

**STANDING COMMITTEE ON DEFENCE
(2015-2016)**

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2016-17)

**GENERAL DEFENCE BUDGET, CIVIL EXPENDITURE OF MINISTRY OF DEFENCE
(DEMAND NO. 20) AND DEFENCE PENSIONS(DEMAND NO. 21)**

NINETEENTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

May, 2016/ Vaisakha, 1938 (Saka)

NINETEENTH REPORT

STANDING COMMITTEE ON DEFENCE

(2015-2016)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2016-2017)

**GENERAL DEFENCE BUDGET, CIVIL EXPENDITURE OF MINISTRY OF DEFENCE
(DEMAND NO. 20) AND DEFENCE PENSIONS (DEMAND NO. 21)**

Presented to Lok Sabha on 03 .05.2016

Laid in Rajya Sabha on 03 .05.2016



LOK SABHA SECRETARIAT

NEW DELHI

May, 2016/ Vaisakha, 1938 (Saka)

CONTENTS

Composition of the Committee (2015-16).....

Introduction

PART - I

Chapter I General Defence Budget

Chapter II Border Roads Organisation (BRO)

Chapter III Indian Coast Guard

Chapter IV Military Engineer Services

Chapter V Canteen Stores Department

Chapter VI Directorate General, Defence Estates

Chapter VII Defence Public Sector Undertakings

Chapter VIII Welfare of Ex-Servicemen

Chapter IX Defence Pensions

PART – II

OBSERVATIONS/RECOMMENDATIONS.....

APPENDICES

Minutes of the sitting of the Committee on Defence held on 4.4.2016, 5.4.2016, 6.04.2016 and 29.04.2016.....

COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2015-16)

Maj Gen B C Khanduri, AVSM (Retd)

-

Chairperson

Members

Lok Sabha

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

Rajya Sabha

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

* Shri Anand Sharma resigned *vide* Notification No. RS 10/2016 - T dt. 07.03.2016.

SECRETARIAT

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

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2015-16), having been authorised by the Committee to submit the report on their behalf, present this Nineteenth Report on 'Demands for Grants of the Ministry of Defence for the year 2016-17 on General Defence Budget, Civil Expenditure of Ministry of Defence (Demand No. 20) and Defence Pension(Demand No. 21)'.

2. The Demands for Grants of the Ministry of Defence were laid on 16 March 2016 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 4, 5 & 6 April 2016. The draft Report was considered and adopted by the Committee at their Sitting held on 29 April 2016.

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

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

New Delhi;
29 April, 2016
09Vaisakha, 1938 (Saka)

Maj Gen B C Khanduri, AVSM (Retd),
Chairperson,
Standing Committee on Defence

REPORT

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 & Development Organisations and also to ensure effective implementation of the Government's policy directions and the execution of approved programmes within the allocated resources.

1.2 For the Financial Year 2015-16, the budgetary requirements for the Defence Services were included in the following six Demands for Grants presented to Parliament:-

Demand No. 23, Defence Services Army

Demand No. 24, Defence Services - Navy

Demand No. 25, Defence Services — Air Force

Demand No. 26, Defence Ordnance Factories

Demand No. 27, Defence Services — Research & Development

Demand No. 28, Capital Outlay on Defence Services

1.3 The requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, JAK LI, Border Roads Organization etc., and Defence Pensions, were provided for in two separate Civil Demands for Grants of the Ministry of Defence, viz. Demand No.21 - MOD(Civil) and Demand No.22 - Defence Pensions. These were not included in the overall Defence Allocation of Rs. 2,46,727.00 crores in Budget Estimates 2015-16.

1.4 The 'running' or 'operating' expenditure of the three Services and other Departments viz., DRDO, DGOF, DGQA and NCC, were provided under the first five Demands, which catered for the Revenue expenditure, while the sixth viz., Capital Outlay on Defence Services, catered for the expenditure incurred on building or acquiring durable assets. The Demand No. 23 (Defence Services-Army) caters for the Revenue expenditure of Army, NCC, Rashtriya Rifles and DGQA, and Demand No. 24 (Defence Services-Navy) catered for Navy and Joint Staff.

1.5 From the financial year 2016-17, the number of Demands for Grants in respect of the Ministry of Defence has been reduced to 4 from the earlier 8. The modified Demands for Grants are as follows:

- i) Grant no 20 - MoD (Miscellaneous)
- ii) Grant No 21 - MoD (Pension)
- iii) Grant No 22 - Defence Services - Revenue
- iv) Grant No 23 - Capital Outlay on Defence Services

1.6 Army, Navy and Air Force, which were earlier dealt with under Grant no 23, 24 and 25 respectively for their revenue expenditure, have now been brought together under Grant no 22 (Defence Services- Revenue).

The following organisations which were earlier a part of the Defence Services Estimates have now been shifted to modified Grant no 20 - Ministry of Defence (Miscellaneous):

- i) Ordnance Factories Organisation
- ii) Defence Research and Development
- iii) Director General Quality Assurance
- iv) National Cadets Corps
- v) Rashtriya Rifles
- vi) Ex Servicemen Contributory Health Scheme (ECHS)
- vii) Military Farms

For the purpose of comparison of the allotment and expenditure between different Financial Years, the Budget Estimates for 2016-17 includes the allotment for the aforementioned 7 organisations.

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

1.8 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.

ALLOCATIONS FOR 2015-2016

1.9 As indicated in the General Budget, the provision for Defence Services under Demand Nos. 23 to 28 for 2015-2016 in the Budget Estimates (BE) was Rs. 2,63,395.38 crore (Gross) and Rs. 2,46,727.00 crore (Net). The Revised Estimates (RE) have been provided at Rs. 2,43,563.59 crore (Gross) and Rs. 2,24,636.00 crore (Net). On a net basis, the R.E. for 2015-16 show a reduction of Rs. 22,091.00 crore over the B.E. 2015-2016. The net Revenue budget for BE 2015-16 at Rs. 1,52,139.00 crore has been reduced by Rs. 8,903.00 crore to bring the RE at Rs. 1,43,236.00 crore. In the Capital Outlay there is a decrease of Rs. 13,188.00 crore from Rs. 94,588.00 crore at the BE stage to Rs. 81,400.00 crore at the RE stage.

The **Demand-wise position** is as follows:

(Rs. in crore)

S.No.	Demand	B.E. 2015-2016	R.E. 2015-2016
1.	Army (Revenue expdr of Army, NCC and DGQA)	1,07 040.83	1,03,913.57
2.	Navy (Revenue expdr of Navy and Joint Staff)	16,125.64	14,885.18
3.	Air Force (Revenue expdr of Air Force)	24,300.09	21,677.09
4.	Defence Ordnance Factories (Revenue expdr of Ord. Factories)	14,705.73	15,376.69
5.	Research & Development (Revenue expdr of R&D)	6,635.09	6,311.06
6.	Capital Outlay on Defence Services (Capital expdr of all Services/Deptts)	94,588.00	81,400.00
	Total (Gross)	2,63,395.38	2,43,563.59
	Receipts/Recoveries	16,668.38	18,927.59
	Total (Net)	2,46,727.00	2,24,636.00

1.10 Out of the Revised Estimates of Rs. 2,24,636.00 crore for 2015-2016, the provision for Revenue expenditure was Rs. 1,43,236.00 crore, while that for Capital expenditure was Rs. 81,400.00 crore.

1.11 The major components of the net Capital expenditure of Rs. 81,400.00 crore are for Land — Rs. 149.36 crore, Works — Rs. 9,382.21 crore (incl. MAP), Aircraft —Rs. 24,507.63 crore, Heavy and Medium Vehicles (incl. DGOF Issues) — Rs. 2,025.30 crore, Other Equipment (incl. DGOF issues) — Rs. 26,424.98 crore (in respect of the three Services), Naval Fleet — Rs. 10,681.00 crore, Machinery and Equipment for R&D — Rs. 5,903.85 crore and other items Rs. 2,325.67 crore.

BUDGET ESTIMATES 2016-2017

1.12 The Budget Estimates for 2016-2017 work out to Rs. 2,70,487.84 crore (Gross) and Rs. 2,49,099.00 crore (Net). Details are as under:

(Rs. in crore)

S.No.	Demand	B.E. 2015-2016	R.E. 2015-2016	B.E.* 2016-2017
1.	Army (Revenue expdr of Army, NCC and DGQA)	1,07 040.83	1,03,913.57	1,16,936.49
2.	Navy (Revenue expdr of Navy and Joint Staff)	16,125.64	14,885.18	17,824.79
3.	Air Force (Revenue expdr of Air Force)	24,300.09	21,677.09	24,955.83
4.	Defence Ordnance Factories (Revenue expdr of Ord. Factories)	14,705.73	15,376.69	17,582.68
5.	Research & Development (Revenue expdr of R&D)	6,635.09	6,311.06	6,848.05
6.	Capital Outlay on Defence Services (Capital expdr of all Services/Deptts)	94,588.00	81,400.00	86,340.00
	Total (Gross)	2,63,395.38	2,43,563.59	2,70,487.84
	Receipts/Recoveries	16,668.38	18,927.59	21,388.84
	Total (Net)	2,46,727.00	2,24,636.00	2,49,099.00

* Break-up of Revenue (Net) & Capital portion of Services/Organization shifted to Grant No. 20-MoD (Miscellaneous) is as under:

(Rs. in crore)

Service Organisation /	Revenue (Net)	Capital *	Total
DGOF	1217.61	735.68	1953.29
R&D	6728.05	6865.73	13593.78
DGQA	968.10	7.27	975.37
NCC	1188.23	1.15	1189.38
Rashtriya Rifles	6234.88	101.49	6336.37
ECHS	2197.91	30.00	2393.54
Military Farms	354.76	12.00	375.51
Total	18889.54	7753.32	26642.86

(* These allocations are under Other than Capital Acquisition Head only)

A comparison of the **Service/Department-wise** allocations in RE 2015-2016 and BE 2016-2017 is given below:

(Rs. in crore)

Service/ Deptt.	R.E. 2015-2016	%age of Total Budget	B.E. 2016-2017	%age of Total Budget
Army	1,24,337.25	55.35%	1,39,700.43*	56.08%
Navy	34,375.24	15.30%	39,424.88	15.83%
Air Force	50,819.24	22.62%	53,451.25	21.46%
DGOF	1,752.53	0.78%	1,953.29	0.78%
R&D	12,491.21	5.56%	13,593.78	5.46%
DGQA	860.53	0.38%	975.37	0.39%
Total	2,24,636.00	100.00%	2,49,099.00	100.00%
(* Includes allocations for NCC, Rashtriya Rifles, ECHS & Military Farms.)				
Note : Net Revenue plus Capital provision has been shown here.				

1.13 The Gross Revenue Expenditure in the Budget Estimates for 2016-2017 is 68.08 per cent of the gross allocation as compared to 66.58 per cent in the Revised Estimates 2015-2016. The Gross Capital Expenditure in the Budget Estimates 2016-2017 is 31.92 per cent as against 33.42 per cent in the Revised Estimates 2015-2016.

1.14 The Net Revenue expenditure in the Budget Estimates for 2016-17 is 65.34 per cent as compared to 63.76 per cent in the Revised Estimates, 2015-2016. The Net Capital expenditure in the Budget Estimates 2016-17 is 34.66 per cent as against 36.24 per cent in the Revised Estimates 2015-2016.

Growth of Defence Budget

1.15 Details of net budget provided under the Defence Services Estimates (DSE) in Budget Estimates (BE) 2015-16 are tabulated below, along with details of BE, RE and actual of the last five years:

(Rs. in Crore)

Years	BE	RE	Actuals
2011-12	1,64,415.49	1,70,936.81	1,70,913.28

2012-13	1,93,407.29	1,78,503.52	1,81,775.78
2013-14	2,03,672.12	2,03,672.12	2,03,499.35
2014-15	2,29,000.00	2,22,370.00	2,18,694.18
2015-16	2,46,727.00	2,24,636.00	1,84,070.21*
2016-17	2,49,099.00#		

* Expenditure upto end of January 2016

(# Includes BE of DGOF, R&D, NCC, DGQA, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)

1.16 The Ministry supplied the following data on growth of defence budget in comparison to central budget and GDP, in absolute and relative terms, for the last five years is given below:

(Rs. in Crore)					
Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp % of CGE	GDP	Def. Exp % of GDP
2011-12	1,70,913	13,04,365	13.10	87,36,039 *	1.93
2012-13	1,81,776	14,10,372	12.89	92,26,879 *	1.97
2013-14	2,03,499	15,59,447	13.05	98,39,434 *	2.06
2014-15	2,18,694	16,63,673	13.15	1,05,52,151 @	2.06
2015-16 (BE)	2,46,727				
2015-16 (RE)	2,24,636	17,85,391	12.58	1,13,50,962 \$	1.98
2016-17 (BE)	2,49,099#	19,78,060	12.59	1,21,73,907 +	2.05

Note: * Second Revised Estimates (Economic Survey 2015-16).

@ First Revised Estimates (Economic Survey 2015-16).

\$ Advance Estimates (Economic Survey 2015-16).

+ GDP for 16-17 has been estimated based on 2015-16 estimated + 7.25% GDP expected as per Economic Survey for the year 2015-16 (mid of 7 - 7.50%)

(# Includes BE of DGOF, R&D, NCC, DGQA, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)

1.17 It may be seen that defence expenditure in comparison to the Central Government Expenditure has come down from 13.10 per cent in 2011-12 to 12.59 per cent in 2016-17. The Budget Estimates 2016-17 has improved just Rs. 2372 crore over BE 2015-16 and Rs. 24463 crore over RE 2015-16. In percentage terms it has 0.95 per cent increase over the last year's budget.

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

[In current US \$ Million]

Country	2012			2013			2014		
	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp
China	[169604]	[2.02]	[7.2]	[191228]	[2.02]	[7.0]	[216371]	[2.06]	[7.3]
Pakistan	7479	3.2	17.2	7645	3.2	16.8	8537	3.1	18.2
USA	684780	4.2	11.2	639704	3.8	10.4	609914	3.5	9.5
Russia	[81079]	[4.0]	[10.8]	[87831]	[4.2]	[11.1]	[84462]	[4.5]	[11.7]
UK	58496	2.4	5.3	56861	2.2	5.1	60482	2.2	5.1

[]= SIPRI Estimates

The modernisation plans of the Forces will proceed as planned. In case the pace of utilisation of available funds and the approval of New Schemes surpasses available resources, additional funds will be sought.

1.19 During presentation before the Committee, the Ministry submitted that BE 2016-17 consists of Revenue Expenditure of Rs. 1,62,759 crore and Capital Expenditure of Rs. 86,340 crore. The BE 2016-17 has 0.96 per cent increase over BE 2015-16 and 10.89 per cent increase over RE 2015-16.

Projections made by the three Services

1.20 The Ministry submitted following information regarding the projections made by the three services, allocations made at BE and RE stage and 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, separately for Capital and revenue, are as follows:-

REVENUE

(Rs. in Crore)

Year	Service	BE		RE		Expenditure
		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	99,420.15	97,501.40	95,973.22
	Navy	19,570.57	13,975.79	15,753.51	13,935.79	13,678.87
	Air Force	27,073.41	20,506.84	22,368.56	20,185.86	19,741.06
2015-16	Army	1,09,758.22	1,03,315.91	1,04,408.4	1,00,106.7	85,458.16*
	Navy	18,546.58	15,525.64	5	8	12,035.49*
	Air Force	29,632.28	23,000.09	15,838.30 23,000.09	14,635.18 20,377.09	16,546.43*
2016-17 (BE)	Army	1,15,561.78	1,12,764.62			
	Navy	#	#			
	Air Force	18,502.56 25,728.60	17,424.79 23,655.83			

* Expenditure upto end of January 2016

(# Includes BE of NCC, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)

CAPITAL

(Rs. in Crore)						
Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2010-11	Army	21,633.04	17,250.84	19,177.55	15,641.16	15,856.08
	Navy	15,221.78	12,137.85	17,890.87	15,323.77	17,140.18
	Air Force	31,667.56	25,251.72	25,271.72	24,266.79	23,625.42
2011-12	Army	25,611.68	19,210.69	20,641.69	16,005.69	14,947.82
	Navy	26,882.60	14,657.83	21,482.18	17,459.08	19,211.52
	Air Force	36,186.10	30,282.03	30,282.03	27,734.78	28,841.18
2012-13	Army	28,234.60	19,237.80	18,971.09	15,749.30	14,760.69
	Navy	28,643.19	24,766.42	25,002.85	18,266.42	17,759.88
	Air Force	36,950.52	30,514.45	36,999.62	30,517.95	32,980.11
2013-14	Army	25,528.08	17,883.83	19,271.59	14,967.25	14,433.29
	Navy	33,775.53	24,149.03	27,290.06	20,418.98	20,358.85
	Air Force	64,607.84	39,208.84	65,825.22	37,750.44	38,614.93
2014-15	Army	41,936.15	26,533.60	23,832.67	21,933.54	18,586.73
	Navy	28,253.21	23,832.67	22,903.31	18,507.07	22,269.66
	Air Force	62,408.33	33,710.68	38,948.19	33,710.68	32,796.42
2015-16	Army	31,938.67	27,342.42	27,845.33	24,230.47	14,693.82*
	Navy	26,268.13	25,003.24	25,152.20	19,740.06	15,275.55*
	Air Force	46,191.96	33,686.75	35,780.78	30,442.15	26,363.84*
2016-17	Army	37,960.18#	26,935.81#			
	Navy	30,223.31	22,000.09			
	Air Force	41,266.41	29,795.42			

* Expenditure upto end of January 2016

(# Includes BE of NCC, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)

REVENUE + CAPITAL

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2010	Army	83,867.64	74,019.95	83,094.86	75,582.99	78,239.68

-11	Navy	25,945.54	21,467.52	29,038.60	25,157.29	27,119.20
	Air Force	49,151.16	40,462.45	40,520.73	39,270.34	38,176.49
2011-12	Army	102,962.17	82,820.49	94,894.67	86,816.67	84,081.29
	Navy	40,541.07	25,246.89	35,932.66	29,606.01	31,115.32
	Air Force	56,201.56	46,209.98	46,405.19	43,872.16	45,614.01
2012-13	Army	112,096.22	96,564.83	102,091.42	91,269.50	91,450.51
	Navy	44,478.90	37,314.44	40,768.63	29,668.33	29,593.53
	Air Force	56,838.25	48,220.26	57,941.98	47,621.67	50,509.13
2013-14	Army	118,883.46	99,003.03	110,565.72	100,483.70	99,464.21
	Navy	52,940.22	36,343.46	42,349.79	33,582.92	33,393.21
	Air Force	90,530.48	57,503.94	88,331.20	57,033.71	57,708.63
2014-15	Army	1,46,774.03	118,377.62	123,252.82	119,434.94	114,559.95
	Navy	47,823.78	37,808.46	38,656.82	32,442.86	35,948.53
	Air Force	89,481.74	54,217.52	61,316.75	53,896.54	52,537.48
2015-16	Army	1,41,696.89	1,30,658.33	1,32,253.78	1,24,337.25	100,151.98 *
	Navy	44,814.71	40,528.88	40,990.50	34,375.24	27,311.04*
	Air Force	75,824.24	56,686.84	58,780.87	50,819.24	42,910.27*
2016-17 (BE)	Army	1,53,521.96 #	1,39,700.43 #			
	Navy	48,725.87	39,424.88			
	Air Force	66,995.01	53,451.25			

* Expenditure upto end of January 2016

(# Includes BE of NCC, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)

1.21 The Ministry was asked to state the areas where compromises have been made or likely to be made due to reduced budgetary allocation against the projections made by the three Services and other organisations/heads. It submitted the following information:

'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. Allocations are reviewed at Revised Estimates stage to cater for requirements which cannot be met by BE allocations.

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 re-prioritized, based on available funds.'

Growth of defence expenditure vis-a-vis other economic parameters

1.22 The following table shows Defence expenditure as a percentage share of the total Central

Year	Def. Exp. As % age of Central Government Expdr	Def. Exp. as % age of GDP
2000-2001	15.24	2.36
2001-2002	14.97	2.38
2002-2003	13.44	2.27
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	1.93*
2012-2013	12.89	1.97*
2013-2014	13.05	2.06*
2014-2015	13.15	2.06@
2015-2016 (RE)	12.58	1.98\$
2016-2017 (BE)	12.59	2.05+

Government expenditure as well as a percentage of GDP:

Sources

Note: * Second Revised Estimates (Economic Survey 2015-16)
 @ First Revised Estimates (Economic Survey 2015-16)
 \$ Advance Estimates (Economic Survey 2015-16)
 + GDP for 16-17 has been estimated based on 2015-16 estimated + 7.25% GDP expected
 as per Economic Survey for the year 2015-16 (mid of 7 - 7.50%)

Depleting Force levels

1.23 The Ministry was asked to submit data with regard to required (Authorised) and existing (Held) force level, armaments equipment, aircraft in respect of three Services separately for the last five years, it submitted the following information:

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

Year	Strength	Army		Navy		Air Force	
		Officers*	Other Ranks	Officers*	Sailors	Officers*	Airmen
2015	Authorised Strength	49631 (as on 1.7.2105)	1184096 (as on 1.10.2105)	11215	67659	11978 (as on 1.2.2016)	137097 (as on 1.2.2016)
	Held Strength	40525 (as on 1.7.2105)	1153108 (as on 1.10.2105)	9689	57151	11975 (as on 1.2.2016)	129081 (as on 1.2.2016)
2014	Authorised Strength	49737	1169854	10848	65468	11895	135227
	Held Strength	40095	1145498	9237	54358	11743	131300
2013	Authorised Strength	47574	1159605	10690	64217	11850	134338
	Held Strength	39119	1131846	8850	52264	11215	130033
2012	Authorised Strength	47762	1149751	10452	64214	11754	134079
	Held Strength	38172	1124794	8392	49702	10855	128463
2011	Authorised Strength	47762	1149751	10405	63130	11545	132424
	Held Strength	37662	1115221	8172	48833	10972	125183

* excluding Medical and Dental officers

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

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

1.24 However, the Ministry could not supply any information on the required(Authorized) and existing (held)) level of armaments equipment, aircraft for each of services and stated that replies are being furnished against separately.

To the Committee's recommendation of providing five years compulsory military service to those aspirants who want to directly join Gazetted Central and State Government service in order to overcome the shortage of officers in Armed Forces, the Ministry replied that since this would need a major policy decision the matter would need careful examination and deliberation in consultation with all concerned. This issue is still under examination in the Ministry even after a year

Defence Preparedness

1.25 On the defence preparedness, the Ministry submitted that modernization and capability development of the Armed Forces is a dynamic and continuous process based on operational requirements and threat perception.

1.26 Government is fully seized of the security needs of the country. Appropriate steps are taken to ensure that the security concerns pertaining to the borders are adequately addressed through various measures including accretion of manpower, procurement of right mix of modern and conventional weapons & equipment, ammunition and infrastructure development. These are prioritized and progress of expenditure is closely monitored. Ideal mix of State of Art, Current & Vintage weapon/equipment is 30:40:30 and efforts are made to achieve it.

Maritime Authority

1.27 Presently, the task of coordination/ monitoring of Coastal Security issues is being dealt by the National Committee for Strengthening Maritime and Coastal Security (NCSMCS) under the chairmanship of the Cabinet Secretary which meets at least twice a year. The last meeting of NCSMCS has been held on 14.04.2016. The issues and aspects related to Coastal Security are also reviewed periodically by the Hon'ble Raksha Mantri.

1.28 NHQ have forwarded a proposal for setting up of a "National Maritime Authority". This proposal is under examination in the Ministry in consultation with Ministry of Home Affairs (MHA). The comments of MHA on the proposal are awaited.

Appointment of Chief of Defence Staff (CDS)

1.29 The Committee, in earlier reports, had recommended creation of a post of Chief of Defence Staff for better co-ordination among the Services. The Ministry was asked to apprise the Committee about the steps taken to ensure appointment of Chief of Defence Staff. The Ministry in its reply submitted as under:

A Group of Ministers (GoM) was constituted by the Government to review the national security system in its entirety and in particular, to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation. The GoM, in its report "Reforming the National Security System, had inter alia, recommended the establishment of the post of Chief of Defence Staff (CDS). The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties.

The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. Ten out of 24 political parties have replied.

In the interim, the Naresh Chandra Task Force (NCTF) on National Security, set up by the Government in May 2011, had in their report recommended the establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC). MoD's views in this regard have since been conveyed to NSCS. The recommendation has been considered and was placed before the CCS on 29th April 2014. NSCS vide letter No. C-182/1/135/2014-NSCS (NGO) dated 14th May 2014, had conveyed the approval of the CCS for other recommendations of the Naresh Chandra Task Force (NCTF) pertaining to MoD and requested initiation of necessary action for their implementation. NSCS has

not yet communicated any decision of CCS on the issue of Permanent Chairman, COSC.

Thus, presently there are two proposals, viz for the establishment of CDS and Permanent Chairman, CoSC respectively under consideration. It is expected that at the time of a final decision of CCS on the recommendation of NCTF, both the proposals will be taken note of and the final decision would settle both the proposals.'

Chapter II

Border Roads Organisation

Government of India (Allocation of Business rules 1961) has been amended vide notification dated 9th January 2015 to include 'all matters relating to Border Roads Development Board and Border Roads Organisation (BRO)' in the list of business allocated to Ministry of Defence (MoD). Accordingly, the budget allocation from BE 2015-16 onwards for BRO has been done under Ministry of Defence. BRO is also executing works for other agencies such as Ministry of Road Transport and Highways, Ministry of external Affairs (MEA), Ministry of Home Affairs(MHA), etc. for which separate budget allocation is done by the respective agencies. The Budget demand for BRO for (BE) 2015-16 under Non Plan (NP) is Rs 5044 Crores and under Plan is Rs454 Crores under Demand No 20.

2.2 In addition to budget allocation under Demand No 20, BRO is also allocated budget under Demand No 22 and 23 for construction of Rohtang Tunnel and China Study Group (CSG) Indo China Border roads (ICBRs) and other Operational works.

Projections made by Border Roads Organisation

2.3 The details of projections made by Border Roads Organisation (BRO) and allocation of budget for the last five years are given below:

(Rs. in Crores)					
YEAR	AGENCY	BE DEMAND	BE ALLOTMENT	FINAL ALLOTMENT	EXPENDITURE
2011-12	General Staff (GS)	3000	3000	2800	2634.66
	Ministry of Road Transport and Highways (MoRT&H)	1537	1239	1080	974.36
	Ministry of External Affairs (MEA)	98.85	84.88	84.88	84.03
	Ministry of Home Affairs (MHA)	185.65	84.81	84.81	83.56
	Ministry of Defence (MoD)	413.89	449.57	214.97	205.35
	A & N Island	49.77	50	50	51.88

	Other and Deposit	140.59	171.39	171.39	59.21
	Total	5425.75	5079.65	4486.05	4093.05
2012-13	General Staff(GS)	3500	3300	2850.62	2772.87
	Ministry of Road Transport and Highways (MoRT&H)	1445	1312	983	937.44
	Ministry of External Affairs (MEA)	91.16	77.89	35.88	35.81
	Ministry of Home Affairs (MHA)	125	53.49	73.49	76.24
	Ministry of Defence(MoD)	433.29	491.60	231.89	208.24
	A & N Island	16	13.35	14.15	14.01
	Ministry of DoNER	0	5.31	5.31	4.82
	Deposit	0	75.66	75.66	38.20
	Total	5610.45	5329.30	4270	4087.63
2013-14	General Staff(GS)	3500	3300	2762	2819.59
	Ministry of Road Transport and Highways (MoRT&H)	1545	1290	1006	903.31
	Ministry of External Affairs (MEA)	91.16	0	35.16	34.57
	Ministry of Home Affairs (MHA)	125	0	58	59.89
	Ministry of Defence (MoD)	433.29	333.49	251.40	246.84
	Ministry of DoNER	0	0	5	3.51
	Deposit	0	0	60.80	34.32
	Total	5694.45	4923.49	4178.36	4102.03
2014-15	General Staff(GS)	4000	3223.49	2819	2896.51
	Ministry of Road Transport and	1145	1090.75	756.10	711.85

	Highways (MoRT&H)				
	Ministry of External Affairs (MEA)	59.29	57.45	54.38	54.07
	Ministry of Home Affairs (MHA)	99.71	65	56	52.63
	Ministry of Defence (MoD)	317	309.62	281.70	276.64
	Ministry of DoNER	0	7	7	7
	Deposit	33.45	65.02	65.02	30.41
	Total	5654.45	4818.33	4039.20	4029.11
2015-16 (Upto Jan 2015)	General Staff (GS) (Under Demand No 21)	4056 (Non Plan) 450 (Plan)	3030.57 (Non Plan) 450 (Plan)	3028.42 (Non Plan) 303 (Plan)	2415.79 (Non Plan) 162.58 (Plan)
	Ministry of Road Transport and Highways (MoRT&H)	534	540	Not yet received	311.56
	Ministry of External Affairs (MEA)	129.22	75.91		37.57
	Ministry of Home Affairs (MHA)	150	60.00		51.36
	Ministry of Defence (MoD) (under Demand No23 and 28)	429.62	468.53		366.80
	Others and Deposit	35	69.09		34.06
	Total	5783.84	4694.10		3379.72
2016-17	General Staff (GS) (Under Demand No 20)	5044 (Non Plan) 454(Plan)	3075.73(Non Plan) 450 (Plan)	-	-

	Ministry of Road Transport and Highways (MoRT&H)	416	Not yet received	-	-
	Ministry of External Affairs (MEA)	119		-	-
	Ministry of Home Affairs (MHA)	100		-	-
	Ministry of Defence (MoD) (under Demand No 22/23)	1265		-	-
	Others and Deposit	62		-	-
	Total	7460	-	-	-

Capital and Revenue allocation and expenditure

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

Year	Agency	Capital Budget		Revenue Budget		Total Allotment (Rs. in Crores)	Total Expenditure (Rs. in Crores)
		Allotment (Rs. in crores)	Expenditure (Rs. in Crores)	Allotment (Rs. in crores)	Expenditure (Rs. in Crores)		
2011-12	GS	1783.21	1732.7	1016.79	901.94	2800	2634.64
	MoRTH	965	869.8	115	104.51	1080	974.31
	MEA	84.88	84.02	0	0	84.88	84.02
	MHA	84.81	83.69	0	0	84.81	83.69
	MoD	214.97	205.35	0	0	214.97	205.35
	Others & Deposit	221.39	111.08	0	0	221.39	111.08
	Total	3354.26	3086.64	1131.79	1006.45	4486.05	4093.09
2012-13	GS	1813.22	1829.92	1037.4	942.93	2850.62	2772.85
	MoRTH	855	829.3	128	108.13	983	937.43

	MEA	35.88	35.81	0	0	35.88	35.81
	MHA	78.8	81.05	0	0	78.8	81.05
	MoD	231.89	208.23	0	0	231.89	208.23
	Others &Deposi t	89.81	52.19	0	0	89.81	52.19
	Total	3104.6	3036.5	1165.4	1051.06	4270	4087.56
2013 -14	GS	1799.27	1850.21	962.73	969.39	2762	2819.6
	MoRTH	818	765	188	138.3	1006	903.3
	MEA	35.15	34.57	0	0	35.15	34.57
	MHA	58	59.88	0	0	58	59.88
	MoD	251.39	246.84	0	0	251.39	246.84
	Others &Deposi t	65.79	37.83	0	0	65.79	37.83
	Total	3027.6	2994.33	1150.73	1107.69	4178.33	4102.02
2014 -15	GS	1737.46	1834.08	1081.54	1062.43	2819.00	2896.51
	MoRTH	607.60	567.05	148.50	144.80	756.10	711.85
	MEA	54.38	54.07	0	0	54.38	54.07
	MHA	56	52.63	0	0	56	52.63
	MoD	281.70	276.64	0	0	281.70	276.64
	Others &Deposi t	72.02	37.38	0	0	72.02	37.38
	Total	2809.16	2821.85	1230.04	1227.23	4039.20	4029.08
2015 -16 (as on 20 Jan 2016)	GS	2322	1666.07	1158.57	912.30	3480.57	2578.37
	MoRTH	400	222.06	140.00	89.49	540.00	311.55
	MEA	0	0	75.91	37.57	75.91	37.57
	MHA	60.00	51.36	0	0	60.00	51.35
	MoD	455	361.59	13.53	5.21	468.53	366.80

	Others & Deposit	69.09	34.08	0	0	69.09	34.08
	Total	3306.09	2335.15	1388.01	1044.57	4694.10 @	3379.72

@ BE allocation as RE allocation not received.

The details of Capital and revenue budget allocation and corresponding budget for the last five years is represented below:

2.5 The total requirement of budget for BRO to undertake the various maintenance works such as maintenance of roads, snow clearance, resurfacing is summarized below:

Year	Resurfacing (km)	Requirement of Funds for resurfacing (Rs in Crs)	Fund requirement for Snow Clearance (Rs in Crs)	Fund requirement for Building/ Misc / FDR (Rs in Crs)	Fund requirement for maintenance of Roads (Rs in Crs)	Total Fund requirement (Rs in Crores)
BE 2013 -14	2114	304	22	64	250	640
RE 2013 -14	2206	363	23	66	246	698
BE 2014 -15	2491	426	25	52	247	750
RE 2014 -15	3775	602	26	52	240	920
BE 2015 -16	2727	426	25	68	249	768
RE	2777	420	33	63	323	839

2015 -16						
BE 2016 -17	2862	471	35	60	334	900

Funds Demanded and Allocated for maintenance

2.6 The Ministry furnished the following details of maintenance funds demanded and allotment in last three years as under:-

Year	BE demand(Rs in Crore)	RE demand(Rs in Crore)	Final allotment(Rs in Crore)	Expenditure (Rs in Crore)
2012-13	-	699.55	624.68	564.25
2013-14	640	698	566.49	578.02
2014-15	750	920	640.95	622.69
2015-16	768	839	636.20 RE allotment	408.13 upto 20 Jan 2016

Due to shortage of funds, maintenance of roads, resurfacing works is affected and some amount of the Pay and Allowances of BRO Personnel's is booked in the next financial year as BRO is a work charged Organisation.'

2.7 The Ministry informed that with a view to improve the quality of maintenance, DGBR has been delegated powers to fix rates for maintenance and snow clearance grants. The revision of maintenance grant, snow clearance grant are under process by DGBR. From BE 2015-16 funds will be made available to BRO under Ministry of Defence (Civil) instead on Ministry of Road Transport and Highways as BRO is now under Ministry of Defence.

2.8 The Ministry was asked to state the areas where compromises have been made or likely to be made due to reduced budgetary allocation against the projections made by the BRO, in its reply the Ministry has stated as under:

'At the Revised Estimate (RE) stage, Ministry of Finance imposes ceiling on the allocation of budget based on the actual expenditure incurred during the last financial year, actual expenditure in the current financial year and as per

the guidelines issued from time to time for austerity measures, due to which the following works are affected:

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

In order to enhance the expenditure of BRO up to third quarter, a number of measures have been taken such as enhanced delegation of powers to ground executives, delegation for outsourcing of maintenance of roads and DPR preparation. DGBR has also been delegated powers to issue revise Standard Schedule of Rates (SSR).'

On the details of additional allocation sought by the BRO, the Ministry has stated as under:

'As there was a reduction in the allocation of budget for BE 2015-16 a case was taken with Hon'ble Finance Minister by Hon'ble RM for additional Rs 1096 Crores for BRO. Hon'ble FM intimated that allotment could be reviewed on the basis of pace of execution of next Financial year and additional provision if required shall be suitably provided. Again a case was again taken up with MoF in the month of May 2015 for additional allocation of funds of Rs.1096 Crs for FY 2015-16. In response, MoF intimated that the proposal for additional funds may be sent with the first batch of supplementary demand for grant. Accordingly, additional demand of Rs.1096 Crs was submitted in the first batch of supplementary demand for grant. The details of budget allocation for FY 2015-16 and FY 2016-17 are mentioned below:

Srl No	Item	FY 2015-16		FY 2016-17
		Budget Estimate (BE)	Revised Estimate (RE)	Budget Estimate (BE)
i	Non Plan	3030.57	3028.42	3075.73
ii	Plan	450.00	303.00	450
iii	Total	3480.57	3331.42	3523.73

2.9 However, during the RE/ BE preparation, MoF has issued various guidelines from time to time. One of the main considerations while allocating funds is the requirement of balance pace of expenditure for which not more than one –third (33 per cent) of Budget Estimate may be spent in the last quarter of the financial year as per MoF OM dt 29 Oct 2014. Besides, this during the month of March the expenditure should be limited to 15 per cent of the Budget estimate. However, due to the nature of works undertaken by BRO the above stipulation laid down in the guidelines are not met and thereby there is an imposition on the ceiling of Budget for BRO each year. Accordingly a case has been submitted for consideration of MoF for providing budget to BRO without imposing a ceiling on RE/BE demand of BRO, as the construction of strategic roads are like acquisition for Defence preparedness, therefore providing Defence Budget for meeting road infrastructure requirement of Indian Army should be considered on similar lines.'

2.10 The Committee wanted to know the reasons for any cut applied to the allocations as demanded, the Ministry submitted as under:

'Subsequent to the transfer of Border Roads Development Board from Ministry of Road Transport and Highways (MoRT&H) to Ministry of Defence w.e.f. 09 Jan 2015, the transfer of provision of budget relating to Border Roads Organisation(BRO) from Demands for Grants of Ministry of Road Transport and Highways to Demands for Grants of Ministry of Defence for Non Plan and Plan funds from BE 2015-16 was done vide Ministry of Finance (MoF) letter No 2(29)-B (AC)/2014 dt 02 Feb 2015 and letter dt 16 Feb 2015 respectively.

The details of funds under **Non Plan** for BRO projected vs allocated during RE/BE stage under Demand for Grants of Ministry of Defence for BE 2015-16 and BE 2016-16 is mentioned below:

(a) **Non-Plan**

Srl No	Major Head	BE 2015-16		BE 2016-17	
		Fund Projected by BRO (in RsCrS)	Fund allocated by BRO (in RsCrS)	Fund Projected by BRO (in RsCrS)	Fund allocated (in RsCrS)
i	MH 2052	456.13	372.57	491.00	509.73
ii	MH 3054	895.18	736.00	1089.25	644.00
ii	MH 5054 Capital	2754.69	1987	3493.75	1957.00

	outlay on Roads and bridges				
iv	MH 5054 Charged Expenditure	40.00	35.00	40.00	35.00
V	Less Recoveries	(-)90.00	(-)100.00	(-) 70.00	(-) 70.00
Total		4056.00	3030.57	5044.00	3075.73

During the RE/BE preparation, MoF has issued various guidelines from time to time. One of the main considerations while allocating funds is the requirement of balance pace of expenditure for which not more than one –third (33 per cent) of Budget Estimate may be spent in the last quarter of the financial year as per MoF OM dt 29 Oct 2014. Besides, this during the month of March the expenditure should be limited to 15 per cent of the Budget estimate. However, due to the nature of works undertaken by BRO the above stipulation laid down in the guidelines regarding pace of expenditure are not met and thereby there is an imposition on the ceiling of Budget by MoF.

The ministry has taken up a casewith Ministry of Finance for providing budget to BRO without imposing a ceiling on RE/BE demand of BRO, as the construction of strategic roads are like acquisition for defence preparedness, therefore providing Defence Budget for meeting road infrastructure requirement of Indian Army should be considered on similar lines.'

Required (Authorised) and existing (held) force level Manpower

2.11 The detail of authorized and existing force level in last five years is mentioned below:

Sl. No.	Year	Officers		Subordinates	
		Authorized	Held	Authorized	Held
i	2011-12	1899	1291	40747	35026
ii	2012-13		1295		34297
iii	2013-14		1292		34018

iv	2014-15		1307		33570
v	2015-16	1851	1336		33723

Recruitment is regularly done by BRO/SSC/UPSC, however, certain vacancies remains in the organization due to retirement, resignation etc.

Shortage of equipment

2.12 The requirement of equipments in BRO is done on the basis of planned targets in particular financial year. The details of requirement vs held for major equipments in last five years is given below:

Type of Equipment	FY 2011-12		FY 2012-13		FY 2013-14		FY 2014-15		FY 2015-16	
	Requirement	Held	Requirement	Held	Requirement	Held	Requirement	Held	Requirement	Held
Dozer-II Equivalent	1429	1083	1428	1144	1828	1426	1587	1452	1797	1458
Stone crusher all types	573	223	708	141	507	176	583	156	721	177
Road Roller	1039	749	1023	790	1079	799	991	791	908	777
Air Compressor	1058	785	1075	853	1040	848	1227	1035	1412	1107
Hot Mix Plant	108	89	126	91	118	89	123	76	192	91
Wet Mix Plant	24	11	35	29	40	30	34	34	46	38
Paver Finisher	145	93	157	121	139	119	157	148	238	156
Tippers	5060	2940	5837	2856	5299	3378	5400	3644	6263	3758

2.13 It may be seen from the table that there is huge shortage of equipment required for the essential works in BRO. The Ministry informed that in order to reduce the gap between requirement and holding, a Long Term Equipment Plan (LTEP) 2014-15 to 2018-19 amounting to Rs. 3913.47 crore has been approved so that BRO may initiate the procurement action plan in advance.

Moreover, based on the requirement and holding of V/E/P of BRO, Annual Procurement Plan (APP) for each year is approved for procurement of required V/E/P. The details of approved APP for various years are given below:

Year	APP Amount (Rs in crores)
2009-10	250.76
2010-11	380.80
2011-12	429.80
2012-13	469.77
2013-14	403.13
2014-15	459.37
2015-16	814.10
2016-17	497.67

Progress of construction of roads in border areas

2.14 Following specific measures have been taken overcome the impediments and to facilitate smooth progress:

- **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, the Ministry of Defence (MoD) & Ministry of Road Transport and Highways (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 National Security Advisor (NSA) on 23.8.2013 that in order to reduce BRO's work load, MoRT&H and BRO will jointly examine and prioritize the roads which are necessarily to be constructed by the BRO in Uttarakhand, J&K and North East. MoRT&H will make alternate arrangements for remaining roads. Accordingly, 28 roads of 2904 Kmslength were identified for transfer to

various agencies. Roads are being handed over by BRO to other agencies. As on date, 20 roads of length 1795 km has been handed over to other agencies by BRO.

(ii) BRO has been empowered with delegated powers/policy simplifications in following area so that works can be expedited and can progress smoothly:

(a) **Enhanced delegation of power:** Enhancement of delegated powers of DGBR in respect of 26 items have been approved. The enhanced powers include power to sanction Estimates for works upto Rs 10 Cr by Project Chief Engineers, enhanced powers of hiring of vehicle/equipment/plant, enhanced powers for outsourcing of consultancy services for preparation of DPRs, powers for DGBR to include works on emergent basis, enhanced powers for procurement of construction stores. Also special dispensation in select items involving higher delegation to expedite ICBRs and operationally critical roads has also been approved.

(b) **Border Roads Development Board (BRDB) Programme:** 852 roads have been included in the BRDB programme. This will facilitate DGBR to approve maintenance grant for roads which are part of BRDB Programme without any further approval.

(c) **Long term Roll On Works Plan (LTROWP):** Long term Roll On Works Plan (LTROWP) for Rs.41059 Cr 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 Bhutan Compensatory Allowance (BCA) from works in Bhutan:** Bhutan Compensatory Allowance (BCA) has been delinked from the estimates to reduce burden on works.

(h) **Increased out-lay for vehicle/ equipment/plant procurement:** To complete preparatory action for timely procurement, 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 Crores. The size of annual procurement plan for procurement of vehicle/equipment/plant has been increased to Rs 814.10 Crores for FY 2015-16 and Rs 467.67 Crores for FY 2016-17.

(i) **Outsourcing of DPR preparation:** Delegated powers of DGBR for outsourcing consultancy services for preparation of DPRs has been enhanced to Rs 200 lacs from present Rs 10 lacs to enable DGBR to take up preparation of DPR for whole the length of road in one go through outsourcing.

(j) **Amendment of Border Roads Regulations:** A proposal to allow BRO to outsource maintenance activities as well as works has been considered (Para 611 and 614) and approved. The proposal to empower Chief Engineer to sanction preparation of Detailed Project report (DPR) once a road is included in BRDB Programme without linking it to Annual work Plan (AWP) has been considered (Para 545 of BR Regulations) and approved.

(k) Guidelines for creation of advance stock pile of construction material in BRO has been approved to overcome acute shortage of road construction material and with an aim to establish an effective mechanism to ensure timely availability of construction material for the road construction works undertaken by BRO.

(l) 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 & Sikkim for following :-

(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 100 km kilometers aerial distance from the LAC and

(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 kilometer aerial distance from the LAC and National Highways/State Highways/other State Roads, subject to fulfillment of the conditions.

(m) MoEF vide their letter dated 8th Aug 2014 has accorded approval for working permission for tree cutting and commencement of work, if the required compensatory levies as per conditions stipulated in the principle approval are realized from the user agency and where necessary, for compensatory afforestation, transfer and mutation of non-forest/revenue forest land in favour of state Forest Department is affected.

(n) Chief Secretaries of State Govts of Arunachal Pradesh, Assam, J&K, 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 and Power Departments along with the Principal Chief Conservator of Forest and Chief Engineers of BRO as members to resolve issues. States of Sikkim, Arunachal Pradesh, J&K, Himachal Pradesh and Uttarakhand have constituted the Empowered Committee.

(o) A Standard Operating Procedure (SOP) with simplified procedure to ensure expeditious payment of Forest Clearance/Net present value/compensatory afforestation/cost of trees and other related payment to Forest authorities, after getting Stage-I clearance, for obtaining forest clearance has been issued on 18th Dec 2014.

(p) Exemption from Scheduled Tribe and other Forest Dwellers (Recognition of Forest Rights) Act 2006 to avoid delay in clearance of road projects within states of Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Uttarakhand and Sikkim has been accorded vide MoEF order dated 27 Apr 2011.

Planned and Achievement of targets in respect of construction of roads

2.15 The Ministry submitted the following details of Planned and Achievement of targets for the last three years as under:

S I N o	Item	Pote ntial of BRO	2012-13		2013-14		2014-15		2015-16 @	
			Plann ing	Achieve ment	Plann ing	Achieve ment	Plann ing	Achieve ment	Plann ing	Achieve ment
i	Formati on (Equiva lent Class - 9)	1264	2374	1669	2120	1548	2191	1316	2441	934
ii	Surfacing (Equiva lent Class - 9)	2351	3705	2421	3532	2194	3087	2072	3870	1646
iii	Resurf acing (Equiva lent	2828	2837	1738	3042	1969	3098	2339	2829	1860

	Class - 9)									
iv	Permanent works (Rs in Crores)	890	1772	959	1822	1115	1973	940	2200	1022
v	Major Bridges (in metre)	2589	3862	2462	3430	2312	5574	1613	4245	1299

@Progress during FY 2015-16 is upto 20 Jan 2016

73 roads are identified as strategic Indo-China border roads, out of which 61 roads have been entrusted to Border Roads Organisation with a length of 3417 km, which were planned to be completed by 2012. 21 roads of length 661.59 km have been completed. The revised completion schedule for the remaining roads is as under:

- (i) 2016 : 6 roads
- (ii) 2017 : 8 roads
- (iii) 2018 : 12 roads
- (iv) 2019 : 8 roads
- (v) 2020 : 6 roads

Status of construction of roads in difficult areas

2.16 73 roads are identified as strategic Indo-China border roads, out of which 61 roads have been entrusted to Border Roads Organisation with a length of 3417 km. 21 roads of length 661.59 km have been completed. The state wise details of roads are given as under:

State	Works in progress	Completed
Jammu & Kashmir	9	3
Himachal Pradesh	1	4
Uttarakhand	12	2

Arunachal Pradesh	16*	11
Sikkim	2*	1
Total	40*	21

* on 2 roads work is yet to commence due to pending wildlife clearance on Road Flag hill – Dokala and alignment issue of MHA Road Thimbu-Mago- Chuna. Army has endorsed the present alignment of MHA with lower priority and asked BRO to complete first Ramasapar-Mago-Chuna (Southern alignment) as a GS road. The decision regarding Thimbu-Mago-Chuna (Northern Alignment) is awaited from MHA. The completion schedule for these roads is the same as given in the above para.

- (i) **Nimmu – Padam – Darcha Road:** Presently two Border roads task Forces are deployed for construction of Nimmu-Padam- Darcha road and there is no proposal to set up special task force. The current status of Nimmu-Padam –Darcha road is mentioned below:

Name of road	Length (in km)	Estimated cost (Rs in crores)	Amount spent (Rs in Crores)	Expected time frame for completion
Nimmu-Padam-Darcha	298	1212.79	204.51	2019

(ii) **Shinkunla Tunnel and the Wangtu-Pooh-Sumdo-Chumar-NyomaUpshi- Leh Road:** Approval in Principle to carry out feasibility study of Shinkula tunnel of 4.15 km on Nimmu- Padam –Darcha has been accorded.

(iii) **Road Balipara-Charduar-Tenga-Tawang (Main Axis):** The Construction/development works to National Highway Double Lane (NHDL) specifications on this road (length 317.28 km) is under progress. Progress as on Jan 2016 is as under:-

- (a) Formation - 193.22 Km
- (b) Surfacing - 149.46 Km
- (c) Date of proposal first muted – 1999
- (d) Proposed date of construction completion –

(e) Present state of Wild Life Clearances in respect of road Balipara-Charduar-Tawang is as under:-

(aa) **Nameri Tiger Reserve in Assam (km 7.50- Km 34):** First stage approval (Approval in Principle) for forest clearance has already been accorded and payment due on this account has been made by BRO. However, case for wild life clearance is pending with the State Government.

(ab) **Eagle Nest Wild Life Sanctuary and Sessa Orchid Sanctuary in Arunachal Pradesh (Km 50 to Km 88):** Wild Life Clearance in respect of subject road stretch has been accorded except issue of executive order by the State Government. The same is awaited from State Government of Arunachal Pradesh. First stage approval (Approval in Principle) for forest clearance has been accorded and payment due on this account has been made by BRO. Final approval is awaited.

(iv) **Road Orang – Kalaktang – Rupa – Shergaon – Morshing - Phudung-Mandala Debrabu-Naga GG-BJ Gompa-Lagamche GG – Mukto-Teli-Bomdir - Tawang (Alternate Axis):** The present status of this axis is as under:-

Srl No	Stretch of Road	Present Status	Proposal first muted	Probable date of completion
a	Orang-Shergaon	Under development to NHDL specification.	2006	2016
b	Shergaon-Naga GG	Completed to Class-9 specification and is under maintenance.		
c	Naga GG-BJ Gompa	Under construction to Class-9 specification.	1990	2019
d	BJ Gompa-Lagamche GG	Completed to Class-9 specification and is under maintenance.	1990	2018
e	Lagamche GG-Teli	Under construction to Class-9 specifications. Further extension of the road upto Tawang is part of existing Bomdir-Lumla and Balipara-Charduar-Tawang road.		2017

f	Shergaon-Teli	Approval for preparation of Detailed Project Report (DPR) has been accorded for double lane specifications.		2017
---	---------------	---	--	------

(v) **Pinjoli-Buragaon-Dibbin-Mathow-Tungri-Chhangla-Pangila-Pota-TselaMago (Third Axis):** This road axis has been Operationally endorsed by Army in March 2010 and works will be taken up once the construction of main axis is completed.

(a) Date of proposal first muted – 30 Mar 2010.

(b) Proposed date of construction- yet to be finalized.

(vi) **Other roads in Tawang Area:** At present 45 roads of length measuring 1432.48 Km are entrusted to BRO for maintenance/construction/development. The details of these roads are mentioned below:-

(a) Roads completed - 7 roads of length measuring 260.37 Km

(b) Roads under development – 29 roads of length measuring 1067.35 Km

(c) Roads where pre-construction activities approved – 9 roads of length measuring 104.76 Km

Pending Forest and Wild Life clearance cases

2.17 The Ministry submitted that at present, there are no forest clearance cases pending with Ministry of Environment and Forest (MoEF). Further, the detail of pending cases at different levels is mentioned below:-

(i) The details of pending Forest Clearance for Indo China Border Roads (ICBRs) as on 20 Feb 2016 is summarized below:

S/	STATE	Case Pending With
----	-------	-------------------

No		AIP Accorde d	MoEF	Regional Office of MOEF	State Nodal Officer	CEC/ NBWL/ SBWL	Total Pendin g Cases
a	Arunachal Pradesh	7			1		8
b	Assam	2	-	-	-	-	2
c	Himachal Pradesh	2	-	1	-	-	3
d	Sikkim	-	-	-	1	-	1
	TOTAL	11		1	2	-	14

(ii) The details of pending Wild Life clearance for Indo China Border Roads (ICBRs) as on 20 Feb 2016 is summarized below:

SI No	State	Case Pending With					
		AIP Accorded	MoEF	Regional Office of MOEF	State Nodal Officer	CEC/ NBWL/ SBWL	Total Pending Cases
a	Arunachal Pradesh	1	-	-	1	-	2
b	Assam	2	-	-	-	-	2
c	Sikkim	-	-	-	1	-	1
	TOTAL	3	-	-	2	-	5

(iii) The Status of Pending Forest Clearance Cases on roads other than ICBRs as on 20 Feb 2016 is summarized below:

Ser No.	STATE	Case Pending With					
		AIP Accorded	MoEF	Regional Office of MOEF	State Nodal Officer	CEC/ NBWL/ SBWL	Total Pending Cases
a	Arunachal Pradesh	35		1	28	1	65
b	Uttarakhand	9			13		22
c	Jammu & Kashmir	4			30	1	35
d	Himachal Pradesh	2			4		6
e	Manipur	6			4	1	11
f	Mizoram	2			1		3
g	Tripura, Andaman & Nicobar	1			6		7
h	Punjab	3					3

i	Rajasthan	1					1
j	Sikkim	5			12	2	19
k	West Bengal	6			4	1	11
	TOTAL	74	0	1	102	6	183

(iv) The Status of Pending Wild Life Clearance Cases on roads other than ICBRs as on 20 Feb 2016 is summarized below:

Ser No	State	Case Pending With					
		AIP Accorded	MoEF	Regional Office of MOEF	State Nodal Officer	CEC/ NBWL/ SBWL	Total Pending Cases
a	West Bengal	-	-	-	1	-	1
b	Manipur	-	-	-	1	-	1
c	Jammu & Kashmir	-	-	-	1	-	1
	TOTAL	-	-	-	3	-	3

On the reason for non-clearance of such cases, the Ministry submitted as under:

'The above clearances are at various stages of processing and this delay is being caused due to completion of procedural formalities by respective offices like conducting of joint survey on ground, assessment of forest products and biodiversity impact assessment etc. '

2.18 The Ministry informed that following steps have been taken by the Ministry of Defence to expedite such cases:

'Measures taken by the Ministry for Clearances: The following measures have been taken by the Government to expedite the forest clearances and other issues with the State Governments:

- (i) **Empowered Committee:** Chief Secretaries of State Governments of Arunachal Pradesh, Assam, J&K, 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 PCCF and Chief Engineers of BRO as members to resolve issues. States of Sikkim, Arunachal Pradesh, Jammu & Kashmir, Himachal Pradesh and Tripura have constituted the Empowered Committee.

- (ii) A working group was constituted under the chairmanship of Secretary Ministry of Environment and Forest (MoEF) for expediting the forest clearance cases.
- (iii) Setting up of single window system at State level for speedy clearance.
- (iv) Exemption of Compliance of Scheduled Tribe and other Forest Dwellers (Recognition of Forest Rights) Act 2006 to avoid delay in clearance of road projects within states of Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Uttarakhand and Sikkim accorded vide MoEF order dated 27 Apr 2011.
- (v) Exemption for transfer and mutation of alternate Revenue Land for raising compensatory Afforestation for border roads within the State of Uttarakhand State accorded vide MoEF order dated 09 Dec 2013.
- (vi) Requirement of certificate regarding non availability of alternate alignment has been dispensed with for BRO projects by MoEF vide their order dated 09 Dec 2013.
- (vii) MoEF vide letter 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 & Sikkim for following :-
 - (aa) 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 kilometers aerial distance from the LAC and
 - (bb) 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.
- (viii) MoEF vide their letter dated 8th Aug 2014 has accorded approval for working permission for tree cutting and commencement of work, if the required compensatory levies as per conditions stipulated in the principle approval are realized from the user agency and where necessary, for compensatory afforestation, transfer and mutation of non-forest/revenue forest land in favour of state Forest Department is affected.
- (ix) As per Ministry of Environment and Forest (MoEF) notification dated 22 Aug 2013 "expansion of National Highway projects upto 100 kms involving additional right of way or land acquisition up to 40 mtrs on existing alignments and upto 60 mtrs on realignments or by passes are exempted from environmental clearances".

- (x) Standard Operating Procedure (SoP) to ensure expeditious payment of forest clearance/Net Present Value/ Compensatory Afforestation/Cost of tress and other related payment to Forest authorities after getting Stage –I clearance for obtaining forest clearance has been approved.
- (xi) A general application has been filed in Hon'ble Supreme Court of India for exempting BRO from filing case to case basis Interlocutory Application (IA) in respect of road projects falling within protected area and to grant clearance by MoEF after getting approval from NBWL. Case heard on 16 Jan 2015 and directed Chief Empowerment Committee for offering their comments.
- (xii) Interlocutory Application (IA) in respect of four roads filed with Hon'ble Supreme Court of India have been disposed off with pronouncing orders as under:-

'All matters for grant of permissions for implementation of projects in areas falling in National Park/sanctuaries, including rationalization of boundaries etc. will be considered by the standing committee of the national Board for Wild Life ("NBWL") on its own merits and in conformity with the orders and directions passed by this Court from time to time, i.e. on 14.02.2000, 16.12.2002, 13.11.2000, 9.5.2002, 25.11.2005 and 14.09.2007 and other subsequent clarificatory orders/judgements(s) passed by this court including the Goa Foundation Vs Union of India &Ors., reported in (2014) 6 Sec 590.

We request the NBWL to furnish a copy of the orders passed by it within 30 days time to the CEC. The CEC is at liberty, if, for any reason, they are aggrieved by the decision of the Standing Committee of NBWL to approach this Court by filing an appropriate petition/application'.

2.19 It was further enquired that whether all the States where BRO has a role to construct roads has constituted Empowerment Committee to resolve cases related to Forest and Wild Life, the Ministry submitted :

'States of Sikkim, Arunachal Pradesh, Jammu & Kashmir, Himachal Pradesh and Tripura have constituted the Empowered Committee, however, the states of Uttarakhand Manipur, Nagaland and Mizoram are yet to constitute the Empowered Committee.'

Difficulties faced by BRO in construction and maintenance of existing roads

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

- (i) Adverse and harsh climatic conditions. (Sever cold/snow covered areas)
- (ii) Non availability of sufficient labours.

- (iii) Limited working seasons due to prolonged monsoons from May to September every year.
- (iv) Repeated damages due to landslides, natural calamities i.e flash floods, cloud burst etc.
- (v) Non allocation stone /sand quarries by the State Governments.
- (vi) Weak geological strata/formation especially in North Eastern region causing sinking/ formation breaches.
- (vii) Due to insurgency affected areas.
- (viii) Reduction in allocation of maintenance budget affects resurfacing works, maintenance and snow clearance of roads.
- (ix) Issues related to land acquisition, environmental clearance, lack of quarries etc. are impediments to the smooth progress of work. Chief Secretaries of various State Governments have been requested to constitute Empowered Committees under their chairmanship with secretaries of concerned departments as members to resolve issues that affect progress of works by BRO.

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

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

Chapter III

Indian Coast Guard

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

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

3.2 Consequently, a committee constituted by the Government of India in 1974 recommended the setting up of a separate Coast Guard Organisation for peace-time charter. Accordingly, in January, 1977, the Cabinet approved raising of the Indian Coast Guard. An interim Coast Guard came into being on 01 February 1977, and was formally established on 19 August 1978 with the enactment of the Coast Guard Act. It is an armed force of the Union for ensuring the security and protection of maritime and other national interests in the Maritime Zone of India (MZI).

3.3 To fulfil its mandated tasks, the Coast Guard has set up units along the coast to meet its operational and logistic needs. The Command and Control of the Indian Coast Guard is exercised by the Director General Indian Coast Guard (DGICG) from CGHQ, New Delhi. The field functions are executed through five Regional Headquarters located at Gandhinagar, Mumbai, Chennai, Kolkata and Port Blair. Under these Regional Headquarters, there are 14 District Headquarters set up in coastal states and the island territories of India. Under each District Headquarters are Coast Guard stations. The Coast Guard had 22 stations in December, 2008. Post 26/11, sanctions for 20 additional stations were accorded by the Government. Indian Coast Guard has established all of these 20 stations taking the total strength to 42.

3.4 The Indian Coast Guard had 02 Air Stations, 02 Air Enclaves and 04 independent Air Squadrons in November 2008. Post 26/11, Government sanctions were obtained for setting up of 01 Air Station at Ratnagiri, 11 Air Enclaves at Goa, Kochi, Kolkata, Vizag, New Mangalore, Tuticorin, Bhubaneswar, Minicoy, Puducherry, Mumbai & Trivandrum. Of these, 04 Air Enclaves at Goa, Kochi, Kolkata and Bhubaneswar have been established taking the strength of air establishments to 02 Air Stations, 06 Air Enclaves and 01 independent Air Squadron. Upon setting up of the remaining, there will be a total of 16 air establishments (03 Air Stations and 13 Air Enclaves) functioning from strategic locations along the coast.

3.5 The assets of the Coast Guard as of 16 February, 2016 stand at 119 surface platforms (55 Ships, 18 ACVs & 46 boats) and 62 aircraft (19 Chetak, 39 Dornier & 04 ALH).

3.6 The manpower status of the Coast Guard as on 16 February 2016 is as follows:-

Manpower	Sanctioned	Borne
Officers	2108	1563
EPs	11053	9036
Civilian	1760	1251
Total	14921	11850

Charter, Role & Responsibility

3.7 The ICG is the principal agency for enforcement of the provisions of all national enactments in force in the Maritime Zone of India (MZI). The mandated duties and functions are as follows:

- (a) Safety and protection of artificial islands and offshore terminals and installations.
- (b) Protection and assistance to fishermen at sea while in distress.
- (c) Preservation and protection of maritime environment and to prevent and control marine pollution.
- (d) Assisting the Customs and other authorities in anti-smuggling operations.
- (e) Such other matters, including measures for the safety of life and property at sea and collection of scientific data.

3.8 The ICG has a primarily non-military maritime security charter except during war, when it conjoins with the Navy for national defence.

3.9 Besides the duties and functions provided in the Act, the ICG supports other ministries, as provided by the legislation enacted by the Government of India. The support roles undertaken are

- (a) Enforcement of anti-poaching measures, monitoring and surveillance of Deep Sea Fishing vessels.
- (b) Search and Rescue for merchant ships.
- (c) Marine Oil pollution response measures.
- (d) Lead Intelligence agency for coastal and sea borders.
- (e) Protection of sensitive marine flora & endangered marine species

3.10 In pursuance of the major responsibilities of the service, the Director General Indian Coast Guard has also been designated as:

- (a) Chairman, National Maritime Search and Rescue Board
- (b) Chairman, National Oil Spill Disaster Committee
- (c) Chairman, Offshore Security Co-ordination Committee
- (d) Indian Governor to Regional Cooperation Agreement on Combating Piracy and Armed Robbery against ships in Asia

Additional Responsibilities

3.11 The Cabinet Committee on Security, post 26/11, in February, 2009 assigned the following additional responsibilities:

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

Budget of Coast Guard in comparison to Defence budget, Central budget and GDP

3.12 The budget of Coast Guard in comparison to Defence Budget, Central Budget and GDP for last five years is as follows:

(Rupees in crore)					
Financial Year	Central Budget	Defence Budget	Coast Guard Budget	GDP	Coast Guard budget in % of GDP
2010-11	11,08,749	1,51,581.69	2,016.07	77,84,115	0.026%
2011-12	12,57,729	1,70,936.81	2,532.88	90,09,722	0.028%
2012-13	14,90,925	1,78,503.52	2,525.41	101,13,281	0.025%
2013-14	16,65,297	2,03,672.12	2,078.15	113,55,073	0.018%
2014-15	17,94,892	2,22,370.00	2,435.28	125,03,122	0.019%
2015-16	17,77,477	2,46,727.00	3,014.00	142,47,410	0.021%

Projections made by the Coast Guard

3.13 The details regarding the allocations made at BE, RE and actuals during each year of the Twelfth Plan and the projected and allocated budget for the year 2016-17 are as follows: -

(Rupees in crore)							
Year		BE Projectio n	BE Allocatio n	RE Projecti on	RE Allocatio n	MA Allocati on	Actual Exp
XII Plan							
2012- 13	Capital	2000.0000	1800.000 0	1690.00 00	1650.000 0	1565.000 0	1564.70 97
	Revenu e	1037.2125	971.2100	991.639 1	959.9500	960.4120	945.393 0
	Total	3037.2125	2771.210 0	2681.63 91	2609.950 0	2525.412 0	2510.10 27
2013- 14	Capital	1775.0000	1775.000 0	1385.00 00	1060.000 0	1060.000 0	1070.22 28
	Revenu e	1139.6350	1054.810 0	1171.53 68	1018.150 0	1018.150 0	1047.49 61
	Total	2914.6350	2829.810 0	2556.53 68	2078.150 0	2078.150 0	2117.71 89
2014- 15	Capital	1550.0000	1550.000 0	1491.73 12	1140.000 0	1140.000 0	1141.54 35
	Revenu e	1278.9650	1130.260 0	1465.21 40	1265.000 0	1295.280 0	1286.48 33
	Total	2828.9650	2680.260 0	2956.94 52	2405.000 0	2435.280 0	2428.02 68
2015- 16	Capital	2050.0000	1500.000 0	2460.00 00	1500.000 0	-	1446.27 50
	Revenu e	1642.8640	1514.000 0	1625.77 90	1514.000 0	-	1220.93 62
	Total#	3692.8640	3014.000 0	4085.77 90	3014.000 0	0.0000	2667.21 12
Budg et							
2016- 17	Capital	3990.0000	1500.000 0	-	-	-	-
	Revenu e	1798.5800	1624.410 0	-	-	-	-
	Total	5788.5800	3124.410 0	0.0000	0.0000	0.0000	0.0000

Expenditure upto 31 January 2016.

It may be seen that ICG was never allocated the budget as per the requirement.

3.14 The Ministry submitted the following information about the areas where compromises have been made or likely to be made due to reduced budgetary allocation against the projections made by the Coast Guard:

'The allocation of Capital Acquisition Budget vis-a-vis projection of ICG for last three years are as follows: -

SI	Financial Year	Projected (Rs. in crores)	Allocated (Rs. in crores)
(a)	2014-15	1550	1140
(b)	2015-16	2460	1500
(c)	2016-17	3990	1500
	Total	8000	4114

The allocation of Capital Acquisition Budget for ICG has been well below the projected requirement as shown in the table above. The reduction at RE stage in FY 2014-15 and further low allocation in BE 2015-16 has slowed the progress of new acquisition schemes. Due to insufficient funds under Capital Head ICG is going to have carry forward liabilities of over Rs.500 crore for committed liabilities from current FY 2015-16. The allocation of Rs.1200 crore for Capital acquisition for FY 2016-17 will be barely sufficient to meet the Committed Liabilities and therefore 'Nil' funds will be available for New Schemes/Contracts. As a result, the critical/ operational acquisition schemes will either have to be deferred or slowed down till matching budget is allocated.'

Capital and Revenue ratio

The details are as follows:

Year		Allocation (Rupees in crore)	Ratio
2010-11	Capital	1200.1900	5.96 :
	Revenue	815.8800	4.04
2011-12	Capital	1600.0000	6.32 :

	Revenue	932.8775	3.68
2012-13	Capital	1565.0000	6.20 :
	Revenue	960.4120	3.80
2013-14	Capital	1060.0000	5.10 :
	Revenue	1018.1500	4.90
2014-15	Capital	1140.0000	4.74 :
	Revenue	1265.0000	5.26
2015-16	Capital	1500.0000	4.98 :
	Revenue	1514.0000	5.02

3.15 During oral evidence, on lower allocation to Coast Guard, Defence Secretary apprised the Committee as under:

"There was one question which came up about Coast Guards. About Coast Guards, that is one area where we could have given them more money and the reason why we are not in a position to give the money during the re-appropriation was because they come under a different budget. Last year it was Civil Estimates, this year it is Miscellaneous Estimates and to complete the explanation, the Defence Minister himself had written on Coast Guard matter. These people were all there. Even the DG, Coast Guard was even present in that meeting when I was having a discussion with the Finance Secretary, I pitched for it. They did not give that. Then we took up the matter at the level of the Defence Minister with the Finance Minister. This is one area I concede. We could have helped them, but we could not help."

Ref. Proceedings dt. 05.04.2016 pg. 40-41.

Required (Authorised) and existing (held) force level

3.16 The existing force level is 119 surface platforms (55 Ships, 18 ACVs & 46 boats) and 62 aircraft. The planned force level is 150 ships including boats and 100 aircraft by 2018 and 2020 respectively. The authorised and existing armaments equipment are as follows:-

SI	Description	Quantity authorized	Quantity held
2011-12			
(a)	76/62 SRGM*	04	04
(b)	30mm Gun	23	23
(c)	12.7mm HMG**	109	109
2012-13			
(a)	76/62 SRGM*	04	04
(b)	30mm Gun	28	28
(c)	12.7mm HMG**	115	111
2013-14			

(a)	76/62 SRGM*	04	04
(b)	30mm Gun	36	36
(c)	12.7mm HMG**	137	123 #
2014-15			
(a)	76/62 SRGM*	04	04
(b)	30mm Gun	42	40
(c)	12.7mm HMG**	168	138 #
2015-16			
(a)	76/62 SRGM*	04	04
(b)	30mm Gun	45	45
(c)	12.7mm HMG**	168	138 #

* Super Rapid Gun Mounting

** Heavy Machine Gun

#12.7mm HMG is being replaced with 12.7mm SRCG for which procurement is under process.

3.17 In the Action Taken Note on the sixth report, it is stated that the funds allocated under the Capital Section for 2015-16 for the Indian Coast Guard (ICG) is short of the projected requirement by nearly about 50 percent viz., the allocated amount being Rs.1200.00 crore as compared to the projected requirement of Rs.2050.00 crore. Again due to the budgetary cut imposed by the Ministry of Finance, the ICG is carrying over a liability of Rs.675 crore from the previous year 2014-15. Concurrently, the projected requirement under the Capital Head for various new schemes of the ICG is said to be Rs.4225.00 crore only. The Ministry submitted on the lesser allocations and cut and how ICG would strengthen its infrastructure and assets:

'As of 29th February 2015, against a Budget allocation of Rs.1200crores under Capital Head (Acquisition of Ships, Aircraft and Fleet) a total ofRs.1191.98 crore i.e. 99.26 per cent was utilized. The committedliabilities of Rs.535 crore towards ships acquisition, which are underconstruction at various shipyards, is carried forward to financial year 2016-17. In addition, the committed liabilities of Rs. 85 crore for the projects during financial year 2015-16 for leasing of berthing/Jetty infrastructure & land acquisition is carried forward to financial year 2016-17.'

3.18 In reply to a pointed question about the demand and allocation to ICG during 2016-17 and how lower allocation would affect the modernisation process, it submitted as under:

'BE 2016-17 overall projection under Capital Head was Rs.3990 crore, whereas the allocation is only Rs.1500 crore (including Rs.300 crore for civil

works). The lesser allocation of budget under Capital Head Acquisition of ships, fleet and aircraft will have direct impact on the modernization process as allocation of Rs.1200 crore (Rs. 1500 crore - Rs.300 crore) is not sufficient even to meet the requirement of committed liabilities for the financial year 2016-17. The matter is being taken up with Ministry of Finance.'

Chapter IV

Military Engineering 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.

4.2 Budget provided to MES is distributed among the services and other organizations based on demand for major works in progress and new major works depending upon actual and anticipated liabilities in the financial year. MES considers carry over liabilities of running projects and anticipated expenditure of new projects which are likely to be sanctioned during the financial year.

4.3 Details of BE projections, allocations and the expenditure for the last five years made by the MES for works are as under:

(Rs. in crores)			
	Projections	Allocations	Expenditure
2011-12	Capital – 2327.26 Revenue – 4013.88 Total -- 6341.14	Capital – 2615.77 Revenue – 3684.42 Total -- 6300.29	Capital – 2684.96 Revenue – 3776.32 Total --6461.28
2012-13	Capital – 3103.01 Revenue – 4313.83 Total -- 7416.85	Capital – 2272.25 Revenue – 3795.51 Total -- 6067.76	Capital – 2285.21 Revenue – 3867.39 Total -- 6152.60
2013-14	Capital – 3449.27 Revenue – 4904.00 Total -- 8353.28	Capital – 2506.88 Revenue – 4517.47 Total -- 7024.35	Capital – 2268.11 Revenue – 4552.77 Total -- 6820.88

2014-15	Capital – 3141.99 Revenue – 5612.50 Total -- 8763.50	Capital – 2289.54 Revenue – 5128.82 Total -- 7418.37	Capital – 2291.24 Revenue – 5045.65 Total -- 7336.89
2015-16	Capital – 3105.00 Revenue – 5861.90 Total -- 8966.90	Capital – 3007.37 Revenue – 5634.64 Total -- 8642.01	Capital – 2116.90 Revenue – 3832.97 * Total -- 5949.87
2016-17	Capital – 2898.25 Revenue – 6075.56 Total -- 8973.81		

* upto 31.01.2016

The fund allotted to MES works have been met in full and no work has been compromised due to funds constraints.

4.4 The Standing Committee on Defence during the examination of Demands for Grants 2014-15 and 2015-16, had learned that works of thousands of crores were planned to be carried out by MES, therefore, the Committee desired to know the future plans of MES for carrying out these works. The Ministry in its reply submitted as under:

'MES is responsible for planning and execution of works which have been listed in the AMWP, duly approved by MoD. In addition, there are certain special projects sanctioned by the CCS which are also in the charter of the MES. Once administrative approvals are given, the works are taken up for design and tender action before execution. Works under execution generally don't get delayed for paucity of funds.

The works held up in MES are primarily due to tree cutting, slow progress or default of the contractors and deficiency in manpower within MES for planning and supervision of works, post contracting. While QMG's Branch is addressing the issue of tree cutting in consultation with the Command HQs and DEO, the MES is holding regular meeting with Builder Association of India (BAI) to adopt modern construction practices in order to improve quality and performance. Outsourcing through consultancy services is also being pursued vigorously, to narrow the gap in tendering backlog.

Case for making up of deficiencies in manpower and additional accretions for MES has already been initiated and are presently under consideration of the MoD.'

Deficiency of Civilian Manpower

4.5 During presentation before the Committee, a representative of the Ministry submitted the following information:

Category of Staff	1992 ceiling	Present ceiling	Requirement as per norms	Present holding	Deficiency against present ceiling
Supervisory	11601	7390	10473	4916	<u>2474</u> 33.47%
Other Basic	30858	38361	35010	13288	<u>25073</u> 65.36%
Industrial	106854	73101	150329	40684	<u>32417</u> 44.34%
Total	149313	118852	195812	58888	<u>59964</u> 50.45%

Cost analysis of the products purchased by MES and other Government/Defence Agencies.

4.6 On difference in the prices of the products available in the market and those purchased by MES and other Government/Defence Agencies to supply to the services and any cost analysis of the products purchased by the Ministry of Defence, the following information is received:

1. MES is not procuring any product for supply to the Services. MES, being a infrastructure development and maintenance agency is only procuring products which are for incorporation in its various projects. All the infrastructure projects are executed through contracts by Competitive bidding through e-tendering.
2. The stores being procured for maintenance of assets are mostly through DGS&D Rate Contract.

On the achievement of its construction targets as per the established standard during the last three years, the Ministry supplied a very vague information as under:

'As per the allotment of funds, nearly 100 per cent expenditure has always been achieved, barring 2013-14, where in Cap Head 90 per cent expenditure was accomplished.'

Chapter V

Canteen Stores Department

Projection and allocation of budget

The last five years projection and allocation of budget for CSD is as under:

(Rs. in crores)

Financial Year	Projection of Budget	Budget Allocation
2010-11	10629.23	8581.02
2011-12	13203.32	10366.80
2012-13	12808.84	10791.00
2013-14	13465.68	12336.06
2014-15	14266.69	14255.71
2015-16	14806.47	14806.26

5.2 Canteen Stores Department (CSD) has started its operation with initial Capital of Rs. 48 Lacs in 1948. The total Capital of CSD [initial Capital + share of Profit to CFI] is Rs.1878.04 Crores as on 31st March, 2015.

Turnover of the Canteen Stores Department during last five years is given below:

(Rupees in Crores)

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Sales	9752.33	9746.59	10245.35	12217.24	13709.32

5.3 The Ministry submitted following factors which have made Canteen Stores Department a profitable organization:

'CSD is a revenue neutral Department of the Government of India. CSD is entrusted with the responsibility of providing consumer goods and other household articles of common use to the personnel of the Defence Services and other entitled personnel at a price lower than the prevailing market price. CSD charges a marginal average profit of 6.5 per cent 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.'

Procedure for enlisting of a product in CSD

5.4 Procedure for enlisting of a product in CSD along with introduction form is given at CSD website, www.csdindia.gov.in. The suppliers are free to download the form and submit their request. On the requests from the beneficiaries also CSD approaches vendors for enlistment. The categories of vendors approved in CSD are manufactures, sole selling distributors/importers. All items approved for introduction in CSD inventory range are cleared by various Committees such as Preliminary Screening Committee, (headed by Joint General Manager, CSD and independent members of three Services and a senior departmental officer), Price Negotiation Committee (comprising of Joint General Manager CSD and four senior departmental officers including officers from the three Services and IFA/CDA(CSD) and finally approved by the Board of Administration (comprising of independent Senior Officers of the three Services, QMG's representatives, CDA(CSD), Senior Officers of the Department and chaired by the General Manager, CSD). All items prior to placement of initial order have to undergo market survey to confirm popularity, after sales service arrangement etc. followed by factory inspection, hygiene inspection by Army Medical Corps and CFL Testing by Army Supply Corps (for edible items including liquor) to ensure quality. All purchases are made by the CSD directly from the manufacturers or sole distributors/importers of the product in the country as per approved rates and terms of supply agreed to between the suppliers and CSD. Initial order of newly introduced items are restricted to quantity approved by the Board of Administration at the time of approval of items for introduction in CSD and orders on new vendors are placed against 100 per cent Bank Guarantee of the value of order placed.

5.5 On the point that whether CSD takes a feedback from the Services about the quality and price of the product, the Ministry furnished the following information:

'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 details of the items sent for testing is given in **Annexure 'A' and 'B'**.

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.'

Annexure 'A'

IMPOSITION OF PENALTY

PENALTY IMPOSED	1ST APR 2012 – 31ST MAR 2013 (In Rs)	1ST APR 2013- 31ST MAR 2014 (In Rs)	1ST APR 2014- 31ST MAR 2015 (In Rs)
GS ITEMS	2,58,808.00	13,61,841.00	30,07,847.00
FOOD	NIL	30,33,284.00	1,55,20,537.00
LIQUOR	26,37,831.00	1,46,28,337.00	3,85,38,077.00
TOTAL	28,96,639.00	1,90,23,462.00	5,70,66,461.00

Annexure 'B'

NO. OF QUALITY CHECKS CONDUCTED

Particulars	GS	Food	Liquor	Total
01 Apr 2012 to 31 Mar 2013 No. of sample tested	1060	359	254	1673
• Sample found satisfactory	232	248	218	698
• Sample found unsatisfactory	18	11	36	65
01 Apr 2013 to 31 Mar 2014 No. of sample tested	980	55	178	1213
• Sample found satisfactory	168	53	167	388
• Sample found unsatisfactory	30	02	11	43
01 Apr 2014 to 31 Mar 2015 No. of sample tested	1043	346	112	1501
• Sample found satisfactory	373	65	10	448
• Sample found unsatisfactory	48	01	Nil	49

Scams in CSD

5.6 In July, 2012 CBI arrested two CSD officers for graft charges. During the course of investigation CBI registered FIR against few other officers and sought prosecution sanction for two serving officers and recommended suitable departmental action against certain other officials. Department has issued prosecution sanction to CBI and has initiated action against all others as suggested by CBI. Further, during the current financial year, one case of irregularity at CSD Depot, Ahmedabad

regarding diversion of large quantity of CSD stores to civil market has been reported. The case has been handed over to CBI for investigation.

Utilization of profit earned

5.7 The Ministry submitted the following information on the utilisation of profit earned by CSD:

'50 per cent of the profit earned by CSD is deposited in CFI. Remaining 50 per cent is utilised for the following welfare activities by the beneficiaries. The pattern of Assistance and percentage of amount for welfare activities is mentioned below:-

Sl. No.	Pattern of Assistance	% up to
(i)	Sports activities/facilities for the Services/beneficiaries	25%
Balance of the fund after allocation mentioned at Sl. No. (i) will be utilized for the below mentioned schemes as per percentage as under:		
(ii)	Education	45%
(iii)	Central Welfare Projects: improvements of Collective amenities	20%
(iv)	War Widow's Children Hostel (WWCH)	2%
(v)	School for physically challenged and differently abled children	5%
(vi)	Allotment of Funds for Medical/Distress Grant and Demise Grant	10%
(vii)	Paraplegic Homes/Hospices	4%
(viii)	Vocational Training for Disabled	3%
(ix)	Welfare Schemes for Services	11%

Chapter VI

Directorate General Defence Estates

Directorate General, Defence Estates (DGDE) is the Headquarters of the Indian Defence Estates Service. DGDE provides advisory inputs on all Cantonments and Land matters to the Ministry of Defence and Service Headquarters ie Army, Navy, Air Force and other organizations under Ministry of Defence. Acquisition of lands, Resettlement and Rehabilitation of displaced persons, Hiring and requisitioning of lands and buildings, are some of the responsibilities of DGDE. It also ensures implementation of Cantonments Act 2006, Policies, Rules & Regulations and Executive instructions. DGDE has under its jurisdiction six Principal Directorates namely, Principal Directors, Central, Eastern, Northern, Southern, South-western and Western Command. Under the Principal Directorates there are 37 Defence Estates Offices and 4 ADEO Circles for management of defence lands in the country. There are 62 Cantonment Boards. These are local bodies responsible for providing civic administration and implementing the Central Govt schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education.

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

Digitization of Records

6.3 During presentation before the Committee, the following information was submitted:

	Phase – I		Phase – II	
	DEOs	CBs	DEOs	CBs
Total files	79,468	2,42,496	28,260	52,652
Files digitized. It is a continuous process.	79,468	2,42,496	22,350	39,867
% of work completed	100%	100%	79.09%	75.72%

Acquisition, Requisition & Hiring

6.4 Requisition received for acquisition for 25823 acres in Eastern Command, 24,000 acres in Northern Command and 52384 acres in Rest of India. Requisitioned land 24659 acres in J&K.

Hired lands - 71957 acres

Hired buildings - 2530

Defence Land Audit

6.5 Entrusted to DGDE in April 2011. First round completed (2011-12 to 2013-14) & reports submitted to Ministry of Defence / Service HQrs. Next round (2014-15 to 2016-17) in progress. Completed for 2014-15 & report under finalization.

Structure & Composition

Cantonment Board	-	Equal number of elected and official members
	-	Stn Cdr is ex-officio President
	-	CEO is ex-officio Member-Secy
No. of members	-	Category I : 16
	-	Category II : 14
	-	Category III : 12
	-	Category IV : 04
Local MP & MLA	-	Special invitees to Board meetings
Tenure of elected members-		5 years (extendable upto 01 year)

6.6 On the management of funds in DGDE, FA (DS) apprised the Committee as under:

" I think a little elaboration is required. One is, the Ministry of Finance expects that the DGD organisation should be earning a lot of money. Yesterday I was mentioning about taking it on the receipt side and again putting an allocation which we can net it. Without going back much into the history, it is quite internal to us, in the sense that they flagged the two issues about the Army and the Air Force. This is in the realm of about Rs. 11,000 for the Army, which the Army is also disputing. They are saying it is not Rs. 11,000 and that it could be in the range of about a Rs. 1,000. But whatever it is that certain amount of money before the dispute is resolved, that should be made available to them. This is the short point. The other thing is that on the basis of this that they will be earning a lot of revenue for themselves and they will be able to fend for themselves, the Ministry of Finance, last year, in the RE, reduced the Budget from Rs. 325 crore in the BE 2015-16 to about Rs. 50 crore ...Then, we took up the matter. Fortunately unlike the case of Coast Guard this materialised because I told them that till the end of December-November they had already spent Rs.228 crore in terms of grants in aid.

6.7 Defence Secretary also apprised the Committee as under:

"We are fully seized of this matter. Large money is due from Services - Rs.1,100 crore. This is part of the general kitty. They have to give it from the Budget only. There was a suggestion that we will have a separate head of account for this. "

Proposed Smart Cantonments Initiative

- Ambala, Deolali, Ferozepur, Meerut, Pune & Secunderabad
- Adequate water supply
- Sanitation
- Efficient urban mobility
- Sustainable urban mobility
- Good governance including e-governance
- Safety and security of citizens
- Health & education

Financial Problems of Cantonment Boards

- Limited tax and non tax resources
- Government properties exempt from property tax
- Statutory demand of service charges not met
- Inelastic tax base due to restrictive land use/construction policy
- States do not share tax/other revenue proceeds
- Benefits of centrally sponsored schemes like AMRUT and Smart Cities Mission not extended by States

Service Charges

- Government properties not taxable
- Service Charges payable in lieu there of
- Not part of DGDE budget
- Statutory liability u/s 109 of the Cantonments Act, 2006

6.8 During presentation before the Committee, a representative of the Ministry of Defence submitted the following information:

Expenditure under Revenue Heads

• (Rs.in crore)

Summary Total (Revenue Head)	Actual 13-14	Actual 14-15	BE 15-16	RE 15-16	BE 16-17
Total of Revenue Head - 2052	307.99	395.99	379.25	359.25	114.91
Total of Revenue head - 2059	3.11	2.78	3.88	2.98	4.31
Gross total of revenue Head (2052+2059)	311.10	398.78	383.13	362.23	119.22

Details of Important Budget Heads under Revenue Head 2052

• (Rs. in crore)

Budget Head (Revenue Head - 2052)	Actual 13-14	Actual 14-15	BE 15-16	RE 15-16	BE 16-17
Grants -in-Aid to Cantt. Boards	225.69 (225.69)	301.32 (316.60)	258.76 (348.26)	258.76 (386.00)	16.80 (425.00)
Grants for Creation of Capital Assets	20.68	30.11	35.00	19.73	0.00 (35.00)

Information Technology	5.19	4.85	10.00	9.50	9.50
Salaries (Voted)	41.79	44.87	54.20	54.20	64.66

Service Charges (Rs rounded off to nearest crore)

Year	Army			Air Force		
	Arrears	Annual demand	Allotment	Arrears	Annual demand	Allotment
2013-14	8,057	1,247	181	31	109	105
2014-15	9,123	1,397	256	35	117	83
2015-16	10,264	1,591	352	158	124	68
Accumulated arrears of Service Charges as on 01.04.2016						
Army	11,507					
Air Force	214					

Chapter VII

Defence Public Sector Undertakings

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

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

7.2 No budget support is provided to DPSUs by Govt. of India. The following DPSUs have registered profit (Profit After Tax {**PAT**}/Profit Before Tax{**PBT**}) for the last five years:

(Rs. in crore)					
DPSUs	2010-11	2011-12	2012-13	2013-14	2014-15
HAL	2114.26	2539.43	2996.91	2692.52	2388.05
BEL	861	830	890	932	1167
BEML(PBT)	186.75	66.46	122.33#	9.08	6.91
BDL	51.70	234.96	288.40	345.51	418.57
GRSE	11571.36	10802.89	13154.24	12146.22	4345.27
GSL	176.13	82.76	15.50	61.09*	78.24
HSL^	55.00	(85.98)	(55.17)	(46.00)	(202.84)
MDL	243.52	494.31	412.72	397.61	491.59
MIDHANI	50.42	68.45	82.52	82.46	102.13

BEML has been making profit consistently except during the year 2012-13 which is mainly on account of inadequate orders.

* GSL has reported the reasons for loss amounting to **Rs 61.09 crore** during the Financial Year 2013-14 because of (i) Insufficient Order Book,

(ii) Under Utilization of Capacity, (iii) Unaccounted Liabilities of NOPVs on Completion of Contract in Jan.2014(Rs 39.01 Cr) (iv) Loss on Account of CGOPVs Delivered prior to FY 2013-14 (Rs.18.14 Cr).

^ HSL : the reason for losses over the past 4 years are low order book position, lack of working Capital, aged infrastructure etc.

Quality of products of DPSUs and cases of grafts

7.3 **HAL:** HAL is regularly supplying aircraft, aero-engines and accessories to Defence Forces. Any failure during the course of utilisation is reported to the Company in the form of request for Defence Investigation on the specific accessory/ aero-engine. Each of these defect investigations is carried out by a team comprising members from customer, DGAQA, CEMILAC and HAL. Remedial measures are implemented based on the investigations. Implementation of these measures is monitored through joint team of HAL, Customers, DGAQA and CEMILAC. OEMs are also involved in the investigations.

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

BEML: The Company has no significant complaints with regard to product, quality, delay and graft.

BDL: No major complaints have been received with reference to product quality for the last three years. BDL is making all out efforts to support its users by promptly addressing the user's complaints as and when required. To avoid recurrence of complaint, BDL is arranging visit to depots for Maintenance and repair, rework of faulty lots/equipment's, checking Product storage conditions, Joint review Inspections, training, remedial measures etc.

No complaint has been received by BDL about Graft.

GRSE: No complaint has been received for the last three years.

GSL: No complaint has been received for the last three years.

HSL: No major complaints have been received for the last three years.

MDL: No complaint has been received on product quality and graft.

MIDHANI: The product quality issues are very negligible. However, due to capacity constraints, there is delay in adhering to the delivery schedules to the customers. The company has undertaken an expansion program to resolve this issue.

Cost and time slippages

7.4 The Ministry supplied the following information on the cost and time slippage by DPSUs:

(1) **HAL:** Currently, HAL is supplying Su-30 MKI fighter aircraft, Light Combat Aircraft, Advanced Jet Trainer Hawk, Dornier Do-228, Advanced Light Helicopters (ALH and Chetal helicopters for the Defence Forces. As these supplies are against firm and fixed contracts, there is no slippage of cost. However, due to reasons which are unforeseen and beyond the control of HAL, there are instances of rescheduling of deliveries in consultation with the customers. Issues concerned with timely delivery of products have been addressed by the company from time to time and remedial actions such as augmentation of facilities, increase in outsourcing, duplication of jigs etc. have been implemented.

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

The On-time delivery during last 5 years is around 80 per cent. However, there is delay in delivery of some projects and the reason for the delay is analysed and necessary corrective & preventive 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.

(3) **BEML:** All contracts that the Company is executing are at either firm prices or with escalation clause. The company 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. The Heavy Mobility Vehicle supply has commenced from October, 2015 and is on full swing.

(4) **BDL:** There has been a cost slippage in Konkurs-M ATGM due to increase in cost of imported items from OEMs which is not being reimbursed. Due to reasons which are beyond control, products like Milan-2T ATGM, Konkurs-M ATGM, AkashSAM were delivered beyond the schedule time. The reason is delay in receipt of Kits from Foreign OEM for products like Konkurs-M and Milan-2T. Akash SAM got delayed due to delay in supply of input material from vendors.

(5) **GRSE:** At times due to certain reasons beyond the control of GRSE, there has been time slippages, while meeting delivery schedule of ships constructed. However, there is no direct impact on cost because the shipyard absorbs the LD arising out of this delay.

(6) **GSL:** The projects are Fixed price and Fixed time Projects. There have been no time slippages while supplying items to the forces.

(7) **HSL:** HSL has supplied five tugs to Indian Navy and three Inshore Patrol Vessels for Indian Coast Guard in last five years. There has been cost and time slippage due to various reasons like delay due to lack of working Capital, numerous design changes, re-works, various modifications and delay in getting approval of drawings. This has affected the delivery schedule of the vessels.

(8) **MDL:** There is no cost escalation in the projects. However, there have been time slippages in the delivery of P17 and P15A because of reasons ranging from delay in availability of quality steel, delay in finalisation of weapon equipment, propulsion equipment.

(9) **MIDHANI:** No'

Modernization of DPSUs

7.5 On the present status of modernization of DPSUs and budgetary allocation for this purpose, the Ministry submitted:

(1) **HAL:** The modernization plans have been finalized considering the available capacity and augmentation required in new projects undertaken by HAL. The modernization plan includes up-gradation of technology through establishment of new processes, state-of the-art manufacturing and design facilities, improvement in layouts, storage, material handling and IT infrastructure. Creation of additional capacity is planned for manufacturing of LCA and ALH, ROH of SU-30, ROH of AL-31FP engine, ROH of Hawk and new programmes like LCH, LUH and HTT-40 etc, which are expected to enter production phase in the coming years.

A state-of the-art greenfield helicopter manufacturing facility is being set up at Tumkur, about 100 km from Bengaluru on 610 acres of land allotted by the Government of Karnataka. Hon'ble Prime Minister laid the foundation stone for this Helicopter Manufacturing Facility on 3rd January 2016. HAL has planned for an investment of around Rs. 15, 000 crore in the next 5 years.

(2) **BEL:** Modernisation program of BEL is to continuously upgrade its infrastructure to be in tune with the changing needs of the technology/products. Specific groups in all the units scan the technology changes that are taking place and induct new infrastructure/Test instruments/facilities available globally.

The modernization activity includes setting up the required facilities including Plant & Machinery, Test Instruments, Investments in R&D, up-gradation of Infrastructure etc.

The company's annual modernization expenditure is fully met through internal accruals.

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

(4) **BDL:** Out of Rs.606 crore, Rs. 487 crore has been spent on modernization in the last five years which include procurement of machinery and development of Infrastructure facilities to enhance productivity of major products. Modernization and replacements of Plants and Ramping up of capacities for Konkurs-M, Invar ATGM and Akash SAMs are under progress. Modernization programmes are financed by the Company from internal resources. Process of establishing new units at Amravathi, Maharashtra and Ibrahimpatnam, Ranga Reddy District, Telangana State are in progress.

(5) **GRSE:** There is no budget allocation. However, from the internal accruals and fund allocated along with the ASWC Project, PH-II of Modernisation was completed in June 2013.

(6) **GSL:** GSL is implementing infrastructure augmentation for MCMV plan in a phased manner to enhance capability of shipyard to build vessels for Indian Navy, Indian Coast Guard and exports. The plan includes creation of dedicated facilities for construction of high technology glass reinforced plastic (GRP) hull mine counter measure vessels (MCMVs), new steel & aluminium fabrication facilities for construction of new ships and facility for repair & refits of ships. MoD in December, 2015 has sanctioned Rs. 480 crore as approved by Defence Acquisition Council (DAC) for augmentation of infrastructure under Phase 3B & 4 for MCMV project.

(7) **HSL:** Presently, there is no modernization in hand. However, the yard has been provided with Rs. 456.37 crore for Repair and Refurbishment of Machinery & Infrastructure (RRMI) against LPD Project. Out of the sanction of Rs. 456.37 crore, activities worth an amount of Rs.265.55 crore have been completed /in progress. Unfortunately, the Yard was struck by a severe cyclone 'HUDHUD' on 12 October 2014. Damages due to Cyclone Hudhud have been estimated at Rs.479 crore.

(8) **MDL:** MDL is planning to spend Rs. 1500 crore towards augmentation of facilities. MDL has completed the augmentation of its infrastructure through Mazdock Modernisation Project (MMP) which comprises of a new Wet Basin, a Heavy Duty Gollath Crane, a Module Workshop, a Cradle Assembly Shop, Store Building and associated ancillary structures. The project has been formally inaugurated by Hon'ble Raksha Mantri on 27 August, 2014. The total cost of modernization was Rs. 966 crore.

(9) **MIDHANI:** Modernisation is going on with internal funding and customer funding. Major equipments have already been installed.'

7.6 On the impact of the modernization on the production capacity, export and import substitution of products, the Ministry submitted:

'(1) **HAL:** The planned increase in capacity is primarily in the area of helicopter manufacturing (LUH) and aircraft manufacturing (LCA) to meet the requirement schedule of Defence forces. Increase in capacity would also cater to the requirements of export for helicopters. The green field facility planned for helicopters would cater to the manufacture of

indigenously developed LUH program which will replace ageing fleet of Cheetah / Chetak helicopter produced under ToT.

(2) **BEL:** The new infrastructure /technology which is inducted has a bearing on the production capacity. The increase in Value of Production, turnover year-on-year clearly justifies the objective of modernization. Modernization and up-gradation of infrastructure setup in the recent past has enabled the company to indigenously manufacture critical equipment/systems thereby, minimizing the dependency on foreign OEMs. Some of the major systems like Central Acquisition Radar (Rohini), Akash Missile System, Missile Warning System, 3D Tactical Control Radar, Low Level Light Weight Radar (Bharani), Hull Mounted Sonar etc., are indigenously designed and manufactured. Around 80 per cent of turnover generated from indigenous technology by making use of in-house infrastructure/facilities, skilled manpower etc., reflects company's endeavour towards self-reliance.

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

(4) **BDL:** Due to modernisation, the following capacities of various products have been enhanced:

Product	Previous Annual Capacity	Current Annual Capacity	Enhanced Annual Capacity Planned
AKASH SAM	50	200	750(By March 2018)
INVAR ATGM	1500	2000	3000
KONKURS-M ATGM	2000	4500	Already achieved
MILAN-2TATGM	1200	2000	Already achieved

Under **Import substitution**, Indigenization programme has been taken up in a big way. Following products has been indigenized and details are as given below:

Sl.No.	Projects	Present Level of Indigenization in Percentage
1	Milan-2T (ATGM)	71
2	Konkurs-M (ATGM)	90
3	Invar(ATGM)	76.4
4	C-303	71

(5) **GRSE:** Completed Infrastructure modernisation (Integrated Shipbuilding Facility was inaugurated on 06 June 2013) has enabled GRSE in implementing Integrated Construction of ships, using advanced Modular Shipbuilding Technology with Mega-Hull blocks weighing up to 225 Tons. Overall, the modernisation is facilitating reduction of “build period” of ship with improvement in quality of ship construction. With the new Dry Dock of 10000 Tons capacity and Inclined Berth of 4500 Tons capacity and taking into account the existing 8,000 ton Dry Dock and 2500 ton Building Berth, GRSE is now capable of constructing multiple large modern ships (Corvettes/Frigates/Destroyers etc.) concurrently.

(6) **GSL:** On completion of on-going infrastructure augmentation Plan for MCMV, GSL will have the capability to build high technology Glass Reinforced Plastic (GRP) hull Mine Counter Measure Vessels (MCMVs) indigenously with help from the collaborator. GSL will be the only Indian yard to have facility for series construction of MCMVs with Glass Reinforced Plastic (GRP) technology, which is not available presently in the country. In addition, this will also enhance the shipbuilding capacity of the yard for steel ship construction. With the on-going modernisation plan, the capacity of the shipyard will be enhanced by approximately three time its present capacity.

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

(8) **MDL: Upgraded Capacities Post Modernisation-** The new Wet basin equipped with 4 Level Luffing Cranes is a Civil Engineering marvel constructed in marine environment and offers additional 27000 square meter of berthing space to accommodate two large frigates and two submarines for outfitting which adds to MDL's self-sufficiency of its berthing needs. The Module Shop is designed for the fabrication of larger hull blocks, substantially pre-outfitted within a covered environment, wherein physical percentage of outfitting would be increased from 35 per cent to 65 per cent resulting in considerably reduced build period, improved quality together with better working environment for the

operatives. The Heavy Duty crane having lifting capacity of 300 T and spanning 138 meter having feature of overturning of modules enables MDL to undertake construction of large ship block, thereby reducing build period considerably.

(9) **MIDHANI:** MIDHANI will be able to adhere to delivery schedule and also tap export market with the increased capacity. Market share is also expected to increase.'

7.7 Details along with the proposed allocation to be spent on modernization of DPSUs, the following information is submitted by the Ministry:

'(1) **HAL:** HAL has planned for an investment of around Rs.15000 crore in the next five years towards enhancing production rate of LCA Tejas from 8 to 16 aircraft, manufacturing facilities of LCH, green field manufacturing facilities for LUH, manufacturing facilities of HTT-40, facilities for enhancement of ROH of airframe and engines of Su-30 MKI, ROH facilities for Hawk aircraft and modernisation of existing facilities. The modernisation plan envisaged for future programmes like FGFA, LUH, NMRH etc. will be executed in phased manner whenever these projects get approved from the Govt.

(2) **BEL:** The proposed allocation is to the tune of Rs. 500 crore for the year 2015-16 towards fulfilling the Modernization & Capacity Augmentation needs of additions, replacements of Plant & Machinery, Test Instruments for Manufacturing, R&D facilities & upgradation of Infrastructure.

(3) **BEML:** The allocation for modernization / CAPEX for the year 2015-16 is Rs. 50 crore for expenditure on critical debottlenecking, balancing equipments.

(4) **BDL:** Out of Rs.606 crore, Rs. 487 crore has been spent on modernization in the last five years which include procurement of machinery and development of Infrastructure facilities to enhance productivity of major products. Modernization and replacements of Plants and Ramping up of capacities for Konkurs-M, Invar ATGM and Akash SAMs are under progress. Modernization programmes are financed by the Company from internal resources. Process of establishing new units at Amravathi, Maharashtra and Ibrahimpatnam, RangaReddy District, Telangana State are in progress.

(5) **GRSE:** There is no further plan of modernisation of shipyard. However, upgradation/creation of facility as necessary from production point of view is being planned.

(6) **GSL:** MOD IHQ(Navy) in October, 2010 has sanctioned Rs.400 crore towards development of facilities in GSL for building MCMVs. The funds has been utilised for execution of phase 1,2 and 3A. Further, MoD in December, 2015 has sanctioned Rs.480 crore as approved by Defence Acquisition Council (DAC) for augmentation of infrastructure under Phase 3B & 4 for MCMV project.

(7) **HSL:** No fund has been sanctioned in the 12th plan. However, HSL has proposed allocation of Rs.6,773crore for modernisation for the next ten year (upto 2025).

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

- Richie Dry Dock deepening.
- Deepening of channel between MDL and MbPT.
- Slipway Covers.

- Modernisation of Kasara Wet Basin.
- Assembly shop in Alcock Yard for Shipbuilding activities.
- Blasting & Painting chambers.
- Enhancement of existing level luffing cranes.
- Augmentation of existing infrastructure.

The proposed allocation to be spent for the above augmentation is approximately Rs.1500 crore.

(9) **MIDHANI:** Modernisation is going on with internal funding, Government loan and customer funding. There is no budgetary allocation.'

Declining production

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

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

(3) **BEML:** The production details of BEML Ltd. in the last 5 years are given below:

(Rupees in Crore)			
S.No.	Year	Value of Prouction(Gross)	Value of Production (Net)
1	2010-11	3795.07	2800.24
2	2011-12	4077.19	3155.31
3	2012-13	3359.69	2878.83
4	2013-14	3165.14	2814.45
5	2014-15	2920.39	2599.93

There is reduction in production in the year 2012-13, 2013-14 and 2014-15 because of inadequate orders in the Rail & Metro Vertical and Mining & Construction Vertical.

(4) **BDL:** Not applicable.

(5) **GRSE:** Not applicable.

(6) **GSL:** Downward trend in VOP started after financial year 2010-11 and lasted till financial year 2012-13. FY 2013-14 proved to be the inflection point, where downslide was stopped registering a minor uptrend in VoP. In FY 2014-15, the company achieved VOP of Rs.570 crore, thereby registering 11.92 per cent increase over previous year. The Company is likely to achieve VoP of Rs. 680 crore during current financial year 2015-16.

(7) **HSL:** The value of production has been steadily declining over the last three years (2012-13 – Rs.483.84 Crore; 2013-14 – Rs. 453.40 crore; 2014-15 – Rs. 294.16 crore) due to low order book position compared to installed capacity, severe financial problems and lack of working Capital, aged manpower and low productivity, aged infrastructure leads to frequent breakdown and work disruption.

(8) **MDL:** Not applicable.

(9) **MIDHANI:** Not applicable.'

Expenditure on R&D

7.8 The total expenditure on R&D (as % of VOP) in respect of all DPSUs is as under

Name of DPSU	2013-14	2014-15	2015-16 (upto Sep. 2015)
HAL	6.83	6.1	6.31
BEL	7.7	8.24	8.0
BEML	2.72	3.19	2.05
BDL	1.1	0.623	0.76
GRSE	0.3	0.21	0.60
GSL	0.05	1.57	0.74
HSL	1.0	1.5	1.0
MDL	1.71	0.91	1.13
MIDHANI	1.39	1.3	0.80

The total expenditure on R&D (as % of PAT) in respect of all DPSUs is as under

Name of DPSU	2013-14	2014-15	2015-16*
HAL	40.23	43.83	55.12
BEL	50.1	47	55.6
BEML	18.43	12.27	-
BDL	5.76	5.43	4.98
GRSE	2.40	8.10	8.53
GSL	23.9	#	7.29
HSL^	nil	nil	nil
MDL	11.96	11.77	7.97
MIDHANI	9.66	8.27	15.88

* (up to Dec, 2015) Provisional

The actual expenditure is Rs. 8.95 crore, GSL made loss in the year 2013-14 hence %

not indicated.

^ The expenditure is not indicated in %age of PAT as HSL is not making any profit.

Only DPE guidelines stipulate that the minimum expenditure on R & D should be 0.5 per cent of PAT, however no norms are fixed in this regard. For Maharatna companies the guideline stipulates 1 per cent of PAT.

7.9 During oral evidence, Secretary Defence Production apprised the Committee about efficiency of DPSUs and R&D expenditure as under:

"Sir, you mentioned about the efficiency of the PSUs. That figure we have not given. If you see the value addition per employee, it is going up. That is one of the parameters we take into account- the turnover per employee, value addition per employee etc. So, with the same resources, they are able to increase or they are able to achieve high turnover. This is how they are constantly achieving the efficiency parameters.

You mentioned about R&D expenditure. They are collaborating with DRDO in a number of R&D projects. But they have got their own R&D set-up and they do the process improvement, product improvement etc. These are the activities they keep doing in their own domain. They involve a lot of private sector also in collaborating research."

7.10 When pointed out about very low turnover being spent on R&D by BDL, he admitted:

'This is our weak point. We have been discussing it and we are telling them that now they should also start investing. Right now, they are doing only licensed production of missiles, either from the Russia or from the France or even from Akash which is a DRDO product. But they have to start looking towards the R&D also. This is one area we are focusing now.

You mentioned about HAL. In ALH Dhruv, already weapon integration has been done for the army. Similarly, it has been recently achieved in December 2015 for the Air Force also. They have delivered 22 no. this year against 159 orders which have been placed. So, that is what the delivery of ALH is. I think the details will be given the Chairman, HAL.

Similarly, for the IGT, which is a second stage aircraft, they have completed all the tests except the spin test. They are facing some difficulty and they are taking the help of the consultant BI system in this case. Probably by June, they will have the clear visibility about the spin test also.

You mentioned about the basic trainer aircraft Pilatus. They are also parallelly going ahead with their HTT-40 aircraft. Ground test run is going on. They will be soon flying the prototype also. They have been the orders for 70 nos. separately. Whatever no. of Pilatus we are purchasing, 70 will be manufactured by HAL and orders have been reserved for that. Chairman, HAL can elaborate on that also.'

Unachieved targets

7.11 The Ministry submitted the following information on the unachieved targets by DPSUs:

'(1) **HAL:** Reason for the ALH shortfall was because various design updates were involved. MGB housing outsourced to L&T was not supplied by the vendor. Identification of alternate source and stabilization of supplies impacted the production Program. Air Data Unit declared obsolete by OEM (Thales) was taken up for development by SLRDC which involved certification by CEMILAC. ALH Production envisaged Shakti Engines supply from Phase II Engine Manufacturing Program which had

issues like Technology assimilation for over 30 critical parts, commissioning of High Speed Balancing facilities for Engine Shaft etc.

(2) **BEL:** The reasons for shortfall are partial receipt of Launchers & Missiles from consortium partner of Akash Missile System, delay in accord of BPC for systems, changes in customer requirement and non receipt of anticipated orders.

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

(4) **BDL:** The reasons for unachieved targets are the numerous delays that arise in receipt of input material from vendors, kits from OEMs, input material from subcontractors etc. Another reason for delay is that there are several occasions when the Project Team of DRDL takes time to finalise the scheme.

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

(6) **GSL:** The reasons for unachieved targets during the year 2010-11 to 2014-15 is lack of sufficient orders.

(7) **HSL:** The reasons for unachieved target are low order book position compared to installed capacity, severe financial problems and lack of working Capital and aged infrastructure which lead to frequent breakdown and work disruption.

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

(9) **MIDHANI:** Not applicable'

Chapter VIII

WELFARE OF EX-SERVICEMEN

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

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

8.3 The Kendriya Sainik Board (KSB) is responsible for the welfare of the Ex-servicemen and their dependents and also for administration of welfare funds. The KSB is assisted in its task by 32 Rajya Sainik Boards (RSBs) and 392 Zila Sainik Boards (ZSBs), which are under the administrative control of respective State Governments/Union Territory Administrations. The Government of India bears 75 per cent of the expenditure incurred on the organization of RSBs in respect of the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Uttarakhand, Jammu & Kashmir and Himachal Pradesh and 60 per cent for other States/UTs while the remaining expenditure is borne by respect State Governments since welfare and resettlement of ESM is the joint responsibility of the Central Government and State Governments.

8.4 The office of Directorate General of Resettlement (DGR) implements various policies/Schemes/programmes of the Department of Ex-Servicemen Welfare (ESM) like

pre and posts retirement training, re-employment, self-employment etc. The Directorate General of Resettlement also has five Director Resettlement Zones (DRZs), one in each of the five Army Commands. Ex-servicemen Contributory Health Scheme (ECHS) take care of the health and medical care of ESM pensioners and their dependents

Role

8.5 Empower retiring /retired service personnel with additional skills through training courses & assist them in choosing second career through employment /self employment.

Functions

8.6 Organize resettlement training in Govt/semi Govt./private Institutes for retiring/retired service personnel.
Evolve & implement policies/schemes for employment / Self-employment as second career.
Liaise with centre/State Govt (s)/ corporate sector to seek greater employment opportunities for ESM.
Act as the interface between retired service personnel and the outside environment for resettlement/second career.

Resettlement of Retired Officers and PBORs

8.7 On the avenues available for resettlement of retired officers and PBORs, the Ministry submitted the following information:

- 'Resettlement and welfare of ESM and the widows is a joint responsibility of the Central and State Govts. The Central and State Govts have reservations for ESM in Central Govt. jobs and services like CMPF, Railways and respective States have laid down percentage of reservations in various jobs. Reservation in the Central Govt jobs are as follows:
- 10 per cent in Group 'C' posts and 20 per cent in Group 'D' Posts. In addition 4.5 per cent reservation in each category is meant for Disabled Soldiers and Widows/dependents.
- 14.5 per cent in Group 'C' and 24.5 per cent Group 'D' posts in PSUs and Nationalized Banks.

- 10 per cent posts upto Assistant Commandants in paramilitary forces.
- 100 per cent in Defence Security Corps.

State Governments also provide reservations to ESM in State Government jobs

8.8 Various welfare schemes and employment/self-employment schemes which are in vogue are as follows:-

- Security agency scheme
- ESM Coal Loading and Transportation Scheme
- Management of CNG Stations Scheme
- Sponsorship for Company Owned Company Operated (COCO) outlets.
- Mother Dairy/ Gopaljee Dairy Scheme for allotment of milk booth & Safal Outlets
- Allotment of surplus army vehicles
- Allotment of regular LPG distributorship scheme under 'GP' category
- Allotment of OIL product agencies under 8 per cent Defence quota
- Allotment LPG agency under Rajiv Gandhi Gramin LPG VitrakYojna (RGGLV)

8.9 The Ministry submitted the following information on number of applications received annually requesting for resettlement of retired officers and PBORs through DGR and applicants actually resettled:

ESM Placement	2014	2015
Officers Sponsored	623	834
Officers Placed	510	295
Scheme	2014	2015
Security Agency Empanelled	382	322
Number of ESM Sponsored(Contractual Jobs)	41764	23627
ESM Coal Company Sponsored	30	17
ESM & Widows/Disabled ESM attached in ESM Coal Company	96	220
Management of CNG	63	31
COCO Scheme (For BPCL/IOCL/HPCL)	499	131
Issue of Eligibility Certificates for allotment of Oil Product Agencies	65	9
Mother Dairy Milk Booths/Safal Booth	211	303
Gopaljee Dairy	-	-
Gopaljee Farm Fresh	05	-

Fixed tenure for the Secretary ESM Welfare

8.10 The Committee have learnt that Secretary, ESW Welfare always had a very short tenure, therefore, an information was sought from the Ministry of Defence on the issue. The Ministry submitted the following information:

'There is no fixed tenure for Secretaries of Government of India, except for a few Secretaries. Further, details of the names and tenure of the incumbents to the post in the last ten years are given below:-

NAME	FROM	TO
SHRI PRABHU DAYAL MEENA	01.11.2014	TILL DATE
MS. SANGITA GAIROLA	04.07.2013	31.10.2014
SHRI RAJEEV GUPTA	12.02.2013	04.07.2013
SHRI R.K. MATHUR (Addl.charge)	31.01.2013	12.02.2013
SHRI VIJAY CHHIBBER	10.09.2012	31.01.2013
SHRI SAMIRENDRA CHATTERJEE	03.10.2011	31.08.2012
SMT. NEELAM NATH	01.06.2009	30.09.2001
SHRI SIDDHART MAHAVIR ACHARYA	28.08.2008	31.05.2009
SMT. DEEPA JAIN SINGH	20.03.2008	31.07.2008
SHRI SATYANARAYANA DASH	31.12.2007	03.03.2008

New avenues for the Resettlement of Ex-Servicemen

8.11 The Ministry has stated that following steps are being taken to create new resettlement avenues for ESM:-

'1. **Setting up of Reservation Monitoring Cell (RMC)** –DGR has been made the nodal agency for monitoring reservation for ESM in various Deptt of Central Govt, PSUs, Banks and CPMF etc. They will collect/compile data pertaining to ESM employed in their organisation vis-a-vis the implementation of Govt reservation policy for ESM. Data received is being analysed in the Dte to ensure proper implementation of reservation policy for ESM. Chief secretaries of State Govts have also been requested to monitor the reservation for ESM in the respective States.

2. There is a proposal to amend DOPT GSR No 757(E) dated 04.10.12 for reservation in Gp B and Gp C @ 10 per cent and 20 per cent respectively in place of Gp C and Gp D @ 10 per cent and 20 per cent keeping in view the merger of Gp C & D posts consequent to the implementation of VI Pay Commission.

3. **MOU with CII** – MOU with CII signed on 19 Aug 2014 to provide direct interface with industry ensuring additional employment generation.

A Job Portal has also been opened for Armed Forces with url dgr.mycii.in

4. **Concept paper on ESM in Nation Building** – Concept paper on the role of ESM in Nation Building has been prepared which envisages large scale employment of ESM in various Govt/Private activities. The concept paper as approved by PMO, has been forwarded to Ministry of Skill Development for implementation .

5. **Awareness Generation** – An awareness campaign has been launched both in electronic and print media to sensitise the environment about the enormous employment avenues available for ESM in various Deptt of the Govt. In addition, teams from DGR and DRZs are going down upto Division level to make the target audience aware about job opportunities available for them both in Central and State Govts.

6. **Provision of entrepreneurship opportunities to ESM** - The following companies have been liaised by DGR for generating entrepreneurship opportunities to the ESM by running Radio Taxi :

(a) Magic Sewa

(b) Golden Icon Fleet Management Pvt Ltd.

7. **Entrepreneurship opportunities to ESM by TATA Motors.** TATA Motors(Bharat Brigade) is providing entrepreneurship opportunity to ESM close to their residence in Marketing TATA brand Cars in the rural areas and cities, in addition company will also provide training to ESM.

8. **AMAZON.Com.** Amazon India has also come forward in providing job opportunities to ESM by creating network of ESM for marketing/Store-man/delivery point job across the country in the rural areas.

9. **MoU Between Ministry of Defence and Ministry of Skill Development and Employment.** MoU implemented on resettlement training to provide better certifications (NSQF Compliant) to ESM through Nation Skill Development Council and its Sector Skill Councils and further skilling of ESM and their families in multifarious fields to bring them under Make-in-India initiative.

10. **Placement Assistance.** A mandatory clause of placement assistance for two years is imposed at institutes providing resettlement training to ESM from the training year 2015-16.

11. **Job Search Portal.** DGR Job search portal is introduced to help ESM in finding suitable jobs.

12. **Enhancement of Upper Age Limit for ESM on Re-employment.** Proposal for enhancement of upper age limit for ESM in Public Sector Banks/Financial Institutions has been accepted by the Ministry of

Defence. The case has been forwarded to Ministry of Finance for the amendment in the existing provision.'

Uniformity in Financial assistance to World War Veterans and awardees of war medals

8.12 The Committee have been recommending in their earlier reports to provide uniform financial assistance to World War Veterans. The Department of Ex-Servicemen Welfare took up the matter of enhancing the assistance to a minimum of Rs.3000/- p.m with the State Governments/Union Territory Administrations and informed that the States of, 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 and A & N Islands were paying in the range of Rs. 3000 to Rs. 6000 per month. On the other hand, states such as Assam, Haryana, Himachal Pradesh, J & K, Kerala, Mizoram, Odisha, Punjab and West Bengal were paying the veterans/ war medal awardees a meagre sum of Rs. 500 to Rs. 1500 per month.

The Committee had, in their earlier reports also recommended on ensuring uniformity in money given to Param Veer Chakra and other gallantry medal winners which varies from State to State. In some states like Punjab, Haryana and Uttarakhand, gallantry medal winners are handsomely rewarded while in some others, they are paid a very meager sum. While the financial / cash rewards for Gallantry awardees varies from State to State, the Central Government has fixed uniform monetary allowances to the recipients of Gallantry Awards viz. Param Vir Chakra (PVC) Rs. 10,000, Ashok Chakra (AC) Rs. 6,000, MahaVir Chakra (MVC) Rs. 5,000, Kirti Chakra (KC) Rs. 4,500, Vir Chakra (Vr C) Rs. 3,500, Shaurya Chakra (SC) Rs. 3,000, Sena Medal / NavoSena medal / Vayu Medal (SM/NM/VM) – Gallantry Rs. 1,000 per month.

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

8.13 The Committee have been recommending in their various reports regarding lateral induction of Ex-servicemen in Central Para Military Forces and State Police

Force. The Committee desire to know the latest position in this regard. The Ministry submitted the following:

'Lateral transfer of service personnel into Central Armed Police Forces (CAPFs) was a key recommendation of the Kargil Review Committee, GoM on Reviewing National Security System and the 5th & 6th Central Pay Commissions. In the wake of the GoM Report on 'Reforming the National Security System' wherein considerable emphasis was laid on keeping a young profile of the Army in peak combat effective state, a Working Group under the Chairmanship of the then Adjutant General, Army Hqrs with Joint Secretary (Police), Ministry of Home Affairs (MHA), representatives of Central Armed Police Forces (CAPFs) and National Security Council Secretariat as Members, was constituted to work out the modalities for reducing the colour service and laterally transferring Army personnel to CAPFs.

2. The Working Group submitted its Report in March, 2002. The Report envisaged lateral transfer of army personnel into CAPFs after 7 years of colour service in the Army. The Report of the Working Group was not signed by the representatives of the MHA as the proposed lateral transfer was not acceptable to them.

3. A meeting was taken by the Home Secretary on 2nd November, 2006. As per the decision taken in the meeting, a Committee under the Chairmanship of Director General, Border Security Force was constituted to work out the modalities for such transfer.

4. MHA submitted the report of DG BSF to the Cabinet Secretariat in February, 2011 with a copy endorsed to this Ministry. The recommendations in the Report were in respect of re-employment of ex-servicemen and no recommendation was made for lateral transfer of armed forces personnel in CAPFs.

5. After submission of Report of DG BSF as stated above, a meeting was held in Cabinet Secretariat on 29.11.2011, which was attended by representatives of MHA/CAPFs, DoP&T and Deptt. of Expenditure besides MoD/AHQ. Cabinet Sectt. desired that MHA and MoD may explore and examine options for achieving lateral transfers from the Army to CAPFs whereby Army personnel are incentivized to join and the interests of resident CAPFs are protected, such as option based lateral transfer with the incentive of longer duration of service but foregoing of seniority. In this regard, Ministry of Home Affairs (MHA) were requested to suggest a framework under which lateral transfer of Army personnel to CAPFs could be made keeping in view the suggestions of Cabinet Secretariat.

6. In a meeting held with MHA in MoD, a suggestion was made to MHA that, to begin with, lateral induction of service personnel into CAPFs may be commenced on a pilot basis (say about 1000 Nos. initially). A new cadre/sub cadre could be created in the CAPFs for such lateral inductees, which will

obviate inter-se seniority issues etc. The above proposal has been conveyed to Cabinet Secretariat and MHA on 02.07.2013.'

Chapter IX

DEFENCE PENSION

The details of approved Budget for BE 2015-16 and the ceiling conveyed by Min of Finance for Non-Plan Expenditure for RE 2015-16 and BE 2016-17 in r/o Defence Pensions are summarized below:-

(Rs. In crore)

BE 2015-16	RE 2015-16	BE 2016-17
54,500.00	60,238.00	82,332.66

Further, the defence pension budget is utilized to pay various elements of pension (i.e. Superannuation/ Retiring Pension, Commutation, Family Pension etc.) to Retired Officer and PBORs including Defence Civilians.

One Rank One Pension

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

9.3 The Ministry submitted the following on the present status of implementation of One Rank One Pension:

'The Government has issued orders for implementation of One Rank One Pension (OROP) for the Defence Forces Personnel w.e.f 1.7.2014 vide MoD letter No. 12(01)/2014/D(Pen/Pol)-Part-II dated 7.11.2015.

2. Salient features of the OROP are as under:-

(i) Pension of the past pensioners would be re-fixed on the basis of pension of retirees of calendar year 2013 and the benefit will be effective with effect from 01.07.2014.

(ii) Pension will be re-fixed for all pensioners on the basis of the average of minimum and maximum pension of personnel retired in 2013 in the same rank and with the same length of service.

(iii) Pension for those drawing above the average shall be protected.

(iv) Arrears will be paid in four equal half yearly installments. However, all the family pensioners including those in receipt of Special/Liberalized family pension and Gallantry award winners shall be paid arrears in one instalment.

(v) In future, the pension would be re-fixed every 5 years.

3. Personnel who opt to get discharged henceforth on their own request under Rule 13(3) 1(i)(b), 13(3)1(iv) or Rule 16B of the Army Rule 1954 or equivalent Navy or Air Force Rules will not be entitled to the benefit of OROP. It will be effective prospectively.

4. The Government has appointed one member Judicial Committee headed by Justice L. Narasimha Reddy, Retd. Chief Justice of Patna High Court to look into anomalies, if any, arising out of implementation of OROP. The Committee will submit its report in six months.

5. Detailed instructions relating to implementation of OROP along with tables indicating revised pension for each rank and each category has been issued on 3.2.2016 for updation of pension and payment of arrears directly by Pension Disbursement Agencies.'

Part II

RECOMMENDATIONS

Growth of Defence Budget

1. As indicated in the General Budget, the provision for Defence Services under Demand Nos. 23 to 28 for the year 2015-2016 at the stage of Budget Estimates (BE) was Rs. 2,63,395.38 crore (Gross) and Rs. 2,46,727.00 crore (Net). The allocation at Revised Estimates (RE) was Rs. 2,43,563.59 crore (Gross) and Rs. 2,24,636.00 crore (Net). On a net basis, the RE for 2015-16 is indicative of a reduction of Rs. 22,091.00 crore over the BE 2015-2016. The net Revenue budget for BE 2015-16 i.e Rs. 1,52,139.00 crore has been reduced by Rs. 8,903.00 crore to bring the RE to Rs. 1,43,236.00 crore. Further, the Capital Outlay has witnessed a decrease from Rs. 94,588.00 crore at the BE stage to Rs. 81,400.00 crore at the RE stage, i.e., by Rs. 13,188.00 crore!

2. The Committee note that Budget Estimates for the year 2016-17, are for Rs. 2,49,099 crore(Net) and Rs. 2,70,487.84 crore (Gross). During the presentation before the Committee, the Ministry submitted that BE 2016-17 consists of Revenue Expenditure of Rs. 1,62,759 crore and Capital Expenditure of Rs. 86,340 crore. The BE 2016-17 amounts to an increase of only Rs. 2372 crore over BE 2015-16 and Rs. 24463 crore over RE 2015-16. In percentage terms, this increase is merely to the extent of 0.96 per cent and 10.89 per cent respectively! During the course of deliberations, the Defence Secretary admitted before the Committee that the amount allocated is not as per requirements of the Services. The Committee express agreement with the Ministry that this growth in the budgetary

allocation is NOT SUFFICIENT and is woefully inadequate for the projects and modernization of the Services.

3. From the data supplied by the Ministry, it is evident that Defence Expenditure as percentage of Central Government Expenditure has NOSE DIVED from the level of 15.24 percent in 2000-2001 to 12.59 percent in BE 2016-17 thereby giving an impression that the Government is not paying attention in providing sufficient allocations to the Ministry of Defence.

4. This is highly ALARMING and needs to be rectified.

5. The Committee understand that under the Revenue account, provision is first made for salaries and other obligatory expenses. The balance allocation available is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. Allocations are reviewed at Revised Estimates stage to cater for requirements which cannot be met under the BE allocations. In so far as the "Capital" segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialize during the year. The remaining allocation is distributed to meet the projected requirement for other items. The procurement plan for Capital modernization schemes may have to be reviewed and re-prioritized, based on available funds. Consequently, only a little amount remains available for making acquisitions and compromises are made. The Committee observe that due to reduced budgetary allocation against the projections made by the Services and other Organizations/Departments, many compromises are likely to be made in the current year as well which will affect the operational preparedness of the Forces.

6. Considering the obligatory charges to be paid like Pay and Allowances to the Services and other personnel, the Committee note that 0.96 percent growth in Revenue segment and 10.89 percent growth in Capital segment of the Budget is miniscule. The Committee also feel concerned to note that the allocation does not account for the annual inflation and fall in the value of Rupee. While not questioning the wisdom of the Defence Budget Planners and Financial Advisors in making and presenting the budget figures, the Committee nevertheless cannot help express being wary of the fact that such a MEAGER INCREASE IN THE BUDGET DOES NOT IN ANY WAY, FULFILL THE BASIC REQUIREMENTS OF THE FORCES, let alone the modernization aspect. Therefore, the Committee feel it necessary that if additional budget is not provided to the Forces as per the demand/projection, than the efficiency of spending should be improved for better utilization of available resources.

7. The Committee also desire to see and be apprised of the impact of the rationalization of Demands for Grants done by the Ministry by bringing Army, Navy and Air Force under one Revenue Head to enable re-appropriation of budget. The Committee, in this regard, express the necessity of taking due care before transferring of funds from one head of account to other. THE RESPECTIVE SERVICE CHIEFS SHOULD NECESSARILY BE TAKEN INTO CONFIDENCE ON THIS ASPECT.

Variation in Projection and Allocation of the Budget of the Services

Variation in projection and allocation made to the Services from 2010-11 onwards as evidenced from the data furnished by the Ministry may be seen in the following table:

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2010-11	Army	83,867.64	74,019.95	83,094.86	75,582.99	78,239.68
	Navy	25,945.54	21,467.52	29,038.60	25,157.29	27,119.20
	Air Force	49,151.16	40,462.45	40,520.73	39,270.34	38,176.49
2011-12	Army	102,962.17	82,820.49	94,894.67	86,816.67	84,081.29
	Navy	40,541.07	25,246.89	35,932.66	29,606.01	31,115.32
	Air Force	56,201.56	46,209.98	46,405.19	43,872.16	45,614.01
2012-13	Army	112,096.22	96,564.83	102,091.42	91,269.50	91,450.51
	Navy	44,478.90	37,314.44	40,768.63	29,668.33	29,593.53
	Air Force	56,838.25	48,220.26	57,941.98	47,621.67	50,509.13
2013-14	Army	118,883.46	99,003.03	110,565.72	100,483.70	99,464.21
	Navy	52,940.22	36,343.46	42,349.79	33,582.92	33,393.21
	Air Force	90,530.48	57,503.94	88,331.20	57,033.71	57,708.63
2014-15	Army	1,46,774.03	118,377.62	123,252.82	119,434.94	114,559.95
	Navy	47,823.78	37,808.46	38,656.82	32,442.86	35,948.53
	Air Force	89,481.74	54,217.52	61,316.75	53,896.54	52,537.48
2015-16	Army	1,41,696.89	1,30,658.33	1,32,253.78	1,24,337.25	100,151.98 *
	Navy	44,814.71	40,528.88	40,990.50	34,375.24	27,311.04*
	Air Force	75,824.24	56,686.84	58,780.87	50,819.24	42,910.27*
2016-17 (BE)	Army	1,53,521.96#	1,39,700.43#			
	Navy	48,725.87	39,424.88			
	Air Force	66,995.01	53,451.25			

*** Expenditure upto end of January 2016 (# Includes BE of NCC, Military Farms, Rashtriya Rifles and ECHS which are shifted to modified Grant No. 20-MoD(Miscellaneous) from FY 2016-17)**

8. Thus, it is evident that since 2010-11, the Services have not been provided the amounts projected as being needed by them, which has affected their long and short term programmes, apart from hampering acquisition and training plans.

9. The Committee are of the view that while the Services project their requirement of funds after much research and by assessing the needs of the coming years, the cut imposed by the Ministry of Defence or Finance, disturb their planning process. Consequently, they are compelled to re-prioritize their requirements as per what they get. As the Services normally have long term plans, the additional allocation, if any, given at RE stage does not help them either. The Committee are aware that the Services need ammunition for training their personnel and for use in the eventuality of a War. For moving the Forces from one place to another and to maintain the equipment and weapon systems, the money comes from the Revenue Head. The Committee are of the view that the Ministry should not underestimate the importance of non-salary Revenue budget in maintaining and running the major resources bought with the amounts provided under the Capital Budget. Any deduction can jeopardize the security of the Nation. Therefore, they desire that the Ministry should provide the budget after *deliberations* as per the agreed projection so that the Services do not suffer due to want of funds under both the Heads i.e. Revenue and Capital. Allocation intended for any Defence programme should not come under any duress on account of factors which may include availability of resources.

Depleting Force levels

10. The Committee note from the data supplied by the Ministry that over the years there has been shortage of Officers as well as Personnel Below Officer's Ranks(PBOR). As per the current figures, there is a shortage of 9106 Officers and 30988 officials of other ranks. The situation is grim in the Navy too which has a shortage of 1526 Officers and 10508 sailors. The only exception is Air Force which has an Authorised Strength of 11978 Officers and 11975 Held Strength. However, the Air Force is short of 8016 Airmen.

11. The Committee note that with a view towards addressing the problem of shortage of officers and jawans in the Armed Forces, Government has taken a number of measures to encourage the youth to join the Armed Forces, including conduct of recruitment rallies, media campaigns etc. Further, Government has taken various steps to make Armed Forces jobs attractive for youngsters. These include improvements in pay structure, providing additional family accommodation through Married Accommodation Project and improving the promotion prospects in the Armed Forces.

12. The Committee note from the information furnished that Force accretion of the Armed Forces and development of their combat capabilities to tackle the entire spectrum of security challenges is an ongoing process, dictated primarily by capabilities to be achieved, threat perceptions, prevailing external strategic security environment and emerging technologies. The Armed Forces periodically review the Security challenges based on threat perception and undertake necessary updation in the warfare doctrines. Necessary emphasis is also being given by the Armed Forces to developing greater jointness among them.

Measures are being taken to ensure that the Armed Forces are appropriately equipped to tackle the range of challenges. The Force accretion programme is being pursued in accordance with the Long Term Integrated Perspective Plan and the 12th Defence Plan (2012-17). Induction of the equipment including tanks, aircraft, aircraft carrier etc. in the inventories of the Armed Forces is an ongoing process which is reviewed from time to time and necessary steps taken.

13. The information provided by the Ministry is silent on the required(Authorized) and existing (Held) level of armaments equipment, aircraft etc. for each of services. Thus, the extent of deficiency in this respect is not known and the Committee are unable to comment on this aspect.

14. The Committee are of the view that the shortage of Officers and PBOR is perennial and there is no improvement in the situation since long. This shows that the current measures are not sufficient to draw the youth to join Armed Forces. Therefore, additional steps need to be taken in consultation with Defence Institute of Psychological Research(DIPR) or other agencies concerned so as to make the Armed Forces more attractive. During examination of Demands for Grants of the Ministry of Defence for the year 2015-16, in response to the Committee's recommendation for providing five years compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted service, the Ministry, in reply, stated that since this would need a major policy decision, the matter would need careful examination and deliberation in consultation with all concerned. The Committee desire that this recommendation should be taken seriously with a view to not only avoid shortage of Officers but also to have disciplined civil servants who are aware of the life and challenges of

the Services personnel and can consider the problems of Services personnel hailing from their native places compassionately. The Committee desire that the progress in this aspect should be intimated to them within three months of presentation of this Report.

Defence Preparedness

15. The Committee are NOT satisfied with the information provided by the Ministry on Defence Preparedness. It merely states that modernization and capability development of the Armed Forces is a dynamic and continuous process based on operational requirements and threat perception and that the Government was fully seized of the security needs of the Country. Appropriate steps are taken to ensure that the security concerns pertaining to the borders are adequately addressed through various measures including accretion of manpower, procurement of right mix of modern and conventional weapons & equipment, ammunition and infrastructure development. These are prioritized and progress of expenditure is closely monitored. Ideal mix of State of Art, Current & Vintage weapon/equipment is 30:40:30 and efforts are made to achieve it.

16. This reply is only bureaucratic in nature and does not convey anything about specific actions taken or proposed. The Committee find the response/information furnished by the Ministry to be of a routine nature. Instead of giving a detailed plan as envisaged by the Ministry alongwith the shortcomings, it appears that the Ministry has tried to conceal the information. The Committee are concerned to note that the Army is operating with large scale

"vintage" equipment. Furthermore, there is deficiency in number of vehicles, small arms/infantry specialist weapons, sight and surveillance equipment, signal/communication equipment, Radars & power equipment and generators etc. Navy has huge requirement for Capital induction as it is short of vessels, aircraft and helicopters. In addition to this, manpower shortage and presently prevalent inadequacies in training can also not to be ignored. Therefore, reduction in share of Naval Budget is not desirable, especially in view of the fact that India's larger chunk of trade takes place through sea routes. Besides this, the new challenges of Navy are enormous, as the hostilities in sea by neighbouring countries have increased over the years.

17. So far as Air Force is concerned, there are a lot of projects piled up for contract during the FY 2016-17. These relate to Rafale fighter aircraft, Medium Lift Helicopter Upgrade, Transport Aircraft along with Associated Equipment as Avro Replacement, Additional Mi-17 V5, Manoeuvrable Expendable Aerial Targets (MEAT), Additional Akash missile system, New Generation Precision Guided Munitions, Reconnaissance Pods for Su-30 MKI, Weapons for Advance Light Helicopters for Advance Light Helicopter etc.

18. On one hand the LTIPP is finalized with intricate participation of the Services and the Ministry of Defence and on the other, the Ministry of Defence does not appear to be realistic in budget allocation! The current Budget of DRDO may not suffice even for ongoing projects and revenue commitments and major projects for meeting the future technology requirements have been put on hold

due to pending allocation of funds. Also, as the infrastructure activities planned for future need additional funding, therefore, DRDO would require, year on year sustained annual commitment for taking up new project.

19. The facts as narrated above, clearly depict that accretion of manpower, procurement of right mix of modern and conventional weapons and equipment, ammunition and infrastructure development, are perennial problems and no concrete action seems to have been initiated to resolve them. The Committee desire that they may be apprised of the efforts made to achieve, the so called ideal mix of State of Art, Current & Vintage weapons/equipment, which is 30:40:30.

National Maritime Authority

20. The Committee note that presently, the task of coordination/ monitoring of Coastal Security issues is being dealt by the National Committee for Strengthening Maritime and Coastal Security (NCSMCS) under the Chairmanship of the Cabinet Secretary which meets at least twice a year. The last meeting of NCSMCS was held on 14.04.2016. The Committee are happy to note that the issues and aspects related to Coastal Security are also reviewed periodically by the Raksha Mantri. NHQ have forwarded a proposal for setting up of a 'National Maritime Authority'. This proposal is under examination in the Ministry in consultation with Ministry of Home Affairs (MHA) and the comments of MHA on the proposal are awaited.

21. The Committee desire that the matter should be pursued vigorously with the MHA and 'National Maritime Authority' should be established at the earliest so as to ensure cohesive policy-making and effective coordination on coastal security among the multiple authorities dealing with maritime issues in the country.

Appointment of Chief of Defence Staff (CDS)

22. The Committee, in their earlier reports, had recommended creation of a post of Chief of Defence Staff(CDS) for better co-ordination among the Services. The Committee note from the reply submitted by the Ministry that a Group of Ministers (GoM) was constituted by the Government to review the national security system in its entirety and in particular, to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation. The GoM, in its report 'Reforming the National Security System', had inter alia, recommended the establishment of the post of CDS. The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS; only 10 out of 24 political parties have replied!

23. The Committee also note that in the interim, the Naresh Chandra Task Force (NCTF) on National Security, set up by the Government in May 2011, had in

their report recommended the establishment of a permanent Chairman, Chiefs of Staff Committee (CoSC). MoD's views in this regard have since been conveyed to NSCS. The recommendation has been considered and was placed before the CCS on 29th April 2014. NSCS vide letter No. C-182/1/135/2014-NSCS (NGO) dated 14th May 2014, had conveyed the approval of the CCS for other recommendations of the Naresh Chandra Task Force (NCTF) pertaining to MoD and requested initiation of necessary action for their implementation. NSCS has not yet communicated any decision of CCS on the issue of Permanent Chairman, COSC. Thus, presently there are two proposals, viz for the establishment of CDS and Permanent Chairman, CoSC respectively under consideration. It is expected that at the time of a final decision of Cabinet Committee on Security on the recommendation of NCTF, both the proposals will be taken note of and the final decision would settle both the proposals, soon.

24. The Committee are of the view that in contemporary times, war cannot be fought by any individual Service on its own strength and has to be a multi-service endeavour, in synchronization with each other. To achieve this goal, permanent CDS, who has the bird's eye view and objectivity may integrate the Services for a common cause better. The Committee desire that CDS should be appointed at the earliest, as he may also be helpful in avoiding duplication in purchase of equipment common to all the three Services and effective functioning of our higher defence organization in both peace and war.

Border Roads Organisation(BRO)

Lower budgetary allocations for BRO

25. From the data supplied by the Ministry, in the year 2011-12, for General Staff Works, BRO projected a demand of Rs. 3000 crore and the amount was allocated, out of which expenditure incurred was Rs. 2634.66 crore. In the year 2012-13, Rs. 3500 crore was the projection for General Staff Works but only Rs. 3300 crore was allocated. In the year 2013-14, also the same figures of allocation were repeated. In the year 2014-15, BRO projected a demand of Rs. 4000 crore but the allocation made was Rs. 3223.49 crore which was further reduced to Rs. 2819 crore, at final allotment stage. In the year 2015-16, Border Roads Organisation projected Rs. 4056 crore for General Staff Works but again the Ministry made a reduction and Rs. 3030.57 crore was provided. This year, at BE 2016-17 stage, Border Roads Organisation projected a demand of Rs. 5044 crore for General Staff Works and once again, a cut of Rs. 1968.27 crore was made! This is incomprehensible and needs to be explained.

26. The Ministry informed that with a view to improve the quality of maintenance, DGBR has been delegated powers to fix rates for maintenance and snow clearance grants. The revision of maintenance grant and snow clearance grant are under process by DGBR. From BE 2015-16, funds are being made available to BRO by the Ministry of Defence (Civil) instead of Ministry of Road Transport and Highways, as BRO is now under Ministry of Defence.

27. The Committee note that lower allocations to BRO will affect original works Planned on roads, resurfacing works, maintenance and snow clearance of roads etc. Besides, as BRO is a work charged Organisation, the Pay and Allowances of BRO Personnel's is kept as liability for the next financial year and full utilization of resources is not done within the financial year. Also, payment for the

procurement of Vehicles/Equipment /Plants which is kept as liability for the next financial year may also not fructify.

28. The Committee also note that as there was a reduction in the allocation of budget for BE 2015-16; a case was taken with the Finance Minister by RM for an additional grant of Rs 1096 Crores for BRO. The FM intimated that allotment could be reviewed on the basis of pace of execution of next Financial year and additional provision, if required, shall be suitably provided. Again a case was taken up with MoF in the month of May 2015 for additional allocation of funds of Rs.1096 Crs for FY 2015-16. In response, MoF intimated that the proposal for additional funds may be sent with the first batch of supplementary demand for grants. Accordingly, additional demand of Rs.1096 Crs was submitted in the first batch of supplementary demand for grant.

29. The Committee note that though the issue of lower allocation of budget to BRO was taken up at the highest level, which is appreciable, it appears that no positive outcome has emerged! Considering the strategic nature and importance of roads in border areas, any cut made to the BRO would directly affect the security of the Nation. Therefore, the Committee desire that the matter may be taken up once again, if needed, at the highest level in the Government.

Financial guidelines affecting the work of BRO

30. The Committee note that during the RE/ BE preparation, Ministry of Finance has issued various guidelines from time to time. One of the main considerations while allocating funds is adherence to stipulations of balance pace of expenditure for which, not more than one – third (33 per cent) of Budget Estimate may be

spent in the last quarter of the financial year. Besides this, during the month of March the expenditure should be limited to 15 per cent of the Budget estimate.

31. The Committee express agreement with the views expressed by the Ministry that due to the nature of works undertaken, it would not be possible for the BRO to meet the stipulation laid down in the guidelines. Further, the pace of work and expenditure depends on the "Working Season". Consequently, imposition of ceiling on the Budget for BRO each year **IS NOT CORRECT**. The Committee desire that the case which has been submitted to the Ministry of Finance for providing budgetary allocation to BRO without imposing a ceiling on RE/BE demand of BRO should be considered seriously, as the construction of strategic roads is akin to acquisitions. This is also necessary for Defence preparedness on account of the fact that BRO has very limited working season due to high altitude area related challenges. The views expressed by the Committee in this regard may be conveyed to Ministry of Finance.

Required (Authorised) and existing (Held) force level in Border Roads Organisation

32. The Committee note that from 2011-12 to 2014-15, the authorised strength of officers in BRO was 1899. However, the held strength fluctuated between 1291 to 1307 officers, during the said period. In the year 2015-16, the authorised strength was 1851 and held strength was 1336, thereby indicating a shortage of 515 officers. In the case of subordinate employees, authorised strength has been constant at 40747 personnel over the years, but at present, only 33723 personnel, resulting in the shortage to the extent of 7024 personnel. The reason cited by BRO that certain vacancies remain in the organisation due to retirement,

resignation etc. is not convincing because BRO must have perceived, at least the retirement part, and recruitment process must have been initiated before hand.

33. During oral evidence, it came to the notice of the Committee that BRO personnel are posted at a height of 8000-10000 feet throughout the year, which leads to High Altitude related diseases. Therefore, the Committee recommend that the BRO personnel should be rotated between projects in high and low altitude areas at specific intervals of time.

Shortage of equipment in BRO

34. The Committee note that requirement of equipments in BRO is assessed on the basis of planned targets in a particular financial year. From the data supplied by the Ministry, it is seen that there has been substantial shortage of equipment with BRO all these years. During 2011-12, there was a shortage of 346 Dozer-II/Equivalent, which came down to 284 in 2012-13, but again reached a new high of 402 in 2013-14. At present, the shortage is of 339 numbers. One more essential equipment is Stone crushers. In 2011-12, there was a shortage of 350 stone crushers, which rose to 544 in 2015-16. Road Roller, another essential item required for construction of roads, was short by 290 numbers in 2011-12, and as per the requirement in 2015-16, the BRO is still short of 131 numbers. There was a shortage of 273 Air Compressors in 2011-12, which rose to 305 in 2015-16. Hot Mix Plants which were short by 19 in number, continue to be deficient in number, with the shortage rising to 101. Shortage of Tippers, which was to the extent of 2120 in 2011-12 rose 2505 in 2015-16. Similarly, there has been shortage of Wet Mix Plants and Paver Finishers also all these years.

35. The Committee are aghast with these revealing figures of shortage given by the Ministry. These shortages pertain to very basic items needed for work related with road construction and are not critical technology items to be sourced from foreign countries. The Committee are of the view that one must not question the pace of work of BRO, when it is struggling with deficiencies in terms of equipment and manpower as well as budget. The Committee expect an immediate action on this, and be informed soon.

Progress of construction of roads in border areas

36. The Committee note that some measures have been taken to overcome the impediments and to facilitate smooth progress of work in construction of roads in border areas. 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, the Ministry of Defence (MoD) & Ministry of Road Transport and Highways (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 National Security Advisor (NSA) on 23.8.2013 that in order to reduce BRO's work load, MoRT&H and BRO will jointly examine and prioritize the roads which are necessarily to be constructed by the BRO in Uttarakhand, J&K and North East. MoRT&H will make alternate arrangements for remaining roads. Accordingly, 28 roads of 2904 Kms length were identified for transfer to various agencies. Roads are being handed over by BRO to other agencies. As on date, 20 roads of length 1795 km have been handed over to other agencies by BRO.

37. Considering the strategic importance of roads in border areas and the fact that no other agency has expertise similar to BRO to maintain the roads in hilly and difficult terrains, the Committee urge upon the Ministry to review the proposal pertaining to handing over of National Highways and other roads directly feeding the strategic roads and to provide for retaining them with the BRO only.

38. The Committee also recommend that BRO, unlike civil engineering agencies, e.g. PWD and CPWD, has been assigned specific role to play and work under hostile conditions. The BRO has been manned and equipped accordingly. Therefore, BRO should be given responsibility of construction/maintenance of Strategic Roads right from the rail-head up to the border.

Plan and Achievement of targets in regard to construction of roads

39. The Committee note that as per planning, BRO is lagging behind in construction of roads. In 2012-13, it planned for 2374 km of formation, but the achievement was only 1669 km. Same year, in surfacing work, it planned for 3705 km but achievement was just 2421 km. For resurfacing, it planned for 2837 km but completed only 1738 km. So was the case with Major bridges. Out of 3862 meters, BRO was able to complete only 2462 meters in length. As this phenomenon has been repeating year after year, all the projects are far behind the scheduled work.

40. The Committee note that 73 roads are identified as strategic Indo-China border roads, out of which 61 roads have been entrusted to BRO with a length of 3417 km, which were planned to be completed by 2012. Only 21 roads of length

661.59 km have been completed. As per the revised completion schedule by 2016, 6 roads, by 2017, 8 roads, by 2018, 12 roads, by 2019, 8 roads and by 2020, 8 roads will be completed. The Committee, in this regard express the need on the part of BRO to explain the reasons for the “shortages” in meeting the targets.

41. As highlighted in the earlier report of the Committee, the BRO has certain deficiencies in major areas which include the budget. In this regard, the Committee would suggest that as technology in each and every field is changing very fast, BRO should also explore the possibility of using State-of-the-Art equipment for swift construction of roads; and revise the timelines accordingly for being adhered to.

Status of construction of roads in difficult areas

42. The Committee note that 73 roads are identified as strategic Indo-China border roads, out of which 61 roads have been entrusted to BRO with a length of 3417 km. 21 roads of length of 661.59 km have been completed. From the information supplied, the Committee find that progress of work on 12 roads in the state of Uttarakhand and 16 roads in Arunachal Pradesh is far from satisfactory. The Committee find that on two roads, work is yet to commence due to pending wildlife clearance on Road Flag hill – Dokala and alignment issue of MHA Road Thimbu-Mago- Chuna. Army has endorsed the present alignment of MHA with lower priority and asked BRO to completed at first, Ramasapar-Mago-Chuna (Southern alignment) as a GS road. The decision regarding Thimbu-Mago-Chuna (Northern Alignment) is awaited from MHA. The Committee are surprised that despite the single window clearance system for Wild Life and Forest Clearance cases the issue has not been resolved.

43. The Committee find that presently two Border roads task Forces are deployed for construction of Nimmu-Padam- Darcha road and expected time frame for completion is the year 2019. For Shinkunla Tunnel and the Wangtu-Pooh-Sumdo-Chumar-NyomaUpshi- Leh Road, Approval in Principle to carry out feasibility study of Shinkula tunnel of 4.15 km on Nimmu- Padam –Darcha has been accorded. For the Balipara-Charduar-Tenga-Tawang (Main Axis) Road, which is also under progress, formation of 193.22 Km and surfacing of 149.46 Km has been completed as on January, 2016. What surprises the Committee in this regard is that following the mooted proposal in 1999, the construction is proposed to be completed in 2019. Thus, it will take full 20 years in completing this road! The Committee understand that there must be challenges of various nature, but a time period of 20 years for completing the work is far too much.

The Committee desire that Ministry should explain the reason behind such delay.

44. The Committee desire that priority should be accorded to the roads as mentioned in the preceding para and all out efforts should be made to complete Orang-Kalaktang-Rupa-Shergaon-Morshing-Phudung-Mandala Debrabu-Naga GG-BJ Gompa-Lagamche GG-Mukto-Teli-Bomdir-Tawang (Alternate Axis) road, Pinjoli-Buragaon-Dibbin-Mathow-Tungri-Chhangla-Pangila-Pota-TselaMago (Third Axis) road and other roads in Tawang Area.

Pending Forest and Wild Life clearance cases

45. The Committee note from the following data supplied by the Ministry that there are 14 Forest Clearance cases pending in respect of Indo-China Border Roads (ICBRs) in Arunachal Pradesh, Assam, Himachal Pradesh and Sikkim.

S/ No	STATE	Case Pending With					
		AIP Accorde d	MoEF	Regional Office of MOEF	State Nodal Officer	CEC/ NBWL/ SBWL	Total Pendin g Cases
a	Arunachal Pradesh	7			1		8
b	Assam	2	-	-	-	-	2
c	Himachal Pradesh	2	-	1	-	-	3
d	Sikkim	-	-	-	1	-	1
	TOTAL	11		1	2	-	14

46. The Committee are happy to note that at least no forest clearance cases are pending with Ministry of Environment and Forests (MoEF). The Committee also note that in these States, in total, 5 cases of Wild Life clearance for Indo China Border Roads (ICBRs) are pending.

47. The Committee also note that in respect of roads other than ICBRs, in total 183 cases are pending for Forest Clearance at different levels in Arunachal Pradesh, Uttarakhand, Jammu & Kashmir, Himachal Pradesh, Manipur, Mizoram, Tripura, Andaman & Nicobar, Punjab, Rajasthan, Sikkim and West Bengal. However, only 3 cases pertaining to roads other than ICBRs are pending for Wild Life Clearance.

48. The Committee further note that as for the reasons for non-clearance of such cases, it has been submitted that clearances are at various stages of processing and this delay is being caused due to completion of procedural

formalities by respective offices, like conducting of joint survey on ground, assessment of forest products and biodiversity impact assessment etc.

49. The Committee also note the steps taken by the Ministry of Defence to expedite cases such as, constitution of Empowered Committees consisting of Chief Secretaries of State Governments of Arunachal Pradesh, Assam, J&K, Himachal Pradesh, Manipur, Nagaland, Sikkim, Tripura with Principal Secretaries of Revenue, Forest, Mining, PWD and Power Departments along with the PCCF and Chief Engineers of BRO as members to resolve issues. States of Sikkim, Arunachal Pradesh, Jammu & Kashmir, Himachal Pradesh and Tripura have constituted the Empowered Committee.

50. The Committee further note that the Ministry has taken various other steps such as, constitution of working group under the chairmanship of Secretary, Ministry of Environment and Forest (MoEF) for expediting the forest clearance cases, setting up of single window system at State level for speedy clearance, exemption of Compliance of Scheduled Tribe and other Forest Dwellers (Recognition of Forest Rights) Act 2006 to avoid delay in clearance of road projects within states of Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Uttarakhand and Sikkim. It is also informed that approval for working permission for tree cutting and commencement of work, if required compensatory levies as per conditions stipulated in the principle approval are realized from the user agency and where necessary for compensatory afforestation, transfer and mutation of non-forest/revenue forest land in favour of state Forest Department is affected.

51. The Committee desire that the states of Uttarakhand Manipur, Nagaland and Mizoram be impressed upon for constituting the Empowered Committees for smooth facilitation of clearance cases which would enable in construction of the roads at the required pace.

Difficulties faced by BRO in construction and maintenance of existing roads

52. The Committee note that BRO faces adverse and harsh climatic conditions and also there is non availability of sufficient labour. The Committee also find that BRO also suffers on account of limited working seasons due to prolonged monsoons from May to September every year and repeated damages due to landslides, natural calamities i.e flash floods, cloud bursts, etc. The Committee also note that BRO faces the problem of non-allocation of stone/sand quarries by the State Governments, weak geological strata/formation especially in North Eastern region causing sinking/ formation breaches, insurgency in some areas, reduction in allocation of maintenance budget which affects resurfacing works, maintenance and snow clearance of roads and issues related to land acquisition, environmental clearance, lack of quarries etc.

53. The Committee are of the view that some issues which relate to Nature can be solved by using very advanced State of the Art techniques. However, a majority of the problems can be resolved if the Ministry of Defence and State Governments concerned willingly involve themselves. The Ministry should through Empowered Committees try to speed up the process so that construction of motorable roads in important strategic areas turns into reality.

Indian Coast Guard (ICG)

Budgetary Provisions

54. The Committee note that during the year 2010-11, Coast Guard was provided Rs. 2,016.07 crore at the final stage, which was 1.33 per cent of total Defence Budget of Rs. 1,51,581.69. This percentage of allocation rose to 1.48 per cent in the year 2011-12, wherein Coast Guard was allocated Rs. 2532.88 crore out of defence budget of Rs. 1,70,936.81 crore. However, after that, the budget of Coast Guard started sliding and it was 1.41 per cent in 2012-13, 1.02 per cent in 2013-14, 1.09 per cent in 2014-15, 1.22 per cent in 2015-16. This year, Coast Guard has been allocated Rs. 3,124.41 crore which is 1.25 per cent of the defence budget of Rs. 249099 crore.

55. The Committee also note that during the year 2012-13, Coast Guard projected an amount of Rs. 3037.21 crore but was allocated only Rs. 2771.21 crore at BE stage. In the year 2013-14, Coast Guard projected an amount of Rs. 2914.63 crore but the allocation was Rs. 2829.81 crore. Similarly, in the year 2014-15, Coast Guard projected Rs. 2828.96 crore, but was allocated a lower sum of Rs. 2680.26 crore. In the year 2015-16, Coast Guard projected an amount of Rs. 3692.86 crore but was again allocated a lesser amount of Rs. 3014 crore. In the year 2016-17, Coast Guard projected an amount of Rs. 5788.58 crore at BE stage but the allocation was Rs. 2664.17 crore less than the projection made, the amount allocated being Rs. 3124.41 crore.

56. From the submissions made by the Defence Secretary during oral evidence, the Ministry of Defence has not been in a position to make the money available during the re-appropriation as Coast Guard comes under a different budget head. The Defence Minister too was seized of the matter.

57. The Committee are unable to comprehend as to how the Ministry of Defence or Finance can make the Coast Guard deficient of such massive budgetary allocation which is 46 per cent of the projection made by this Service. Moreover, this Service is expected to carry out its duties effectively for the safety and protection of artificial islands and offshore terminals and installations, provide protection and assistance to fishermen at sea while in distress, preserve and protect maritime environment and prevent and control marine pollution. Also, the ICG assists the Customs and other authorities in anti-smuggling operations and such other matters, including measures for the safety of life and property at sea and collection of scientific data. The Committee desire that to let Coast Guard perform its expected role efficiently, efforts should be made for allocation as projected by it at RE or supplementary grants stage.

Lower Capital budget allocation affecting the force levels

58. The Committee note that in the Action Taken Note on the sixth report, it is stated that the funds allocated under the Capital Section for 2015-16 for the Indian Coast Guard (ICG) is short of the projected requirement by near about 50 percent viz., the allocated amount being Rs.1200.00 crore as compared to the projected requirement of Rs.2050.00 crore. Again due to the budgetary cut imposed by the Ministry of Finance, the ICG is carrying over a liability of Rs.675 crore from the previous year 2014-15. Concurrently, the projected requirement under the Capital Head for various new schemes of the ICG is said to be Rs.4225.00 crore. The Committee also note from the Action Taken Reply that by February 2015, against

a Budget allocation of Rs.1200 crores under Capital Head (Acquisition of Ships, Aircraft and Fleet) a total of Rs.1191.98 crore i.e. 99.26 per cent was utilized. The Committed liabilities of Rs.535 crore towards ships acquisition, which were under construction at various shipyards, is carried forward to financial year 2016-17. In addition, the Committed liabilities of Rs. 85 crore for the projects during financial year 2015-16 for leasing of berthing/Jetty infrastructure & land acquisition is carried forward to financial year 2016-17.

59. The Committee further note that the existing force level is 119 surface platforms (55 Ships, 18 ACVs & 46 boats) and 62 aircraft. The planned force level is 150 ships including boats and 100 aircraft by 2018 and 2020 respectively. The Committee find the allocation of Capital Acquisition Budget for ICG has been well below the projected requirement all these years. The reduction at RE stage in FY 2014-15 and further low allocation in BE 2015-16 has slowed the progress of new acquisition schemes. Due to insufficient funds under Capital Head ICG is going to have to carry forward liabilities of over Rs.500 crore for Committed liabilities from current FY 2015-16. The allocation of Rs.1200 crore for Capital acquisition for FY 2016-17 will be barely sufficient to meet the Committed Liabilities and therefore 'Nil' funds will be available for New Schemes/Contracts. As a result, the critical/operational acquisition schemes like 150 ships including boats and 100 aircraft, which are to be procured by 2018 and 2020 respectively will either have to be deferred or slowed down till matching budget is allocated. Therefore, the Committee recommend that to make Coast Guard fully prepared to face any

eventuality and perform its role well, adequate budget to purchase assets should be provided.

Setting up of Air Enclaves

60. The Committee note that the Indian Coast Guard had 02 Air Stations, 02 Air Enclaves and 04 independent Air Squadrons as on November 2008. Post 26/11, Government sanctions were obtained for setting up of 01 Air Station at Ratnagiri, 11 Air Enclaves at Goa, Kochi, Kolkata, Vizag, New Mangalore, Tuticorin, Bhubaneshwar, Minicoy, Puducherry, Mumbai & Trivandrum. Of these, 04 Air Enclaves at Goa, Kochi, Kolkata and Bhubaneshwar have been established taking the strength of air establishments to 02 Air Stations, 06 Air Enclaves and 01 independent Air Squadron. Upon setting up of the remaining establishments, there will be a total of 16 air establishments (03 Air Stations and 13 Air Enclaves) functioning from strategic locations along the coast. The Committee desire that to give air supremacy to carry out its mandated task of enforcement of anti-poaching measures, monitoring and surveillance of Deep Sea Fishing vessels etc remaining 7 air enclaves should be established at the earliest and the Committee may be apprised of the progress made in this regard.

Shortage of Manpower in ICG

61. The Committee note from the data supplied that like other Services, the Indian Coast Guard is also short of sanctioned strength. Presently the sanctioned strength in respect of Officers is 2108 but availability is just 1563. Shortage is to the extent of 545 officers or say 25.85 per cent of the sanctioned strength. Non Commissioned personnel are short by 2017 in numbers and Civilians by 509 numbers. The Committee are not happy with such shortages where a Force responsible for the security of our coasts is short by one fourth of the sanctioned strength of officers. Therefore, the Committee desire that immediate measures should be taken to fill the gap and a long term policy should be formulated so that such deficiencies may not occur in future.

Military Engineering Services

62. The Committee note that the Military Engineering 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 MES is 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. Budget provided to MES is distributed among the services and other organizations based on demand for major works in progress and new major works depending upon actual and anticipated liabilities in the financial year. MES considers carry over liabilities of running projects and

anticipated expenditure of new projects which are likely to be sanctioned during the financial year.

63. From the information supplied by the Ministry, the Committee note that except the year 2011-12, where Rs. 6300.29 crore was allocated to MES against the projection of Rs. 6341.14 crore, in all the years after that, allocations were short, to the extent of Rs. 1349.09 crore in the year 2012-13, Rs. 1328.93 crore in 2013-14, Rs. 1345.13 crore in 2014-15 and Rs. 324.89 crore in 2015-16. Surprisingly, the MES projected a demand of Rs. 8973.81 crore, which is only Rs. 6.91 crore more than last year's BE indicating that MES has not made any development plans or there is no further new project to execute.

64. The Committee are happy to learn that the funds projected for MES works have been met in full and no work has been compromised due to constraints of funds.

Pending Projects

65. The Committee, during the examination of Demands for Grants 2014-15 and 2015-16, had learned that works of thousands of crores were planned to be carried out by MES. Therefore, the Committee desired to know the future plans of MES for carrying out these works. From the reply submitted by MES, the Committee note that once administrative approvals are given, the works are taken up for design and tender action before execution. The works held up in MES are primarily due to tree cutting, slow progress or default of the contractors and deficiency in manpower within MES for planning and supervision of works, post contracting. While QMG's Branch is addressing the issue of tree cutting in consultation with the Command HQs and DEO, the MES is holding regular

meetings with Builders Association of India (BAI) to adopt modern construction practices in order to improve quality and performance. Outsourcing through consultancy services is also being pursued vigorously, to narrow the gap in tendering backlog. Case for making up for deficiencies in manpower and additional accretions for MES has already been initiated and is presently under consideration of the Ministry of Defence.

66. During oral evidence, the Committee were apprised that a huge number of vacancies exist in MES. At Supervisory level, it is 2474 (33.47 per cent), Other Basic level, 25073 (65.36 per cent), Industrial, 32417 (44.34 per cent). This, in total there are 59964 vacancies or say 50.45 per cent deficiency.

67. The Committee recommend that the Ministry should find out the reasons leading to such a huge shortage where more than half of the work force is not there, and also, whether any corrective measures have been taken to address the situation. The steps so taken for filling up the vacancies may also be communicated to the Committee at the earliest.

68. The Committee also note that works held up due to tree cutting or default of the contractors are of routine nature. MES should take due care before awarding the contracts and only reputed and well established contractors should be given priority so the work assigned to MES by Ordnance Factories and other departments can be completed on time and undue delays can be avoided.

Canteen Stores Department

69. The Committee note that CSD is a revenue neutral Department of the Government of India and entrusted with the responsibility of providing consumer goods and other household articles of common use to the personnel of the Defence Services and other entitled personnel at a price lower than the prevailing market price. CSD charges a marginal average profit of 6.5 per cent 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.

70. The Committee find that huge sums are collected by CSD as penalty imposed on account of deficiencies in quality of goods supplied. This amount has risen from Rs. 28,96,639 in the year 2012-13 to Rs. 5,70,66,461 in the year 2014-15. The Committee would like to know the reason for the increasing number of defaulters and are of the view that only branded and good quality products should be purchased by CSD and no compromises should be made with the health of our Defence personnel. The Committee also desire that stricter norms should be imposed to tackle instances of supply of substandard items so that it will act as a deterrent on the erring companies.

Directorate General, Defence Estates (DGDE)

71. The Committee note that DGDE provides advisory inputs on all Cantonments and Land matters to the Ministry of Defence and Service

Headquarters ie Army, Navy, Air Force and other organizations under Ministry of Defence. Acquisition of land, resettlement and rehabilitation of displaced persons, hiring and requisitioning of land and buildings, are some of the responsibilities of DGDE.

72. The Committee also note that DGDE is plagued with financial problems due to limitations of tax and non tax resource base; exemption provided to government properties from property tax; inelastic tax base due to restrictive land use/construction policy; non sharing of tax/other revenue proceeds as well as benefits of Centrally Sponsored Schemes by the States. Also, the Smart Cities Mission is not being extended by States to the Cantonments.

73. On the problems pertaining to management of funds by DGDE, The Committee note from the statement of FA (DS), that the Ministry of Finance, had in the last year, reduced the Budget from Rs. 325 crore in the BE 2015-16 to about Rs. 50 crore in RE, thus, making it difficult for giving grants to some of the Cantonments like Secundarabad in Telangana, which although fetches good revenue to the DGDE, does not get matching resources in return.

74. The Committee desire that measures be taken for modifying the expenditure pattern in such a way that high revenue generating Cantonments also get matching grants so as to facilitate their residents by way of enhanced public amenities and infrastructure.

75. The Committee further note that Rs. 11,507 crore arrears as Service Charges are from the Army and Rs. 214 crore from Air Force. The cumulative arrears are several times more than the total budget of DGDE. The Committee

desire that, as admitted by the Defence Secretary, a separate head of account be created in the Ministry of Defence paying such charges to DGDE and to avoid any controversies between two wings of the Services.

76. The Committee also take note of the problems faced by the residents of Cantonments where roads are blocked by the Defence Authorities due to security reasons, etc. The Committee are of the view that the Ministry should seriously look into the matter for amicably resolving such problems by the way providing alternative routes etc. to the residents.

Defence Public Sector Undertakings(DPSUs)

Performance of DPSUs

77. The Committee note that from 2010-11 to 2014-15, some of the Defence Public Sector Undertakings, like BEL, BDL and MIDHANI were registering incremental profits, but profits of some of the DPSUs like HAL, BEML, GRSE, GSL and MDL remained inconsistent all these years. Another Defence Public Sector Undertaking, HSL, has always been in the red except for the year 2010-11. The reason given for the inconsistency in profits of BEML during the year 2012-13 centers on inadequacy of orders. For GSL, which has reported a loss amounting to Rs 61.09 crore during the Financial Year 2013-14, the reasons are insufficient Order Book, under utilization of Capacity, unaccounted Liabilities of Naval Offshore Patrol Vessels (NOPVs) on Completion of Contract in Jan.2014 (Rs 39.01 Cr) and loss on account of Coast Guard Offshore Patrol Vessels (CGOPVs) Delivered prior to FY 2013-14 (Rs.18.14 Cr). In respect of HSL, the reasons

attributed for losses over the past 4 years are low order book position, lack of working Capital, aged infrastructure etc.

78. It is a fact that these Defence Public Sector Undertakings have the support of the Government by way of getting assured orders for the Services. The Committee are not convinced with the reasons given by the Ministry on the variations in the performance of Defence Public Sector Undertakings. The Committee are of the view that, if orders are not forthcoming from the Government, the DPSUs should gear themselves up to explore Indian and Foreign markets to sell their products and earn profits.

79. The performance of BEML is the most shocking amongst the other Defence Public Sector Undertakings. While, during the year, 2010-11, the company made a profit of Rs 186.75 crore, it came down to Rs. 66.46 crore in 2011-12 and in 2012-13, the company made a Loss of Rs.122.33 crore. For the last two years, viz., 2013-14 and 2014-15, the profits are Rs. 9.08 crore and Rs. 6.91 crore respectively. The Committee would like to know the reasons, as to why, a diversified company which provides numerous products to the Civilian Sector as well has turned into a loss making unit.

Cost and time slippages

80. The Committee note that HAL is supplying Su-30 MKI fighter aircraft, Light Combat Aircraft, Advanced Jet Trainer Hawk, Dornier Do-228, Advanced Light Helicopters, ALH and Chetal helicopters for the Defence Forces. As these supplies are against firm and fixed contracts, there is no slippage of cost. However, as admitted by the Ministry, due to reasons which are unforeseen and

beyond the control of HAL, there are instances of rescheduling of deliveries in consultation with the customers. Considering the long delay of LCA and IJT in particular, the Committee are of the view that HAL has to take necessary steps to improve its delivery schedules of Aircraft.

81. The Committee note that the reasons attributed by BEL as reasons for delays are, accord of Bulk Production Clearance (BPC), changing customer requirements, site readiness, platform readiness etc. The Committee desire that the Ministry should look into the matter of availability of platforms to BEL and also impress upon the users to not change their requirements frequently.

82. The Committee find that the main cause of product and cost delays by BDL in respect of Konkurs-M ATGM are the increase in cost of imported items from OEMs which is not being reimbursed. Also, products like Milan-2T ATGM, Konkurs-M ATGM, AkashSAM were delivered beyond the scheduled time. The reason attributed is delay in receipt of Kits from Foreign Original Equipment Manufacturer for products like Konkurs-M and Milan-2T. Akash SAM got delayed due to delay in supply of input material from vendors. The Committee desire that the company should look into the aspect of developing vendors within the country for making kits indigenously. The Committee hope that the new initiatives of DPP like IDDM will be beneficial in such cases.

83. The Committee find that there are cost or time slippages in respect of GRSE, HSL and MDL due to one or other reason. One of the reason given by MDL for slippage in time is non availability of quality steel. In this respect the

Committee desire that possibility of securing the same from DRDO, which has developed light weight material to be used in the construction of ships may be explored. The Committee desire that the Ministry should monitor regularly the working of DPSUs and resolve the bottlenecks in the processes so as to avoid cost and time slippages. Delays in building and delivering ships, submarines, missiles and aircraft may cost the country very dearly.

Modernization of DPSUs

84. The Committee appreciate the fact that except HSL and GRSE, all other Defence Public Sector Undertakings appear to be having their modernisation plan on track. The Committee desire that funds should be allocated to HSL and GRSE also for modernizing of their shipyards.

Expenditure on R&D

85. The Committee note that HAL is spending 6.31 per cent, BEL 8.0 per cent, BEML 2.05 per cent, BDL 0.76 per cent, GRSE 0.60 per cent, GSL 0.74 per cent, HSL 1.0 per cent, MDL 1.13 per cent, MIDHANI 0.80 per cent of value of production. Percentage wise there is lot of variation ranging from 8 per cent to just 0.60 per cent. While tendering oral evidence, Secretary, Defence Production also admitted that this was a weak point of Defence Public Sector Undertakings. The Committee desire that such weak points should be rectified and overcome for consistent improvement in products and for innovation. The DPSUs need to invest significantly on R&D, so that the country could be benefitted with the State of the Art quality products.

Shortfall in achieving targets

86. The Committee note that reasons attributed by HAL for the ALH shortfall centres on updating of various designs, non-supply of MGB housing which was outsourced to L&T by the vendor, identification of alternate sources and stabilization of supplies, taking up of Air Data Unit for development by SLRDC, which was declared obsolete by OEM (Thales) and Technology assimilation for over 30 critical parts including commissioning of High Speed Balancing facilities for Engine Shaft etc of Shakti Engines.

87. In case of BEL, the reasons for shortfall are, partial receipt of Launchers & Missiles from consortium partner of Akash Missile System, delay in accord of BPC for systems, changes in customer requirement and non receipt of anticipated orders. The reasons given for BEML are, continuous recession in Mining and Construction segment (both Domestic & Global) while the Tatra Vehicle could not be produced for the Defence because of a temporary ban on dealing with foreign equipment manufacturers and lack of demand for rail coaches from Indian Railways for the years 2014-15 and 2015-16.

88. In case of BDL, the reasons for unachieved targets are the numerous delays that arise in receipt of input material from vendors, kits from OEMs, input material from subcontractors etc. and taking extended time by the Project Team of DRDL to finalize the scheme. GRSE attributed the reason for unachievable targets to variation in actual VOP of Landing Craft Utility (LCU) project and non delivery of 1st ship of the project. For GSL, it is lack of sufficient orders.

89. HSL has attributed the shortfall to low order book position compared to installed capacity, severe financial problems and lack of working Capital and aged infrastructure which lead to frequent breakdown and work disruption; and in

case of MDL, delays in availability of warship quality steel from Russia, finalization and delivery of weapon equipment from Russia, non receipt of critical equipment etc.

90. The Committee find that some of the reasons attributed by Defence Public Sector Undertakings for not achieving the set targets like extended time taken by the Project Team of DRDL to finalize the scheme and lack of working Capital and aged infrastructure can easily be addressed. Therefore, the Committee desire that required steps should be taken to achieve the targets so that the Services can be sure of getting their requirements as per plan.

Welfare of Ex-servicemen

Resettlement of Retired Officers and PBORs

91. The Committee note that Resettlement and welfare of ESM and the widows is a joint responsibility of the Central and State Govts. The Central and State Govts have reservations for ESM in Central Govt. jobs and services like CMPF, Railways and respective States have laid down percentage of reservations in various jobs. On examination of information supplied by the Ministry, the Committee found that number of ESM who were provided resettlement opportunities by DGR is going down and so is the sponsorship of Officers. The explanations given by DGR/ Ministry of Defence in this regard viz., sponsorship of officers is based as per the qualification required by the employers as well as also the availability of the Ex-Servicemen (Officers) [ESM (O)] for the posts is not convincing. The Committee desire that DGR should advertise the posts and have a policy to train the officers/PBOR to make them market ready.

Fixed tenure for the Secretary ESM Welfare

92. From the data supplied by the Ministry, the Committee note that Secretary, ESW Welfare always had a very short tenure and during last 10 years, 10 incumbents were posted in the Department and their tenure was, at times, less than a year, which obviously not only affected the long-term planning, grievance redressal and strategy but is also indicative of lack of seriousness of Government towards welfare of Ex-servicemen. The Committee are of the view that the tenure of Secretary of Department of ESM should be a fixed one so as to ensure accountability and better implementation of policies. *The Committee desire to have a response in this respect within three months of the presentation of this report.*

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

93. The Committee have been recommending in their various reports regarding lateral induction of Ex-servicemen in Central Armed Police Forces and State Police Force. The Committee note from the information submitted by the Ministry that a Working Group under the Chairmanship of the then Adjutant General, Army Hqrs with Joint Secretary (Police), Ministry of Home Affairs (MHA), representatives of Central Armed Police Forces (CAPFs) and National Security Council Secretariat as Members, was constituted to work out the modalities for reducing the colour service and laterally transferring Army personnel to CAPFs. The Working Group submitted its Report in March, 2002. The Report envisaged lateral transfer of army personnel into CAPFs after 7 years of colour service in the

Army. The Report of the Working Group was not signed by the representatives of the MHA as the proposed lateral transfer was not acceptable to them.

94. The Committee also note that a meeting was taken on the matter by the Home Secretary on 2nd November, 2006. As per the decision taken in the meeting, a Committee under the Chairmanship of Director General, Border Security Force was constituted to work out the modalities for such transfer.

95. MHA submitted the report of DG BSF to the Cabinet Secretariat in February, 2011 with a copy endorsed to the Ministry of Defence. The recommendations in the Report were in respect of re-employment of ex-servicemen and no recommendation was made for lateral transfer of armed forces personnel in CAPFs and after submission of Report of DG BSF as stated above, a meeting was held in Cabinet Secretariat on 29.11.2011, which was attended by representatives of MHA/CAPFs, DoP&T and Deptt. of Expenditure besides MoD/AHQ. Cabinet Sectt desired that MHA and MoD may explore and examine options for achieving lateral transfers from the Army to CAPFs whereby Army personnel are incentivized to join and the interests of resident CAPFs are protected, such as option based lateral transfer with the incentive of longer duration of service but foregoing of seniority. In this regard, Ministry of Home Affairs (MHA) were requested to suggest a framework under which lateral transfer of Army personnel to CAPFs could be made keeping in view the suggestions of Cabinet Secretariat.

96. The Committee further note that in a meeting held with MHA in MoD, a suggestion was made to MHA that, to begin with, lateral induction of service personnel into CAPFs may be commenced on a pilot basis (say about 1000 Nos. initially). A new cadre/sub cadre could be created in the CAPFs for such lateral

inductees, which will obviate inter-se seniority issues etc. The above proposal has been conveyed to Cabinet Secretariat and MHA on 02.07.2013.

97. The Committee are surprised that the issue is pending in the Cabinet Secretariat and MHA since 2013 and no tangible progress has been made by them till date. The Committee, therefore, reiterate their recommendation that the Ministry of Defence should have high level meetings regularly 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 that the Ministry of Home Affairs can have disciplined and trained manpower. Meanwhile, as suggested, lateral induction of service personnel into CAPFs may be commenced on a pilot basis. The Committee desire to be apprised of the progress made in this direction within one month of the presentation of this Report to Parliament.

Reservation of ESM in Group B and C posts

98. The Committee note that after implementation of 6th CPC Report, all Group 'D' posts have been upgraded to Group 'C' posts and certain Group 'C' posts were upgraded to Group 'B' posts in Central Government jobs and with the result the Department of Personnel & Training (DoPT) Notification dated the 4th October, 2012, for providing 20 per cent reservation in Group 'D' posts has no relevance and moreover it has resulted in an unintended loss of vacancies reserved for Ex-Servicemen (ESM) in Group 'C' posts. The proposal for making a provision of 10 per cent in Group 'B' posts and 20 per cent in Group 'C' posts in Government jobs for ESM in place of 10 per cent in Group 'C' and 20 per cent in Group 'D'

posts, is under consideration since a long time. The Committee desire that the Ministry of Defence should take up the matter so as to provide reservation to the ESM on the posts accordingly.

99. The Committee also desire on ensuring that family members of martyrs should be provided employment and the jobs given to compassionate appointees should be commensurate with their qualification.

Enhancement of Upper Age Limit for ESM on Re-employment.

100. The Committee note that a proposal for enhancement of upper age limit for ESM in Public Sector Banks/ Financial Institutions has been accepted by the Ministry of Defence. The case has been forwarded to Ministry of Finance for amending the existing provision. The Committee desire that the matter should be pursued with the Ministry of Finance to reach finality at the earliest which would benefit scores of ESM. This move can also serve as an attraction to the youth to join the Services. *The Committee desire that action taken in this respect may be submitted to the Committee for their perusal at the earliest.*

Uniformity in Financial assistance to (i) World War Veterans and (ii) Gallantry Medal Winners

101. Considering the unevenness in the financial assistance provided to World War Veterans by the States in 2009, the Department of Ex-Servicemen Welfare was asked to take up the matter of enhancing the assistance to a minimum of Rs.3000/- p.m with the State Governments/Union Territory Administrations. The Committee were informed in this regard that the States of, 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 and A & N Islands were paying in the range of Rs. 3000 to Rs. 6000 per month. On the other hand, states such as Assam, Haryana, Himachal Pradesh, J & K, Kerala, Mizoram, Odisha, Punjab and West Bengal were paying the veterans/ war medal awardees a meagre sum of Rs. 500 to Rs. 1500 per month. The Committee in this regard, desire to reiterate their earlier recommendation that a decent amount ranging from Rs. 6000 to Rs. 10000 may be provided to each veteran awardee so to help them in sustaining their livelihood in their old age. The Committee, in this regard also wish to be informed of the number and average age of the war veterans who continue to be in receipt of financial assistance.

102. The Committee had, in their earlier reports also recommended on ensuring uniformity in money given to Param Veer Chakra and other gallantry medal winners which varies from State to State. In some states like Punjab, Haryana and Uttarakhand, gallantry medal winners are handsomely rewarded while in some others, they are paid a very meager sum. This is pitiable and is needed to be rectified to provide for uniformity so that our brave soldiers do not feel let down. As such the Committee note that the soldiers being national heroes, the States should express conformity with the views of the Committee.

103. While the financial / cash rewards for Gallantry awardees varies from State to State, the Central Government has fixed uniform monetary allowances to the recipients of Gallantry Awards viz. Param Vir Chakra (PVC) Rs. 10,000, Ashok Chakra (AC) Rs. 6,000, MahaVir Chakra (MVC) Rs. 5,000, Kirti Chakra (KC) Rs.

4,500, Vir Chakra (Vr C) Rs. 3,500, Shaurya Chakra (SC) Rs. 3,000, Sena Medal / NavoSena medal / Vayu Medal (SM/NM/VM) – Gallantry Rs. 1,000 per month. The monetary allowances provided by the Central Government appear to have been fixed quite some time back and need to be revised upward so as to be in tune with the current times and befitting to the dignity, status and prestige of the brave soldiers.

104. The Committee understand that it is the prerogative of the State Governments to decide on the financial/cash awards for Gallantry awardees, nevertheless it would be in the fitness of things for the Ministry to impress upon the State Governments/Union Territory Administrations to follow a uniform method of providing monetary allowances. This would contribute immensely to the prestige and dignity of the awardees. The Committee desire that the Ministry of Defence take up the matter appropriately with the State Governments at the earliest.

Defence Pensions

105. The Committee note that a sum of Rs. 82,332.66 crore has been allocated in BE 2016-17, which is Rs. 27832.66 crore more than BE 2015-16 and Rs. 22094.66 crore more in comparison to RE 2015-16. The defence pension budget is utilized to pay various elements of pension (i.e. Superannuation/ Retiring Pension, Commutation, Family Pension etc.) to Retired Officer and PBORs including Defence Civilians.

One Rank One Pension (OROP)

106. The Committee note that One Rank One Pension (OROP) implies that uniform pension be paid to the Armed Forces personnel retiring in the same rank with the same length of service, irrespective of their date of retirement and any future enhancement in the rates of pension to be passed on to the past pensioners. This implies bridging the gap between the rate of pension of the current pensioners and the past pensioners, and also future enhancement in the rate of pension to be passed on to the past pensioners. In this respect the Government has issued orders for implementation of One Rank One Pension (OROP) for the Defence Forces Personnel w.e.f 1.7.2014 vide MoD letter No. 12(01)/2014/D(Pen/Pol)-Part-II dated 7.11.2015. The Government has also appointed one member Judicial Committee headed by Justice L. Narasimha Reddy, Retd. Chief Justice of Patna High Court to look into anomalies, if any, arising out of implementation of OROP. The Committee will submit its report in six months.

107. The Committee also note that Annual Financial implication on account of grant One Rank One Pension would be Rs. 7488.7 crore. Budget Estimates for FY 2016-17 under grant No. 21-Defence Pension has been provided by Ministry of Finance to meet the expenditure of Defence Pension including commitments under OROP by the Govt. of India.

108. The Committee, in this regard, desire that issues raised by various ESM organizations that remain to be addressed be looked into and appropriate action

taken. The Committee also emphasise on ensuring that the beneficiaries of OROP get their rightful dues within the timelines framed and without any hardship.

**NEW DELHI;
29 April, 2016
09 Vaisakha, 1938 (Saka)**

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

STANDING COMMITTEE ON DEFENCE (2015-16)

**MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2015-16)**

The Committee sat on Monday, the 4 April, 2016 from 1100 hrs. to 1650 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

Maj Gen B C Khanduri, AVSM (Retd)

-

Chairperson

Lok Sabha

2. Shri Suresh C Angadi
3. Shri Thupstan Chhewang
4. Col Sonaram Choudhary(Retd)
5. Shri G Hari
6. Shri Ramesh Jigajinagi
7. Shri Tapas Paul
8. Shri Ch Malla Reddy
9. Smt Mala Rajya Lakshmi Shah
- 10 Shri A P Jithender Reddy
- 11 Smt Pratyusha Rajeshwari Singh

Rajya Sabha

- 12 Shri Rajeev Chandrasekhar
- 13 Shri A U Singh Deo
- 14 Shri Harivansh
- 15 Shri Vinay Katiyar
- 16 Shri Hishey Lachungpa
- 17 Shri Madhusudan Mistry
- 18 Smt Ambika Soni
- 19 Shri Tarun Vijay

SECRETARIAT

- | | | | |
|----|-----------------------|---|---------------------|
| 1. | Smt Kalpana Sharma | - | Joint Secretary |
| 2. | Shri TG Chandrasekhar | - | Director |
| 3. | Smt J.M. Sinha | - | Additional Director |
| 4. | Shri Rahul Singh | - | Under Secretary |

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

<u>S.No.</u>	<u>Name</u>	<u>Designation</u>
1.	Shri G Mohan Kumar	Defence Secretary
2.	Shri AK Gupta	Secy (DP)
3.	Shri Prabhu Dayal Meena	Secy (ESW)
4.	Dr S Christopher	Secy DR&D
5.	Lt Gen MMS Rai	VCOAS
6.	VAdm P Murugesan	VCNS
7.	Air Mshl BS Dhanoa	VCAS
8.	Air Mshl A S Bhonsle	CISC
9.	Shri SS Mohanty	FA(DS)
10.	Ms. Surina Rajan	Addl Secy (DP)
11.	Shri J R K Rao	Addl Secy(J)
12.	Smt Anuradha Mitra	FA (Acq)
13.	Lt Gen PK Srivastava	DGFP
14.	Lt Gen Sanjay Kumar Jha	DGPP
15.	Lt Gen Vishwambhar Singh	DGWE
16.	Lt Gen A K Ahuja	DCIDS
17.	Lt Gen R K Sharma	DG OL&SM
18.	Air Mshl RKS Bhadauria	DCAS
19.	Air Mshl Anil Khosla	DG Air (Ops)
20.	Lt Gen Subrata Saha	DCOAS (P&S)
21.	Shri GS Malik	CCR&D (R&M & Imp)
22.	Shri RG Vishwanathan	Addl FA & JS
23.	Shri J Janardhan	Spl DG QA
24.	Shri Ashok Dongre	JS(Trg) & CAO
25.	Shri Rajnish Kumar	FA & JS
26.	Shri A N Das	Addl. FA & JS
27.	Shri Ravi Kant	Addl. Secy, (R)
28.	Shri Sanjay Prasad	JS(LS)
29.	Shri AKK Meena	JS & AM (MS)
30.	Shri Subir Mallik	JS & AM (LS)
31.	Shri Jiresh Nandan	JS (G)

32.	Shri Rajeev Verma	JS & AM (Air)
33.	Maj Gen Manoj Pande	ADG MO(B)
34.	Maj Gen BK Pande	ADG FP
35.	Maj Gen SS Hasabnis	TM (LS)
36.	Maj Gen SK Upadhyaya	ADG (Proc)
37.	Maj Gen J. S. Sandhu	ADG(B)
38.	Shri K Chandrasekhar	ADG (Adm)
39.	RAdm Dinesh K Tripathi	ACNS (P&P)
40.	AVM Sandeep Singh	ACAS (Plans)
41.	AVM SM Subhani	ACAS Fin P
42.	AVM BR Krishna	ACAS Proj
43.	AVM H J Walia	ADG(A)
44.	AVM M Baladitya	ACAS Procurement
45.	AVM OEM Menon	ACAS (Org & Cer)
46.	Dr JP Singh	Director, Parliamentary Affairs
47.	Shri Praveen Kumar	Dir (Acq)
48.	Shri S.K. Pandey	Dir(Fin)
49.	Ms Maulshri Pande	Director (Fin/Budget)
50.	Col Pratap Malik	Director A
51.	Brig C Bansi Ponnappa	Dy TM (LS)
52.	Brig Sanjay Puri	DDG PP (Plans)
53.	Brig Anil Puri	DDG FP(A)
54.	Brig C P Sangra	DDG(Lgs)
55.	Brig R R Sharma	DDG (Trg)
56.	Brig AK Chanma	DDG P&M Cell
57.	Air Cmdr DK Awasthi	PD AS
58.	Cmde P K Banerjee	DDG (P&C)
59.	Cmde Sanjay Vatsayan	PNDP

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

3. The Chairperson initiated the discussion and directed the Ministry of Defence to intimate the Committee about their scheduled programmes atleast 2 months in advance so that Committee's schedule of Sittings is not disturbed. Thereafter, the Chairperson requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day.

4. The representatives of the Ministry commenced their briefing through a Power Point Presentation on General Defence Budget. This was followed by detailed deliberations on the following issues:

- (i) Inadequate budgetary provision to Defence in this year's Budget Estimates.

- (ii) Reasons for clubbing demands under various services,
- (iii) Making Capital Budget as a roll on and non-lapsable,
- (iv) Slow pace of decision making,
- (v) Effect of underspending, and
- (vi) Amount of Defence Pension allocated for arrear of OROP in the Budget for 2016-17.

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

- (i) The newly-formulated Defence Procurement Procedure (DPP 2016).
- (ii) Delayed timelines,
- (iii) Indecisiveness and hierarchical hurdles,
- (iv) Roadmap for 'Make in India',
- (v) Enhancing core critical capability of Defence under 'Make in India'.

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

6. Afterwards, a Presentation was made on Army. The Presentation was found to be short of relevant information and therefore, the Committee decided to call for Presentation on Army on any other day.

7. Thereafter, Presentation on Air force was made, which was followed by discussion on the following points:

- (i) Inadequate Budgetary Provisions,
- (ii) Shortage of Squadrons,
- (iii) Need to replace MiG 21 Aircraft,
- (iv) Delay in Making of Intermediate Jet Trainer Craft (Kiran).
- (v) Depleting Pilot to Cockpit Ratio,
- (vi) Need to have a separate fund for Air force to attend to work related to unforeseen natural calamities,
- (vii) Need for utilizing highways for landing of smaller Aircraft, and
- (viii) Need for having a Air Force Station at Zaskar etc.

8. The Ministry gave a Presentation on Directorate General of Quality Assurance (DGQA), National Cadet Corps (NCC) and Sainik Schools in that order. This was

followed by detailed discussions on the subjects and Members raised queries on the following issues:

- (i) Expansion of NCC by raising more NCC units;
- (ii) Having NCC units in all schools increase in number of Sainik Schools and similarity in their infrastructure; and
- (iii) Opening Sainik Schools for girls, etc.

9. The representatives of the Ministry of Defence replied to various queries/observations of Members. The information not readily available was desired to be furnished later on. The Chairperson directed the representatives of the Ministry of Defence to furnish written replies to all the queries at the earliest.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2015-16)

**MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2015-16)**

The Committee sat on Tuesday, the 5th April, 2016 from 1100 hrs. to 1700 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

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

Lok Sabha

2. Shri Suresh C Angadi
3. Shri Shrirang Appa Barne
4. Shri Dharambir
5. Shri Thupstan Chhewang
6. Col Sonaram Choudhary(Retd)
7. Shri H DDevegowda
8. Shri Sher Singh Ghubaya
9. Shri Ramesh Jigajinagi
10. Shri Vinod Khanna
11. Shri Tapas Paul
12. Shri Malla Reddy
13. Smt Mala Rajya Lakshmi Shah
14. Shri A P Jithender Reddy
15. Smt Pratyusha Rajeshwari Singh

Rajya Sabha

16. Shri Rajeev Chandrasekhar
17. Shri A U Singh Deo
18. Shri Harivansh
19. Shri Vinay Katiyar
20. Shri Hishey Lachungpa
21. Shri Madhusudan Mistry
22. Smt Ambika Soni
23. Shri Tarun Vijay

SECRETARIAT

1.	Smt Kalpana Sharma	-	Joint Secretary
2.	Shri TG Chandrasekhar	-	Director
3.	Smt JM Sinha	-	Additional Director
4.	Shri Rahul Singh	-	Under Secretary

WITNESSES

REPRESENTATIVES OF THE MINISTRY OF DEFENCE

<u>Sl. No.</u>	<u>Name</u>	<u>Designation</u>
1.	Shri G Mohan Kumar	Defence Secretary
2.	Shri SS Mohanty	FA(DS)
3.	Shri Ravi Kant	Addl. Secy. (R)
4.	Shri AN Das	Addl. FA & JS
5.	Shri Jiresh Nandan	JS (G)
6.	Dr S Christopher	Secy(DR&D)
7.	Dr K Tamilmani	DG(Aero)
8.	Dr Satish Kumar	DG (MSS)
9.	Dr S C Sati	DG(NS & M)
10.	Ms J Manjula	DG(ECS)
12.	Dr KD Nayak	DG (MED &CoS)
11.	Dr Manas K Mandal	DG(LS)
12.	Dr CP Ramanarayanan	DG(ACE) & CC R&D(HR)
13.	Shri GS Malik	CCR&D (R&M & Imp)
14.	Dr Guru Prasad	CCR&D (PC & SI)
15.	Shri M Hafizur Rahaman	CCR&D (TM)
16.	Dr G Athithan	CCR&D (SAM)
17.	Shri Sudhir Mishra	CCR&D (BrahMos)
18.	Shri RG Vishwanathan	Addl FA & JS
19.	Lt Gen A K Ahuja	DCIDS (PP&FD)
20.	Maj Gen SK Upadhyay	ADG (Proc)

21.	VAdm P Murugesan	VCNS
22.	RAdm Dinesh K Tripathi	ACNS (P&P)
23.	RAdm Kapil Mohan Dhir	ACDIS(WSOI)
24.	Cmde Sanjay Vatsayan	PDNP
25.	Cmde A K Sharma	DACIDS (Budget)
26.	Shri Rajendra Singh	DG ICG
27.	Shri V D Chafekar	DDG (P&P)
28.	Comdt MM Mark	JD (Plans)
29.	Air Mshl A S Bhonsle	CISC
30.	AVM SC Chafekar	ACIDS(FP)
31.	Shri J.R.K. Rao	Addl. Secy.(J)
32.	Shri Deepak Anurag	JS (C&W)
35.	Shri Ajay Kumar Sharma	Addl DG(Lands/IT)
36.	Shri PrachurGoel	Addl DG (C&Crd)
37.	Shri P Daniel	Addl DG(Adm)
38.	Shri G VijayaBhaskar	DDG (C&Crd)
39.	Shri Ajay Singh	CE CW&E
40.	Shri Ashwini Kumar	Addl FA & JS
41.	Shri Suresh Kumar	JS(BR)
42.	Lt Gen. MMS Rai	VCOAS
43.	Lt Gen Ranbir Singh	DGMO
44.	Lt Gen Sanjiv Talwar	E-in-C
45.	Lt Gen BS Sahrawat	DG LW&E
46.	Lt Gen Suresh Sharma	DGBR
47.	Lt Gen RV Kanitkar	QMG
48.	Maj Gen Michael Mathew	ADG LW&E
49.	Maj Gen Ajay Anand	DG Works
50.	Maj Gen SPS Kohli	ADGW(Army)
51.	Maj Gen Manoj Pande	ADG MO(B)
52.	Maj Gen Gurdip Singh	DG MAP
53.	Brig SK Vidyathi	DDG MO (C)
54.	Brig K K Repswal	DDGW (PPC &Est)

58.	Brig RK Sharma	DDG (TP)
59.	Brig Sanjay Gupta	DDG CS
60.	V Adm P Murugesan	VCNS
61.	Air Mshl BS Dhanoa	VCAS
62.	Air Mshl BBP Sinha	AOA
63.	Cmde Ravi Malhotra	PDW

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, Navy and other organizations. The Chairperson welcomed the representatives to the Sitting of the Committee and drew their attention to Direction 55(1) of Directions by the Speaker, Lok Sabha.

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

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

- (i) Gap between allotted funds and expenditure,
- (ii) Contractual appointment of scientists,
- (iii) 'Make in India' initiative,
- (iv) Export of DRDO developed equipments,
- (v) Mechanism to address user grievance and feedback,
- (vi) Involvement of private sector etc.

5. Thereafter, a presentation was given on Navy and Joint Staff which was followed by discussion on following points:

- (i) Depleting fleet strength of Navy,
- (ii) Inadequacies in capital budget,
- (iii) Shortage of manpower,

- (iv) Delayed procurement process,
- (v) Replacement of ageing equipment,
- (vi) Operational preparedness etc.

The representatives of the Ministry of Defence submitted their replies to queries/observations of members.

6. Thereafter, a presentation on Coast Guard Organization was given before the Committee. Subsequent queries from Members included wide gap in projection of funds and allocation and coordination of Indian Coast Guard with Navy.

7. The Committee took break for lunch and resumed the Sitting at 1440 hrs.

8. A presentation was made on Directorate General Defence Estate (DGDE) and pursued with deliberations on the subject. Members posed various queries on the following points:

- (i) Blocking of roads used by ordinary citizens by DGDE,
- (ii) Encroachment of Defence Lands by civilians,
- (iii) Digitisation of records in DGDE,
- (iv) Financial problems of cantonment boards,
- (v) Recoveries of dues from Army and Navy etc.

9. The Ministry gave presentation on Military Engineer Services and Married Accommodation Project in that order. This was followed by detailed discussions on the subjects and Members asked questions on the following issues:

- (i) Delay in completion of projects,
- (ii) Adoption of state-of-the-art technology etc.

10. Thereafter, a presentation was given on Border Roads Organization (BRO) which was followed by discussion on the following points:

- (i) Status of Border connectivity,

- (ii) Financial crunch faced by BRO,
- (iii) Non-availability of adequate number of quarries,
- (iv) Obsolescence of equipment, shortage of manpower,
- (v) Modernisation plan etc.

The representatives of the Ministry of Defence submitted their replies to queries/observations of Members.

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

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2015-16)

**MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2015-16)**

The Committee sat on Wednesday, the 06 April, 2016 from 1030 hrs. to 1450 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

PRESENT

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

Lok Sabha

2. Shri Shrirang Appa Barne
3. Shri Dharambir
4. Shri Thupstan Chhewang
5. Col Sonaram Choudhary(Retd)
6. Shri H D Devegowda
7. Shri Sher Singh Ghubaya
8. Shri Vinod Khanna
9. Shri Tapas Paul
10. Shri Ch. Malla Reddy
11. Shri Rajeev Satav
12. Shri A.P. Jithender Reddy
13. Smt. Pratyusha Rajeshwari Singh

Rajya Sabha

14. Shri Rajeev Chandrasekhar
15. Shri Harivansh
16. Shri Vinay Katiyar
17. Shri Madhusudan Mistry
18. Smt. Ambika Soni

SECRETARIAT

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

WITNESSES
REPRESENTATIVES OF THE MINISTRY OF DEFENCE

<u>Sl. No.</u>	<u>Name & Designation</u>	<u>Designation</u>
1.	Shri G Mohan Kumar	Defence Secretary
2.	Shri SS Mohanty	FA(DS)
3.	Shri Ravi Kant	Addl. Secy. (R)
4.	Shri Subir Mallik	JS & AM (LS)
5.	Shri Jiresh Nandan	JS (G)
6.	Lt Gen. MMS Rai	VCOAS
7.	Lt Gen Subrata Saha	DCOAS (P&S)
8.	Lt Gen PK Srivastava	DGFP
9.	Lt Gen Sanjay Kumar Jha	DGPP
10.	Lt Gen Vishwambhar Singh	DGWE
11.	Lt Gen RK Sharma	DG OL & SM
12.	Maj Gen BK Pande	ADG FP
13.	Maj Gen SK Upadhyay	ADG (Proc)
14.	Maj Gen Manoj Pande	ADG MO(B)
15.	Brig. AK Channan	DDG P&M Cell
16.	Brig Sanjay Puri	DDG PP (Plans)
17.	Brig Anil Puri	DDG FP(A)
18.	Brig Rohit Gupta	DDGWE-1
19.	Shri AK Gupta	Secy (DP)
20.	Ms. Surina Rajan	Addl. Secy. (DP)
21.	Shri AK Prabhakar	DGOF & Chairman/OFB
22.	Shri Bharat Khera	JS(NS)
23.	Shri RJ Bhattacharya	DDG/Budget
24.	Shri Sanjay Garg	JS(DIP)
25.	Smt Kusum Singh	JS (P&C)
26.	Shri KK Pant	JS(Aero)
27.	Shri Sanjay Prasad	JS(LS)
28.	Shri DK Mahapatra	Secy/OFB
29.	Shri V Udaya Bhaskar	CMD(BDL)
30.	Shri T Suvarna Raju	CMD(HAL)
31.	Shri S K Sharma	CMD(BEL)

32. Maj Gen SK Upadhya	ADG (Proc)
33. RAdm (Retd) L V Sarat Babu	CMD(Hindustan Shipyard Ltd)
34. Shri P Dwarakanath	CMD(BEML)
35. RAdm (Retd) Shekhar Mital	CMD (Goa Shipyard Ltd)
36. RAdm (Retd) AK Verma	CMD(GRSE)
37. Dr DK Likhi	CMD(MIDHANI)
38. RAdm (Retd) RK Shrawat	CMD(MDL)
39. Shri M Mazhar Ali	GM (Planning)
40. Dr CP Ramanarayanan	DG(ACE) & CC R&D(HR)
41. Dr Guru Prasad	CCR&D (PC&PI)
42. Shri J Janardhan	DGQA
43. R Adm AK Saxena	DGND(SSG)
44. R Adm OPS Rana	DGNAI
45. Shri S Chatterjeem	DGONA
46. AVM BR Krishna	ACS(Project)
47. AVM Sandeep Singh	ACAS(Plans)
48. AVM SJ Nanodkar	ACAS(Ops)
49. Shri AN Das	Addl. FA
50. Shri Prabhu Dayal Meena	Secy, (ESW)
51. Shri Sudhansu Mohanty	FA DS
52. Lt Gen Rakesh Sharma	AG
53. Lt Gen Ashwani Kumar	DG(DC&W)
54. Smt K Damayanthi	JS(ESW)
55. Ms. Devika Raghuvanshi	Addl FA & JS
56. Ms. Santosh	JS (Res-II)
57. Shri RozyAgarwal,	Joint CGDA
58. Maj Gen AP Bam	MD ECHS
59. Maj Gen Jagatbir Singh	DGR
60. Maj Gen Rakhi Singh	Addl DG, AGMS
61. Brig Harinder Singh	DDG DIAV
62. Brig HS Kahlon	DDG DIAV(Designate)
63. Brig Sadhan Sawhnay	Dy DGAFMS (Plg)
64. Cmde Rohtas Singh	Secy, KSB
65. Col SS Pundir	SO to AG

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

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

4. The representatives of the Ministry of Defence commenced their briefing through a PowerPoint presentation on the status of availability of ammunition. This was followed by detailed deliberations on the state of ammunition and related issues which included the following:

- (i) inadequacy of ammunition,
- (ii) inability of Ordnance Factory Board to fulfill the targets given to them,
- (iii) alternate source of production,
- (iv) private sector participation in defence production and
- (v) import of ammunition etc.

5. Thereafter, a PowerPoint presentation on Defence Public Sector Undertaking was made. This was followed by extensive discussion on the subject which included the following:

- (i) capacity ,efficiency and innovation of/by PSUs,
- (ii) non-realization of targets and
- (i) non-availability of funds etc.

6. Thereafter, a PowerPoint presentation on Indian Ordnance Factories was made. This was followed by detailed discussion on the subject which included the following:

- (i) self reliance in production,
- (ii) salient features of Ordnance Factory Board Budget and

(iii) modernization of OFs etc.

7. The Committee took break for lunch and resumed the Sitting at 1335 hrs.

8. Thereafter, a presentation was made on Ex-Servicemen Welfare and Ex-Servicemen Contributory Health Scheme and pursued with deliberations on the subject which included issues such as the following:

(i) constraints faced by the Department of Ex-Servicemen Welfare in the welfare activities, resettlement and rehabilitation of Ex-Servicemen, war-widows and their dependents,

(ii) non-availability of suitable jobs as per qualifications in case of appointment on compassionate ground,

(iii) OROP-problems and grey areas,

(iv) financial assistance to Ex-Servicemen,

(v) status of Second World War pensioners and widows and

(v) empanelment of hospitals, non-payment of bills, inadequacy of funds for 2016-17 etc.

9. The Chairperson directed the representatives of the Ministry of Defence, Defence Public Sector Undertakings, Ex-Servicemen Welfare, Ex-Servicemen Contributory Health Scheme to furnish written replies to all the queries in a week's time.

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE

**MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2015-16)**

The Committee sat on Friday , the 29 April, 2016 from 1000 hrs. to 1030 hrs. in Committee Room`62', Parliament House, New Delhi.

PRESENT

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

Lok Sabha

2	Shri Suresh C Angadi
3	Shri Shrirang Appa Barne
4	Shri Dharambir
5	Col Sonaram Choudhary(Retd)
6	Shri Sher Singh Ghubaya
7	Shri Ramesh Jigajinagi
8	Km Shobha Karandlaje
9	Dr Mriganka Mahato
10	Shri Ch Malla Reddy
11	Smt Mala Rajya Lakshmi Shah
12	Shri A P Jithender Reddy

Rajya Sabha

13	Shri A U Singh Deo
14	Shri Harivansh
15	Shri Hishey Lachungpa
16	Shri Tarun Vijay

SECRETARIAT

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

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the sitting. The Committee then took up for consideration the following draft Reports:-

- (i) Report on Action Taken by the Government on the recommendations/observations contained in the seventh report (16th Lok Sabha) on Demands for Grants (2015-16) of the Ministry of Defence on Army (Demand No. 23).
- (ii) Demands for Grants of the Ministry of Defence (2016-17) on General Defence Budget, Civil Expenditure of Ministry of Defence (Demand No. 20) and Defence Pension (Demand No. 21).
- (iii) Demands for Grants of the Ministry of Defence (2016-17) on Army, Navy and Air Force (Demand No. 22).
- (iv) Demands for Grants of the Ministry of Defence (2016-17) on Ministry of Defence (Miscellaneous) (Demand No. 20).
- (v) Demands for Grants of the Ministry of Defence (2016-17) on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 23).

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.

.....