of GDP so that modernization of Armed Forces can become a reality and not remain a mirage.

Reduced Budgetary allocation—compromises made by the Services

4. The Committee note that due to reduced budgetary allocation against the projections made by the Services and other organizations/ departments, many compromises have been made or are likely to be made. The Committee understand that under the Revenue Segment, provision is first made for salary and other obligatory expenses and only after that balance available allocation is distributed to meet the requirement of stores (including ordnance), transportation (of personnel

and stores), revenue works and maintenance, etc. Under the Capital Segment, funds are first set aside to meet the projected Committed Liabilities likely to materialize during the year and only then the remaining allocation is distributed to meet the projected requirement for other items. Consequently, only little amount remains available for making acquisitions and compromises are made. Therefore, the Committee want the Ministry to review the modernization schemes/plans and reprioritized so that operationally essential plans are not shelved of due to starvation of funds.

5. The Committee also note that budget for high value acquisitions like Medium Multi Role Combat Aircraft (MMRCA) is not available under the current allocation and for these additional funds will be sought. The Committee also note the Revenue to Capital ratio for all these years is increasing in favour of Capital, which is a good sign because this needed for modernization of the Services. However, the Committee want to caution the Ministry that acquiring the large capital assets also entail high value maintenance, therefore, they recommend that non-salary revenue expenditure must be increased to ensure the maintenance of the capital assets so acquired.

6. The Committee have consistently been noting that the phenomenon of providing lower allocation to the Services is becoming a trend. The Committee are unable to understand the reason, therefore, the Ministry should make all out efforts to persuade the Ministry of Finance for not making any cut in their projections because that will result in compromising the defence preparedness of the country. The Committee want that allocation to any defence programme should not be cut on account of overall economic situation of the country.

#### Defence Preparedness

7. The Committee are given to understand that the primary function of the Armed Forces is to defend the country in the event of conventional armed conflict and for this purpose, the goals for the Armed Forces are clearly laid out by the Government. The Committee further note that the Headquarter of Integrated Defence Staff (IDS) has prepared the Long Term Integrated Perspective Plan (LTIPP) for 15 years (2012-27) as well as Service Capital Acquisition Plan (SCAP) (2012-17) (12th Five Year Plan) which has been approved by the Defence Acquisition Council (DAC) and there has been considerable improvement in operational preparedness of Armed Forces as a

result of sustained efforts in Defence Acquisition and Defence Production.

8. During oral evidence, the Defence Secretary also apprised the Committee about the problems experienced by the Ministry e.g. spending the budget on the highest priority item, non-adherence to timelines in procurement of defence items, streamlining of issuing of Request for Proposals. The Committee also note that Ministry of Defence is not always buying highest priority item for the Services.

9. The Committee appreciate that some of the grey areas have been identified by the Ministry but what action it has taken to improve the situation, has not been known to them. The Committee are of the view that if the present perspective planning process is flawless then the Ministry can always know the number and kind of equipment needed after a certain period of time and it can always buy top priority equipment. This, is not true in the instant case. The Committee are of the view that if the 15-year long plan are not yielding results, then it should make planning for at least 20 or 25 years. Therefore, the Committee desire that a thorough review must be taken first for all the available defence plans, so that long-term perception of the Ministry and Services can be corrected.

10. The Committee also do not find any reason behind non approval of the Twelfth defence plan and desire that approval of Defence Plan should be given importance so as to avoid *ad-hoc* planning so that our forces are able to anticipate the number of equipment and infrastructure after a certain period of time and prepare themselves accordingly. The Committee recommend that all efforts should be done to ensure that Armed Forces are capable to take on any kind of threats.

#### Procurement Procedure

11. The Committee note that the Capital Procurement is undertaken in accordance with the Defence Procurement Procedure. The proposal for acquisition of capital assets flow from the Defence Procurement Planning Process and this planning process covers long-term, medium-term and short-term perspectives including 15-year long-term perspective plan. The five year service capital acquisition plan, which includes the list of equipment to be acquired keeping in view the operational exigencies and the

overall requirement of funds. The sub sect of this is a two year roll-on plan, which is also approved by the defence procurement board every year.

12. The Committee also note that preferred order of categorisation for capital acquisition is, Buy Indian, Buy and Make (Indian), Make Indian, Buy and Make and lastly Buy Global. The emphasis is to give a boost to the Indian defence industry by according highest preference to Buy Indian.

13. The Committee further note that capital acquisition for schemes, as per defence procurement procedure involves formulation of Services' qualitative requirement, acceptance of necessity by the defence acquisition council and the preparation of issue of Request for Proposal. Solicitation of offers is followed and after the offers are received, there is evaluation of technical offers by the Technical Evaluation Committee.

14. The Committee appreciate that the prevailing procurement procedure seems to be a flawless on one hand, but at the same time, they feel that something is missing therein because this procedure is not yielding the desired results and procurements have not fully materialised. The Committee also note that one of the reasons for not making procurements is non- adherence of timelines because GSQR are being changed frequently. Therefore, the Committee are of the view that early finalisation of GSQR for the procurement of specific equipment should be the order of the day and GSQR should be frozen before giving an order. For the next order of the same equipment, revised GSQR may be used. The Committee desire that instead of making the best product, Mark I, II, III and IV of the equipment may be made so that at least the Services get something and improvements can be made at the later stages with the experience gained and with the advancement in technology. This will not only save time and wasteful expenditure but also avoid depriving the Armed Forces of any equipment which lowers not only fighting efficiency but also its morale. The Committee desire that to curtail the delays in procurement from vendor's side, it is essential to choose only capable and reputed vendors.

15. The Committee also desire that pre-audit of procurements should be done by Comptroller and Auditor General, Central Bureau of Investigation and Central Vigilance Commission simultaneously in

a fixed time-frame so that there would be no anxiety while placing the orders to vendors for procurement of equipments so that delays can be minimised.

16. The Committee also desire that while procuring an equipment, where there is long gestation period in the supply, say 10 years, large orders of a particular make should not be given. Instead order should be given in parts so that technological improvements can be inculcated in the next order. The Committee also recommend that penal provisions should be included in the procurement policy so that if equipment is not supplied according to the prototype or there is delay in supply, those provisions could be invoked.

#### Private Sector Partnership

17. The Committee note that the Ministry of Defence along with the Department of Indian Policy and Promotion, Ministry of Commerce and Industry has taken various steps to encourage private sector participation and has issued so far 222 Letters of Intent (LOIs)/ Industrial Licences (ILs) to 131 companies till August 2014 for manufacturing of a wide range of licensable defence items.

18. The Committee note that so far FDI inflow has been very low in the defence sector and as stated by a representative of Ministry of Defence that raising the cap from 26% to 49%, there will be promotion of joint ventures and manufacturing in domestic sector.

19. For the betterment of the system, the Committee suggest that feasibility and desirability increasing the FDI limit should be examined critically.

20. The Committee note that the Ministry of Defence, at present, does not give any grant to private sector for encouraging manufacturing or Research and Development. The Committee are of the opinion that generally private sector does not invest in the defence R&D till it is sure of getting orders. In the opinion of the Committee this is one of the reasons for non-participation of private players in the defence sector, thus making the country dependent on imports. Therefore, the Committee desire that private sector should also be given grant for R&D in defence sector so that 'Make in India' concept comes true.

#### Offset policy

21. The Committee note that the offset policy mandates foreign Original Equipment Manufacturers (OEMs) to discharge offset

obligations through combination of permissible avenues *w.r.t.* eligible product and Services in all procurements cases where cost of the capital acquisition is Rs. 300 crore or more. As on date, a total of 24 Defence offset contracts have been signed in the Ministry of Defence out of which 16 cases pertain to Indian Air Force, and 05 and 03 cases relate to Indian Navy, Indian Army respectively. The total offset obligations are estimated at approximately Rs. 28,770 crore over a period from 2008-2022. The Committee also note the problems being faced by the Ministry of Defence in implementation of the offset policy. They, therefore, suggests improvement by way of revision of the offset provisions.

22. During the oral evidence, the Committee came to know that the potential of the Defence offset policy has not been fully realized. Therefore, at many places, work relating to offset obligations could not start and benefits of offset policy reaped. The Committee desire that guidelines regarding offset policies should be given to private sector also so that they may be well versed of the provisions contained in the offset policy. The Committee desire that regular interactions should be held with the private sector to encourage investment in the defence sector. The Committee are also of the opinion that while selecting the industry, the Ministry should look for new technology areas so that the country can have the benefit of the same.

#### Self-reliance in Defence production

23. The Committee note that in the year 2010-11, the value of Capital acquisition made from Indigenous sources was Rs. 35589.77 crore in 2011-12, it went down to Rs. 28152.72 crore in 2012-13, it rose to Rs. 32045.36 crore; and in 2013-14, it slipped again to Rs. 31503.58 crore. Capital procurement from outside sources (import) during the corresponding period was Rs. 9917.47 crore, Rs. 22218.77 crore, Rs. 26181.42 crore and Rs. 35006.35 crore respectively.

While the value of imports was enormous, the value of exports have been meagre at Rs. 290.35 crore, Rs. 512.04 crore, Rs. 444.45 crore and Rs. 686.21 crore respectively during the same period.

24. The Committee also note that the Ministry of Defence has taken series of measures in the form of some major policy initiatives like amendments to Defence Procurement Procedure (DPP), Technology Perspective and Capability Roadmap (TPCR), Preference to 'Buy (Indian)', 'Buy and Make (Indian)', 'Make (Indian)' and 'Buy and Make'



categories over 'Buy (Global)' category of Capital Acquisition. The Committee also note that Make procedure is under final stages of streamlining after being cleared by Defence Procurement Board. The revised procedure would cater to the development in collaborations between Public Sector, Private Sector and research and academic institutions.

25. The Committee appreciate the initiatives taken by the Ministry but in addition to these initiatives, they desire that the Ministry should take steps to curtail the direct imports which are on incremental path. On the other hand, acquisition from indigenous sources show an uneven pattern, which is not good for making the self-reliant. The Committee desire that early finalization of 'Make' procedure should be given priority and implemented early, so that the country can have the benefit of developing new and critical technologies with the collaboration of public sector, private sector and research and academic institutions to make the country self-reliant in defence production and should not depend on imports only.

#### **Welfare of Servicemen**

26. The Committee understand that personnel of Armed Forces have very limited leave and most of the time they are away from their homes guarding the Nation. But they have to face many problems at their homes during their absence. Generally, trivial matters pertaining to district administration also take unnecessary long time and some time they have to waste all their leave on just meeting officials in district administration. Therefore, the Committee recommend that strict instructions should be passed on to the District Magistrate/Collectors to give utmost priority to the works of personnel/their family members belonging to the Services (Army, Navy and Air Force), a dedicated district nodal officer should always be in place to cater to their difficulties. The nodal officer should be given all requisite administrative or legal powers to implement his decisions. The Chief Secretary should invariably submit quarterly report on the issues pertaining to their matters.

#### **Construction of Border Roads and roads in difficult areas**

27. From the reply furnished by the representative of BRO, the Committee note that now onwards the Border Roads Organization would focus on core strategic functions on the Northern Border.

The Ministry of Defence and the Ministry of Road Transport and Highways (MoRT&H) will work out modalities of separating Border Roads Organizations strategic road building functions from infrastructural development in Left Wing Extremism affected areas and internal roads. The Committee also note that in order to reduce BRO's work load, MoRTH and BRO will jointly examine and priorities the roads which are necessarily to be constructed by the BRO in Uttarakhand, Jammu and Kashmir and North East. MoRTH will make alternate arrangements for remaining roads. Accordingly, 28 roads of 2904 Kms. length have been identified for transfer to various agencies.

28. The Committee desire that in order to make BRO more focussed, the roads which are of strategic importance from the rail head to forward areas in existence or planned to be maintained and constructed by the BRO in Uttarakhand, Jammu and Kashmir and North East should be prioritized and MoRTH should make alternate arrangements for remaining roads. The Committee are of the view that besides focusing on Northern border, BRO should also concentrate on Eastern border.

29. The Committee note that various other measures *e.g.* inclusion of 747 roads in the Border Roads Development Board (BRDB) programme, Long Term Roll On Works Plan (LTRWP) for Rs. 21133 Cr. for the period 2014 – 2018, delegation of powers to BRO for deciding Standard Schedule of Rates (SSR), restoration of powers of DGBR to sanction Revised/work done estimates, delinking of Bhutan Compensatory Allowance from works in Bhutan, approval of procurement of 39 state-of-the-art medium Crawler Rock drills, outsourcing of critical category employee *i.e.* Junior Engineers (JEs) till the candidates are made available by the Staff Selection Commission (SSC), faster clearances of pending forest clearance (FC) cases, land acquisition (LA) cases, etc. have been taken to expedite the construction of roads.

30. The Committee further note that the Chief Secretaries of State Governments of Arunachal Pradesh, Assam, Jammu and Kashmir, Himachal Pradesh, Manipur, Nagaland, Sikkim, Tripura and Uttarakhand have been requested to constitute an Empowered Committee under their Chairmanship with Principal Secretaries of Revenue, Forest, Mining, Public Works Department (PWD) and Power Departments along with the Principal Chief Conservators of Forests (PCCF) and Chief Engineers of BRO as members to resolve issues.

The Ministry of Environment and Forests has been requested that BRO may be exempted from clause 19 and 21 of the Air (Prevention and Control of Pollution) Act 1981 for installation of stone crusher and setting up of Hot Mix Plant on the above areas.

31. The Committee desire that keeping in view the importance of construction of roads in strategic areas, Ministry of Environment and Forests should look into the request of BRO earnestly and grant it permission to set up stone crushers and Hot Mix Plants in the requisite areas.

32. The Committee are of the view that measures taken by BRO and the Border Road Development Board (BRDB) may ease the construction of road work in border areas but it all depends upon the efficiency of the personnel working in various capacities. The Committee desire that Crawler Rock Drills for which the approval has been given for procurement, should be acquired at the earliest as it will ease lots of hardships which BRO is facing. The Committee desire that timelines of every project should be drawn and adhered to meticulously so that the delays in achieving the results are avoided.

33. The Committee further note the problems being faced by BRO on the roads in which works are in progress in difficult and border areas *e.g.* delay in forest and wild life clearances, high altitude areas, limited working period due to snow bound conditions, hard rock stretches, adverse ground conditions, non availability of quarries and difficulty in getting construction material, permission for installation of stone crushers, etc. The Committee contemplated over the difficulties being faced by BRO. They are of the view that some of the complications like difficulty in getting construction material and permission for installing stone crushers can easily be resolved with proper coordination with concerned State Governments. However, to cope with the natural phenomena like limited working period due to snow bound conditions and hard rock stretches, assistance from the construction agencies of international repute may be taken.

34. The Committee also note the difficulties being faced in getting the land for construction of roads in the States which have tribal laws in place, as the land is owned by the local population. The Committee desire that amendment in the existing laws may be made so that difficulties in getting the land for construction of roads are removed.

35. The Committee rely on the candid admission of the Defence Secretary that the performance of BRO is not satisfactory and needs substantive improvement for which large number of steps are being taken. The Committee desire that this organisation should be revamped and revitalized by infusing new equipment, machinery and workforce so that all time dependable roads may be made to reach our borders. The Committee also desire that concept of GREF (General Reserve Engineer Force), which was formed post 1962 debacle should be brought back and BRO should be manned by a "Force" not like any normal department.

#### Requirement of funds in maintenance and dual control of BRO

36. The Committee note that the maintenance of existing roads is carried out with the maintenance grants allocated based on approved rates. With a view to improving the quality of maintenance, the Director General Border Roads (DGBR) has been delegated powers to fix rates of maintenance and snow clearance grant and carry out revision whenever required. The Committee also note that formation kilometres which were 1960 kms. in 2011-12 came down to 1669 in 2012-13. It declined further to 1588 kms. in 2013-14. So is the case with surfacing, which came down from 2389 km. in 2011-12 to 2173 km. in 2013-14. The construction of bridges has also come down from 3149 metres in 2011-12 to 2246 metres in 2013-14.

37. The Committee note that BRO has projected a demand of Rs. 698.14 crore against maintenance during Revised Expenditure 2013-14, however, the funds allotted was only Rs. 566.49 crore. Similarly, against a Budget Expenditure a demand of Rs. 749.64 crore for 2014-15 has been made but the fund allotted is Rs. 637.00 crore only. It seems that the Ministry of Road Transport and Highways, which provides the budget to BRO is not aware of the ground realities and importance of maintaining the roads in all weather conditions. The Committee feel that the difficulty regarding non-availability of funds being faced by BRO is due to the dual control of BRO. Therefore, the Committee desire that the Border Roads Organization should be devoid of dual control and its budget should rests with the Ministry of Defence only.

#### National War Memorial

38. The Committee note that there has been a demand for construction of National War Memorial by various ex-servicemen

organizations. The Committee are happy to note that Rs. 200 crores have been allocated in the Defence Services Estimates for the year 2014-15 for this purpose. The Committee desire that all out efforts may be made so that National War Memorial may become a reality soon.

## WELFARE OF EX-SERVICEMEN

### Resettlement of Retired Officers and Person Below Officers Rank

39. The Committee note that various avenues are available for resettlement of retired officers and Person Below Officer's Rank (PBOR) e.g. reservations in various Central and State Government jobs including banks, Public Sector Undertakings, employment/self employment schemes, etc.

40. The Committee also note that out of 21615 Ex-Servicemen (ESM) registered with Directorate General Resettlement (DGR)/Rajya Sainik Board (RSB)/Zila Sainik Board (ZSB), only 12018 were employed in 2011 which is 55.6% of the total. In the year 2012, out of 26518 ESM registered, only 14447 which is 54.58% of total registered got employment. In 2013, 34364 ESM were registered, however, only 14320 got employment which is 41.67% of the total. From the data supplied by the Ministry it may be inferred that every year out of the registered ESM, less than 50% are getting employment/resettlement and the employment figure is decreasing every year. The Committee desire that DGR should be cautious in its planning and try to provide resettlement to all the ESM registered with it and it should commensurate with the qualification and aptitude of the retired soldier so he should not feel out of place.

41. The Committee also note that some new avenues are being explored by the Ministry for resettlement of Ex-Servicemen and utilizing their competence for nation building and Directorate General Resettlement has made inroads in coordination with Confederation of Indian Industry (CII) for creating jobs for ESM. To achieve better results, the Directorate General Resettlement is in the process of creating National ESM data base compilation and creation of job portal for ESM. A twitter account has also been opened for making information available to ESM. The Committee appreciate that the Directorate General Resettlement is now approaching CII for providing employment opportunities but they find that till date DGR has not made concerted

efforts for resettlement of ESM in private sector. The Committee desire that besides CII, the Directorate General Resettlement should also have interactions with other private sector associations like the Associated Chambers of Commerce and Industry of India (ASSOCHAM), Federation of Indian Chambers of Commerce and Industry (FICCI) etc. to encourage them to hire and let disciplined ex-soldiers prove their mantle in the progress of private sector. It is the responsibility of DGR to look after its veterans so that they can have decent livelihood after spending their prime time in the service of the nation.

42. The Committee note that the Department of Ex-Servicemen Welfare was created some time in 2003, but the first full-time Secretary was posted in December 2007. The Committee are dismayed to learn that in approximately six years, eight Secretaries have moved in and out of the Department, which obviously not only affected the long-term planning and strategy but conveyed the lack of seriousness of Government with which it takes the welfare of Ex-servicemen. The Committee are of the view that the Ministry is not sensitive towards the welfare of Ex-servicemen. Therefore, the Committee recommend that tenure of Secretary of Department of ESM should become a fixed one to have accountability and better implementation of policies for redressal of grievances of Ex-servicemen.

43. During the oral evidence, the Committee note that there is a need for automation of functions of Department of Ex-Servicemen Welfare. The Committee also note from the evidence tendered before them that the Department does not have clear database of trained Ex-servicemen. Therefore, the Committee desire that DGR should generate national data base of skilled and unskilled Ex-servicemen and a real time software may be created which can be accessed by ESM for uploading information relating to them. The employment opportunities available in the private sector may also be made available on the website so Ex-servicemen can make use of it.

44. The Committee also feel that coordination between Ex-servicemen and the Department has been lacking and this fact has also been admitted by the Secretary, Ex-Servicemen Welfare. The Committee are of the view that a forum should be created within the Department which can deal directly with the recognised ESM associations, so that the two way communication between them may be formed to understand each other better and to have more ideas to take effective steps to mitigate the grievances of ESM.

## **Lateral induction of Ex-servicemen in Central Para Military Forces and State Police Forces**

45. The Committee have been recommending in their various reports for lateral induction of Ex-Servicemen in Central Para Military forces and State Police Force. The Committee note that so far no scheme for lateral induction of ESM into Central Para Military Forces (CPMF) and State Police Force has been introduced.

As per the existing guidelines, the retired Armed Forces personnel are recruited against the quota earmarked for ESM and they do not get any seniority or pay protection, therefore, very few ESM have opted for these jobs.

46. As the lateral induction of ESM into Central Armed Police Forces (CAPFs) and State Police Forces has still not been implemented, the Committee, therefore, recommend that the Ministry of Defence should have high level regular meetings with the Ministry of Home Affairs so that guidelines regarding recruitment could suitably be amended to give seniority to ESM while providing employment in CAPFs. The Committee desire that quota in respect of ESM should be increased in Central Armed Police Forces and they should be given seniority or pay protection so the Ministry of Home Affairs can have disciplined and trained manpower. However, lateral induction of ESM into CAPFs must be given serious thought.

47. The Committee also desire that State Governments should also be requested to make amendment in the recruitment rules for lateral transfer of the ESM into the State Police Forces.

## **Uniform Financial assistance to World War Veterans and awardees of war medals**

48. The Committee note that the primary responsibility for providing assistance to World War Veterans and their widows is that of the respective State Governments. As the financial assistance provided was inadequate, therefore, the Department of Ex-Servicemen Welfare took up the matter with the State Governments/Union Territory Administrations in 2009 for enhancing the assistance to a minimum of Rs. 3000/- p.m. The States of A and N Islands, Andhra Pradesh, Bihar, Chandigarh, Chhattisgarh, Delhi, Goa, Gujarat, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Puducherry, Rajasthan, Sikkim, Tamil Nadu, Telangana, Tripura,

Uttar Pradesh and Uttarakhand which are paying in the range of Rs. 3000 to 6000 per month. The States like Assam, Haryana, Himachal Pradesh, J&K, Kerala, Mizoram, Odisha, Punjab and West Bengal are paying a meagre sum of Rs. 500 to 1500 per month. The Committee are surprised to find that the States of Arunachal Pradesh and Manipur are not paying anything at all.

49. The World War I was fought between 1914 to 1918 and World War II from 1939 to 1945, therefore, the veterans of World War I might not be alive except very few and veterans of World War II might be in the ripe old age. The Committee understand that there are very few world war veterans in the country and for a small number of veterans, States can bear a financial assistance of Rs. 6000 to Rs. 10000 per veteran per month. The Committee want that the country should not forget the sacrifices made by these veterans and provide assistance in their old age. Therefore, the Committee desire that a decent amount between Rs. 6000 to Rs. 10000 may be provided to each veteran.

50. During the oral evidence the Committee came to know that gallantry award winners are also not getting uniform financial benefits as different States have different policy in awarding these benefits to the winners. The Committee are of the opinion that the soldiers who have fought for the Nation without caring for their lives, a uniform financial benefits should be given to all gallantry award winners across the country and if need be, the Government should back it up with legislative bindings.

#### Veteran Commission

51. The Committee note that the appointment of a Veteran Commission to address their grievances, was announced long back but the appointment is still pending. The Committee desire that the Veteran Commission should be appointed at the earliest with wide judicial powers.

#### Raising of Eco-Task Force

52. The Committee appreciate the good work done by the Eco-Task Force of Territorial Army at various places in maintaining the ecological balance, aforestation, grassland development, restoration of habitat for indigenous wildlife and other faunal species, improvement of groundwater regime, improvement of soil quality and fertility in the



area and improvement in bio-diversity. The work of task force was much praised in Uttarakhand, which is totally funded by the State Government. Therefore, the Committee desire that more Eco Task Battalions should be raised by central funding, where on the one hand ESM get re-employment and on the other the country will have dedicated workforce to turn the area green even in difficult terrains.

#### One Rank One Pension

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

54. The Committee also note that a Working Group under the Chairpersonship of Controller General of Defence Accounts (CGDA) has been constituted for examining the proposal submitted by the Services and preparing Government orders for implementation of OROP *w.e.f.* 01.04.2014, however, the Working Group could not arrive at any consensus and the modalities for implementation of OROP are still under consideration. An allocation of Rs. 500 crore was announced in the interim budget and in the current year, an allocation of Rs. 1000 crore has been made for implementation of OROP.

55. Since the Hon'ble Prime Minister has already made a commitment and the Finance Minister has provided Rs. 1000 crore in the current budget, the OROP must be implemented at the earliest.

#### Marriage Grant to daughters of ESM and their widow

56. The Committee note that financial assistance of Rs. 16,000/- for marriage of daughters (maximum two) is provided to ESM and their widows, up to the rank of Hav./equivalent, from the Armed Forces Flag Day Fund (AFFDF). A financial assistance is also provided to the ESM/dependents out of AFFDF for their identified personal needs such as Penury Grant and Children Education Grant, etc. The amount available is not sufficient to meet the annual requirement. Additional funds to the tune of Rs. 79 crore are required to clear the backlog of 50,000 applications during the current financial year 2014-15.

The Committee also note that in order to implement the enhanced rate of Rs. 50,000 as Marriage Grant, another additional amount of Rs. 10.30 crore (approx.) per annum will be required.

57. The Committee further note that the Ministry are making efforts to strengthen the AFFDF corpus through some options such as enhancing the Services' Contribution to AFFDF, exploring other sources of income such as contribution from CSR budget of PSUs and sharing of CSD canteen profit, etc. Presently, the upward revision of marriage grant may not be possible in view of the limited funds available for financial assistance. The proposal will be considered once the available funds are sufficient to meet the requirement.

58. The Committee desire that an additional allocation of Rs. 79 crore to clear the backlog of 50000 applications and Rs. 10.30 crore for enhanced rate of Rs. 50000 per application should be given to the Department of Ex-servicemen at the Revised Estimates stage to clear all the pending applications at enhanced rate.

#### **Military Engineer Services**

59. The Committee note that the Military Engineer Services (MES) are having Rs. One lakh crore worth of works coming up in the next decade and also it is trying to enhance its capacity. As informed by Engineer-in-Chief, MES is also plagued with deficiencies in manpower to carry out the requisite work.

60. The Committee also note that a number of proposals have been sent by MES to the Ministry of Defence. During the oral evidence, the Committee were not assured whether the proposals would be cleared by the Ministry or not. The Defence Secretary gave a reply on the set patterns stating that there is hard budgetary constraint implying the proposals may not be cleared till more budget is infused.

61. The Committee therefore, recommend that the Ministry of Defence should have high level meeting with the Ministry of Finance to get projected and envisaged requirements of MES so that there would be no delay in the projects. The Committee also desire that problems of human resource in MES also be resolved by the Ministry because quality manpower is essential to carry out the proposed mammoth tasks of the MES. The Committee are of the view that MES should involve private sector in non-Military works such as making office and

residential buildings, etc. and focus itself on core areas of work in strategic places.

#### **Married Accommodation Project**

62. The Committee note that the Married Accommodation Project has been created to provide married accommodation for the three Services, with the aim of eradicating the deficiency of married accommodation for service personnel.

63. The Committee note that MAP phase I is almost over but in Phase II only 13% work is completed and as admitted by Engineer-in-Chief, the MAP project is running 2 to 3 years behind schedule. The Committee are perturbed over the fact that although MAP has been created solely to provide married accommodation to service personnel but the results have not been encouraging since projects are running behind schedule. The Committee desire that engineers working on MAP should acquire technology of quick construction of houses from the private sector in India and from developed nations, so that our service personnel who are generally away from their families can have peaceful life with their families in the married accommodation.

#### **Canteen Stores Department**

64. The Committee are unhappy to note the instances of supply of inferior quality of CSD products as well as their pilferage and reaching these in open market. Therefore, the Committee are of the opinion that there should be a marking on the product of CSD after they are purchased from the manufacturers to avoid any pilferage. The Committee also desire that CSD must keep on improving its procedure relating to sampling and quality check so that only best quality items are delivered to the consumers.

65. The Committee also note the difficulties being faced by the Ex-servicemen, who are residing in far-flung areas in getting CSD items. The Committee are of the view that alongwith mobile canteens, concept of online purchases should also be encouraged because extension counters or mobile canteens may not have all the items in required quantity. These online purchases may be made through smart phone applications or using internet and Ex-Servicemen and their family members can order exact number and type of items required. These items could be delivered at their door step without bothering them to

come to city just to buy them. For the purpose, CSD can have private sector participation in sending the items to the ESM.

### Coast Guard Organisation

66. The Committee note that like other Services, Coast Guard Organisation is also deficient in manpower. Out of 13839 manpower sanctioned for Coast Guard, only 10646 number of employees are in position. One of the reasons cited by the Coast Guard is that, intake has been restricted due to limited allocation of vacancies for training by the Indian Navy due to availability of limited infrastructure at INA Ezhimala, INS Chilka and various other Naval training establishments. The Committee are unhappy over the prevailing situation that even after many years of formation of this Force, exclusive training academy for the Coast Guard has not been established resulting in lower intake of manpower.

67. The Committee are of the opinion that for efficient working and keeping vigil on sea, trained and required manpower is must for Coast Guard. Therefore, the Committee desire that the Ministry should take necessary steps for filling of the vacant posts at the earliest and establishment of a Coast Guard Academy.

68. The Committee also note from the submission of Coast Guard that their strength has gone up by 33 per cent in the last five years, however, their revenue budget has moved only at six per cent. The Committee desire that to maintain acquired equipment, there is a need for increase in revenue budget. The Ministry should, while making capital budget purchases, perceive and have provision for revenue budget also to run and maintain these assets.

### DEFENCE PUBLIC SECTOR UNDERTAKINGS (DPSUs)

#### Product quality and delay

69. The Committee note from the data supplied that to improve and maintain the product quality, the DPSUs are taking various measures. However, there are problems of delay in supplying products and quality of products. The Committee desire that a proper time-frame should be maintained by the DPSUs and there should not be any delay in supplying critical items required by the forces as in the case of submarine and LCA projects.

## Research and Development

70. The Committee find from the data furnished by the Ministry that some of the DPSUs are investing huge sums of money on research and development in their respective organisations. The Bharat Electronics Limited (BEL) is investing 50% of its profit after tax and the Hindustan Aeronautics Limited (HAL) is investing 40.2% but some organisations are investing less than 1% of profit after tax on research and development. Therefore, the Committee desire that for improvement in products and for innovation, the DPSUs should fix definite percentage of their profits on R&D, so that the country could have the benefit of new and quality products.

## Export

71. The Committee note from the data supplied that value of exports of DPSUs is not encouraging and some of them like Goa Shipyard Limited, MDL and MIDHANI have not acquired any export orders during the last year. The Committee desire that while supplying to the forces, DPSUs should strive for exporting of quality equipment to generate profit and use it in further development of their respective organisations.

## Capital Budget

72. The Committee note that this year a sum of Rs. 94,587.95 crore has been allocated in the form of capital grant. The Committee also note that during 2013-14, there was underspending of Rs. 720.41 crore. The Committee desire that the Ministry should take necessary steps like adhering to time lines etc. so that underspending could be avoided.

73. The Committee note that for capital acquisition this year Army projected Rs. 9,455.53 crore but only Rs. 2,084.15 crore has been allocated; in the case of Navy the projection was Rs. 3,012.15 crore but only Rs. 663.92 crore allocated; joint staff projected Rs. 41.61 crore and only Rs. 9.17 crore has been allocated. The worst case is with Air Force where it projected for Rs. 12000 crore but given only Rs. 2644.99 crore. It is surprising to note that out of Rs. 24509.29 crore projection, the Ministry of Finance could only give Rs. 5402.23 crore. It is beyond imagination of the Committee that in the absence of budget for new schemes, how the forces would get equipment in future, therefore, the

Committee desire that as the upcoming contracts are based on the budget allocation of the new schemes only, full allocation should be made under this head.

74. The Committee also note that as compared to the committed liabilities, every year capital budget for new schemes is going down. They are unhappy to learn that total capital expenditure which was Rs. 15,852.95 crore in the year 2010-11 has been decreasing every year and in the year 2013-14 it has come down to Rs. 14433.29 crore. The Committee are of the opinion that either the Ministry of Finance is not able to understand the requirement of capital modernization budget or Ministry of Defence has not projected its case well, otherwise such a situation has not arisen. Considering the situation of low allocation to the capital budget every year, the Committee recommend that capital budget of the Ministry of Defence should be enhanced so that modernization of forces could take place and new equipment, platforms, vessels, aircraft, etc. could be inducted and infrastructure created.

NEW DELHI;  
22 December, 2014  
1 Pausha, 1936 (Saka)

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

STANDING COMMITTEE ON DEFENCE

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

The Committee sat on Monday, the 22 September, 2014 from 1100 hrs. to 1625 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

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

MEMBERS

*Lok Sabha*

2. Shri Dharambir
3. Shri Thupstan Chhewang
4. Col. Sonaram Choudhary (Retd.)
5. Shri Sher Singh Ghubaya
6. Shri G. Hari
7. Km. Shobha Karandlaje
8. Shri Vinod Khanna
9. Dr. Mriganka Mahato
10. Col. Rajyavardhan Singh Rathore (Retd.)
11. Shri Malla Reddy
12. Shri A.P. Jithender Reddy

*Rajya Sabha*

13. Shri Narendra Budania
14. Shri Rajeev Chandrasekhar
15. Shri A.U. Singh Deo

16. Shri Harivansh
17. Shri Vinay Katiyar
18. Smt. Ambika Soni

SECRETARIAT

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

WITNESSES

**Representatives from the Ministry of Defence**

1. Shri R.K. Mathur, Defence Secretary
2. Smt. Sangita Gairola, Secy. (ESW)
3. Shri A.K. Gupta, AS (DP)
4. Shri A.K. Bishnoi, AS (B)
5. Shri Subir Mallick, JS&AM (LS)
6. Shri Ravindra Panwar, JS&AM (MS)
7. Shri Rajiv Verma, JS&AM (AIR)
8. Smt. A.S. Lakshmi, JS (ESW)
9. Shri Vikram Dev Dutt, JS (G/Air)
10. Shri Sanjeev Ranjan, Secy. BRDB
11. Shri Ram Subhag Singh, JS (O/N)
12. Shri Anil Bahuguna, JS
13. Shri Navin K. Chaudhary, JS (E)
14. Shri Sanjay Garg, JS (DIP)
15. Shri K.K. Pant, JS (AS)
16. Smt. Kusum Singh, JS (P&C)
17. Shri Deepak Anurag, JS (C&W)
18. Maj. Gen. Ranbir Singh, ADG MO (A)
19. Lt. Gen. Philip Campose, VCOAS



20. Lt. Gen. J.P.S. Dalal, DGQA
21. Lt. Gen. A.T. Parnaik, DGBR
22. Maj. Gen. Satish Kumar Dua, ADG Proc.
23. Brig. S.K. Prashar, DDG Procurement
24. Gp. Capt. Surinder Singh, Inspecting Officer, Sainik School Society
25. Shri Arunav Dutt, FA (DS)
26. Smt. Veena Prasad, JS&Addl. FA
27. Shri Rajnish Kumar, JS&Addl. FA
28. Smt. Devika Raghubansi, JS&Addl. FA
29. Shri Ranbir Singh, JS&Addl. FA
30. Smt. Arti Bhatnagar, FM (MS)
31. V. Adm. Anurag G. Thapliyal, DG ICG
32. ADG Rajendra Singh, ADG
33. DIG V.D. Chafekar, PD (P&P)
34. Lt. Gen. Omprakash, QMG
35. Brig. Tarun Kumar Aich, DDGCS
36. Lt. Col. Vivek Siwach
37. Lt. Gen. A. Chakravarty, DG NCC
38. RAdm Kapil Gupta, Addl. DG (A)
39. Maj. Gen. C. Prakash, Addl. DG (B)
40. Shri N.K. Phukan, DDG (P&F)
41. Maj. Gen. Amrik Singh, DG (Resettlement)
42. Dr. Avinash Chander, SA to RM
43. Lt. Gen. Anoop Malhotra, CCR&D (R&M)
44. Lt. Gen. Jatinder Sikand, E-in-C
45. Lt. Gen. G.S. Bisht, DGLWE
46. Maj. Gen. Gurdip Singh, DGMAP
47. RAdm A.B. Singh, ACNS (P&P)
48. Cdr. Maneesh Kapkoti, JDNP
49. Maj. Gen. Sanjay Kumar Jha, ADG PP
50. Brig. K.J.S. Dhillon, DDG PP

2. At the outset, the Chairperson welcomed the Members and representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of the Directions by the Speaker, Lok Sabha. The Chairperson initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on overall Demands for Grants of the Ministry of Defence Civil, Army, National Cadet Corps (NCC), Procurement Policy, Capital Outlay on Defence Services, Canteen Stores Department (CSD), Coast Guard and Sainik Schools.

3. The representatives of the Ministry gave a powerpoint presentation on each of the subject, except procurement policy. The Committee had detailed deliberations on the various issues in the context which include marginal hike in the Defence budget, full utilization of modernization budget, transparency in defence deals, construction of all weather dependable border roads, raising of Mountain Strike Corps, increase in FDI, implementation of Kargil Review Committee, Kelkar Committee, Naresh Chandra Committee Reports, supply of products in CSD, mobile canteen, coastal security programme, etc.

4. The representatives of the Ministry responded to the queries raised by the Members during the deliberations. As regards, the points on which the representatives could not readily respond, they promised to furnish written information at the earliest.

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

*The Committee then adjourned.*

STANDING COMMITTEE ON DEFENCE (2014-15)

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

The Committee sat on Wednesday, the 8th October, 2014 from 1100 hrs. to 1645 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

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

MEMBERS

*Lok Sabha*

2. Shri Shrirang Appa Barne
3. Col. Sonaram Choudhary (Retd.)
4. Shri Ramesh Jigajinagi
5. Dr. Murli Manohar Joshi
6. Km. Shobha Karandlaje
7. Shri Vinod Khanna
8. Dr. Mriganka Mahato
9. Col. Rajyavardhan Singh Rathore (Retd.)
10. Shri Malla Reddy

*Rajya Sabha*

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

16. Smt. Ambika Soni

17. Shri Tarun Vijay

SECRETARIAT

1. Shri D.S. Malha — *Director*
2. Shri Lovekesh Kumar Sharma — *Additional Director*
3. Shri Rahul Singh — *Under Secretary*

WITNESSES

**Representatives of the Ministry of Defence**

1. Shri G. Mohan Kumar, Secy. (DP)
2. Shri A.K. Gupta, AS (DP)
3. Shri A.K. Bishnoi, AS (B)
4. Shri Arunav Dutt, FA (DS)
5. Dr. Avinash Chander, SA to RM
6. Shri Navin K. Chaudhary, JS (E)
7. Shri Deepak Anurag, JS (C&W)
8. Shri Sanjay Garg, JS (DIP)
9. Shri K.K. Pant, JS (AS)
10. Smt. Kusum Singh, JS (P&C)
11. Shri Nitin Chayande, Dir. (L&C)
12. Shri M.C. Bansal, DGOF and Chairman OFB
13. Shri R.J. Bhattacharya, DDG/Budget
14. Shri Ravi Kant Chopra, Director General
15. Dr. D.K. Malik, Addl. DG (C&CRD)
16. Shri D.K. Mahapatra, Secretary/OFB
17. R Adm (Retd.) N.K. Mishra, Chairman and MD, HSL
18. Shri P. Dwarakanath, C&MD, BEML
19. Shri M. Narayana Rao, C&MD, MIDHANI
20. R Adm (Retd.) A.K. Verma, CMD, GRSE

21. R Adm R.K. Shrawat, CMD, MDL
22. Shri S.N. Mantha, BDL
23. RAdm (Retd.) Shekhar Mital, CMD, GSL
24. Shri S.K. Sharma, CMD, BEL Ltd.
25. Dr. R.K. Tyagi, Chairman, HAL
26. Lt. Gen. J.P.S. Dalal, DG QA
27. R Adm Sanjeev Kale, ADGQA (N)
28. Brig Sanjay Chauhan, DDGQA (PP&T)
29. Shri P.K. Kataria, JS&Addl. FA
30. Dr. J.P. Singh, Dir.
31. Shri Ravi Kant Chopra, Director General
32. Dr. D.K. Malik, Addl. DG (C&CRD)
33. Shri Ajay Kumar Sharma, Addl. DG (Lands/Lands Audit)
34. Shri P. Daniel, Addl. DG (Admin./Vig.)
35. Shri G.S. Rajeswaran, Addl. DG (Acq./Recq./Hrg.)
36. Shri K.V. Nagi Reddy, Dy DG (C&CRD)
37. Dr. K. Tamilmani, DG (Aero)
38. Dr. V.G. Sekaran, DG (MSS)
39. Dr. V. Bhujanga Rao, DG (NS&M)
40. Dr. G. Malakondaiah, CCR&D (HR)
41. Shri S.S. Sundaram, DG (ECS)
42. Dr. K.D. Nayak, DG (MED&CoS)
43. Dr. Manas K. Mandal, DG (LS)
44. Shri A.M. Datar, DG (ACE)
45. Dr. Sudershan Kumar, CCR&D (PC&SI)
46. Shri Sudhir Kumar Mishra, CR&D and CEO, BrahMos
47. Shri R.G. Vishwanathan, JS&Addl. FA
48. Smt. Nabanita R. Krishnan, Dir. Dte. of Plan and Coord

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then invited representatives of the Ministry of Defence, Indian Ordnance, DGQA and DPSUs. The Chairperson welcomed the representatives to the sitting of the Committee and drew their attention to Direction 58 of Directions by the Speaker, Lok Sabha. The Chairperson initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on various issues in agenda which included huge jump in Revenue Head of DGOF, capacity enhancement of Ordnance Factories, quality assurance initiatives by DGQA and R&D programme undertaken by OFs and DPSUs.

3. The representatives of the Ministry commenced their briefing through a power point presentation on Indian Ordnance Factories. This was followed by detailed deliberations on various issues in the context which included indigenization efforts by OFs, measures taken for capacity augmentation and optimum budget utilization, arresting thefts, difficulties in getting skilled manpower, etc.

4. Thereafter, a presentation on DGQA was made which was followed up by queries from Members including those on delayed timelines, lackadaisical approach towards quality assurance leading to constant increase in number of accidents of aircraft and vessels, parameters for quality check.

5. Subsequently, a presentation on DPSUs was made by the representatives of the Ministry and pursued with deliberations on the subject. Members posed various queries such as need for reorganization and restructuring of DPSUs, cost effectiveness, dependence of foreign products, quality production, efforts to attract scientific talent, etc. The representatives of the Ministry of Defence replied to various queries/ observations of members. Nevertheless, members desired that a well drawn out vision for defence production may be furnished to the Committee.

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

6. The Ministry gave presentation on Defence Research and Development Organization. Members asked questions on delayed programmes of DRDO, inefficiency and need for more vigorous R&D in DRDO.

7. Thereafter, a presentation was given on Directorate General, Defence Estates (DGDE). Vibrant discussions were held on the subject

including use of land for resource generation, compatibility between civilians and defence establishments, use of barren land as playgrounds for children, checking erection of religious structures in vicinity of defence lands, etc. The representatives of the Ministry of Defence submitted their replies to queries/observations of members.

8. The Chairperson directed the representatives of the Ministry of Defence to furnish written replies to the queries which were not readily available 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 (2014-15)

The Committee sat on Wednesday, the 09 October, 2014 from 1100 hrs. to 1250 hrs. in Committee Room, G-074, Parliament Library Building, New Delhi.

PRESENT

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

MEMBERS

*Lok Sabha*

2. Shri Suresh C. Angadi
3. Shri Thupstan Chhewang
4. Col. Sonaram Choudhary (Retd.)
5. Shri H.D. Devegowda
6. Shri Sher Singh Ghubaya
7. Km. Shobha Karandlaje
8. Dr. Mriganka Mahato
9. Col Rajyavardhan Singh Rathore (Retd.)
10. Shri A.P. Jithender Reddy

*Rajya Sabha*

11. Shri Rajeev Chandrasekhar
12. Shri A.U. Singh Deo
13. Shri Vinay Katiyar
14. Smt. Ambika Soni
15. Shri Tarun Vijay



SECRETARIAT

1. Shri D.S. Malha — *Director*
2. Shri Lovekesh Kumar Sharma — *Additional Director*
3. Shri Rahul Singh — *Under Secretary*

WITNESSES

**Representatives from the Ministry of Defence**

1. Smt. Sangita Gairola, Secy. ESW
2. Smt. A.S. Lakshmi, JS, ESW
3. Shri Arunav Dutt, FA (DS)
4. Smt Devika Raghubansi, JS&Addl. FA
5. Maj. Gen. Amrik Singh, DG (Resettlement)
6. Maj. Gen. A.P. Bam, Managing Dir. (ECHS)
7. Cmrdr Rohtas Singh, Secy. (KSB)
8. Shri Ajay Mishra, Joint CGDA
9. Maj. Gen. M.D. Venktesh, ADG, AFMS (MR)
10. Maj. Gen. Pawan Kapoor, ADG, AFMS (Army)
11. Brig. S. Bajpai, DDG, AFMS

2. At the outset, the Chairperson welcomed the Members and representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of the Directions by the Speaker, Lok Sabha. The Chairperson initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee mainly on issues related to One Rank One Pension, lateral transfer of Ex-Servicemen to Central Para Military Forces as well as into State Police Forces and sufficiency of Current Allocation for implementation of the same and improvements made by the Ministry in Ex-servicemen Contributory Health Scheme (ECHS), etc.

3. Oral Evidence of the Ministry began with a brief introduction of the activities of the Department of Ex-Servicemen Welfare by Secretary, Ex-Servicemen Welfare. The Secretary apprised the Committee about the latest issues involving One Rank One Pension and also informed that ECHS is chronically short of funds due to low allocation leading to medical arrears with hospitals.

4. Thereafter, the representatives of the Ministry gave a power point presentation on Ex-Servicemen Welfare. The presentation involved training, health care, resettlement and rehabilitation of Ex-Servicemen (ESM), financial assistance to ESM, widows and dependents and pension policy for Armed Forces. The representatives informed that during the year 2013-14, the Department trained 22076 ESM. The Department has also signed a Memorandum of Understanding (MoU) with the Confederation of Indian Industry (CII) for cooperation with Industry.

5. The Members of the Committee had detailed deliberations on various issues which included lateral transfer of ESM, early implementation of One Rank One Pension, uniform monetary grant to world war veterans and awardees of war medals like Param Vir Chakra, Mahaveer Chakra and time-bound grievance redressal, etc.

6. The representatives of the Ministry gave another power point presentation on Ex-servicemen Contributory Health Scheme. The representatives of the Ministry informed the Committee about the evolution of ECHS, availability of an average 16 Polyclinics under 28 Regional Centres for 44.10 lakh ESM and their dependants with the availability of ECHS in 339 out of 659 Districts of the country. They apprised the Committee about claim settlement delays due to shortage of funds.

7. The Committee had detailed deliberations on various issues which included reasons of less allocation in this year's budget in respect of ECHS and malpractices in ECHS, etc.

8. The representatives of the Ministry responded to the queries raised by the Members during the deliberations. However, as regards, the points on which the representatives could not readily respond, they promised to furnish written information 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 SIXTH SITTING OF THE STANDING  
COMMITTEE ON DEFENCE (2014-15)

The Committee sat on Monday, the 10th November, 2014 from 1100 hrs. to 1330 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

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

MEMBERS

*Lok Sabha*

2. Shri Suresh C. Angadi
3. Shri Shrirang Appa Barne
4. Shri Dharambir
5. Col. Sonaram Choudhary (Retd.)
6. Shri H.D. Devegowda
7. Shri Sher Singh Ghubaya
8. Shri G. Hari
9. Km. Shobha Karandlaje
10. Shri Vinod Khanna
11. Dr. Mriganka Mahato
12. Shri Tapas Paul
13. Shri Malla Reddy
14. Shri Rajeev Satav
15. Shri A.P. Jithender Reddy

*Rajya Sabha*

16. Shri K.R. Arjunan
17. Shri Anand Sharma
18. Shri Rajeev Chandrasekhar
19. Shri A.U. Singh Deo
20. Shri Vinay Katiyar
21. Shri Madhusudan Mistry
22. Smt. Ambika Soni
23. Shri Tarun Vijay

SECRETARIAT

1. Shri P.K. Misra — *Additional Secretary*
2. Shri Rahul Singh — *Under Secretary*

WITNESSES

**Representatives from the Ministry of Defence**

1. Shri R.K. Mathur, Defence Secretary
2. Shri Anup Chandra Pandey, AS (P)
3. Ms Vandana Srivastva, FADS
4. Shri Himanshu Kumar, JS (E)
5. Shri Sanjeev Ranjan, Secy. BRDB
6. Shri Dharendra Verma, Dir. (BRDB)
7. Shri P.K. Kataria, JS and Addl. FA (K)
8. Shri Deepak Anurag, JS (C&W)
9. Shri Kamal Kishore, DS (Works)
10. Lt. Gen. Philip Campose, VCOAS
11. R Adm Anil Kumar Chawla, ACNS (P&P)
12. Air Marshal RK Sharma, VCAS
13. Air Marshal BBP Sinha, DG (Works)
14. Lt. Gen. Om Prakash, QMG
15. Maj. Gen. S. Kaushik, DG Works

16. Maj. Gen. S.K. Shrivastava, ADG (Army)
17. Maj. Gen. Gurdip Singh, DG MAP
18. Brig Sanjeev Jain, DDG DG MAP
19. Col. Dinesh Gupta, Dir Tech, DG MAP
20. Col. Sudhir Dubey, Dir (PPC)
21. Lt. Gen. P.R. Kumar, DGMO
22. Lt. Gen. J. Sikand, E-in-C
23. Maj. Gen. Rajiv Narayana, ADG, MO (B)
24. Shri Ritesh Kavadia, Dir. (Estt.) BRDB Sectt.
25. Lt. Gen. A.T. Parnaik, DGBR
26. Brig. V.S. Kattarya, DDG (TP) DG BR
27. Shri A.K. Jain, EE (BRDB)
28. Maj. Gen. Michel Mathew, ADG LWE
29. Brig Yogendra Dimri, DDG MO (C)

2. At the outset, the Chairperson welcomed the Members and representatives of the Ministry of Defence to the sitting of the Committee and drew their attention to Direction 58 of the Directions by the Speaker, Lok Sabha.

3. The Chairman initiated the discussion and requested the representatives of the Ministry of Defence to brief the Committee on Military Engineer Services (MES), Married Accommodation Project (MAP) and Border Roads Organization (BRO).

4. The representatives of the Ministry made a power point presentation on budget and working of MES. The Committee had detailed deliberations on the various issues related to MES *e.g.* deficiencies in manpower, procedural changes, greater empowerment of ground executives, involvement of private sector in non-military work and pending works.

5. Thereafter, the representatives of the Ministry made a power point presentation on MAP. Thereafter, the Committee had deliberations on delay in different phases of MAP, satisfaction level of authorized accommodation, etc.

6. After that the representatives of the Ministry made a power point presentation on the budget allocated to BRO and its role,

responsibilities, workload, progress of work, etc. During the course of discussion dual control of BRO by Ministry of Defence and Ministry of Road, Transport and Highways, less allocation to the various projects by MoRTH and re-structuring of organization also came up.

7. The representatives of the Ministry responded to some of the queries raised by the Members during the deliberations. However, as regards, the points on which the representatives could not readily respond, they promised to furnish written information within two weeks.

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

*The Committee then adjourned.*

STANDING COMMITTEE ON DEFENCE

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

The Committee sat on Wednesday, the 17th December, 2014 from 1500 hrs. to 1550 hrs. in Committee Room 'E', Parliament House Annexe, New Delhi.

PRESENT

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

MEMBERS

*Lok Sabha*

2. Shri Suresh C. Angadi
3. Shri Shrirang Appa Barne
4. Shri Dharambir
5. Shri Thupstan Chhewang
6. Shri H.D. Devegowda
7. Shri G. Hari
8. Km. Shobha Karandlaje
9. Shri A.P. Jithender Reddy

*Rajya Sabha*

10. Shri A.U. Singh Deo
11. Shri Harivansh
12. Shri Tarun Vijay

SECRETARIAT

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

2. At the outset, the Hon'ble Chairperson welcomed the Members to the sitting of the Committee. The Committee Then took up for consideration and adoption of the following draft Reports on Demands for Grants 2014-15 of the Ministry of Defence:—

- (i) General Budget (Demand Nos. 20, 21 and 27);
- (ii) Army (Demand No. 22);
- (iii) Navy and Air Force (Demand Nos. 23 and 24); and
- (iv) Ordnance Factories and Defence Research and Development Organisation (Demand No. 25 and 26).

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

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

*The Committee then adjourned.*





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