

**STANDING COMMITTEE ON DEFENCE**

**(2016-2017)**

**(SIXTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**DEMANDS FOR GRANTS (2017-18)**

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

**(DEMAND NOS. 19 & 22)**

**TWENTY EIGHTH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March, 2017 / Phalguna, 1938 (Saka)**

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UNDERTAKINGS, WELFARE OF EX-SERVICEMEN, DEFENCE PENSIONS, EX-  
SERVICEMEN CONTRIBUTORY HEALTH SCHEME**

**(DEMAND NOS. 19 & 22)**

*Presented to Lok Sabha on 09 .03. 2017*

*Laid in Rajya Sabha on .03. 2017*



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March, 2017 / Phalguna, 1938 (Saka)**

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**COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2016-17)**

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

-

**Chairperson**

**Lok Sabha**

2. Shri Dipak Adhikari (Dev)
3. Shri Suresh C Angadi
4. Shri Shrirang Appa Barne
5. Shri Thupstan Chhewang
6. Col Sonaram Choudhary(Retd)
7. Shri H D Devegowda
8. Shri Sher Singh Ghubaya
- 9.\* Shri B. Senguttuvan
10. Dr Murli Manohar Joshi
11. Km Shobha Karandlaje
12. Shri Vinod Khanna
13. Dr Mriganka Mahato
14. Shri Rodmal Nagar
15. Shri A P Jithender Reddy
16. Shri Ch Malla Reddy
17. Shri Rajeev Shankarrao Satav
18. Smt Mala Rajya Lakshmi Shah
- 19.# Shri Partha Pratim Ray
20. Shri Dharambir Singh
21. Smt Pratyusha Rajeshwari Singh
- 22.\*\* Shri G Hari
- 23.\$ Capt Amarinder Singh

**Rajya Sabha**

1. Shri K R Arjunan
2. Shri A U Singh Deo
3. Shri Harivansh
- 4.^ Shri Rajeev Chandrasekhar
5. Shri Madhusudan Mistry
6. Shri Praful Patel
7. Shri Sanjay Raut
8. Dr Abhishek Manu Singhvi
9. Smt Ambika Soni
10. Dr Subramanian Swamy
- 11.@ Shri Om Prakash Mathur

\* Nominated w.e.f on 13.02.2017

\*\* Ceased to be Member of the Committee w.e.f. 13.02.2017

\$ Ceased to be Member of the Committee w.e.f. 23.11.2016

# Nominated w.e.f. 02.01.2017

@ Ceased to be Member of the Committee w.e.f. 10.10.2016

^ Nominated w.e.f. 10.10.2016

## **SECRETARIAT**

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

## **INTRODUCTION**

I, the Chairperson of the Standing Committee on Defence (2016-17), having been authorised by the Committee, present this Twenty-Eighth Report on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Canteen Stores Department, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme (Demand No. 19 & 22)'.

2. The Demands for Grants of the Ministry of Defence were laid on 9 February, 2017 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 22 and 23 February, 2017. The draft Report was considered and adopted by the Committee at their Sitting held on 3 March, 2017.

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**

**07 March, 2017**

**16 Phalguna, 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 In the financial year 2016-17, the number of Demands for Grants in respect of the Ministry of Defence (MoD) was rationalized and reduced to 4 from the earlier 8. The modified Demands for Grants in 2016-17 were as follows:

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

1.3 Army, Navy and Air Force, which till Financial Year 2015-16 were covered under Grant no 23, 24 and 25 respectively for their revenue expenditure. were brought together under Grant no. 22 (Defence Services- Revenue). The following organisations which were till then a part of the Defence Services Estimates were shifted to modified Grant no 20 - Ministry of Defence (Miscellaneous):

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

1.4 In the Financial Year 2017-18, five out of the aforementioned Seven Organizations viz., DRDO, DGOF, DGQA, NCC and RR, were reverted to Defence

Services Estimates (DSE), while ECHS and MF were retained in MoD (Civil/Miscellaneous).

1.5 The Grant numbers in respect of the four Demands for Grants of Ministry of Defence have been revised by the Ministry of Finance. The revised Demand numbers are as follows:

- i) Grant No 19 — Ministry of Defence (Miscellaneous)
- ii) Grant No 20 — Defence Services - Revenue
- iii) Grant No 21 — Capital Outlay on Defence Services
- iv) Grant No 22 — Ministry of Defence (Pension)

1.6 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 Aero engines, Dockyards, etc.

1.7 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, Military Farms, Ex-Servicemen Contributory Health Scheme etc., and Defence Pensions, are provided for in two separate Civil Demands for Grants of the Ministry of Defence, viz. Demand No.19 - MOD(Civil) and Demand No.22 - Defence Pensions. These are not included in the overall Defence Services allocation of Rs 2,59,261.90 crores in Budget Estimates 2017-18.

The 'running' or 'operating' expenditure of the three Services and other Departments viz., DRDO, DGOF, DGQA and NCC, are provided under the Demand No. 20, Defence Services – Revenue , which cater for the Revenue expenditure, while the Demand No 21 viz., Capital Outlay on Defence Services, caters for the expenditure incurred on building or acquiring durable assets. The Demand No. 20 (Defence Services- Revenue) caters for the Revenue expenditure of: 1. Army, NCC, Rashtriya Rifles and DGQA, 2. Navy and Joint Staff 3. Air Force 4. DGOF 5. R&D (DRDO).



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.

1.9 The Budget Estimates for the year 2017-2018, as compared with the Budget and Revised Estimates for the year 2016-2017 and actual expenditure during the year 2015-2016, are summarized below:

(Rs in crore)

		<b>Actual 2015-16</b>	<b>Budget Estimate 2016-17</b>	<b>Revised Estimate 2016-17</b>	<b>Budget Estimate 2017-18</b>
<b>REVENUE EXPENDITURE</b>					
<b>Gross expenditure</b>	<b>Voted</b>	1,33,068.71	1,48,407.14	1,54,959.05	1,95,309.04
	<b>Charged</b>	77.34	91.71	84.64	107.34
	<b>Total</b>	1,33,146.05	1,48,498.85	1,55,043.69	1,95,416.38
<b>Receipt and Recoveries</b>		3,406.13	4,629.39	5,992.35	22,642.49
<b>Net Revenue Estimate</b>		1,29,739.92	1,43,869.46	1,49,051.34	1,72,773.89
<b>CAPITAL EXPENDITURE</b>					
<b>Gross Expenditure</b>	<b>Voted</b>	71,567.92	78,499.56	71,610.42	86,339.95
	<b>Charged</b>	107.51	87.12	89.58	148.06

	<b>Total</b>	71,675.43	78,586.68	71,700.00	86,488.01
<b>Recoveries on Capital A/c</b>		0.00	0.00	0.00	0.00
<b>Net Capital Expenditure</b>		71,675.43	78,586.68	71,700.00	86,488.01
<b>Net Revenue &amp; Capital Expenditure</b>		2,01,415.35	2,22,456.14	2,20,751.34	2,59,261.90

#### **1.10 Revised Estimates 2016-2017**

**(a) Revenue Expenditure** - The Revised Estimates of Revenue expenditure for 2016-2017 show an increase of Rs 5,181.88 crores when compared with the Budget Estimates for the year. The increase is Rs 4,181 88 crores and Rs 1,000 00 crores under salary and non-salary respectively.

**(b) Capital Expenditure** - The Revised Estimates of Capital Expenditure for 2016-2017 show a decrease of Rs 6.886.68 crores when compared with the Budget Estimates for the year. The decrease is Rs 7,279.15 crores under 'Capital Acquisition' and an increase of Rs 392.47 crores under 'Other than Capital Acquisition'.

#### **1.11 Budget Estimates 2017-2018**

The Budget Estimates for the year 2017-2018, as compared with the Budget and Revised Estimates for the year 2016-2017 for various categories of expenditure, are summarized below. Percentage share of each category with respect to the corresponding total expenditure has also been shown in brackets:

(Rs in crore)

	<b>Actual 2015-16</b>	<b>Budget Estimate 2016-17</b>	<b>Revised Estimate 2016-17</b>	<b>Budget Estimate 2017-18</b>
<b>a) Revenue Expenditure (Net)</b>				
<b>Pay &amp; Allowances (% share of Revenue)</b>	83,999.67	97,329.10	1,01,460.21	1,26,321.44
	(64.74%)	(67.65%)	(68.07%)	(73.11%)
<b>(% share of Total Def. Budget)</b>	(41.70%)	(43.75%)	(45.96%)	(48.72%)
<b>Stores &amp; Equipment</b>	28,296.14	28,882.48	29,575.50	25,674.53
<b>(% share of Revenue)</b>	(21.81%)	(20.08%)	(19.84%)	(14.86%)
<b>(% share of Total Def. Budget)</b>	(14.05%)	(12.98%)	(13.40%)	(9.90%)
<b>Transportation</b>	4,789.69	4645.82	5,605.72	5,081.68
<b>(% share of Revenue)</b>	(3.69%)	(3.23%)	(3.76%)	(2.94%)
<b>(% share of Total Def. Budget)</b>	(2.38%)	(2.09%)	(2.54%)	(1.96%)
<b>Miscellaneous Charges</b>	1,964.86	1,558.62	491.31	2,800.40
<b>(% share of Revenue)</b>	(1.51%)	(1.08%)	(0.33%)	(1.62%)
<b>(% share of Total Def. Budget)</b>	(0.98%)	(0.70%)	(0.22%)	(1.08%)
<b>Revenue Works, Maintenance of Buildings, Installation etc.</b>	10,689.56	11,453.44	11,918.60	12,895.84
	(8.24%)	(7.96%)	(8.00%)	(7.46%)
<b>(% share of Revenue)</b>	(5.31%)	(5.15%)	(5.40%)	(4.97%)

(% share of Total Def. Budget)				
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- Notes:** 1) 'Pay & Allowances' does not include salary & wages of MES personnel, etc. which are provided for under the Minor Heads 'Works' and 'Miscellaneous'
- 2) 'Stores and Equipment' include Minor Head 'Repair & Refits' of the Indian Navy.

**(a) Revenue Expenditure** - The net Budget Estimates of Revenue expenditure for the year 2017-2018 is Rs 1,72,773.89 crores which shows an increase of Rs 23,722.55 crores when compared with the Revised Estimates for 2016-2017. This is mainly on account of 'Pay & Allowances', 'Stores', 'Miscellaneous Charges' and 'Works'.

**(b) Capital Expenditure** - The net Budget Estimates of Capital expenditure for the year 2017-2018 is Rs 86,488.01 crores which shows an increase of Rs 14,788.01 crores over the Revised Estimates 2016-2017. This increase is mainly on account of provision for 'Other Equipment', 'Heavy & Medium Vehicles', 'Naval Fleet', 'Naval Dockyards', 'Joint Staff and 'Research & Development', etc

### 1.12 ALLOCATIONS FOR 2016-17

As indicated in the General Budget, the provision for Defence Services under Demand Nos. 20 and 21 for 2016-17 in the Budget Estimates (BE) was Rs 2,27,085.53 crore (Gross) and Rs 2,22,456.14 crore (Net). The Revised Estimates (RE) have been provided at Rs 2,26,743.69 crore (Gross) and Rs 2,20,751.34 crore (Net). On a net basis, the R.E. for 2016-17 shows a reduction of Rs 1,704.80 crore over the B.E. 2016-17. The net Revenue budget for BE 2016-17 at Rs 1,43,869.46 crore has been increased by Rs 5,181.88 crore to bring the RE at Rs 1,49,051.34 crore. In the Capital Outlay there is a decrease of Rs 6,886.68 crore from Rs 78,586.68 crore at the BE stage to Rs 71,700 crore at the RE stage.

1.13 The Demand-wise position is as follows:

(Rs in crore)

S.No.	Demand	B.E. 2016-17	R.E. 2016-17
1.	<b>Army</b> (Revenue expdr of Army excluding NCC, Mil Farms, ECHS, Rashtriya Rifles DGQA)	1,05,718.23	1,10,349.22
2.	<b>Navy</b> (Revenue expdr of Navy and Joint Staff)	17,824.79	18,213.99
3.	<b>Air Force</b> (Revenue expdr of Air Force)	24,955.83	26,480.48
6.	<b>Capital Outlay on Defence Services</b> (Capital expdr of all Services i.e (Army excluding NCC, Mil Farms, ECHS, Rashtriya Rifles DGQA) , Navy including Jt.Staff and Air Force)	78,586.68	71,700.00
	<b>Total (Gross)</b>	<b>2,27,085.53</b>	<b>2,26,743.69</b>
	Receipts/Recoveries	<b>4,629.39</b>	<b>5,992.35</b>
	<b>Total (Net)</b>	<b>2,22,456.14</b>	<b>2,20,751.34</b>

1.14 Out of the Revised Estimates of Rs 2,20,751.34 crore for 2016-17, the

provision for Revenue expenditure was Rs 1,49,051.34 crore, while that for Capital expenditure was Rs71,700.00 crore.

The major components of the net Capital expenditure of Rs71,700.00 crore are for Land – Rs 251.42 crore, Works – Rs 8,516.57 crore (incl. MAP), Aircraft – Rs 23,280.15 crore, Heavy and Medium Vehicles (incl. DGOF Issues) – Rs2,569.01 crore, Other Equipment (incl. DGOF issues) – Rs 25,782.21 crore (in respect of the three Services) , Naval Fleet – Rs 8,096.34 crore and other items Rs 3,204.30 crore.

### **BUDGET ESTIMATES 2017-18**

1.15 The Budget Estimates for 2017-18 work out to Rs 2,81,904.39 crore (Gross) and Rs 2,59,261.90 crore (Net). Details are as under:

(Rs in crore)

<b>S. No.</b>	<b>Demand</b>	<b>B.E. 2016-17</b>	<b>R.E. 2016-17</b>	<b>B.E.* 2017-18</b>
1.	<b>Army</b> ( In RE 16-17 and BE 16-17 Revenue expdr of Army excludes MF , ECHS , NCC ,DGQA& RR )  (In BE 17-18 Revenue expdr of Army includes NCC , DGQA and RR )	1,05,718.23	1,10,349.22	1,23,790.82
2.	<b>Navy</b> (Revenue expdr of Navy and Joint Staff)	17,824.79	18,213.99	18,893.82
3.	<b>Air Force</b> (Revenue expdr of Air Force)	24,955.83	26,480.48	26,102.33
4.	<b>Defence Ordnance Factories</b> (Revenue expdr of Ord. Factories)			19,212.99
5.	<b>Research &amp; Development</b> (Revenue expdr of R&D)			7,416.42
6.	<b>Capital Outlay on Defence Services</b> (Capital expdr of all Services / Depts.)	78,586.68	71,700.00	86,488.01

	( Excluding R&D, DGOF,MF & ECHS , NCC and DGQA& RR in BE & RE 16-17)  ( Excluding MF& ECHS in BE 17-18)			
	<b>Total (Gross)</b>	<b>2,27,085.53</b>	<b>2,26,743.69</b>	<b>2,81,904.39</b>
	<b>Receipt/Recoveries</b>	<b>4,629.39</b>	<b>5,992.35</b>	<b>22,642.49</b>
	<b>Total (Net)</b>	<b>2,22,456.14</b>	<b>2,20,751.34</b>	<b>2,59,261.90</b>

\* Break-up of Revenue (Net) & Capital portion of Services/Organization retained in Grant No. 19-MoD (Miscellaneous) in BE 17-18 is as under:

(Rs in crore)

<b>Service / Organisation</b>	<b>Revenue (Net)</b>	<b>Capital *</b>	<b>Total</b>
<b>ECHS</b>	2760.78	33.00	<b>2793.78</b>
<b>Military Farms</b>	326.49	7.64	<b>334.13</b>
<b>Total</b>	<b>3087.27</b>	<b>40.64</b>	<b>3127.91</b>

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

1.16 A comparison of the **Service/Department-wise allocations** in RE 2016-17 and BE 2017-18 is given below:

(Rs in crore)

<b><u>Service/</u></b> <b><u>Deptt.</u></b>	<b>R.E.</b> <b>2016-17</b>	<b>%age of</b> <b>Total</b> <b>Budget</b>	<b>B.E.</b> <b>2017-18</b>	<b>%age of</b> <b>Total Budget</b>
Army	1,31,283.69*	59.47%	1,45,167.22**	55.99%
Navy	37,410.27	16.95%	37,841.98	14.60%
Air Force	52,057.38	23.58%	58,372.50	22.51%
DGOF			1,987.95	0.77%
R&D			14,818.74	5.72%
DGQA			1,073.51	0.41%
<b>Total</b>	<b>2,20,751.34</b>	<b>100.00%</b>	<b>2,59,261.90</b>	<b>100.00%</b>

1.17 The **Gross** Revenue Expenditure in the Budget Estimates for 2017-18 is 69.32% of the gross allocation as compared to 68.38% in the Revised Estimates 2016-17. The Gross Capital Expenditure in the Budget Estimates 2017-18 is 30.68% as against 31.62% in the Revised Estimates 2016-17.

1.18 The **Net** Revenue expenditure in the Budget Estimates for 2017-18 is 66.64% as compared to 67.52% in the Revised Estimates, 2016-17. The Net Capital expenditure in the Budget Estimates 2017-18 is 33.36% as against 32.48% in the Revised Estimates 2016-17.

### **Growth of Defence Budget**

1.19 Details of net budget provided under the Defence Services Estimates (DSE) in Budget Estimates (BE) 2017-18 is tabulated below, along with details of BE, RE and actual of the last five years:



Years	BE		RE		Actuals	
	Gross	Net	Gross	Net	Gross	Net
2011-12	1,68,949.54	1,64,415.49	1,75,546.49	1,70,936.81	1,74,610.00	1,70,913.28
2012-13	1,98,514.90	1,93,407.29	1,83,604.49	1,78,503.52	1,87,469.00	1,81,775.78
2013-14	2,09,282.80	2,03,672.12	2,09,779.89	2,03,672.12	2,09,788.50	2,03,499.35
2014-15	2,45,664.72	2,29,000.00	2,41,298.25	2,22,370.00	2,37,394.23	2,18,694.18
2015-16	2,63,395.38	2,46,727.00	2,43,563.59	2,24,636.00	2,43,534.09	2,25,894.85
2016-17#	2,70,487.84	2,49,099.00	2,70,547.92	2,48,004.97	1,97,833.43*	1,85,132.36*
2017-18#	2,85,190.98	2,62,389.81				

(Rs in Crore)

\* Expenditure upto end of December 2016

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

1.20 During presentation before the Committee in the course of examination of Demands for Grants 2017-18, the Ministry submitted the following information:

Service	Revenue 2016-17	Capital 2016-17	Revenue 2017-18	Capital 2017-18	Total 2016-17	Total 2017-18
Army	1,13,732.72	26,943.08	1,21,027.05	25,213.68	1,40,675.80	1,46,240.73
Navy	17,424.79	22,000.09	18,493.82	19,348.16	39,424.88	3,7841.98
Air Force	23,655.83	29,795.42	24,802.33	33,570.17	53,451.25	58,372.50
DGO	1,217.61	735.68	1,184.27	803.68	1,953.29	1,987.95
DRDO	6,728.05	6,865.73	7,266.42	7,552.32	13,593.78	14,818.74
Total-DSE	1,62,759.00	86,340.00	1,72,773.89	86,488.01	2,49,099.00	2,59,261.90
Civil	5,620.69	3,869.63	9,760.53	5,091.69	9,490.32	14,852.22
Total					2,58,583.32	2,74,114.12
Defence Pension					82,332.66	85,740.00

On the growth of defence budget, considering the present rate of inflation as per the Economic Survey and rate of inflation in terms of Whole Sale Price Index (WSPI) and Consumer Price Index, the Ministry supplied the following information.

'Present annual rate of inflation as per the Economic Survey 2016-17 based on CPI- New Series has averaged 4.9% during April-December 2016. The annual rate of inflation based on monthly Wholesale Price Index (WPI) stood at 3.4% at end December as compared to (-) 5.1 % in August 2015. Consumer Price index inflation for three years viz., 2015-16 (Actual), 2016-17 (RE) and 2017-18 (BE) for the purpose of comparison of growth in Defence Budget may be taken as follows:

Defence Budget	2015-16 (Actual)	2016-17		2017-18 (BE)
		BE	RE	
Revenue Expenditure	1,45,936.54	1,62,759.00	1,68,635.00	1,75,861.00#
Capital Expenditure	79,958.31	86,340.00	79,370.00	86,529.00#
Total	2,25,894.85	2,49,099.00	2,48,005.00	2,62,390.00#
Defence Budget % Growth			9.80	5.80
Inflation Rate (CPI) Annually (%)	5.65*		4.90**	4.00\$
Actual Increase Adjusting Inflation			4.90	1.80

(# Includes BE of DGOF, R&D, NCC, DGQA, Military Farms, Rashtriya Rifles and ECHS which were shifted to modified Grant No. 20-MoD(Miscellaneous) in FY 2016-17 for the purpose of comparison. In FY 2017-18, DGOF, R&D, NCC, DGQA and Rashtriya Rifles have been made part of Defence Services Estimates whereas Military Farms and ECHS have still been kept under MoD(Miscellaneous)

\* Based on Actual data for April, 2015 to March 2016 period.

\*\* Based on Economic Survey 2016-17 (Para 1.31 -April-Dec 2016).

\$ Based on Budget Speech (Para 7) (Mid of 2 to 6%)'

The Ministry submitted the following information regarding outlay on modernization:

## Outlay on Modernization

Modernization (Capital Acquisition)	BE 16-17	RE 16-17	BE 17-18	Growth%	
				BE to BE	RE to BE
Army	21,433.77	17,866.46	20,178.21	(-) 5.86	12.94
Navy	20,363.77	18,138.75	18,004.76	(-) 11.58	(-)0.74
Joint Staff	544.95	369.00	390.54	(-)28.33	5.84
Air Force	27,556.02	26,246.15	30,899.90	12.10	17.73
<b>Total</b>	<b>69,898.51</b>	<b>62,619.36</b>	<b>69,473.41</b>	<b>(-) 0.60</b>	<b>10.95</b>

(Rs. in crores)

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1.21 During oral evidence, the Defence Secretary candidly admitted before the Committee, the efforts made by the Ministry of Defence in seeking the budgetary allocation from the Ministry of Finance:

"..Within the Capital outlay the allocation earmarked for capital acquisition is Rs69,473.41 crore which is also referred to as modernisation budget. The balance allocation of approximately Rs17,014.66 crore is on account on land and works, including married accommodation projects, DRDO, DGOF, etc. The BE allocation for MoD civil and miscellaneous is Rs14,852.22 crore. There is no growth in Capital acquisition and non-Salary Revenue allocation when compared to the previous year.

At the pre budget stage, the Ministry had held discussions with the Ministry of Finance in an effort to get enhanced allocation under the Revised Estimates of 2016-17 and Budget Estimates of 2017-18. During these discussions, including the budget discussions held on 17<sup>th</sup> November, 2016, the concerns of the MoD were duly explained and the additional requirement to the tune of Rs7476 crore for Customs Duty, Rs1856.63 crore for Excise Duty and Rs8663 crore for emergency procurement in both Revenue and capital Segments were clearly explained.

The discussion with the Finance Secretary was followed up at higher levels also. The hon. *Raksha Mantri* had also written to the Finance Minister highlighting the requirement of the funds for capital acquisition. The hon. Committee would note that the capital allocations for RE 2015-16 and BE 2017-18 are less than the projections by the Ministry of Defence. Despite making concerted efforts, MoD is still short of funds to honour all the commitments of the current year."

Additional requirements of funds for the year 2016-17 is Rs13788.56 crore under Capital Committed Liabilities. Likewise for 2017-18, the allocation is much less than the projection both for Defence Services as well as the MoD Civil and Miscellaneous Estimates.

The allocation to Border Roads Organisation needs to be enhanced substantially. The current allocation will not lead to desired outcome. As a final effort to enhance RE 2016-17 and BE 2017-18 allocation of MoD, we have taken up the matter with the PMO for their urgent intervention."

1.22 The Committee desired to know details of growth of Indian Defence budget in comparison to Central Budget and GDP in both absolute and relative terms for the last five years as well as in respect of the budget of neighbouring countries including the developed/ advanced countries. The Ministry, in a written note, submitted the following information:

'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:

(Rsin crore)

Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp % of CGE	GDP	Def. Exp % of GDP
2012-13	1,81,776	14,10,372	12.89	92,80,803	1.96
2013-14	2,03,499	15,59,447	13.05	99,21,106	2.05
2014-15	2,18,694	16,63,673	13.15	1,06,35,426	2.06
2015-16	2,25,895	17,90,783	12.6	1,14,43,718	1.96
2016-17 (RE) #	2,48,005	20,14,407	12.3	1,50,75,429	1.65
2017-18 (BE) #	2,62,390	21,46,735	12.2	1,68,47,455	1.56

Note: Estimated GDP for RE 2016-17 and BE 2017-18 is as per Budget at a Glance' 2017-18

(# Includes BE of DGOF, R&D, NCC, DGQA, Military Farms, Rashtriya Rifles and ECHS which were shifted to modified Grant No. 20-MoD(Miscellaneous) in FY 2016-17 for the purpose of comparison. In FY 2017-18, DGOF, R&D, NCC, DGQA

*and Rashtriya Rifles have been made part of Defence Services Estimates whereas Military Farms and ECHS have still been kept under MoD(Miscellaneous)*

1.23 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	2013			2014			2015		
	Def exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp
China	[177848 ]	[1.90]	[6.41]	[19965 1]	[1.91 ]	[6.49]	[214787]	[1.90 ]	[6.3]
Pakistan	7645	3.2	16.6	8655	3.3	18.6	9510	3.4	18.7
USA	639704	3.8	10.6	609914	3.5	9.8	596024	3.3	9.2
Russia	88353	4.2	11.1	84697	4.5	11.8	66421	5.4	13.7
UK	56862	2.1	5.0	59183	2.0	4.8	55460	2.0	4.9

Figures in [ ] are SIPRI Estimates'

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

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

Year	Def.Exp.as % age of Central GovtExpdr	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	1.94
2012-2013	12.89	1.96
2013-2014	13.05	2.05
2014-2015	13.15	2.06
2015-2016	12.61	1.96
2016-2017 (RE)	12.30	1.65
2017-2018 (BE)	12.20	1.56

### **Sources**

1. Central Govt expenditure- Actual 2015-16 , RE 2016-17 and BE 17-18 is with reference to Budget at a Glance of Central Govt for 2017-18.
2. GDP – RE 16-17 and BE 17-18 is with reference to Budget at a Glance of Central Govt for 2017-18.

### **Projections made by the three Services**

1.25 The Ministry submitted following information regarding the projections made by the three services, allocations made at BE and RE stage and the expenditure incurred from 2010-11 to 2017-18, for Revenue and Capital accounts :-

#### **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	1,04,408.45	1,00,106.78	1,02,847.18
	Navy	18,546.58	15,525.64	15,838.30	14,635.18	14,992.04
	Air Force	29,632.28	23,000.09	23,000.09	20,377.09	21,020.95
2016-17	Army#	1,15,561.78	1,13,732.72	1,34,870.40	1,18,908.19	90,008.66*
	Navy	18,502.56	17,424.79	19,348.23	17,813.99	12,560.31*
	Air Force	25,728.60	23,655.83	23,817.22	23,817.52	15,108.60*
2017-18	Army	1,53,685.00	1,24,114.32			
	Air Force	30447.00	26102.00			

\* Expenditure upto end of December 2016

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

## 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	20,703.70
	Navy	26,268.13	25,003.24	25,152.20	19,740.06	19,874.69
	Air Force	46,191.96	33,686.75	35,780.78	30,442.15	31,198.32
2016-17	Army#	37,960.18	26,943.08	34,706.12	24,026.86	17,205.64*
	Navy	30,223.31	22,000.09	22,530.04	19,596.28	12,613.87
	Air Force	41,266.41	29,795.42	36,512.95	28,239.86	23,770.25



2017-18	Army#	42,500.93	25,254.32			
	Navy	30,223.31	22,000.09			
	Air Force	62049.00	33570.00			

\* Expenditure upto end of December 2016

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

### **Additional allocation sought by the three Services**

1.26 On the impact of the impaired growth of defence budget/allocation on the modernization/ acquisition plans of the Forces the Ministry of Defence stated that 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.

1.27 The Ministry submitted the details of additional allocation sought by the three Services under RE 2016-17, as follows:-

#### **(a) Army**

(Rs in Crore)

	<b>BE 2016-17</b>	<b>Projected RE 2016-17</b>	<b>Additionality projected</b>	<b>RE allocated</b>
Revenue (Net)	113,732.72	1,34,870.40	21,137.68	1,18,908.19
Capital	26,943.08	34,706.12	7,763.04	24,026.86
<b>Total</b>	<b>140675.80</b>	<b>169576.52</b>	<b>28,900.72</b>	<b>1,42,935.05</b>

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

(Rs in Crore)

	<b>BE 2016-17</b>	<b>Projected RE 2016-17</b>	<b>Additionality projected</b>	<b>RE allocated</b>
Revenue (Net)	17,424.79	19,348.23	1,923.44	17,813.99
Capital	22,000.09	22,530.04	529.95	19,596.28
<b>Total</b>	<b>39,424.88</b>	<b>41,878.27</b>	<b>2,453.39</b>	<b>37,410.27</b>

**(c) Air Force**

(Rs in Crore)

	<b>BE 2016-17</b>	<b>Projected RE 2016-17</b>	<b>Additionality projected</b>	<b>RE allocated</b>
Revenue (Net)	23655.83	23817.22	161.39	23,817.52
Capital	29795.42	36512.95	6717.53	28,239.86
<b>Total</b>	<b>53451.25</b>	<b>60330.17</b>	<b>6878.92</b>	<b>52,057.38</b>

1.28 On the reasons adduced by the Ministry of Finance for reduction, the Ministry of Defence apprised the Committee as under:

'While conveying the reduced ceilings, Ministry of Finance did not given any reason. In spite of taking up the matter of reduced allocations with the Ministry of Finance at the highest level, the request of this Ministry for additional funds was not acceded to by the Ministry of Finance.

However, during budget discussion with MoF, the slow pace of expenditure was cited by MoF as the reason for reducing allocations/ not granting additional allocations.'

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

1.29 The Committee were apprised through a written note about the areas where compromises have been made or are likely to be made due to reduced

budgetary allocation against the projections made by the three Services and other organisations/ heads in the following terms:

'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. Allocation 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.'

### **Depleting Force Levels**

**1.30** The Ministry was asked to intimate about the required (Authorised) and existing (held) force level, armaments, equipment, aircraft in respect of three Service separately for the last five years The Ministry submitted following details with regard to the sanctioned strength and the existing strength :

	<b>Army</b>		<b>Navy</b>		<b>Air Force</b>	
	<b>Officers (as on 1.7.2016)</b>	<b>JCOs /ORs (as on 1.7.2016)</b>	<b>Officers (as on 30.9.2016)</b>	<b>Sailors (as on 30.9.2016)</b>	<b>Officer (as on 1.8.2016)</b>	<b>Airmen (as on 1.11.2016)</b>
<b>Sanctioned Strength</b>	49939	1213614	11384	67639	12244	138739
<b>Existing Strength</b>	41569	1178440	10052	56657	12215	128898

Details of shortage of Armed Force personnel during the last six years is indicated as under:

<b><u>Army</u></b>	<b><u>Navy</u></b>	<b><u>Air Force</u></b>
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<b>Officers</b>	<b>Other Ranks</b>	<b>Officers</b>	<b>Sailors</b>	<b>Officers</b>	<b>Airmen</b>
8370 (As on 1.7.2016)	35174 (As on 1.7.2016)	1332 (As on 30.9.2016)	10982 (As on 30.9.2016)	29 (As on 1.8.2016)	9841 (As on 1.11.2016)
9642 (As on 1.1.2015)	26675 (As on 1.10.2014)	1322 (As on 31.1.2015)	11257 (As on 31.1.2015)	152 (As on 2.2.2015)	2951 (As on 1.11.2014)
9590 (As on 1.1.2013)	22841 (As on 1.4.2013)	1999 (As on 30.6.2013)	13373 (As on 30.6.2013)	783 (As on 1.7.2013)	3625 (As on 1.7.2013)
10100 (As on 1.7.2012)	26433 (As on 1.10.2012)	2054 (As on 31.12.2012)	14512 (As on 31.12.2012)	667 (As on 1.2.2013)	7000 (As on 1.12.2012)
11655 (As on 1.1.2012)	32431 (As on 1.10.2011)	2129 (As on 31.3.2012)	15252 (As on 31.3.2012)	403 (As on 1.5.2012)	6760 (As on 1.5.2012)
11104 (As on 1.7.2011)	44624 (As on 1.7.2011)	2059 (As on 31.10.2011)	13491 (As on 31.10.2011)	561 (As on 1.11.2011)	8311 (As on 1.11.2011)

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 12<sup>th</sup> Defence Plan (2012-17).'

1.31 The Ministry did not submit the details regarding required (authorised) and existing (held) level of armaments equipment, aircraft for each Services.

1.32 The Ministry submitted in response to the recommendation of the Committee regarding the idea of providing compulsory military service to those aspirants, who want to directly join Central and State Government service in the Gazetted cadre, with a view to overcome shortage of officers in Armed Forces, that the matter has been taken up with Department of Personnel and Training (DoPT) whose response is awaited.

### **Defence Preparedness**

1.33 The Committee, in their 19th Report on Demands for Grants (2016-17) had expressed their dissatisfaction with the information provided by the Ministry on Defence on Preparedness as it merely stated 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.'

1.34 The Committee found the reply as bureaucratic in nature and not conveying anything about specific actions taken or proposed. The Committee found 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 appeared that the Ministry had tried to conceal the information. The Committee were concerned to note that the Army was operating with large scale "vintage" equipment. Furthermore, there was deficiency in number of vehicles, small arms/infantry specialist weapons, sight and surveillance equipment, signal/communication equipment, Radars & power equipment and generators etc. The Committee also found that Navy had huge requirement for Capital induction as it was short of vessels, aircraft and helicopters. In addition to this, it was the considered view of the Committee that manpower shortage, prevalent inadequacies in training were also not to be ignored. Therefore, reduction in share of Naval Budget was not desirable, especially in view of the fact that India's larger chunk of trade taking place through sea routes. Besides this, the new challenges of Navy were enormous, as the hostilities in sea by neighbouring countries have increased over the years

1.35 In respect of Air Force, the Committee found that a lot of projects piled up for contract during the Financial Year 2016-17. These related 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.

1.36 The Committee were of the view that on one hand the LTIPP was finalized with intricate participation of the Services and the Ministry of Defence and on the other, the Ministry of Defence did not appear to be realistic in budget allocation as the Budget of DRDO was not sufficient 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.

1.37 In this regard, the Ministry, in its action taken reply, has stated as under:

‘Procurement of defence weapons and equipment is an ongoing process in which Government acquires equipment and technologies keeping in view, inter alia, the security situation, the equipping requirements of the Armed Forces, technology advances and available budgetary resources.

During the last two financial years, 108 contracts with a total value of Rs 112736.81 crore have been signed for capital procurement of defence equipment including Ships, Missiles, Frigates, Rockets, Simulators, Aircrafts, Helicopters and Radars In addition, in the last two financial years, the Defence Acquisition Council has accorded ‘Acceptance of Necessity’ (AoN) for 114 cases with a total value of Rs 2,25,022 Crore. These include AoNs for 155mm Gun systems, Helicopters and Warships.

To cater to the equipping requirements of the Armed Forces, the Defence Procurement Procedure 2016 has been promulgated with effect from 01.04.2016, which has specific provisions to facilitate swift decision making, promote self-reliance and improve transparency and accountability in procurements.’

1.38 In reply to a question on the defence preparedness, the Ministry further submitted the above information similar to what has been state above only.

### **Chief of Defence Staff**

1.39 The Committee, in their earlier reports, had recommended creating a post of Chief of Defence Staff for better co-ordination among the Services. The Committee desire to know the steps taken to for creating the post/institution of Chief of Defence Staff. The Ministry in its reply stated as under:

‘The Group of Ministers (GOM) constituted by the Government to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation, had inter-alia, recommended in its report, the establishment of the post of Chief of Defence Staff (CDS). The recommendations made in the report of the GOM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken,

after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. Replies were not received from all political parties.

In the interim, the Naresh Chandra Task Force (NCTF) on National Security, set up by the Government in May 2011, had in their report recommended establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC). MoD's views in this regard have already been conveyed to NSCS. The recommendations were considered and placed before the CCS on 29.04.2014. NCCS had conveyed the approval of CCS for other recommendations for implementation. However, NSCS has not yet communicated any decision of CCS on the issue of establishment of Permanent Chairman, COSC.

Considering that there are two proposals, for the establishment of CDS and Permanent Chairman, CoSC respectively, it is expected that at the time of a final decision by CCS on the recommendations of the NCTF, both 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 9<sup>th</sup> 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 for BRO from BE 2015-16 onwards is under MoD. In addition, separate budget allocation is done to BRO by other agencies such as Ministry of Road Transport and Highways (MoRT&H), Ministry of external Affairs (MEA), Ministry of Home Affairs (MHA), etc for which BRO is executing certain works. The details of projections and expenditure made by BRO and allocation made by Ministry of Finance (MoF) during last two years of the Eleventh Plan, first four years of Twelfth Plan and FY 2016-17 is given below:-

#### **Projections made by Border Roads Organisation**

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

(a)

(Rs in Crore)					
YEAR	AGENCY	BE DEMA ND	BE ALLOTME NT	FINAL ALLOTME NT	EXPEND ITURE
<b>2011- 12</b>	General Staff (GS)	3000	3000	2800	2635
	Ministry of Road Transport and Highways (MoRT&H)	1537	1239	1080	974
	Ministry of External Affairs (MEA)	99	85	85	84
	Ministry of Home Affairs (MHA)	186	85	85	84
	Ministry of Defence (MoD)	414	450	215	205
	A & N Island	50	50	50	52
	Other and Deposit	141	157	157	59
	<b>Total</b>	<b>5427</b>	<b>5066</b>	<b>4472</b>	<b>4093</b>
<b>2012-</b>	General Staff(GS)	3500	3300	2900	2773
	Ministry of Road Transport	1445	1242	983	937



<b>13</b>	and Highways (MoRT&H)				
	Ministry of External Affairs (MEA)	91	78	36	36
	Ministry of Home Affairs (MHA)	125	53	73	76
	Ministry of Defence(MoD)	433	492	232	208
	A & N Island	16	13	14	14
	Ministry of DoNER	0	5	5	5
	Deposit	0	98	76	38
	<b>Total</b>	<b>5610</b>	<b>5281</b>	<b>4319</b>	<b>4087</b>
<b>2013-14</b>	General Staff(GS)	3500	3300	2762	2819
	Ministry of Road Transport and Highways (MoRT&H)	1545	1340	1006	903
	Ministry of External Affairs (MEA)	91	32	35	35
	Ministry of Home Affairs (MHA)	125	40	58	60
	Ministry of Defence (MoD)	433	336	251	247
	Ministry of DoNER	5	5	5	4
	Deposit	61	61	61	34
	<b>Total</b>	<b>5760</b>	<b>5114</b>	<b>4178</b>	<b>4102</b>
<b>2014-15</b>	General Staff(GS)	4000	3223	2819	2897
	Ministry of Road Transport and Highways (MoRT&H)	1145	1091	756	712
	Ministry of External Affairs(MEA)	59	57	54	54
	Ministry of Home Affairs (MHA)	100	65	56	53
	Ministry of Defence (MoD)	317	310	282	277
	Ministry of DoNER	7	7	7	7
	Deposit	33	60	65	30
	<b>Total</b>	<b>5661</b>	<b>4813</b>	<b>4039</b>	<b>4030</b>
<b>2015-16</b>	Ministry of Defence	4506	3481	3316	3277
	Ministry of Road Transport and Highways (MoRT&H)	534	540	434	432
	Ministry of External Affairs (MEA)	129	76	56	56
	Ministry of Home Affairs (MHA)	150	60	60	59
	Ministry of Defence (MoD)	430	442	447	440
	Others and Deposit	35	69	47	47
	<b>Total</b>	<b>5784</b>	<b>4668</b>	<b>4360</b>	<b>4311</b>
<b>2016-17</b>	Ministry of Defence	5498	3526	3807	2525
	Ministry of Road Transport and Highways (MoRT&H)	416	400	<b>Not yet allocated</b>	189

	Ministry of External Affairs (MEA)	119	57		20
	Ministry of Home Affairs (MHA)	100	74		49
	Ministry of Defence (MoD)	1265	841		311
	Others and Deposit	62	62		17
	<b>Total</b>	<b>7460</b>	<b>4960</b>		<b>3111 (as on Nov 2016)</b>

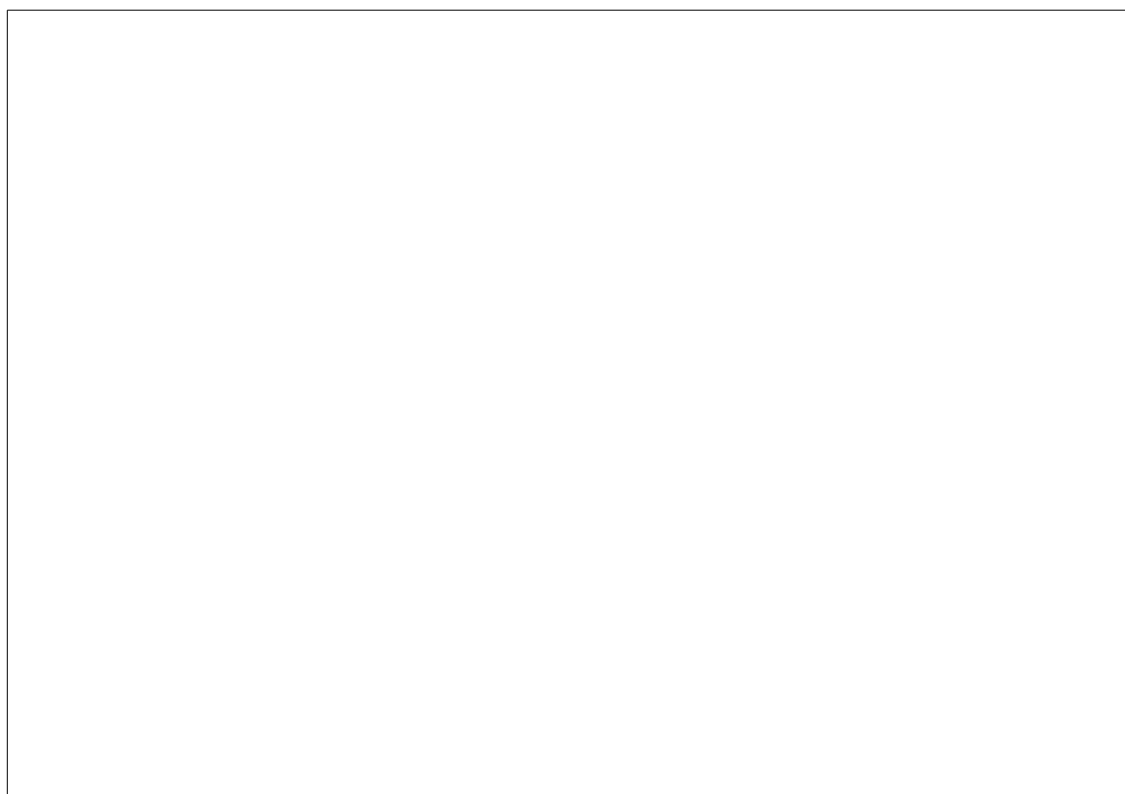
(b) The detail of Capital and Revenue budget allocation and expenditure for the last six years is given below:-

Year	Agency	Capital Budget		Revenue Budget		Total Allotment (Rs in Crore)	Total Expenditure (Rs in Crore)
		Allotment (Rs in Crore)	Expenditure (Rs in Crore)	Allotment (Rs in Crore)	Expenditure (Rs in Crore)		
2011-12	GS	1783.21	1732.70	1016.79	901.96	2800	2634.64
	MoRTH	965	869.85	115	104.51	1080	974.36
	MEA	0	0	84.88	84.03	84.88	84.03
	MHA	84.81	83.70	0	0	84.81	83.70
	MoD	200.07	191.05	14.91	14.30	214.98	205.35
	Other & Deposit	207.20	111.08	0	0	207.20	111.08
	<b>Total</b>	<b>3240.29</b>	<b>2988.38</b>	<b>1231.58</b>	<b>1104.80</b>	<b>4471.87</b>	<b>4093.18</b>
2012-13	GS	1862.59	1829.93	1037.41	942.94	2900	2772.87
	MoRTH	855	829.30	128	108.14	983	937.44
	MEA	0	0	35.88	35.81	35.88	35.81
	MHA	78.80	81.06	0	0	78.80	81.06
	MoD	220.00	197.27	11.89	10.97	231.89	208.24
	Others & Deposit	89.81	52.21	0	0	89.81	52.21
	<b>Total</b>	<b>3106.20</b>	<b>2989.77</b>	<b>1213.18</b>	<b>1097.86</b>	<b>4319.38</b>	<b>4087.63</b>

2013 -14	GS	1799.27	1850.21	962.73	969.39	2762	2819.60
	MoRTH	818	765.01	188	138.30	1006	903.31
	MEA	0	0	35.16	34.57	35.16	34.57
	MHA	58	59.89	0	0	58	59.89
	MoD	242.00	237.55	9.40	9.29	251.40	246.84
	Others & Deposit	65.80	37.83	0	0	65.80	37.83
	<b>Total</b>	<b>2983.07</b>	<b>2950.49</b>	<b>1195.29</b>	<b>1151.55</b>	<b>4178.36</b>	<b>4102.04</b>
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	0	0	54.38	54.07	54.38	54.07
	MHA	56	52.63	0	0	56	52.63
	MoD	273	268.25	8.41	8.39	281.41	276.64
	Others & Deposit	72.02	37.38	0	0	72.02	37.38
	<b>Total</b>	<b>2746.08</b>	<b>2759.39</b>	<b>1292.83</b>	<b>1269.69</b>	<b>4038.91</b>	<b>4029.08</b>
2015 -16	GS	2154.80	2104.86	1161.42	1171.83	3316.22	3276.69
	MoRTH	294	293.64	140	138.51	434	432.15
	MEA	0	0	56.31	56.22	56.31	56.22
	MHA	60	59.17	0	0	60	59.17
	MoD	433	427.50	14.07	12.64	447.07	440.14
	Others &Depos it	47.08	47.03	0	0	47.08	47.03
	<b>Total</b>	<b>2988.88</b>	<b>2932.20</b>	<b>1371.80</b>	<b>1379.20</b>	<b>4360.68</b>	<b>4311.40</b>
2016 -17  (as on	GS	2302	1740.01	1223.73	785.02	3525.73	2525.03
	MoRTH	300	122.36	100	66.35	400	188.71
	MEA	0	0	57.20	20.20	57.20	20.20
	MHA	73.82	48.67	0	0	73.82	48.67

Nov 2016 )	MoD	827.30	303.89	13.21	7.33	840.51	311.22
	Others & Deposit	62.03	16.74	0	0	62.03	16.74
	<b>Total</b>	<b>3565.15</b>	<b>2231.67</b>	<b>1394.14</b>	<b>878.90</b>	<b>4959.29</b>	<b>3110.57</b>

2.3 The chart for Capital and Revenue budget allocation and expenditure for the last five years is represented below:-



2.4 The Ministry apprised that due to shortage of funds, maintenance of roads and resurfacing works are affected. Moreover, as BRO is a work charged Organisation the Pay and Allowances of BRO Personnel is kept as liability for the next financial year and resources are sub-optimally utilized.

2.5 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 is under process by DGBR.

2.6 During the presentation before the Committee, a representative of the Ministry furnished the following details to the Committee:

<u>SNo</u>	Major Head	RE Allot 2016-17	BE Demand 2017-18	BE Allotment 2017-18	Remarks
<b>Revenue</b>		<b>(Rs in Crs)</b>			
1.	MH 2052	553.06	1,920.40	592.71	Salary demanded (upto RCC level) but not allocated.
2.	MH 3054	653.91	1,058.11	707.83	Including Salary : Rs 415 Crs of Maint Platoons included but not allocated.
3.	MH 3601	63.00	88.00	79.20	
4.	MH 2552	7.00	0.00	8.80	Dedicated MH for NE Region.
<b>Total (Revenue)</b>		<b>1,276.97</b>	<b>3,066.50</b>	<b>1,388.54</b>	<b>Addl Reqmt : Rs 1,677.96 Crs.</b>
<b>Capital</b>					
5.	MH 5054	2,511.53	3,699.10	2,743.46	Including Salary : Rs 964.2 Crs of Functional platoons, but not allocated.
6.	MH 4552	18.00	0.00	36.20	Dedicated MH for NE Region.
<b>Total (Capital)</b>		<b>2,529.53</b>	<b>3,699.10</b>	<b>2,779.66</b>	<b>Addl Reqmt : Rs 919.44 Crs.</b>
<b>Grand Total</b>		<b>3,806.50</b>	<b>6,765.61</b>	<b>4,168.20</b>	<b>Total Addl Reqmt : Rs 2,597.41 Crs.</b>

**GS Budget Allocation to Border Roads Organisation (Last Five Years / Rs in Crs)**

S No	FY	BE Demand	BE Approved	% Increase/ Decrease	RE Demand	RE Approved	%Increase/ Decrease
1	2012-13	3,500	3,300	- 6%	3,300	2,851	- 14%
2	2013-14	4,000	3,300	- 18%	3,350	2,762	- 18%
3	2014-15	4,000	3,223	- 19%	3,623	2,819	- 22%
4	2015-16	4,508	3,481	- 23%	4,109	3,316	- 19%
5	2016-17	5,498	3,526	- 36%	5,823	3,807	- 35%
6	2017-18	6,766	4,168	- 38%	NA	NA	

**ALLOTMENT VS EXPENDITURE FOR LAST THREE YEARS IN R/O MAINTENANCE WORKS (GS)**

Year	Demand	Allotment	Final Expenditure	REMARKS
2014-15	650	641	623	Handed over roads to Other Agencies
2015-16	839	636	636	Allotment reduced by 24%
2016-17	900	565	511 (Feb 17)	Allotment reduced by 37%
2017-18	918	568	NA	Allotment reduced by 38%

**BUDGET PROJECTION : FY 2017-18 (IN CRS)**

S NO	AGENCY	FINANCIAL YEAR 2016-17				FY 2017-18	
		BE Demand	BE Allotment	RE Demand	RE Allotment	BE Demand	BE Allotment
1.	General Staff	5,044 (NP)	3,076 (NP)	5,425	3,557	6,766	4,168
		454 (PLAN)	450 (PLAN)	398	250	GS (NP) & (Plan) merged	
Total GS		5,498	3,526 (35% REDUCED)	5,823	3,807 (31% REDUCED)	6,766	4,168 (38.4% REDUCED)
2.	MOD	627	820	580	579	930	**
3.	MoRT&H	416	400	484	350	* 421	**
4.	Others	415	219	218	222	306	**
Grand Total		6,956	4,965	7,105	4,958	8,423	

### LONG TERM ROLL ON WORKS PLAN (LTOWP) 2015-2020

2.7 During presentation before the Committee, a representative of the Ministry informed the Committee of the following details on the LTOWP 2015-20 as under:

No of Roads in LTOWP	Balance Scope (01 Apr 15) (Rs in Cr)	Year	2015-16	2016-17	2017-18	2018-19	2019-20
530	56,954	Planned	6,179	7,429	8,745	9,148	9,558
		Allotted	3,120	3,690			
Total Five Years Plan (2015-16 to 2019-20)		Rs 41,059 Crs					

### Details of additional allocation



**2.8** The Ministry furnished the following information on the additional fund sought by BRO:

‘As there was a reduction in the allocation of budget for BRO during BE 2016-17, a case was taken up with Finance Secretary for additional allocation of budget amounting to Rs 1020 Crore for BRO during the first Supplementary Demands for Grants. Again, a case for additional allocation of budget amounting to Rs 1810 Crs was taken up with Finance Secretary. The details of budget allocation for FY 2016-17 and FY 2017-18 are mentioned below:-

S/ No	Item	FY 2016-17		FY 2017-18
		Budget Estimate	Revised Estimate	Budget Estimate
i	Non Plan	3075.73	3556.50	4168.20
ii	Plan	450.00	250.00	-
	<b>Total</b>	<b>3525.73</b>	<b>3806.50</b>	<b>4168.20</b>

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

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

‘Ministry of Finance imposes ceiling on the allocation of budget for the Revised Estimate (RE) and Budget Estimate (BE), based on the actual expenditure incurred during the last financial year and in the current financial year. Due to the restricted allocation of budget to BRO, 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 is kept as liability for the next financial year and full utilization of resources could not be done.
- (iii) Payment of firms for procurement of Vehicles/Equipment/ Plants is kept as liability for the next financial year.

In order to increase the pace of expenditure by BRO up to the third quarter as stipulated by MoF, a number of measures have been taken, such as enhanced delegation of powers to ground executives, outsourcing of maintenance, outsourcing of roads to Central Public Sector Units (CPSUs), outsourcing of DPR preparation and revise standard schedule of rates.'

### **Shortage of manpower**

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

Srl No	Year	Officers		Subordinates	
		Authorized	Held	Authorized	Held
i	2012-13	1899	1295	40747	34297
ii	2013-14		1292		34018
iii	2014-15		1307		33570
iv	2015-16	1488	1336	40112	33723
v	2016-17		976		33917

**Note:**— up to 2015-16 group B gazette Officers was considered under Officers, thereafter Group 'B' Officers are considered under Subordinates.

2.11 In reply to a question, the Ministry further stated that filling up of vacancies is an ongoing process and to fill the shortage of manpower in BRO, timely action is taken and presently the requirement at various levels is under process. Further, BRO has taken the following steps to fill the vacant posts:

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

### **Shortage of equipment**

2.22 The Ministry in reply to a question submitted the details of requirement and existing equipment of BRO for the last five years: -

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

2.23 In order to induct the latest V/E/P in BRO and to complete the preparatory action for timely procurement, a Long Term Equipment Plan (LTEP) 2014-15 to 2018-19 amounting to Rs 4116.70 Crore has been approved. Moreover, based on the requirement and holding of V/E/P of BRO, an Annual Procurement Plan (APP) for FY 2016-17 amounting to Rs 1256.09 Crore has also been approved.'

### **Progress of construction of Border Roads**

2.24 In reply to a question regarding measures taken by the Ministry to facilitate construction of roads in border areas and specific measures being taken to overcome the various impediments and to expedite the construction of roads in the border areas, the Ministry submitted the following information:

‘(i) **Role of BRO:** In the meeting held with National Security Advisor (NSA) on 23.8.2013, it was decided 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 Uttrakhand, J&K and North East and MoRT&H will make alternate arrangements for remaining roads. Accordingly, 28 roads of 2904 Km length were identified for transfer to various agencies, out of which 1488 km of road length has been handed over to other agencies by BRO. Further, in the meeting of National Security Council (NSC) held on 1.11.2013, it was decided that BRO would focus on core strategic functions on the Northern Border and MoD & 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.

(ii) BRO has been empowered with enhanced delegated powers and certain policy simplifications in following areas have been accorded:-

(a) Enhanced delegated powers to the BRO executives have been accorded.

(b) DGBR has been delegated powers to revise the Standard Schedule of Rates (SSR), which will ensure realistic cost assessment of projects and avoid frequent revision of estimates.

(c) With a view to improve quality of maintenance of roads, DGBR has been delegated powers to revise/fix rates of maintenance and snow clearance grant whenever required.

(d) Guidelines for technology initiative in BRO have been approved. In order to identify and select the most appropriate technology in a fair transparent manner for introduction in BRO, DGBR shall constitute a Multi Disciplinary Expert Group (MDEG) consisting of technical/ domain experts, representatives of the scientific institutions, users, finance and administrative authorities etc. for continuous evaluation of proposals and making detailed recommendations, in a time bound manner.

(e) Guidelines for creation of advance stock pile of construction material in BRO have been approved with an aim to establish an effective mechanism to ensure timely availability of construction material for the road construction works, undertaken by BRO.

(f) Provision of Ground Establishment for salary of Work Charged Task Forces (TFs), Common Service Units (CSUs) and other Functional Units in BRO has been approved.

(g) Special dispensation for delegation of administrative and financial powers in BRO has been approved for expediting the completion of 15 ICBRs and operationally critical GS roads.

(h) 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, Public works Department and Power Departments along with the Principal Chief Conservator of Forest and Chief Engineers of BRO as members to resolve various issues pertaining to BRO. States Governments of Sikkim, Arunachal Pradesh, J&K, Himachal Pradesh and Tripura have constituted the Empowered Committee.

(i) A Standard Operating Procedure (SOP) with simplified procedure has been issued on 18<sup>th</sup> December 2014 to ensure expeditious payment after getting Stage-I clearance of net present value/compensatory afforestation/cost of trees to the Forest Authorities for obtaining forest clearance.

**Status of construction of roads, other than border roads, in difficult areas**

2.25 The Ministry submitted the following information on the status of construction of roads, other than border roads, in difficult areas:

'In order to concentrate simultaneously on the Northern and North-Eastern Borders and for the holistic development of roads in border areas, a five year (2015-16) Long term Roll on Works Plan (LTRoWP) has been drawn up for the construction/improvement of 530 roads of length 22803 km including the 61 ICBRs with a total cost of works amounting to Rs 41059 Crore. The State wise details of roads planned for construction/improvement are summarized below:-

Project	State	Roads under Construction						Roads Newly Incorporated for Construction					
		GS		Total Plan in 5 years	Agency		Total Plan in 5 years	GS		Total Plan in 5 years	Agency		Total Plan in 5 years
		No of Roads	Length (Km)		No of Roads	Length (Km)		No of Roads	Length (Km)		No of Roads	Length (Km)	
Beacon	J&K	30	1033	2591	9	369	670	34	582	1706	-	-	
Chetak	Punjab	5	158	38	0	0	0	4	92	38	-	-	
	Rajasthan	14	940	557	4	355	303	34	1281	1278	1	45	9
Deepak	Himachal Pradesh	7	658	1368	1	0	3	2	258	805	-	-	-
Himank	J&K	22	1830	3069	0	0	0	8	370	1176	-	-	

Rohtang Tunnel	Himachal Pradesh	1	9	2505	0	0	0	0	0	0	-	-	-
Sampark	J&K	67	1337	1357	2	61	42	23	183	107	-	-	
	Punjab	1	27	45	0	0	0	0	0	0	-	-	
Shivalik	Uttrakhand	14	277	1036	5	435	2084	1	20	90	-	-	-
STF Hirak	Uttrakhand	6	367	1016	0	0	0	1	18	97	-	-	-
Vijayak	J&K	17	819	1118	1	322	167	18	217	393	-	-	
<b>Total (Northern Sector)</b>		<b>184</b>	<b>7455</b>	<b>14701</b>	<b>22</b>	<b>1541</b>	<b>3268</b>	<b>125</b>	<b>3021</b>	<b>5691</b>	<b>1</b>	<b>45</b>	<b>9</b>
Arunank	Assam	0	0		0	0							
	Arunachal Pradesh	8	735	1383	2	258	739	2	165	144	-	-	
Brahman k	Assam	0	0	0	0	0	0	0	0	0	-	-	
	Arunachal Pradesh	12	465	2106	2	281	774	2	191	420	1	119	368
Dantak	Assam	2	75	185	0	0	0	0	0	-	-	-	-

	Bhutan	3	232	473	5	253	414	3	93	346	-	-	
Pushpak	Assam	0	0	0	0	0	0	0	0	-	-	-	-
	Manipur	0	0	0	3	248	247	0	0	-	-	-	-
	Mizoram	11	888	913	0	0	0	0	0	-	-	-	-
Setuk	Tripura	0	0	0	2	201	60	0	0	-	-	-	-
	Anandam an&Nicob ar islands	1	24	373	0	0	0	0	0	-	-	-	-
Sewak	Manipur	6	603	261	6	732	704	5	138	127	-	-	
	Nagaland	6	514	299	5	444	225	0	0	0	-	-	
Swastik	West Bengal	2	93	205	0	0	0	0	0	0	-	-	-
	Sikkim	28	564	1464	3	200	658	6	147	382	-	-	-
Udayak	Assam	1	4	8	0	0	0	0	0	0	-	-	-
	Arunachal Pradesh	19	1173	1527	4	298	503	2	14	58	-	-	-
Vartak	Assam	1	21	96	0	0	0	0	0	0	-	-	-
	Arunachal Pradesh	34	1334	1740	1	48	8	10	188	180	-	-	-



<b>Total (Eastern sector)</b>		<b>134</b>	<b>6724</b>	<b>11033</b>	<b>33</b>	<b>2963</b>	<b>4332</b>	<b>30</b>	<b>936</b>	<b>1657</b>	<b>1</b>	<b>119</b>	<b>368</b>
<b>G/Total</b>		<b>318</b>	<b>14179</b>	<b>25733</b>	<b>55</b>	<b>4504</b>	<b>7600</b>	<b>155</b>	<b>3956</b>	<b>7348</b>	<b>2</b>	<b>164</b>	<b>377</b>

## **Status of roads in difficult areas in Uttarakhand and North East region**

2.26 On specific information pertaining to Uttarakhand and North East region the Ministry submitted:

‘Out of the 530 roads of length 22803 km, identified for construction/improvement by the Army, 27 roads of length 1,117 Km are in the state of Uttarakhand and 187 roads of length 10,168 Km are in the North Eastern Region (excluding roads in Bhutan).

As regards the strategic Indo-China border roads (ICBRs), out of the total 61 roads of length 3417 km entrusted to BRO, 44 roads of length 2208.72 km are in Uttarakhand and North East region. 22 roads of length 707.24 km have been completed. The state wise details of roads are given as under:-

<b>State</b>	<b>Nos of roads works in progress</b>	<b>Nos of roads Completed</b>
Jammu & Kashmir	8	4
Himachal Pradesh	1	4
Uttarakhand	12	2
Arunachal Pradesh	16*	11
Sikkim	2	1
<b>Total</b>	<b>39</b>	<b>22</b>

\* The work on one road in Arunachal Pradesh (Thimbu-Mago-Chuna) is yet to commence due to non-receipt of approval of realignment from MHA. The completion schedule for these 39 ICBRs is as under:-

- (i) 2016 : 5 roads
- (ii) 2017 : 8 roads
- (iii) 2018 : 12 roads
- (iv) 2019 : 8 roads
- (v) 2020 : 6 roads

delays in execution of road projects

### **Reason for delays in execution of road projects**

2.27 The Ministry submitted the following reasons for delays in execution of road projects: -

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

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

### **Difficulties faced by the Organization in maintenance of existing road**

2.28 In reply to a question the Ministry mentioned that 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 labour.
- (iii) Limited working season due to prolonged monsoons from May to September every year.

- (iv) Repeated damages due to landslides, natural calamities i.e. flash floods and cloud burst.
- (v) Non allocation of 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.

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

- ‘(i) DGBR has been delegated powers to fix/revise the rates for maintenance and snow clearance grants for roads entrusted to BRO for maintenance.
- (ii) From BE 2015-16 onwards funds are made available under Ministry of Defence (Misc) instead of Ministry of Road Transport and Highways.’

### **Planning and achievement of construction of roads**

2.29 The Ministry submitted the following details of planned and achievement of targets for the last three years:-

S/ No	Item	2013-14		2014-15		2015-16		2016-17 @	
		Planning	Achievement	Planning	Achievement	Planning	Achievement	Planning	Achievement
I	Formation (Equivalent Class -9)	2120	1548	2191	1316	2441	1248	2101	883
li	Surfacing (Equivalent Class -9)	3532	2194	3087	2072	3870	2114	3312	1698
lii	Resurfacin	3042	1969	3098	233	2829	2296	3199	1210

	g (Equivalent Class -9)				9				
iv	Permanent works (Rs in Crore)	1822	1115	1973	940	2200	1266	2261	879
V	Major Bridges ( in meter)	3430	2312	5574	161 3	4245	1811	4189	1657

@Progress is up to 20 Dec 2016.

Government has identified 73 roads of total length 3812 Km, for development along Indo–China border by 2012. Out of this, 61 roads have been entrusted to BRO of length 3417.50 km. BRO has completed 22 road of length 707.24 km. Work on the balance road stretches are under progress and in different stages of completion. The status of connectivity is as under:-

Agenc y	Total		Completed		Balance			
	No	km	Nos	km	No	km	Connected	Uncon
GS	33	1898.71	11	427.51	22	1471.20	15	7
CSG	13	1092.42	06	214.35	07	878.07	1	6
ITBP	15	426.37	05	65.38	10	360.99	5	5
<b>Total</b>	<b>61</b>	<b>3417.50</b>	<b>22</b>	<b>707.24</b>	<b>39</b>	<b>2710.2</b>	<b>21</b>	<b>18</b>

Connectivity (formation works completed) has been achieved in respect of 21 roads. Of the remaining 18 roads, works are under progress on 17 roads, while work on Road Timbu-Mago-Chuna in Arunachal Pradesh has not yet commenced.'

### Chapter III

#### Indian Coast Guard

During 1960s, the Indian Navy was 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

### **Role and responsibilities**

The role of ICG is clearly defined in the Act, and is as follows:-

- (a) It shall be the duty of the Coast Guard to protect by functions of such measures, as it thinks fit, the maritime and other Coast Guard national interests of India in the maritime zones of India.
- (b) Without prejudice to the generality of the provisions of sub-section (a), the measures referred to therein may provide for:-
  - (i) Ensuring the safety and protection of artificial islands, offshore terminals, installations and other structures and devices in any maritime zone.
  - (ii) Providing protection to fishermen including assistance to them at sea while in distress.

(iii) Taking such measures as are necessary to preserve and protect the maritime environment and to prevent and control marine pollution.

(iv) Assisting the customs and other authorities in anti smuggling operations.

(iv) Enforcing the provisions of such enactments as are for the time being in force in the maritime zones.

(v) Such other matters, including measures for the safety of life and property at sea and collection of scientific data, as may be prescribed.

3.3 To fulfill 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 Projections made by the Coast Guard

(Rs in crore)

Year		BE	BE	RE	Additional	RE	Actual
------	--	----	----	----	------------	----	--------

		<b>Projectio n</b>	<b>Allocatio n</b>	<b>Projectio n</b>	<b>I sought</b>	<b>Allocatio n</b>	<b>Alloca n (MA</b>
<b>XI Plan</b>							
2010-11	Capital	1907.220	1100.050	1200.184	100.1340	1200.190	1200
	Revenu e	937.2823	882.4000	882.3950	-0.0050	882.2600	815
2011-12	Capital	1600.000 0	1600.000 0	1600.000 0	0.0000	1600.000 0	1600
	Revenu e	902.1800	890.9400	973.2800	82.3400	941.2100	932

<b>XII Plan</b>							
2012-13	Capital	2000.00	1800.0000	1690.00	-110.0000	1650.0000	1565.0
	Revenu e	1037.2125	971.2100	991.6391	20.4291	959.9500	960.4
2013-14	Capital	1775.0000	1775.0000	1385.0000	-390.0000	1060.0000	1060.0
	Revenu e	1139.6350	1054.8100	1171.5368	116.7268	1018.1500	1018.1
2014-15	Capital	1550.0000	1550.0000	1491.7312	-58.2688	1140.0000	1140.0
	Revenu e	1278.9650	1130.2600	1465.2140	334.9540	1265.0000	1295.2
2015-16	Capital	2050.0000	1500.0000	2460.0000	960.0000	1500.0000	1500.0
	Revenu e	1642.8640	1514.0000	1625.7790	111.7790	1514.0000	1547.6

3.6 During presentation before the Committee, on the allocation of budget to the Coast Guard, the Ministry submitted as under:

**Projection and allocation for year 2016-17**



(Rs. in Cr)

Head	BE		RE		Short fall
	Projection	Allocation	Projection	Allocation	
Capital	3990.00	*2500.00	3005.00	2500.00	505.00
Revenue	1798.58	1624.41	2085.99	1737.76	348.23
<b>Total</b>	<b>5788.58</b>	<b>4124.41</b>	<b>5090.99</b>	<b>4237.76</b>	<b>853.23</b>

\* Including additional ` 1000 Cr allocated at 2<sup>nd</sup> supplementary stage in Dec 2016

### Projection and allocation for year 2017-18

(Rs. in Cr)

Head		BE		Short fall
		Projection	Allocation (indicated)	
Capital		4805.00	2200.00	2605.00
Revenue		2214.55	1829.79	--
	Salary	837.65	790.29	--
	Non Salary	1376.90	1039.50	337.40
<b>Total</b>		<b>7019.55</b>	<b>4029.79</b>	<b>2942.40 #</b>

# Total short fall in Capital head & Revenue non salary segment

3.7 The Ministry was asked to state the areas where compromises have been made or are likely to be made during reduced budgetary allocation against the projections made by the Coast Guard. It stated that New Schemes have been deferred to subsequent fiscals due to shortage/non-availability of funds.

Year		BE Allocation	RE Projection	Additional sought
2012-13	Capital	1800.0000	1690.0000	-110.0000

	Revenue	971.2100	991.6391	20.4291
	<b>Total</b>	<b>2771.2100</b>	<b>2681.6391</b>	<b>-89.5709</b>
2013-14	Capital	1775.0000	1385.0000	-390.0000
	Revenue	1054.8100	1171.5368	116.7268
	<b>Total</b>	<b>2829.8100</b>	<b>2556.5368</b>	<b>-273.2732</b>
2014-15	Capital	1550.0000	1491.7312	-58.2688
	Revenue	1130.2600	1465.2140	334.9540
	<b>Total</b>	<b>2680.2600</b>	<b>2956.9452</b>	<b>276.6852</b>
2015-16	Capital	1500.0000	2460.0000	960.0000
	Revenue	1514.0000	1625.7790	111.7790
	<b>Total</b>	<b>3014.0000</b>	<b>4085.7790</b>	<b>1071.7790</b>
2016-17	Capital	2500.0000	3005.0000	505.0000
	Revenue	1624.4100	2085.9894	461.5794
	<b>Total</b>	<b>4124.4100</b>	<b>5090.9894</b>	<b>966.5794</b>

**Details of additional allocations sought by the Coast Guard during preceding five years**

(Rs in crore)

# Additional Rs1000 crore allocated at 2<sup>nd</sup> Supplementary stage in December 2016.

**(Reference: Replies to the Preliminary List of Points Page 64-67)**

**Capital and Revenue ratio for the budget allocation for the Coast Guard**

3.8 The Ministry submitted the following information with respect to Capital and Revenue ratio for the budget allocation for the Coast Guard :

(Rs in crore)

<b>Financial Year</b>		<b>Allocation</b>	<b>Ratio *</b>
2010-11	Capital	1200.1900	3
	Revenue	815.8800	2
2011-12	Capital	1600.0000	3
	Revenue	932.8775	2
2012-13	Capital	1565.0000	3
	Revenue	960.4120	2
2013-14	Capital	1060.0000	1
	Revenue	1018.1500	1
2014-15	Capital	1140.0000	1
	Revenue	1265.0000	1
2015-16	Capital	1500.0000	1
	Revenue	1547.6100	1
2016-17 #	Capital	2500.0000	3
	Revenue	1737.7600	2

# Allocation at RE stage

The Ministry further apprised that the ratio has come down from 3 to 1 due to grossly insufficient allocation under Capital head.

**Budget of Coast Guard in comparison to Defence Budget and Central Budget**

3.9 In reply to a question, the Ministry submitted the following information regarding the budget of Coast Guard in comparison to Defence Budget and Central Budget for the last five years:

(Rs in crore)

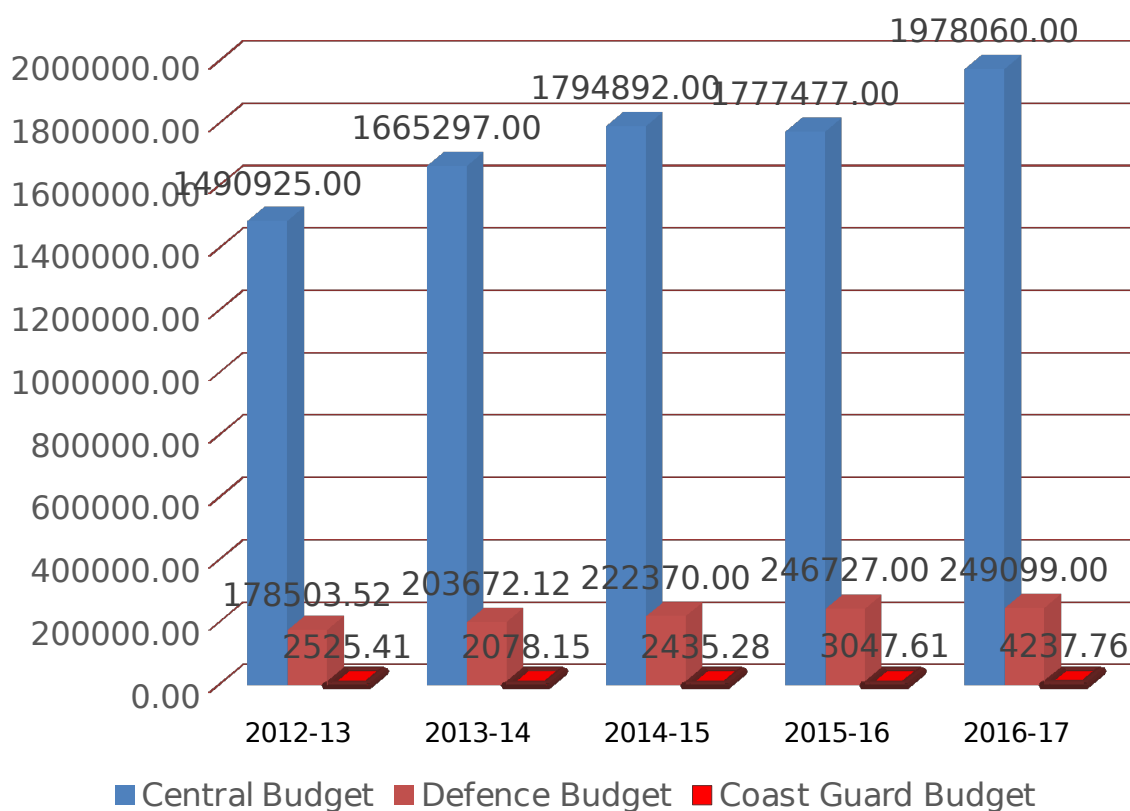
Year	Major Heads	Allocation	Total Allocation of Coast Guard	Defence Budget	Central Budget
2012-13	Capital	1565.0000	2525.4120	178503.52	1490925.00
	Revenue	960.4120			
2013-14	Capital	1060.0000	2078.1500	203672.12	1665297.00
	Revenue	1018.1500			
2014-15	Capital	1140.0000	2435.2800	222370.00	1794892.00
	Revenue	1295.2800			
2015-16	Capital	1500.0000	3047.6100	246727.00	1777477.00
	Revenue	1547.6100			
2016-17 #	Capital	2500.0000	4237.7600	249099.00	1978060.00
	Revenue	1737.7600			

# Coast Guard Allocation at RE stage

## Source of information page 8 of 'Statistical Handbook on Defence Expenditure' published by CGDA.

### BE 2016-17 allocation

## COMPARISON CHART



### 3.10 Required and existing force level

#### (i) Force Level

Year	Surface Platforms		Aircraft	
	Authorised	Held	Authorised	Held
2012	Coast Guard Development Plan 2012-17 (XII Plan) envisages 208 ships, interceptor boats & hovercraft by the end of the plan.	73	Coast Guard Development Plan 2012-17 (XII Plan) envisages 100 aircraft (fixed wing & rotary) by the end of the plan.	56
2013		75		62
2014		89		63
2015		102		63
2016		117		62
2017 (As on 17 January 2017)		126 (with 72 under construction)		62 (with contract for 30 envisaged by March 2017)

#### (ii) Armament

SI	Description	Qty Authorised	Qty held
<b>2012-13</b>			
(a)	76/62 SRGM	04	04
(b)	30mm Gun	28	28
(c)	40/60 Gun	5	5
(d)	12.7mm HMG	115	111

<b>2013-14</b>			
(a)	76/62 SRGM	04	04
(b)	30mm Gun	36	36
(c)	40/60 Gun	5	5
(d)	12.7mm HMG	137	123
<b>2014-15</b>			
(a)	76/62 SRGM	04	04

(b)	30mm Gun	42	40
(c)	40/60 Gun	7	7
(d)	12.7mm HMG	168	138
<b>2015-16</b>			
(a)	76/62 SRGM	04	04
(b)	30mm Gun	45	45
(c)	40/60 Gun	11	11
(d)	12.7mm HMG	168	138
<b>2016-17</b>			
(a)	76/62 SRGM	04	04
(b)	30mm Gun	51	51
(c)	40/60 Gun	14	14
(d)	12.7mm HMG	168	168

### **Monitoring system to track boats**

3.11 Considering the importance of coastal surveillance, the Committee desired to know from the Ministry whether Coast Guard has proper monitoring system to track boats which come to the harbors through its 42 Coast Guard stations functioning in different parts of the country. The Ministry submitted the following information through a written note:

‘42 Coast Guard Stations have been established along the coast to enhance security and to undertake the mandated task as per Coast Guard Act 1978. In addition, as part of Coastal Surveillance, an electronic/radar chain called Coastal Surveillance Network (CSN), comprising of Chain of Static Sensors having radars, Automatic Identification System (AIS), day/night cameras and met sensors has been established. In Phase-I of CSN network, 46 Remote Radar Stations have been configured to provide electronic and optical surveillance up to a range of 25 nautical miles and 15 nautical miles respectively along the Indian coast in areas of high sensitivity and high traffic density. In order to provide near gap free surveillance, CSN Phase-II with 38 Radar Stations, 04 Mobile

Surveillance Systems and integration of Vessel Traffic Management System(VTMS), Gulf of Kutch and Vessel and Air Traffic Management System (VATMS), Gulf of Khambhat will be established. The contract for the project is likely to be concluded by end 2017/early 2018 with project implementation by 2019.

2. Presently no tracking device is fitted onboard vessels less than 20 metres in length overall (LOA). The electronic surveillance can be effectively utilised if any vessel proceeding to sea, irrespective of its size/length, including fishing boats are fitted with transponders capable of indicating their position, course and speed. Monitoring and accounting of movement of fishing boats from any harbour / fish landing centre is the responsibility of concerned fisheries authorities and state coastal police. Robust shore mechanism by respective States must be implemented for all boats entering / leaving fishing harbors However, enhanced coastal security measures including monitoring of fishing boats and other crafts are executed by ICG during specific inputs on any suspicious movement along the coast.'

## Chapter IV

### Military Engineer Services

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

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 During the examination of Demands for Grants, a representative of MES informed the Committee about Capital Execution Load and Revenue Execution Load. The details are as follow:

#### **Capital Execution Load**

<b>Year</b>	<b>Amount Allocated</b>	<b>Amount Utilised</b>
2012-13	4017	3925
2013-14	4028	4076
2014-15	4955	4921
2015-16	5297	5256
2016-17	5712	4400
2017-18	7664	-



### **Revenue Execution Load**

<b>Year</b>	<b>Amount Allocated</b>	<b>Amount Utilised</b>
2012-13	6011.40	6211.76
2013-14	6696	6653
2014-15	9486	9239
2015-16	9531	9291
2016-17	10159	7545
2017-18	10840	-

### **Deficiency of Civilian Manpower**

4.4 During the examination of Demands for Grants, a presentation was made before the Committee. A representative of MES informed the Committee about deficiency of Civilian Manpower as follow:

<b>CATEGORY OF STAFF</b>	<b>1992 CEILING</b>	<b>PRESENT CEILING</b>	<b>REQUIREMENT AS PER NORMS</b>	<b>PRESENT HOLDING</b>	<b>DEFICIENCY AGAINST PRESENT CEILING</b>
<b>SUPERVISORY</b>	<b>11600</b>	<b>7389</b>	<b>10473</b>	<b>4661</b>	<b><u>2729</u> 36.90%</b>
<b>OTHER BASIC</b>	<b>30859</b>	<b>39015</b>	<b>35691</b>	<b>13769</b>	<b><u>24592</u> 64.10%</b>
<b>INDUSTRIAL</b>	<b>106854</b>	<b>73101</b>	<b>150329</b>	<b>43292</b>	<b><u>29809</u> 40.80%</b>
<b>TOTAL</b>	<b>149313</b>	<b>119505</b>	<b>196493</b>	<b>61722</b>	<b><u>57783</u> 48.35</b>

4.5 During presentation before the Committee, a representative of the MES apprised that following initiatives are being taken by it:

- Revision of Defence Works Procedure 2007
- Adoption of new construction technology (Design & Build)
- Revision of scales of accommodation 2009
- Implementation of green norms
- Revision of maintenance norms
- Military Engineer Services Accretions (353 officers and 2439 subordinates)

- 11<sup>th</sup> and 12<sup>th</sup> plan infrastructure development for army - 136 officers and 819 subordinates
- Military Engineer Services establishments for Coast Guard - 149 officers and 1403 subordinates
- Chief Engineer for Southern Air Command and Special Projects - 68 officers and 217 subordinates

## 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
2012-13	12808.84	10791.00
2013-14	13465.65	12336.06
2014-15	13362.46	14255.71
2015-16	14806.47	14232.69
2016-17	18330.83	15005.84
2017-18	20206.63	-

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

(Rs in Crore)

Year	2011-12	2012-13	2013-14	2014-15	2015-16
Sales	9746.59	10245.35	12217.24	13709.32	15781.37

5.3 The Ministry submitted the following as the 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% 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.’

### **Dividend to the Government and its utilisation**

5.4 The Ministry informed that 50% of the Net Trade Surplus generated by the Canteen Stores Department goes to Consolidated Fund of India (CFI).

The details of last five years are as under:

<b>(Rs in Crore)</b>					
<b>Year</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>50% of Net Trade Surplus (Net Profit deposited in CFI)</b>	108.15	109.68	88.97	117.84	118.37 (unaudited)

5.5 50% of the profit earned by CSD is deposited in CFI. Remaining 50% is utilised for the following welfare activities by the beneficiaries. The pattern of Assistance and percentage of amount for welfare activities is mentioned below:-

<b>Sl. No.</b>	<b>Pattern of Assistance</b>	<b>% up to</b>
(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%

### **Procedure for enlisting of a product**

5.6 Procedure for enlisting of a product in CSD along with introduction form is given at CSD website ([www.csdindia.gov.in](http://www.csdindia.gov.in)). The suppliers are free to download the form and submit their request. On the request 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% Bank Guarantee of the value of order placed.

### **Opinion and feedback of defence personnel by CSD**

**5.7** The Ministry has informed that at all the steps of introduction members of the armed forces are involved including the independent members of three Services who are the members of various Committees such as Preliminary Screening Committee and Board of Administration. However, it informed that CSD does not take any feedback from Services about quality and price of the products. However, comments, complaints etc. received from consumers/URC is acted on priority as per policy of the department.

### **Scams in CSD**

**5.8** The Ministry informed that 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. However, the

Ministry has not informed the outcome of the case as well as the preventive measures taken to stop such incidents.

## **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.

6.3 The Ministry of Defence through a written note informed the Committee about the Elections held in Cantonments as under:

'Elections to Cantonment Boards are held on expiry of the term of elected members. The term of elected members is five years which can be extended by one year. In exercise of the powers conferred by Section 31 of the Cantonments Act, 2006, the Central Government has framed rules called the Cantonment Electoral Rules, 2007 for conduct of elections.

Elections to 56 Cantonment Boards were conducted on 11th January, 2015 and to 5 Cantonment Boards on 17th May, 2015. The results for the same have been published in the Official Gazette except for Pachmarhi Cantonment Board which were not published due to a court case and the term of its varied Board was extended for a period of one year up to 5<sup>th</sup> June, 2016 and further one year up to 5<sup>th</sup> June, 2017. Election to Khasyol Cantonment Board was not held and its term was initially been varied for one year up to 5<sup>th</sup> June, 2016 and further up to 5<sup>th</sup> June, 2017.

During the said election, EVMs provided by the Election Commission of India were used. There were 13,38,573 voters out of which 7,98,883 voters exercised their franchise in the above elections in which 404 members were elected. One-third of the elected members are women representing the seat reserved for them.'

6.4 **Financial base of Cantonment Boards** : Cantonment Boards have powers to raise resources through taxation, fees, lease rent in respect of lands under their management and rentals in respect of properties belonging to and vested in the Board. Under Section 66 of the Cantonments Act, 2006, a Cantonment Board shall with the previous approval of the Central Government, impose property tax and tax on trades, profession callings and employments. In addition to these taxes, Board may with the previous approval of the Central Government impose any other tax also which may be levied by a municipality in the State in which the Cantonment is situated. The main sources of income of a Cantonment Board are local taxes such as house tax, conservancy tax, water tax, toll tax/octroi, lighting tax, trade and profession tax, Service Charges and vehicle entry fee etc. Expenditure is mostly on establishment and contingencies connected with rendering various civic services including maintenance of hospitals/dispensaries and schools.

6.5 The resources of Cantonment Boards are limited as the bulk of the property in Cantonments is government-owned which is exempt from property tax. Moreover the nature of the Cantonments is such that there is only limited trade and business activity and practically no industry.

During presentation before the Committee, a representative of DGDE presented the following information on Expenditure under Revenue Heads

(Rs in crore)

SUMMARY TOTAL (REVENUE HEAD)	ACTUAL 14-15	ACTUAL 15-16	RE 16-17	BE 17-18
TOTAL OF REVENUE HEAD- 2052	395.99	351.57	368.81	398.66
TOTAL OF REVENUE HEAD- 2059	2.79	2.98	4.56	4.72
GROSS TOTAL OF REVENUE HEADS (2052+2059)	398.78	354.55	373.37 (747.05)	403.38 (820.41)

He further apprised the Committee on the Expenditure under Capital Heads:

*Rs in Crore*

BUDGET HEAD (Capital Head)	ACTUAL 14-15	ACTUAL 15-16	RE 16-17	BE 17-18
Capital Outlay on Public Works (Office Buildings)- 4059	24.57	17.98	14.98	23.68
Capital Outlay on Housing-4216	2.31	1.78	2.46	7.01
TOTAL CAPITAL (4059+4216)	26.88	19.76	17.44	30.69

**6.6 Service Charges** - Since properties of the Union are exempt from property tax, the Government of India decided to pay 'service charges' to local bodies in respect of Central Government properties falling within municipal limits, at rates ranging from 33-1/3% to 75% of the property tax payable to compensate the loss of normal income of local bodies due to the Constitutional ban on the State Government taxing Central Government properties. Though such payments were being made to municipalities, Cantonment Boards were not being so paid. In 1982, the Ministry of Defence agreed to



pay service charges to Cantonment Boards. The rate of payment, however, was kept at the lowest slab of 33-1/3% of the property tax leviable. In the revised Cantonments Act of 2006 a provision for payment of service charges to Cantonment Boards has been added under section 109, thereby providing a statutory cover to it. Thus, from 1983-84, Cantonment Boards have become eligible for receiving service charges in lieu of property tax in respect of the Central Govt properties situated within Cantonments. However, due to financial constraints only a part of the amount due to be paid to the Cantonment Boards could be released.

During presentation before the Committee, a representative of DGDE, presented following information on Service Charges:

(Rs in crore)

Year	Army		Air Force	
	Annual Demand	Allotment by Army HQ	Annual Demand	Allotment by Air Force HQ
2014-15	1397	216	117	83
2015-16	1591	352	127	68
2016-17	1771	182	128	295 (incl. arrears)
<b>Accumulated arrears of Service Charges</b>				
<b>Army</b>	<b>Rs 13,645 crore</b>			
<b>Air Force</b>	<b>NIL</b>			

**6.7 Grant-in-Aid:** The Central Government provides financial assistance to Cantonment Boards in the form of ordinary Grant-in-Aid to balance their budgets. During 2015-16, 44 Cantonment Boards (out of 62) received Grant-in-Aid from the Central Government.

Apart from ordinary grant-in-aid, grants for creation of capital assets like, underground sewerage system, water supply schemes, construction of hospitals and schools etc are also being provided from 2012-13.

During presentation before the Committee, a representative of DGDE, presented the following information on Important Budget Heads under Revenue Head :

*Rs in Crore*

<b>BUDGET HEAD (Revenue Head-2052)</b>	<b>ACTUAL 14-15</b>	<b>ACTUAL 15-16</b>	<b>RE 16-17</b>	<b>BE 17-18</b>
<b>Salaries (Voted)</b>	<b>44.87</b>	<b>48.85</b>	<b>67.48</b>	<b>72.20</b>
<b>Grants-in-Aid (Amt. Demanded)</b>	<b>301.33 (316.60)</b>	<b>258.76 (348.26)</b>	<b>223.38 (502.21)</b>	<b>267.42 (552.43)</b>
<b>Grants for Creation of Capital Assets</b>	<b>30.11</b>	<b>19.74</b>	<b>45.00</b>	<b>25.62</b>
<b>Information Technology</b>	<b>4.85</b>	<b>8.86</b>	<b>8.28</b>	<b>6.35</b>

#### Land under the management of various authorities

S.No.	Service Name	Defence Land holding (In acres)	%
1.	Army	1413656.401	80.46
2.	Navy	43712.063	2.49
3.	Air Force	140199.134	7.98
4.	DGDE <sup>1</sup>	66384.441	3.78
5.	OFB	47346.176	2.69
6.	DRDO	17518.487	1.00
7.	Coast Guard	700.784	0.04
8.	Others	27537.993	1.56
<b>Total</b>		<b>17,57,055.479</b>	<b>100</b>

#### Eviction of unauthorised occupants from Defence land

6.8 The authorities competent to take action for removal of encroachments have been designated as Estates Officer under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. Officers of the Cantonment Board/Defence Estates Organisation/Service Authorities have been notified as Estate Officers

The DGDE has been delegated the powers to sanction defence of suits, appeals and other proceedings subject to certain conditions relating to the defence land.

## **NEW INITIATIVES**

### **6.9 Computerization of Defence land records**

(i) Defence Estates Service maintains two types of important lands registers. One register is for lands within Cantonment and the other register is for lands outside Cantonments. The former register is called General Lands Register (GLR) and the latter register is called Military Lands Register (MLR). Both the registers record, survey number-wise, the ownership of land, its area, who occupies it, any transfer/sale transaction and other summary details. Both the registers are maintained in every DEO Circle. GLR is maintained in every Cantonment Board Office also for land placed under the management of Cantonment Boards. There are 62 Cantonment Board Offices and 37 DEO Circles.

(ii) Raksha Bhoomi software was envisaged, to store electronically the information in both these registers in respect of all the Defence Estates Officer and Cantonment Boards. The features of Raksha Bhoomi are that land data from various offices can be consolidated at one place.

(iii) The software, after its development and launch in 2011, has undergone further changes and upgradation. A stable online version 5.0 has been released in a secured network till date.

(iv) Raksha Bhoomi is being constantly upgraded with a view to provide updated data to the users and additional information required for better management.

### **Survey, Demarcation and Verification of Defence Lands**

6.10 One of the mandatory and important aspects of the management of defence lands is the demarcation of lands, clearly demarcating boundaries and maintenance of boundary pillars. For physical verification of Defence Lands, Survey on continuing basis is mandatory. The Government sanctioned a project on 22.02.2011 for Survey, Demarcation and Verification of Defence Lands at an estimated cost of Rs 15.52 crore. The project expenditure included procurement of survey equipment, training of staff, survey of defence lands over 3 years.

## 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

No budgetary support is given to DPSUs by the Government of India. The following DPSUs have registered profit for the last five years:

*(Rs in Crore)*

Name of DPSU	2012-13	2013-14	2014-15	2015-16	2016-17*
HAL	2997	2693	2388	1654	1090
BEL	890	932	1167	1358	755.88
BEML#	-80	5	6.76	52.65	-140.93
BDL	288	346	419	563.24	351.88
GRSE	132	121.46	43.45	160.71	52.87
GSL*	16	-61.09	78.24	61.89	70.25
HSL^	-55	-46.21	-202.84	19.00	6.15
MDL	413	397.61	491.59	637.82	353.73
MIDHANI	83	83	102.13	118.03	68.53

\*Up to Dec, 2016 (Provisional)

# BEML has been making profit consistently except during the year 2012-13 which is mainly on account of inadequate orders In so-far-as 2016-17 is concerned, BEML expects to end the year on profit.

\* 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 (Rs18.14 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**

7.2 On the product quality and the cases of grafts in DPSUs, the Ministry submitted following information:

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

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

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

(4) **BDL:** No major complaints have been received with reference to product quality for the last 3 years BDL is making all out efforts to support its users by promptly addressing the users' complaints as and when required. To avoid recurrence of complaints BDL is arranging to visit depots for maintenance and repair, rework of faulty lots/equipments, checking product storage conditions, joint review inspections, training, remedial measures, etc.

(5) **GRSE:** No complaint has been received for the last three years

- (6) **GSL:** No complaint has been received for the last three years
- (7) **HSL:** No major complaints have been received for the last three years
- (8) **MDL:** No complaint has been received on product quality and graft.'

The information on delays is as under:

Project	Yard	Contractual Delivery Date	Actual Delivery Date
P17	12627	May '09	09 Jul '11
	12637	Dec '09	25 Jun '12
P15A	12701	May '10	10 Jul '14
	12702	May '11	09 Sep '15
	12703	May '12	31 Aug '16

Corrective measures instituted by MDL:

- Development of Weapons and Sensors is being expedited through DRDO and DPSUs through various routes such as 'Buy and Make', 'Buy and Make (Indian)' and 'Make' acquisition processes.
- Indigenisation of waRship building steel has been undertaken through DPSU and Private Industries.
- Contractual provisions in Ship Building contract have also been improved to overcome deficiencies observed earlier such as incorporation of Fixed and Variable components which provide flexibility to Shipyard in respect ordering equipment.
- MDL has successfully completed the augmentation of its infrastructure through Mazdock Modernisation Project (MMP) which comprises of a new Wet Basin, a Heavy Duty Goliath Crane, a Module Workshop, a Submarine Assembly workshop, a Cradle Assembly Shop, Store Building and associated ancillary structures.
- MDL has appointed M/s. Fincantieri, Italy as a Know How Provider for Technology up-gradation and Capability Enhancement (KHP for TUCE) who will act as a means to achieve the required technology upgrade

and enhancement in the capabilities of the Shipyard for next project of P17A.

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

### **Cost and time slippage by DPSUs**

7.3 In reply to a question, 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 Cheetal helicopters for the Defence Forces. As these supplies are against firm and fixed contracts, there are no slippage on account of cost. However, due to various projects/ production aspects, there are certain instances of rescheduling of deliveries in consultation with the customers. Issues concerned with timely delivery of products have been addressed 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%. 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/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 equipment and spares to the Forces in time in the past. In the recent past, the deliveries of BEML, Tatra 8x8 Heavy Duty truck and ARV have been delayed due to the extraordinary situation that the Company has faced on these counts. The Heavy Duty Trucks supply has

commenced from October, 2015 and all pending orders in respect of Heavy duty truck will be completed as per the revised delivery schedule.

(4) **BDL:** There has been a cost slippage in Konkurs-M ATGM due to increase in cost of imported items from OEM which is not being reimbursed. Due to reasons which are beyond control, products like Milan 2T ATGM, Konkurs-M ATGM, Invar ATGM and Akash SAM were delivered beyond scheduled 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. Invar got delayed due to technical issues encountered during proof firing.

(5) **GRSE:** At times due to certain reasons beyond the control of GRSE, there have 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. GSL has delivered two 105M Offshore Patrol Vessels (OPVs) to Indian Coast Guard, one Fast Patrol Vessel & 11 Fast Interceptor Boats for Government of Mauritius and one Damage Control Simulator for Myanmar Navy, **ahead of contractual schedule.**

(7) **HSL:** HSL has supplied six tugs to Indian Navy and four Inshore Patrol Vessels for Indian Coast Guard in last five years (01.04.2010 to 31.12.16). 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 handled at MDL. However, there have been time slippages in deliveries and the main reason for time slippages in the delivery of P17 and P15A because of reason ranging from delay in availability of quality steel, delay in finalization of weapon equipment, propulsion equipment, delays in equipment shipped by OEMs.

(9) **MIDHANI:** No'



## **Modernization of DPSUs**

7.4 On the present status of modernization of DPSUs, the Ministry submitted the following information:

(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 MkI, ROH of AL-31FPengine, ROH of Hawk Mk132 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 Tumakuru, about 100 km from Bengaluru on 610 Acres of land allotted by the Government of Karnataka. Hon'ble Prime Minister, Shri Narendra Modi laid the foundation stone for this Helicopter Manufacturing Facility on January 3, 2016.

(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. BEL spends annually about Rs 350 to 500 Crores from internal resources for modernisation.

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

(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 Rs606 Crore, Rs 547 Crore has been spent on modernization in the last 5 years which include procurement of machinery and development of infrastructure facilities to enhance productivity of major products. Modernisation and replacement of Plants and Ramping up of capacities for Aksah SAMs is under progress. Modernisation programmes are financed by the company from internal resources.

Process of establishing new units at Amaravati, Maharashtra and Ibrahimpatanam, Ranga Reddy District, Telengana State is 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 has undertaken a planned modernisation programme and is in the process of creating infrastructure for indigenous construction of MCMVs (Mine Counter Measure Vessels) for Indian Navy. Infrastructure Modernisation plan is being implemented in four phases, of which Phase 1 & 2 has since been completed in Mar 2011. Phase 3A is completed and inaugurated by Hon'ble Prime Minister on 13 Nov 2016. Work for balance phases (Phase 3B & 4) is also in progress. On completion of Modernisation Plan, GSL will have the capability to build high technology Glass Fibre Reinforced Plastic (GRP) Hull Mine Counter Measure Vessels (MCMVs) indigenously with the help of foreign technology provider. In addition, this will also substantially enhance the rate of production and shipbuilding capacity of the yard.

Modernisation plan for MCMV construction facilities is being executed using the funds from internal accruals and from Govt funding. The Government of India / MOD IHQ (N) in Oct 2010 has sanctioned Rs 400 cr towards development of facilities in GSL for building Mine Counter Measure Vessels (MCMV). The funding from internal accruals from GSL is approximately Rs 300 cr.

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

(7) **HSL:** There is no budgetary allocation for modernization. However, in the year 2010, details of essential requirements for replacement/ refurbishment/ renewal of age-old plant, machinery and infrastructure had been worked out to an extent of Rs 457.36 Cr which was sanctioned by MoD. The RRMI activities are being carried out expeditiously.

Unfortunately, the Yard was struck by a severe cyclone 'HUDHUD' on 12 October 2014 which caused extensive damage to yard infrastructure, ongoing projects and colony infrastructure. Damages due to Cyclone Hudhud have been estimated at Rs479 crore.

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

associated ancillary structures. The total cost of modernization was Rs 966 crore.

MDL has recently completed construction of Submarine Section Assembly Workshop (SSA) at Alcock Yard. The Cost to completion of the Project is Rs 153 crores approx.

(9) **MIDHANI:** Modernization is going on with internal funding, Govt. Loans and customer funding. Major equipment's have already been installed. There is no Budgetary Allocation.'

7.5 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 helicopters manufacturing (LCH&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 the 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 there by, 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% 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 overRseas 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	500	750 (By Mar.2018)
Invar ATGM	1500	2000	3000
Konkurs-M ATGM	2000	4500	Already achieved
Milan 2T ATGM	1200	2000	Already achieved

Under import substitution, indigenization programme has been taken up in a big way. Following products have been indigenized and details are as given below:

S.No	Product	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:** The modernisation was completed and inaugurated on 06 June 2013. It has enabled GRSE in implementing Integrated Construction facilities 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 ongoing 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 the 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 ongoing modernization plan,

the capacity of the Shipyard will be enhanced by approximately three times 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 FSS, LPDs and SOVs, which are in pipeline.

(8) **MDL: Upgraded Capacities Post Modernisation**- The new Wet basin equipped with four 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% to 65% 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.

Parallel sections outfitting / cradles outfitting of Submarine are being undertaken at Cradle Assembly Shop (CAS). Sections outfitting of Submarines at SSA shop, Alcock Yard & Setting To Work of Submarines at new Wet Basin has substantially enhanced production capacity of Submarine division.

(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. ‘

### **Proposed budgetary provisions for modernization of DPSUs**

7.6 On the budgetary allocation to be spend on modernization, in a written note, the Ministry submitted as under:

‘(1) **HAL:** HAL has planned for an investment of around Rs 14500 CRs 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 modernization of existing facilities.

The modenisation plan envisaged for future programs likeFGFA, , LUH, LCH, HTT-40 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 Rs500 Crore for the year 2016-17 towards fulfilling the Modernization & Capacity Augmentation needs of additions, replacements of Plant & Machinery, Test Instruments for Manufacturing, R&D facilities & up-gradation of Infrastructure.

(3) **BEML:** The allocation for modernization / CAPEX for the year 2016-17 is Rs 50 crore for expenditure on critical debottlenecking, balancing equipment.

(4) **BDL:** Out of Rs606 Crore, Rs 547 Crore has been spent on modernization in the last 5 years which include procurement of machinery and development of infrastructure facilities to enhance productivity of major products. Modernisation and replacement of Plants and Ramping up of capacities for Aksah SAMs is under progress. Modernisation programmes are financed by the company from internal resources. Process of establishing new units at Amaravati, Maharashtra and Ibrahimpatanam, Ranga Reddy District, Telengana 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 done.

(6) **GSL:** GSL has undertaken a planned modernisation programme and is in the process of creating infrastructure for indigenous construction of MCMVs (Mine Counter Measure Vessels) for Indian Navy. Infrastructure Modernisation plan is being implemented in four phases, of which Phase 1 & 2 has since been completed in Mar 2011. Phase 3A is completed and inaugurated by Hon'ble Prime Minister on 13 Nov 2016. Work for balance phases (Phase 3B & 4) is also in progress. On completion of Modernisation Plan, GSL will have the capability to build high technology Glass Fibre Reinforced Plastic (GRP) Hull Mine Counter Measure Vessels (MCMVs) indigenously with the help of foreign technology provider. In addition, this will also substantially enhance the rate of production and shipbuilding capacity of the yard.

Modernisation plan for MCMV construction facilities is being executed using the funds from internal accruals and from Govt funding. The Government of India / MOD IHQ (N) in Oct 2010 has sanctioned Rs 400 cr towards development of facilities in GSL for building Mine Counter Measure Vessels (MCMV). The funding from internal accruals from GSL is approximately Rs 300 cr.

Further, MoD has sanctioned Rs 480 Cr, 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 12<sup>th</sup> plan. However, HSL has proposed allocation of Rs6,773crore 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.
- Security upgradation in Submarine Yard.

The proposed allocation to be spent for the above augmentation is approximately Rs1500 crore.

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

### **Reasons for decline in production of DPSUs-remedial measures**

7.7 In reply to a question, the Ministry submitted the following information with regard to declining production in DPSUs and stated the reasons for such decline and the measures taken to arrest it:

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

HAL's production over last several years has been growing with highest turnover of Rs 16,736 Crs having been recorded in last financial year 2015-16. HAL has grown at a CAGR of 7.96% in the last 10 years

The major part of existing orders for supply of aircraft and helicopters are expected to be liquidated by 2019-20. Further, HAL is expecting additional orders for on-going programs like ALH, LCA, HAWK, Do-228& SU-30 MKI and fresh production orders for new platforms like

Do-228 Civil variant, LCH, HTT 40 and LUH. These anticipated orders would help in sustaining the growth of organisation in the coming years also.

(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
6	2015-16	3182.31	2740.01
7	2016-17#	1720.40	1515.15

# End Dec'16

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:** Not Applicable.

(7) **HSL:** The value of production has been steadily declining over the last three years (2012-13 – Rs483.84 Crore; 2013-14 – Rs 453.40 crore; 2014-15 – Rs 294.16 crore) due to low order book position compared to installed capacity. However, VOP in the FY 2015-16 has increased to Rs 593.39 Cr

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

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



### **Long term perspective planning for the DPSUs**

7.8 In reply to a question on the Long term perspective planning for the DPSUs so as to make them financially viable, and their product world class, the Ministry submitted the following information through a written note:

(1) **HAL:** Perspective Plan based on the anticipated Long Term Integrated Perspective Plan and Technology Perspective Capability Roadmap (TPCR) of the customers, outlining the long term objectives, envisaged product portfolio, financial projections and projections for other functional areas has been drawn up to guide the operations of the Company.

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

(2) **BEL:** BEL has been preparing long term Strategic Growth Plans aligning with Perspective Plans (like TPCR) of Indian Defence forces / DRDO labs. R&D plans and Technology roadmaps have been drawn aligning to TPCR. BEL is financially viable & the products supplied to customer are comparable with international manufactureRs

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

The Mining & Construction business group operates in a stiff competitive environment, facing competition from MNCs and orders are procured from customers through a wide network of marketing offices spread across the Country. BEML has also been working on export market to scale higher volumes. Further, BEML has been continuously developing and introducing new products to the market in line with the requirement of the customer, matching to the competition in vogue.

In Metro segment, future market outlook is promising considering governments plan to implement Mass Rapid Transit in all cities having a population above 1 Million. Further, having supplied more than 1000 cars and having established world class infrastructure required for manufacturing Metro coaches, BEML is fully geared up for addressing the metro coach requirement of all the upcoming cities in India.

(4) **BDL:** The long term perspective plan is prepared keeping in view the various requirements of Indian Armed Forces and for planning production over next 5 to 10 years

(5) **GRSE:** Modernisation facilities at Main Yard have enhanced facilities for Integrated Construction which will result in considerable reduction in build period of ships. In order to get first-hand experience, GRSE adopted Integrated Construction Technology for construction of last 05 ships out of 08 of LCU project using in-house knowhow. Also new contracts will be finalized with the concept of Integrated Construction technology in order to improve quality and to reduce build-period for future warships. Use of latest technology in in-house fabrication and erection of blocks will be implemented to increase productivity.

(6) **GSL:** GSL has strong in-house design capabilities and capacity to build world class ships. GSL is presently executing world class export orders to Sri Lankan Navy and Govt. of Mauritius with delivery timelines comparable with the international shipyards of repute. First vessel to Govt. of Mauritius has been delivered ahead of contractual delivery schedule. Keeping into view strong performance, GSL is confident to maintain the growth trajectory.

(7) **HSL:** - In order to become financially viable, a revival plan was submitted to MoD and with regard to issues of working capital and to turn the net worth positive is under consideration. An early action for placement of high value orders on nomination basis was also proposed in the revival plan. MoD has already initiated actions to place high value orders for construction of 05 Nos. FSS, 02 Nos. SoVs, 02 Nos. LPD and Normal Refit of INS Sindhuvir on nomination basis to HSL, which are expected to be above Rs 25000 Cr.

(8) **MDL:**

i. MDL has drawn up Long Term Perspective plan which gives guidance for the robust growth and sustaining financial viability for the long term.

ii. Modernisation facilities in MDL have enhanced the facilities for integrated construction resulting in considerable reduction in build period of ships.

iii. Make in India would be the new thrust area towards indigenisation of imported items and towards this MDL has drawn up an indigenisation plan to increase the indigenous content.

iv. To sharpen competitive edge, improve efficiency and cut costs, MDL will benchmark its key processes with best organisations in the private sector globally.

v. Export identification and equipping for export markets for MDL products and services.

(9) **MIDHANI:** MIDHANI has achieved desired targets as envisaged in its Corporate Plan. Finalization of new Corporate Plan has been done.

### **Research and Development expenditure of DPSUs**

7.9 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	2016-17 ( UPTO 31.12.2016 )
HAL	6.83	6.4	6.84	7.73
BEL	7.7	8.24	8.0	10.41
BEML	2.72	2.84	2.09	2.23*
BDL	1.1	0.623	0.68	0.48
GRSE	0.3	0.21	0.89	1.14
GSL	0.05	1.57	1.00	0.68
HSL	1.0	1.5	1.0	1.0
MDL	1.66	1.61	1.55	1.84
MIDHANI	1.39	1.3	0.80	0.54

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	2016-17 ( UPTO 31.12.2016 )
HAL	40.23	43.65	71.49	70.73

BEL	50.1	47	55.6	78.2*
BEML	18.43	12.27	127	-
BDL	5.76	5.43	5.22	4.11
GRSE++	2.40	8.10	9.44	15.13
GSL	23.9	#	9.24	8.00
HSL^	nil	nil	nil	nil
MDL	11.96	11.77	10.01	10.06
MIDHANI	9.66	8.27	15.88	4.10

\*Data upto the period of 30.09.2016.

# 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 operating profit.

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

### **Technological innovations made by DPSUs**

7.10 The Ministry supplied following information with regard to Technological innovations made by DPSUs:

‘(1) **HAL:** HAL has an extensive R&D set up with 11 R&D Centers for Aircraft, Helicopters, Engines, Systems, Avionics and Upgrades. These R & D Centers are co-located with the respective Production Divisions. HAL has filed application for over 1300 IPRs and as on date 43 IPRs held by the company.

During the last five years, following technological innovations/developments have taken place:

#### **New Platforms**

- Light Combat Helicopter (LCH)
- Advanced Light Helicopter-WSI
- Light Combat Aircraft (LCA)-MKI
- Mini UAV (8 KG class)

#### **Upgrade/ modification**

- Mirage 2000 Upgrade
- Jaguar DARIN III Upgrade
- BrahMos Missile integration on Su-30 MKI aircraft.

### Systems:

- Real Time Operating System (RTOS)
- Tactical Air Navigation (TACAN)
- Air Data Computer (ADC)
- Mission Computer

### Platforms and Engines:

Platforms and engines currently under development and LCA Mk IA, LCA Naval Version, Basic Trainer Aircraft HTT-40, Light Utility Helicopter (LUH), 25 kN Turbofan Engine, 1200 kW Turboshaft Engine, Rotary UAV and MALE UAV

(2) **BEL:** Some of the world-class products developed by BEL are: Software Defined Radio (SDR), Radio Relays (High Capacity RR & Freq Hopping RR), IP Encryptor with G4 Grading, AKASH Weapon System, Multi-Function & Surveillance Radars (FLR/BLR/3DTCR/Coastal Surveillance), ManpackSatcom Terminal, Tactical Access Switch, Advanced Composite Communication System, Laser Warning System, Citizen Verification Device, Integrated Sonar Suite for S3/S4 platform, Gunner sight for T90 and Driver Sight for MBT Arjun etc.

(3) **BEML:** The Company continuously updates its technology in line with the International standards as it is exposed to competition from major MNCs in the sector that it sells its products. Customer /users are aware of the latest development world-wide and in view of recession in the global market most of the MNCs are looking at India to market their products.

On the Product front, BEML is actively working for the adoption of cutting edge technologies for sustaining / improving the present market share for Mining & Construction market through development of high capacity Electrical Excavators, High capacity Dump Trucks with Electrical Drives, Electronic Engines & transmission and Electrical subsystems for Rope Shovels.

In Defence segment, BEML has developed SMERCH 8X8 & 10X10, all wheel steerable vehicles, which have a very low turning radius and Snow cutter.

On the Rail & Metro segment, BEML has independently designed, manufactured and supplied SS EMU rake to IR. BEML independently designed and developed the Intermediate cars for DMRC for converting the 4 car train to 6/8 car train formation.

(4) **BDL:** BDL has in the last 5 years made significant progress in introduction of Hybrid Micro circuits in place of conventional SMD technology, Development of latest thin Hybrid technology for components

of Invar ATGM, Robotic welting, introduction of Li-based high reliable Thermal Batteries in place of Cd-based OEM technology, etc.

(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:** The major Platforms that have been developed and successfully proven so far with the Indian Defence Forces include 35 knots, 50 M Fast Patrol Vessels (FPVs) for ICG, 105 M. Advanced Offshore Patrol Vessels (AOPVs), 90 M Offshore Patrol Vessels (OPV) for ICG, 105 M Naval Offshore Patrol Vessels (NOPVs) and 105 m. New Generation OPVs for ICG.

In addition to above platforms, GSL have developed in-house designs for 29 mtr, 50 Knots Interceptor Boat (IB), 75M. Patrol Vessel, Anti Submarine Warfare (ASW) Vessel and Survey Vessel. New Generation Missile Vessels required by the Indian Navy in near future, are also being developed in-house by GSL. The first of the in-house design of the latest Offshore Patrol Vessels for Sri Lankan Navy and newly designed Water Jet Fast Patrol Vessels for Mauritius Government are the export orders executed under in-house R&D.

Indigenous construction of Heli Landing Grid in collaboration with FHS, Germany.

(7) **HSL:** Project VC 11184 has been a gateway for understanding the niche processes and advanced technology associated with modern and complex Naval vessels. This has induced the virtual 3D shipbuilding methodology nucleating from the design and through the engineering bill of materials to the advanced production techniques involving CAD/CAM tools, laser assignments, welding and advanced out fittings. Integrated construction, modularity – approach, working on state-of-the-art equipment and systems like Radars, Weapons & Sensors etc. has added a new dimension to yards capability. The knowledge unveiled in the design, production, integration and management of this first of class special vessel would enable HSL to join the select group of yards. The yards infrastructure augmentation and skill development have unequivocally transformed the yard to a mature and modern ship design – building facility to handle any complex Naval vessel.

The yard has installed & commissioned state of art infrastructure facilities to handle refit/repairs and construction of Submarines like Pipe flanging and branching machines, CNC Controlled Pipe Bending Machines, CNC Controlled Pipe Profile Cutting Machines, Chemical Cleaning Bay, High Pressure Hydraulic Flushing stand etc.

(8) **MDL:** MDL has developed various innovations in the journey of shipbuilding; some of the key innovations evolved recently are Innovative method of ship launching-Pontoon Assisted Launching, MF Star Radar Antenna Room assembly, erection and alignment, Integrated Bridge concept in IN Warships, Virtual Reality Centre, Technology development in Power Management System for Project-15B , Shore Integration Facility (SIF), Technology Development & Innovation such as changing of shock mounts of Main Propulsion motor in situ, thereby avoiding cutting of submarine sections during refit of INS Shalki, In-House Reverse Engineering of Testing Tool for Attack Periscope etc.

(9) **MIDHANI:** MIDHANI in its expansion program has installed world class technology equipment. Some of the equipment are 20 T EAF, EBM, FORGE PRESS and RING ROLLING MILL'.

### **Defence exports by DPSUs**

7.11 The value of defence exports over the last three years from DPSUs is as under:

(Rs in crore)

Name of the PSU	2013-14	2014-15	2015-16	2016-17 (upto Dec, 2016)
	Defence	Defence	Defence	Defence
GRSE	3.36	337.18	0.0185	0.26
GSL	0	77.91	191.43	285.92
HSL	0	0	0	0
MIDHANI	0	0	0	0
MDL	0	0	0	0
BEL	190	255.35	470	277
BDL	0.08	0	0	0
HAL	192.29	247.59	44.98	162
BEML	0	0	0	0

### **Targets fixed and achieved**

7.12 The Ministry furnished the PSU wise position of value of production/sales, target fixed and achieved is as under:

(1) **HAL:**

(Rs in crore)

<b>Year</b>	<b>Target</b>	<b>Achieved</b>
2011-12	13500.00	14204.21
2012-13	14500.00	14323.63
2013-14	13800.00	15127.94
2014-15	14900.00	15621.18
2015-16	16000.00	16736.49

(2) **BEL:**

(Rs in crore)

<b>Year</b>	<b>Target</b>	<b>Achieved</b>
2011-12	5900	5704
2012-13	6300	6012
2013-14	6750	6174
2014-15	6850	6695
2015-16	7050	7522

(3) **BEML:**

(Rs in crore)

<b>Year</b>	<b>Target</b>	<b>Achieved</b>
2011-12	3597.00	2726.49
2012-13	4046.23	2808.91
2013-14	3846.75	2911.51
2014-15	3600.00	2809.19
2015-16	3800.00	2983.72

(4) **BDL:**

(Rs In Crore)

<b>Financial Year</b>	<b>Target</b>	<b>Achieved</b>
2011-12	1362	959
2012-13	1351	1075
2013-14	1829	1780
2014-15	2721	2782
2015-16	3740	3785 (excluding taxes)



(5) **GRSE:**

(Rs in crore)

Year	Target	Achieved
2011-12	1207	1293
2012-13	1607	1529
2013-14	1624	1612
2014-15	1802	1613
2015-16	1890	1707

(6) **GSL:**

(Rs in crore)

Year	Target	Achieved
2011-12	785.00	676.43
2012-13	560.00	506.62
2013-14	500.00	508.90
2014-15	550.00	569.55
2015-16	620.00	725.96

(7) **HSL:**

(Rs in crore)

Year	Target	Achieved
2011-12	780.00	564.04
2012-13	700.00	483.84
2013-14	650.00	453.40
2014-15	650.00	294.16
2015-16	650.00	593.39

(8) **MDL:**

(Rs in crore)

Year	Target	Achieved
2011-12	3450.00	2523.69
2012-13	2850.00	2290.64
2013-14	3000.00	2865.51
2014-15	3300.00	3592.60
2015-16	3675.00	4121.65

(9) **MIDHANI:**

(Rs in crore)

Year	Target	Achieved
2011-12	471.00	496.00
2012-13	552.00	537.37
2013-14	580.00	572.26
2014-15	605.00	648.37
2015-16	645.50	723.73

### 7.13 Unachieved targets

(1) **HAL:** Not applicable

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

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

(4) **BDL:** The reasons for unachieved targets are the numerous delays that arise in receipt of input material from sub-contractors, etc. Another reason for delay is that there are several occasions when the Project Team of DRDL takes time to finalize 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 1<sup>st</sup> ship of the project which was planned in the year.

(6) **GSL:** Nil

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

(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 75per 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 60per 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

### **8.5 Role.**

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

### **8.6 Functions.**

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

### **Resettlement of Retired Officers and PBOR**

8.7 The Ministry submitted the following information on the avenues available for the resettlement of retired officers and Personnel below Officers Rank (PBOR):

‘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:

- a) 10% in Group ‘C’ posts and 20% in Group ‘D’ Posts. In addition 4.5% reservation in each category is meant for Disabled Soldiers and Widows/dependents.
- b) 14.5% in Group ‘C’ and 24.5% Group ‘D’ posts in PSUs and Nationalized Banks.
- c) 10% posts upto Assistant Commandants in paramilitary forces.

d) 100% in Defence Security Corps.

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

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

8.8 The Committee desired to know about the number of applications received annually requesting for resettlement of retired officers and PBOR through DGR and how many applicants are actually resettled out of total number of applications received. The Ministry supplied the following information:

'The details of ESM who were sponsored/provided Resettlement opportunities by DGR is as follows:

<b>ESM Placement</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Officers Registered	623	834	546
Officers Sponsored	510	517	302
<b>Scheme</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Security Agency Empanelled	382	322	316
Number of ESM Sponsored(Contractual Jobs)	41764	23627	20625
ESM Coal Company Sponsored	30	17	13 (65 ESM (O))
ESM & Widows/Disabled ESM attached in ESM Coal Company	96	220	203
Management of CNG	63	31	12
COCO Scheme (For BPCL/IOCL/HPCL)	499	131	29
Issue of Eligibility Certificates for allotment of Oil Product Agencies	65	9	18

Mother Dairy Milk Booths/Safal Booth	211	303	296
Gopaljee Dairy	-	-	-
Gopaljee Farm Fresh	05	-	-

### **Proposals for opening up new avenues for the resettlement of Ex-Servicemen**

8.9 The 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% and 20% respectively in place of Gp C and Gp D @ 10% and 20% 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 ESM about the enormous employment avenues available for them 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 jobs 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 certification (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.'

### **Financial assistance to World War Veterans**

**8.10** The Ministry supplied the following information regarding financial assistance is given to World War Veterans and steps taken by the Ministry to impress upon the State Governments to Provide uniform financial assistance to world war veterans:

'States and UTs provide financial assistance to their World War veterans as given below:-

Srl No	States/UTs	World war Veterans(Rs PM)	Widows of World War Veterans(Rs PM)
1.	Andhra Pradesh	5000	5000
2.	Arunachal Pradesh (No world war Veterans)	Nil	Nil
3.	Assam	6000	6000
4.	Bihar	10000	10000
5.	Chhattisgarh	3000	3000
6.	Delhi	3000	3000
7.	Goa	8000	8000
8.	Gujarat	9000	9000
9.	Haryana	4500	4500
10.	Himachal Pradesh	3000	3000
11.	Jammu & Kashmir	3000	3000
12.	Jharkhand	10000	10000
13.	Karnataka	3000	3000
14.	Kerala	4000	2500
15.	Madhya Pradesh	6000	6000
16.	Maharashtra	3000	3000
17.	Manipur	1200	Nil
18.	Meghalaya	5000	5000
19.	Mizoram	1200	1000
20.	Nagaland	3000	Nil
21.	Orissa	1000	1000
22.	Punjab	4500	4500
23.	Rajasthan	4000	4000
24.	Sikkim	6000	6000
25.	Tamil Nadu	6000	3000
26.	Tripura	3000	2000
27.	Telangana	6000	6000
28.	Uttrakhand	4000	4000
29.	Uttar Pradesh	6000	6000
30.	West Bengal	1500	1500
31.	Andman& Nicobar UT)	6000	6000
32.	Chandigarh (UT)	7500	7500
33.	Puducherry (UT)	6000	5000

State Govt. have been requested to provide uniform financial assistance to the world war veterans. Copies of the letter enclosed as **Annexure-I**.



Tele: 26192361  
Fax : 26192362

Annexure-I

Kendriya Sainik Board  
Ministry of Defence  
Government of India  
West Block-IV, RK Puram  
New Delhi- 110066

2(2)/WW-II Veterans/KSB/A

23 Aug 2016

Director DSW/Secretary RSB of  
All States/UTs

ENHANCEMENT OF FINANCIAL ASSISTANCE FOR WW-II VETERAN/WIDOWS

1. Refer Item No V(i) of Minutes of 30<sup>th</sup> Meeting of KSB held on 21 Jul 2016 Vigyan Bhawan, New Delhi.
2. Presently, the financial assistance to World War veterans and their widows being provided by respective States/UTs, ranges from Rs 1000/- to 7500/-, with majority of the States/UTs giving approx Rs 3,000/- per month per veteran/widow. The financial assistance being provided by the State Governments/UTs is too meager to give the meaningful support at such old age. It is pertinent to mention that the Standing Committee on Defence (16<sup>th</sup> Lok Sabha) during its last meeting, had observed that there are few WW Veterans left and for small number of these veterans, the financial assistance being provided to them is inadequate. The State/UT Governments may consider providing financial assistance between Rs 6000/- to 10000/- per month. The Committee had stated that the country should not forget the sacrifices made by the veterans and should provide adequate financial assistance to them in their old age.
3. In view of the above, it is requested that a proposal for enhancing the existing rate of financial assistance for the WWII veteran/widows to a decent amount between Rs 6000/- to Rs 10,000/- per month may please be taken up for consideration and approval of the respective State/UT Governments.
4. It is also requested that the action taken in this regard may kindly be intimated to this Sectt by 30 Sep 2016 positively.

*Encl 4 at 11/11/16*

  
(MH Rizvi)  
Brig  
Secretary, KSB

प्रभु दयाल मीना  
Prabhu Dayal Meena  
सचिव  
Secretary



Annexure-I  
भारत सरकार  
रक्षा मंत्रालय  
पूर्व सैनिक कल्याण विभाग  
साउथ ब्लॉक, नई दिल्ली - 110 011  
Government of India  
Ministry of Defence  
Department of Ex-Servicemen Welfare  
South Block, New Delhi - 110 011

DO No.8(1)/2016/D(Res-II)

September 5, 2016

This has reference to Para 8 V(I) of the Minutes of 30<sup>th</sup> Meeting of Kendriya Sainik Board held on 21<sup>st</sup> July, 2016 at Vigyan Bhawan, New Delhi regarding enhancement of financial assistance to WW-II veterans and their widows, circulated to all the States/UTs vide letter No.2(2)/30<sup>th</sup> KSB Mtg/KSB/A dated 8<sup>th</sup> August, 2016.

2. All the States/UTs have been requested earlier also to provide an amount of financial assistance between Rs.6,000/- to Rs.10,000/- per veteran per month.

3. I shall be grateful if you kindly consider the matter compassionately and enhance financial assistance to the World War-II veterans and their widows under intimation to the Ministry so that the Action Taken Report can be submitted to the Hon'ble Raksha Mantri.

With regards,

Yours sincerely,

(Prabhu Daya Meena)

To

All the Chief Secretaries of States/Administrators of UTs  
(as per list enclosed)

Copy to

SECRETARY KSB for information and necessary action.

2/2

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

8.11 The Committee have been recommending in their various reports regarding lateral induction of Servicemen in Central Para Military Forces and State Police Force. The Ministry was again requested to submit the latest updates on the issue. It has been stated as under:

‘A meeting of Standing Committee on Defence (2016-17) for oral evidence of the representatives of Ministry of Defence & Ministry of Home Affairs on *‘Resettlement of Ex-servicemen with specific reference to lateral induction of Ex-servicemen in Central Para Military Forces and State Police Forces* was held on 16.1.2017. A copy of brief/status note forwarded to Lok Sabha Secretariat by the Ministry of Defence, Department of ESW is placed at **Annexure-II**.

8.12 It is further intimated that Lateral Induction into CAPF is applicable only for the serving defence personnel and not for the ex-servicemen. As regards the issue of commencement of lateral induction of service personnel into CAPFs, Ministry of Defence/Department of Defence is pursuing the matter with Ministry of Home Affairs at appropriate level from time to time. However, implementation of the proposal is contingent upon both MoD and MHA evolving a system of induction acceptable to both.’

8.13 During the presentation made before the Committee, Secretary, Department of Ex-Servicemen apprised the Committee on the issue as under:

‘Sir, this lateral induction issue has been taken up with the Ministry of Home Affairs many times and the last meeting was on this issue only. Lateral induction is done while the officer is in service. If they are serving, then they are shifted to the para military forces and on the other day also, the hon. Chairman directed the Ministry of Home Affairs to accept our officers while they are in service. But they had many problems like inter seniority and how to adjust them and at what level because our officers are from the Military. If they go there, they would like to go there at a higher level and they are offered the position at a lower level. There are many inter seniority issues. But they can absorb them.’

**SITTING OF THE STANDING COMMITTEE ON DEFENCE (2016-17) FOR ORAL EVIDENCE OF THE REPRESENTATIVES OF MINISTRY OF DEFENCE & MINISTRY OF HOME AFFAIRS ON 16.01.2017.**

**STATUS NOTE/BRIEF NOTE ON RESETTLEMENT OF EX-SERVICEMEN WITH SPECIFIC REFERENCE TO LATERAL INDUCTION OF EX-SERVICEMEN IN CENTRAL PARA MILITARY FORCES AND STATE POLICE FORCES**

**LATERAL INDUCTION OF EX-SERVICEMEN IN CENTRAL PARA MILITARY FORCES AND STATE POLICE FORCES:**

There is no provision of lateral induction of ESM in Central Para Military Forces and State Police Forces. Lateral Induction of Service Personnel in CAPFs and State Police Forces may only be provided in respect of in-service Armed Forces personnel. In accordance with DOP&T Ex-Servicemen (Re-employment in Central Services and Posts) Rules, 1979 as amended from time to time, 10% of the vacancies in the posts up to the level of Assistant Commandant in all Central Para Military Forces to be filled by direct recruitment in any year shall be reserved for being filled by Ex-Servicemen. However, the vacancies reserved are not getting filled up because the benefit of rank, seniority and pay protection based on their experience is not being given to the ESM. Further applying for such vacancies is voluntary and depends on the willingness of individual ESM. DOP&T has no jurisdiction on State Police Forces and hence reservation in State Government posts, including State Police Forces, exists as per policies of various States. The reservation for Ex-Servicemen given by various State Governments is Annexed as Appendix A.

2. 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 5<sup>th</sup> & 6<sup>th</sup> 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 transfer Army personnel to CAPFs.

3. 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.

4. 6<sup>th</sup> CPC at para 2.4.9 of Chapter 2.4 have come to the conclusion that the scheme of lateral shift of Defence Forces personnel in CPOs/various defence civilian organizations is extremely viable, beneficial and no real drawbacks exist in effective implementation of this scheme. This will not only result in substantial financial savings for the Govt. but will also guarantee a life time employment to the Defence Forces personnel. The Govt. will also benefit by getting an abundant supply of trained manpower for induction into various posts in CPOs/defence civilian organizations. The scheme, therefore, should be implemented in its entirety without any delay.

5. A meeting was taken by the Home Secretary on 2<sup>nd</sup> 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.

6. 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.

7. 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 Department of Expenditure besides MoD/AHQ. Cabinet Secretariat have desired that MHA and MoD may explore and examine options for achieving lateral transfer 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, MHA was 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.

8. 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 was conveyed to Cabinet Secretariat and MHA on 02.07.2013.

9. Subsequently, MHA vide OM No.II-27012/50/2001-PeRsII dated 24.12.2014 (Copy enclosed) forwarded a detailed note on "Lateral Induction of Ex-Servicemen in Central Para Military Forces and state Police forces" wherein inter alia stated that CAPFs have not agreed to induction of Defence personnel (Other Ranks) to CAPFs/creation of

separate cadre in CAPFs for Army men. However, Assam Rifles has concurred with the proposal of induction of 1000 Army Personnel as a separate cadre and has requested the MHA to issue suitable guidelines for preparation of Recruitment Rules for said cadre. The main reasons put forth by CAPFs for not agreeing to the lateral absorption proposal are as under:-

- i The Army personnel are maintaining one rank above CAPFs personnel with respect to pay thus, pay fixation will create disparity within similar ranks. Pay fixation under MACP Scheme is also different in Army (8, 16 & 24 years) and CAPFs (10, 20 & 30 years).
- ii Difficulty in maintaining younger age profile of CAPFs due to older age profile of lateral inductees.
- iii Difficulty in fixing seniority of lateral inductees vis-à-vis CAPFs personnel.
- iv The role of Defence Forces (safeguarding the Country against external aggression) is different from that of the CAPFs (Internal Security, Anti Naxal Operations, Law & Order duties etc.)
- v It will affect the promotional prospects of CAPFs personnel which are already facing stagnation, as the Army personnel will always be senior to CAPFs personnel by virtue of younger age at entry level and better promotional prospects in the Army. Thus, it will lead to large scale disgruntlement and demoralization amongst CAPFs personnel.
- vi Creation of new cadre/sub cadre may bring discontentment in CAPF troops and will also create complications viz. Charter of duties, deployment, identification of post including promotional post, inter-se-seniority and difficulty in maintaining command & control.

10. A meeting was convened under the Chairmanship of Joint Secretary (Police-II), Ministry of Home Affairs (MHA) on 21<sup>st</sup> January, 2016 to discuss the issues regarding filling up of vacancies reserved for ESM in Central Armed Police Forces (CAPFs) and to ascertain reasons for the low percentage of ESM finally getting selected in the recruitment for the posts of Constables and Sub-Inspector/Asstt. Sub-Inspectors in CAPFs. The reasons that were highlighted were non availability of pay and seniority

protection, and compulsion of qualifying Physical Standard Test (PST)/Physical Efficiency Test (PET). It was decided in the meeting that due publicity and advertisement be given regarding recruitment of ESM in CAPFs and Staff Selection Commission (SSC)/CAPFs were directed to keep Directorate General of Resettlement (DGR) and Ministry of Defence (MoD) in their mailing list. SSC was also requested in the meeting to provide details of number of ESM applied and finally selected and the details regarding reservation provided for ESMs in various recruitment done for CAPFs.

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

- a Protection of pay and seniority of ESM in CAPFs;
- b Syllabus of written examination to be made more jobs oriented than academic;
- c Armed Forces Personnel could be made to do only a Refresher Course/Orientation Training in view of their previous Training in the Armed Forces;
- d Lower Standards for selection for ESM as per Department of Personnel & Training (DOP&T) Orders to be ensured.

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

13. Para 6.2.134 of the Report of the 7<sup>th</sup> Pay Commission has also recommended that the scheme of lateral entry needs to be viewed in the context of the retirements taking place in the services, absorption capacity in the CAPFs and the issues that have held back the scheme from being implemented.

## Chapter IX

### DEFENCE PENSION

The details of approved Budget for BE 2016-17, Budget projected at RE 2016-17 and the ceiling conveyed by Ministry of Finance for Non-Plan Expenditure for RE 2016-17 in respect of Defence Pensions are summarized below:

(Rs In crore)

<b>BE 2016-17</b>	<b>RE 2016-17 (Projected)</b>	<b>RE Ceiling conveyed by MoF 2016-17</b>
82332.66	89938.00	85625.96

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

During the presentation made before the Committee, a representative apprised the Committee about reduction in Pension Budget by Rs. 5,000 Crores from Rs.89,740 Crores to Rs.86,488.01 Crores.

#### **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

- The Government orders for grant of One Rank One Pension (OROP) issued by MoD vide letter dated 7.11.2015
- The arrears to be paid in 4 equal instalments except for family pensioners who are to be paid in one instalment



- The orders are effective from 01.07.2014
- 1<sup>st</sup> and 2<sup>nd</sup> Instalments have already been paid
- 3<sup>rd</sup> Instalment to be paid from Feb 2017

- The status of arrear payment as on 12.1.2017 is as under:-

Beneficiaries (1 <sup>st</sup> instalment)	Amount (Rs Cr)	Beneficiaries (2 <sup>nd</sup> instalment)	Amount (Rs Cr)
19,70,859	3998.09	15,55,670	2292.73

## Chapter X

### Ex-servicemen Contributory Health Scheme (ECHS)

The Projection, Budget Estimate, Revised Estimate, Modified Appropriation and Actual expenditure details with respect to ECHS for the Financial Year from 2010-11 to current Financial Year are appended below:

(Rs in crore)

<b>FY</b>	<b>Projection</b>	<b>BE</b>	<b>RE</b>	<b>MA</b>	<b>Actual Expdr</b>
<b>(Revenue)</b>					
2010-11	1180.0000	901.0400	1061.0400	1061.0400	1055.3098
2011-12	1600.0000	991.1400	1109.9500	1225.9500	1224.2199
2012-13	1860.0000	1400.0000	1473.8600	1450.9800	1430.7796
2013-14	2391.7100	1476.4600	1570.6800	1789.4600	1781.3808
2014-15	2489.2100	1420.5800	2470.5800	2260.5800	2236.1737
2015-16	3532.1200	2639.0000	2609.0000	2562.8600	2547.9539
2016-17	3600.0000	2363.5400	2943.1400	-	2125.1014 (Upto Dec16)
2017-18	4487.1200		-	-	
<b>(Capital)</b>					
2010-11	37.0000	37.0000	2.5000	3.6000	2.8214
2011-12	37.0000	37.0000	7.0000	3.0000	2.9566
2012-13	39.0000	37.0000	6.5000	5.4300	2.6699
2013-14	50.0000	30.0000	14.0000	12.4500	10.9016
2014-15	50.0000	20.4100	5.9100	5.1100	6.6139
2015-16	50.0000	30.0000	13.0000	9.6500	5.9262
2016-17	50.0000	30.0000	35.0000	-	3.3539 (Upto Dec 16)
2017-18	60.0000	-	-	-	

10.2 During presentation before the Committee, a representative of the ECHS apprised the Committee as under:

Rs in Crore					
FINANCIAL YEAR	PROJECTION	BE (Budget Estimate)	RE (Revised Estimate)	MA (Modified Appropriation)	EXPENDITURE (CGDA)
2011-12	1600.00	991.14	1109.95	1225.95	1224.22
2012-13	1860.00	1400.00	1473.86	1450.98	1430.78
2013-14	2082.95	1476.46	1776.46	1789.45	1781.38
2014-15	2489.21	1420.58	2470.58	2260.58	2236.17
2015-16	3532.12	2639.00	2609.00	2562.86	2547.9539
2016-17@	3600.00	2363.54	2943.14	-	1950.5532 #
2017-18@	4487.12	2911.50	-	-	-

10.3 ECHS Polyclinics are categorized on the number of Ex-Servicemen (ESM) residing in that area. The Committee desired to know the actual dependency of ESM with respect to the designed capacity in the Polyclinics across the country and also whether the resources in these Polyclinics commensurate with the dependency on them. The Ministry submitted the following information as under:

'(a) There are five type of Polyclinics authorised under the Scheme, with the capacity of each defined based on the No. of ESM dependent on them:

Ser. No.	Type	Min Dependency
(i)	A	Above 20000
(ii)	B	Above 10000
(iii)	C	Above 5000
(iv)	D	Above 2500
(v)	E (Mobile)	Upto 2500

(b) A total of 426 Polyclinics have been sanctioned under the Scheme out of which 421 are presently operationalised. Total dependency on the 421 operational Polyclinics as on date is 51 lakh approx. In Polyclinics where concentration of ESM have grown over the year, the Polyclinics have experienced dependency more than their designed capacity. Based on the feedback and inputs from formation HQ, it has been ascertained that 71 Polyclinics have dependency more than their designed capacity. A proposal for upgradation of these 71 Polyclinics to higher capacity Polyclinic is under consideration.'

During presentation, the following information was also submitted:

- **Approx 51 lakhs beneficiaries including veterans & their dependents**
- **Strength reduced approx 1.59 lakh due to removing ineligible dependents**
- **Coverage**
  - **358 out of 684 Distts of the Country are covered**
  - **421 out of 426 Polyclinics are operationalised**
  - **Endeavour is to have one ECHS Polyclinic in every Distt. of the Country where sizeable number of Ex-Servicemen reside**
  - **2247 Medical Facilities empanelled**

#### **Authorised and actual manpower**

10.4 The Ministry submitted following information on the shortfall of authorised manpower:

'(a) Authorised manpower - 6800 (100% contractual).

(b) Employed manpower - 5909 as on date.

(c) The shortfall in manpower is due to No of reasons :-

(i) Non availability of qualified candidates due to remote location of Polyclinics.

(ii) The manpower figure are dynamic due to ongoing recruitment process.

(d) There are locations where requirement of manpower is more than the authorised manpower as at these locations, the dependency of ESM is more than the designed capacity. In addition, the authorised manpower has been found inadequate due to rush in Polyclinic inspite of the full authorised manpower being employed. To address the above situation, following action have been taken :-

(i) Transfer of vacancy from one Polyclinic to another on yearly basis.

(ii) Case for authorisation of additional manpower is under consideration..

(iii) Enhancement of remuneration of contract staff.'

## **Part II**

### **RECOMMENDATIONS**

#### **GENERAL DEFENCE BUDGET**

##### **Growth of Defence Budget**

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

2. The Committee note that the total Defence Services Estimates at BE 2016-17, at Rs. 2,49,099.00 crore comprised of Rs. 1,62,759 crore as part of Revenue Budget and Rs. 86,340 crore as part of Capital Budget. Budget Estimates proposed for the year 2017-18, are to the tune of Rs. 2,81,904.39 crore (Gross) and Rs. 2,59,261.90 crore (Net). Of this, the provisioning for Revenue Expenditure is to extent of Rs. 1,72,773.89 crore and Rs. 86,488.01 crore for Capital Expenditure.

The BE provisioning for 2017-18 is indicative of an increase of Rs. 10,162.90 crore over BE 2016-17. In percentage terms, this increase in the current year amounts to a mere 3.92 per cent, which is, perhaps one of the lowest ever witnessed.

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

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

written to the Finance Minister highlighting the requirement of funds for Capital Acquisition.

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

**Defence Expenditure as percentage to the GDP**

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

### Inadequacy of budgetary allocation provided to the Services

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

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### Implications of reduced budgetary allocation

8. The Committee note from the information submitted that under the Revenue account, provision is first made for salaries and other obligatory expenses. The balance allocation available is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. Allocations are reviewed at Revised Estimates stage



to cater for requirements which cannot be met under the BE allocations. In so far as the 'Capital' segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialize during the year. The remaining allocation is distributed to meet the projected requirement for other items. The procurement plan for Capital modernization schemes may have to be reviewed and re-prioritized, based on available funds. Owing to the resource crunch, or the mis-match between the Defence Ministry's projections and the allocation, very little amount would possibly remain available for the purpose of new acquisitions. Thus, compromises are likely to be made in meeting the requirements of the Services. The Committee desire that the budget of the Ministry of Defence should not be cut in a manner, which would lead to, or result in compromises being made in matters relating to the Security and sovereignty of the Nation.

#### Depleting Force levels

9. The Committee note from the information furnished that as at present, the shortage of personnel in the Army is to the extent of 8370 Officers and 35174 personnel of Other Ranks; 1332 Officers and 10982 Sailors in the Navy; 29 Officers and 9841 Airmen in the Air Force. The Committee find the shortage of personnel, except in the case of Officers cadre in the Air Force, to be of a perennial nature. The Committee are aware that the Government is constantly making efforts towards expediting the recruitment process of Officers and Personnel below Officer Rank (PBOR), increasing training facilities and undertaking publicity campaign to attract youth for induction in the Armed Forces. The Committee had, in their Report presented earlier recommended for

providing five years compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. In their response, the Ministry of Defence have submitted that this recommendation is still under consideration with Department of Personnel and Training (DoPT) whose response is awaited. Taking serious note of the perennial and alarming situation of shortage of Officers and PBOR in Armed Forces, the Committee opine that it is high time the Ministry consider their recommendation seriously and expedited the process of its implementation.

#### **Defence Preparedness**

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

11. The Committee note that for catering to the requirement of equipping the Armed Forces adequately, the Defence Procurement Procedure, 2016 has been promulgated with effect from 1.4.2016, which has specific provisions for facilitating swift decision making, promoting self reliance and improving

transparency and accountability in the procurement process. The Committee desire to be apprised in detail of the impact of DPP 2016. The Committee also desire that efforts be made towards achieving the ideal mix of State of Art, current and vintage weapons/equipment i.e. in the ratio of 30:40:30 by way of overcoming the bottlenecks faced. The Committee desire to be apprised of the measures taken in this direction.

#### **Appointment of Chief of Defence Staff (CDS)**

12. The Committee had, in their reports presented earlier, recommended the creation of the post of Chief of Defence Staff(CDS) so as to inter-alia enable in better co-ordination amongst the Services. The Committee are surprised to find that there has been no progress made in this direction and the reply furnished by the Ministry in this regard is almost similar to the one given earlier. It would be appropriate to recall here that a Committee of Group of Ministers (GoM) was constituted by the Government to review the national security system in its entirety and in particular, to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation. The GoM had, in their report, 'Reforming the National Security System', inter alia, recommended the establishment of the post of CDS. The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. It is surprising that the view points have

reportedly not been received from all the political parties. The Committee would like to know the efforts undertaken by the Ministry to secure the views of the political parties on the issue.

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

#### **BORDER ROADS ORGANISATION (BRO)**

##### **Lower budgetary allocations for BRO**

14. The Committee find from the data furnished that in the year 2011-12, while the BRO projected a requirement of Rs. 5427 crore, the organisation was allocated only Rs. 5066 crore. Once again, in the year 2012-13, while the BRO demanded a sum of Rs. 5610 crore, the allocation made was to the tune of Rs. 5281 crore. This trend continued even after 2015-16, i.e. following the transfer of BRO from the Ministry of Road Transport and Highways to the Ministry of Defence. In 2016-17, while the BRO projected a requirement of Rs. 7460 crore, the allocation made was lesser by Rs. 2500 crore, or say 33.51 per cent of the projected amount. Thus, the organization had to carry on its activities with an allocation of only Rs. 4960 crore. In the current year, 2017-18 also, while the BRO

projected a requirement of an amount of Rs. 6,766 crore the allocated amount, at Rs. 4,168 crore is 38 per cent less than the projected amount. In total, the additional amount required by the BRO for the current year on account of both Revenue and Capital expenditure totals to Rs. 2,597.41 crore. This additional amount is needed for the Organization to carry on and complete its mandated tasks.

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

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

16. The Committee note from the presentation made before them that for the Long Term Roll On Works Plan (LTROWP) 2015-2020, 530 roads are planned to be completed by 2020. The proposed/planned allocation as on 1 April 2015 was Rs. 56,954 crore, which was reduced by Rs. 15,895 crore to a figure of Rs. 41,059 crore. In the year 2015-16, BRO was allocated 49.51 per cent of the planned

requirement of Rs. 6,179 crore i.e. Rs. 3,120 crore. In the year, 2016-17, also the same story has been repeated with Rs. 3,690 crore being provided against the projection of Rs. 7,429 crore. On the basis of these facts, the Committee can perceive that the Long Term planning for constructing 530 roads by the year 2020 may not fructify due to non-availability of the funds desired for. The Committee desire that the Ministry of Defence should put up its case for realistic allocations to BRO before the Ministry of Finance in a forth right manner. If not, the country may have to pay the price on account of non-construction of roads.

#### **Compromises likely to be made due to reduced budgetary allocation**

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

#### **Revision of maintenance and snow clearance grant**

18. The Committee note that due to shortage of funds, maintenance of roads and resurfacing works are affected. Moreover, as BRO is a work charged

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

#### Shortage of manpower

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

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

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

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

#### **Shortage of equipment**

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



to 2505 in 2015-16. Similarly, there has been shortage of Wet Mix Plants and Paver Finishers also.

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

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

### **INDIAN COAST GUARD (ICG)**

#### **Budgetary Provisions**

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

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

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

### **Required and Existing Force Level**

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

### **Monitoring system to track boats**

29. The Committee note that 42 Coast Guard Stations have been established along the coast to enhance security and to undertake the mandated task as per Coast Guard Act 1978. In addition, as part of Coastal Surveillance, an electronic/radar chain called Coastal Surveillance Network (CSN), comprising of Chain of Static Sensors having radars, Automatic Identification System(AIS), day/night cameras and met sensors has been established. In Phase-I of CSN network, 46 Remote Radar Stations have been configured to provide electronic and optical surveillance up to a range of 25 nautical miles and 15 nautical miles respectively along the Indian coast in areas of high sensitivity and high traffic density. In order to provide near gap free surveillance, CSN Phase-II with 38

**Radar Stations, 04 Mobile Surveillance Systems and integration of Vessel Traffic Management System(VTMS), Gulf of Kutch and Vessel and Air Traffic Management System (VATMS) Gulf of Khambhat will be established. The contract for the project is likely to be concluded by end 2017/early 2018 with project implementation by 2019.**

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

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

## **MILITARY ENGINEER SERVICES**

32. 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 the largest construction and maintenance agencies in India. The MES is responsible for the design, construction and maintenance of all buildings, airfields, dock installations, etc. along with 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.

33. The Committee note that in the year 2012-13, MES was allocated an amount of Rs. 4017 crore under Capital Execution Load. Of this, Rs. 3925 crore was utilized. Similarly, in 2013-14, Rs. 4028 crore was allocated and Rs. 4076 crore utilized. In the year 2014-15 and 2015-16, the allocated amount was almost fully utilized. However, in the year 2016-17, Rs. 5712 crore was allocated but utilization was to the extent of Rs. 4400 crore and Rs. 1312 crore remained un-utilized under the Capital Execution Load Head. The Committee can infer that a part of this amount may have been utilized by the end of financial year 2016-17. In the BE 2017-18, a sum of Rs. 7664 has been allocated. The Committee desire that MES

should do adequate and proper advance planning for incurring the expenditure so the resources of the Services which are scarce are utilized to the optimum.

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

#### **Deficiency of Civilian Manpower**

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

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

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

### **CANTEEN STORES DEPARTMENT**

#### **Projection and allocation of budget**

38. The Committee note that during the year 2012-13, Canteen Stores Department projected a budget of Rs. 12808.84 crore. However, it was allocated only Rs. 10791 crore. In the year 2013-14, the projection was Rs. 13465.65 crore but the allocation was to the extent of Rs. 12336.06 crore. Except during the year 2014-15, wherein budget exceeding the projection was allocated, every year, the allocation has always been less than the projection. In the year 2016-17 also, Canteen Stores Department projected a requirement of Rs. 18330.83 crore but the allocation was almost Rs. 300 crore less than the projection and it was given only Rs. 15005.84 crore. However, during all these years, the turnover of the Canteen

Stores Department has grown from Rs. 9746.59 crore to Rs. 15781.37 crore. The Committee are of the view that as this organization provides consumer goods and other household articles of common use to the personnel of Defence Services at a price lower than the prevailing market price and in difficult areas, the required budgetary support needs to be given so as to avoid any hindrance in the supply of goods.

#### **Profits earned by CSD**

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

#### **Scams in Canteen Stores Department**

40. The Committee note that in July, 2012 CBI arrested two CSD officers on account of graft charges. During investigation, CBI registered FIRs against a few other officers and sought prosecution sanction against two serving officers and



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.

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

### **DIRECTORATE GENERAL DEFENCE ESTATES**

#### **Grant-in-aid**

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

for differently-abled children. Therefore, the Committee do not find any valid reason for the cut in the allocation for DGDE.

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

#### Inconvenience to Civilian Population

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

#### Dilapidated Condition of Schools

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

#### Encroachment

46. The Committee also desire that the Ministry should, in consultation with DGDE, take up the matter with state Governments for removal of encroachments

by civilian population on Defence lands so that such lands are used for Defence purposes only.

#### **Non-Payment of Service Charges**

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

#### **DEFENCE PUBLIC SECTOR UNDERTAKINGS**

##### **Financial Performance**

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

49. The Committee find that some of the reasons attributable for loss making and inconsistent performance by DPSUs include insufficient order book, under utilization of capacity, unaccounted liabilities and lack of working capital and aged infrastructure, etc. The Committee are of the view that these public sector undertakings are not simply Government owned entities, which will only have

welfare orientation. They have duties towards their shareholders also. Therefore, they should explore markets other than the regular ones as well to sell their products so that the order books are healthy and profits registered. This move will definitely arrest the under utilisation of capacity aspect also. The Committee also desire that the case of HSL, which is struggling with its aged infrastructure, should be taken up on priority, and the company given a soft loan so as to enable in improving the infrastructure.

#### Quality of Products

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

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

#### Cost and time slippages by DPSUs

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

#### **Modernization of DPSUs**

53. The Committee note that DPSUs are taking steps for modernization of their units. In respect of HAL, the modernization plans have been finalized considering the available capacity and augmentation required in new projects undertaken by HAL. The modernization plan includes, up-gradation of technology through establishment of new processes, state-of-the-art manufacturing and design facilities, improvement in layouts, storage, material handling and IT infrastructure. Creation of additional capacity is planned for manufacturing of Light Combat Aircraft (LCA) and Advanced Light Helicopter (ALH), Repairs and Overhaul (ROH) of SU-30 Mki, ROH of AL-31FPengine, ROH of Hawk Mk132 and

new programmes like Light Combat Helicopter (LCH), Light Utility Helicopter (LUH) and HTT-40 etc, which are expected to enter production phase in the coming years. It has been informed that a state-of-the-art greenfield helicopter manufacturing facility is being set up at Tumakuru, about 100 km from Bengaluru on 610 Acres of land allotted by the Government of Karnataka. The Prime Minister laid the foundation stone for this Helicopter Manufacturing Facility on January 3, 2016.

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

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

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

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

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

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

**60. Hindustan Shipyard Limited has no budgetary allocation for modernization. However, in the year 2010, details of essential requirements for replacement/ refurbishment/ renewal of age-old plant, machinery and infrastructure had been**

worked out to an extent of Rs. 457.36 Cr which was sanctioned by Ministry of Defence. The Repair and Refurbishment of Machinery & Infrastructure (RRMI) activities are being carried out expeditiously.

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

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

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

64. The Committee note that most of the DPSUs are dependent on internal accruals for modernization of their facilities. The Committee are of the view that the impact of the modernization may result in not only enhancing the production capacity but also improving the export potential of the Company by way of using State of the Art products. Therefore, the Committee desire that wherever the



DPSUs are not able to muster funds from their internal accruals for the purpose of modernization, the Ministry of Defence should extend budgetary support to them.

#### Long Term Perspective Planning

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Research and Development Expenditure**

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

which can be exported so as to help the country increase the foreign exchange reserves.

### **Defence Exports**

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

### **Targets fixed and achieved**

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

**BEML:** The reasons for unachieved sales targets for the years. 2012-13, 2013-14, 2014-15, 2015-16 are continuous recession in Mining and Construction segment (both Domestic & Global) while the Heavy Duty Truck could not be produced for the Defence Business because of a temporary ban on dealing with foreign equipment manufacturer as against a annual capacity of manufacturing 360 Heavy Duty Trucks. BEML has the capacity to manufacture 720 coaches for Indian Railways per year and used to execute more than 600 numbers. every year. However, for the years.

2014-15, 2015-16 & 2016-17 there was no demand of rail coaches from Indian Railways.

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

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

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

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

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

### **WELFARE OF EX-SERVICEMEN**

#### **Resettlement of Retired Officers and PBOR**

81. The Committee note that Resettlement and welfare of ESM and the widows is a joint responsibility of the Central and State Governments. The Central and

State Governments have reservations for ESM in Central Govt, jobs and services like CMPF, Railways and respective States have laid down percentage of reservations in various jobs. Reservation in the Central Govt jobs are as follows:

- a) 10% in Group 'C' posts and 20% in Group 'D' Posts. In addition 4.5% reservation in each category is meant for Disabled Soldiers and Widows/dependents.
- b) 14.5% in Group 'C' and 24.5% Group 'D' posts in PSUs and Nationalized Banks.
- c) 10% posts upto Assistant Commandants in paramilitary forces.
- d) 100% in Defence Security Corps.

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

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

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

- (i) Allotment LPG agency under Rajiv Gandhi Gramin LPG Vitrak Yojna (RGGLVY)

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

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

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

86. The Committee note that the Ministry is taking steps to create new resettlement avenues for ESM like setting up of Reservation Monitoring Cell (RMC), MOU with CII to provide direct interface with industry ensuring additional employment generation, concept paper on ESM in Nation Building - on the role of ESM in Nation Building has been prepared which envisages large



scale employment of ESM in various Govt/Private activities approved by PMO, has been forwarded to Ministry of Skill Development for implementation, etc.

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

#### Financial assistance to World War Veterans

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

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

89. The Committee have been recommending in their various reports regarding lateral induction of Servicemen in Central Para Military Forces and State Police Force. The Ministry was again requested to submit the latest updates on the issue. The Ministry has referred to the sitting of the Standing Committee on

Defence (2016-17) which was held on 16.1.2017 to take oral evidence of the representatives of Ministry of Defence & Ministry of Home Affairs on 'Resettlement of Ex-servicemen with specific reference to lateral induction of Ex-servicemen in Central Para Military Forces and State Police Forces'. It further stated that as regards the issue of commencement of lateral induction of service personnel into CAPFs, Ministry of Defence/Department of Defence is pursuing the matter with Ministry of Home Affairs at appropriate level from time to time. However, implementation of the proposal is contingent upon both MoD and MHA evolving a system of induction acceptable to both.

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

#### **Defence Pension**

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

92. During the presentation before the Committee, they are apprised that about the reduction in Pension Budget by Rs. 5,000 Crores from Rs.89,740 Crores to

**Rs.86,488.01 Crores. The Committee feel that the Pension budget is more like committed liabilities. Therefore, the Committee desire that the Ministry should reason out with the Ministry of Finance to enhance the budget as per the requirement so as to ensure that pensioners are put into any sort of inconvenience.**

### **One Rank One Pension**

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

**94. The Committee are happy to note that the Ministry has paid Rs. 3998.09 crore to 19,70,859 beneficiaries as 1st instalment and Rs 2292. 73 crore as 2nd instalment to rest of the 15,55,670 beneficiaries. The Committee desire that 3rd and 4th instalments of OROP dues should also be paid as per the schedule.**

### **Ex-servicemen Contributory Health Scheme (ECHS)**

**95. The Committee note that since 2010-11, Ex-servicemen Contributory Health Scheme (ECHS) has never been allocated the amount as per its projection thereby resulting non fructification of many schemes. During the year 2016-17,**

ECHS projected a requirement of RS. 3,600 crore but allocation was only Rs. 2,363.54 crore. This year 2017-18, the ECHS projected for Rs. 4,487.12 crore but the allocation has only being Rs. 2,911.50 crore.

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

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

#### Authorised and actual manpower

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

99. The Committee also note that to address the situation, ECHS has taken action for transferring the vacancies from one Polyclinic to another on yearly

basis and enhancing the remuneration for contract staff. A case for authorisation of additional manpower is also said to be under consideration.

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

New Delhi  
3 March, 2017  
12 Phalguna, 1938 (Saka)

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

**STANDING COMMITTEE ON DEFENCE (2016-17)**

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2016-17)**

The Committee sat on Wednesday, the 22 February, 2017 from 1100 hrs. to 1740 hrs. in Main Committee Room, Parliament House Annexe, New Delhi.

**PRESENT**

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

**Lok Sabha**

2. Shri Dipak Adhikari (Dev)
3. Shri Suresh C Angadi
4. Shri Thupstan Chhewang
5. Col Sonaram Choudhary(Retd)
6. Shri H D Devegowda
7. Km Shobha Karandlaje
8. Dr Mriganka Mahato
9. Shri Rodmal Nagar
10. Shri A P Jithender Reddy
11. Shri Ch Malla Reddy
12. Shri Rajeev Satav
13. Smt Mala Rajya Lakshmi Shah
14. Shri Partha Pratim Ray
15. Shri Dharambir Singh
16. Smt Pratyusha Rajeshwari Singh

**Rajya Sabha**

17. Shri Rajeev Chandrasekhar
18. Shri Madhusudan Mistry
19. Shri Sanjay Raut
20. Smt Ambika Soni
21. Dr Subramanian Swamy

**SECRETARIAT**

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

## **WITNESSES**

### **REPRESENTATIVES OF THE MINISTRY OF DEFENCE**

1. Shri G Mohan Kumar, Defence Secretary
2. Shri A.K Gupta, Secy(DP)
3. Shri Prabhu Dayal Meena, Secy(ESW)
4. Dr. S. Christopher Secy (R&D)
5. Shri Sunil Kumar Kohli, FA (DS)
6. Smt. Smita Nagaraj, DG(Acq)
7. Shri J.R.K. Rao, Addl. Secy.(J)
8. Ms. Surina Rajan, Addl. Secy. (DP)
9. Smt. Anuradha Mitra, FA (Acq)
10. Lt Gen Sarath Chand, VCOAS
11. Vice Admiral Karambir Singh, VCNS
12. Air Mshl SB Deo, VCAS
13. Air Marshal RKS Bhadauria, DCAS
14. Air Mshl HS Arora,DGAO
15. Air Vice Mshl J Chalapati, ACAS(Projects)
16. Air Vice Mshl Pothureddy Subhash Babu, ACAS(Fin Plg)
17. VAdm Ajit Kumar P, DCIDS(PP&FD)
18. Lt. Gen Vinod Vashisht, DG NCC
19. Lt Gen Nimbhorkar, MGO
20. Lt Gen PM Bali, DG PP
21. Lt Gen Subrata Saha, DCOAS
22. Shri J. Janardhan, Spl. DG
23. Shri Sanjay Prasad, JS(LS)
24. Shri Deepak Anurag, JS&AM(LS)
25. Shri Jayant Sinha, JS&AM(MS)
26. Shri Rajeev Verma, JS&AM(Air)
27. Smt Devika Raghuvanshi, JS(Navy)
28. Shri Vijayendra, JS(DOMW)
29. Shri A.N. Das, Addl FA & JS
30. Shri Subir Mallick, Addl FA & JS
31. Shri Ravi Kant, JS(ESW)
32. Shri Ashwini Kumar, Addl. FA(AK)& JS
33. Smt. Dharitri Panda, Addl. FA(DP) & JS
34. Shri R.K. Karna, Addl. FA(RK) & JS
35. Air Mshl HS Arora,DGAO
36. Air Vice Mshl J Chalapati, ACAS(Projects)
37. Air Vice Mshl BR Krishna, ACAS(Plan)
38. Air Vice Mshl Pothureddy Subhash Babu, ACAS(Fin Plg)
39. AVM H J Walia, Addl. Director General/NCC
40. Rear Admiral DK Tripathi, ACNS(P&P)
41. Maj Gen SS Hasabnis-TM (LS)
42. Maj Gen VS Sreenivas, ADG Proc
43. Maj Gen Sanjay Thapa, Offc DGFP
44. Maj Gen Anil Puri, DDG(A)

45. Maj Gen PM Vats, ADG WE
46. Smt. Amrita Sharan, DDG (P&B)
47. IG VD Chafekar, DDG(P&P)
48. Capt. Prakash Gopalam, DNP
49. Brig Sanjay Puri, DDG &PP(Plans)
50. Col Puneet Aggarwal, Dir PP (Lgs)
51. Smt. Maulishree Pande, Dir(Fin/Bud)
52. Shri A.N. Das, Addl FA & JS
53. Shri Ravi Kant, JS(ESW)
54. Shri S.C Bajpai, DGOF& Chairman/OFB
55. Shri Saurabh Kumar, Member (A&E)/OFB
56. Shri D.K. Mahapatra, Secretary/OFB
57. Sh. N.I. Laskar, Director(Budget), OFB
58. Ms Santosh, JS(Resettlement II, ESW)
59. Maj Gen A.P Bam, Managing Director, ECHS
60. Maj Gen Jagatbir Singh, DGR
61. Brig. M.H. Rizvi, Secretary
62. Lt Gen harish Thukral,DG(DC&W)
63. Cmde Gangesh Kumar, DGR Office
64. Gp Capt M Vijay, Director, DGR Office
65. Maj Gen Jagtar Singh, ADGAFMS(E&S)
66. Brig Subodh Mulgund, DDGAFMS(Stdn)
67. Shri Rajib Kumar Sen, Economic Advisor
68. Shri K.C Meena, DFA(Pension)
69. Smt Kusum Singh, JS(P&C)
70. Shri V Udaya Bhaskar, CMD
71. Dr. T. Suvarna Raju,CMD, HAL
72. Shri M. V Gowtama, CMD, BEL
73. RAdm (Retd) L V Sarat Babu, CMD,HSL
74. Shri D.K Hota, CMD,BEML
75. RAdm (Retd) Shekhar Mital, NM, CMD,GSL
76. CMDE R Ghosh ( Retd), CMD,GRSE
77. Dr. D.K Likhi, CMD,MIDHANI
78. Cmde Rakesh Anand (Retd) CMD,MDL
79. Air Mshl HS Arora, DGAO
80. Shri DM Deshpande, CWP&A
81. Shri P Upadhyay, PDONA
82. Dr. JP Singh, Director, DPA
83. Brig Pradeep Arora, Dir,DoS
84. Shri V.K. Deshpande, AGM(PIg),GSL
85. Shri Sanjay Garg, JS(DIP)

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. Thereafter, the Chairperson requested the representatives of the Ministry of Defence to brief the Committee on various issues included in the agenda for the day. The Defence Secretary initiated the discussion by briefly touching upon Defence Services Estimates and other Demands for grants of the Ministry of Defence.

4. The Defence Secretary apprised the Committee about the steps taken by the Ministry to enhance allocation from the Ministry of Finance.

5. Further, a Power Point Presentation on General Defence Budget was made before the Committee. This was followed by detailed deliberations on the following issues:

- (i) Inadequate budgetary provision to Defence in this year's Budget Estimates;
- (ii) Process of preparing the Budget, resource mobilization and allocation of funds and assessment of requirements of the Services and other organizations;
- (iii) Making Capital Budget as 'roll on and non- lapsable';
- (iv) Budget outlay on modernisation of Forces; and
- (v) Slow pace of expenditure by the Ministry of Defence as stated by the Ministry of Finance.

6. 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) Strategic partnership with private sector;
- (iii) Roadmap for 'Make in India';
- (iv) Dependence on import for arms and other defence equipment; and
- (v) Support to Medium, Small and Micro Enterprises (MSME) in area of defence production.

7. Afterwards, the Ministry gave a Presentation on 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) Percentage of NCC cadets who choose Defence Forces as their career;
- (ii) Steps being taken to encourage students to join the Defence Forces;
- (iii) Waiting list of schools for NCC units; and
- (iv) Expansion of Sainik Schools.

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

8. After the lunch, the Vice Chief of Army Staff briefly touched upon the issue of threat perception from the point of view of the Army. Then, a Presentation was made on Army. This was followed by detailed discussions on the subject and Members raised queries on the following issues:

- (i) Allocation of funds in BE 2017-18, which was lesser than projection;
- (ii) Modernization process of the Services; and
- (iii) Approval of the proposals of the Ministry of Defence pending with the Ministry of Finance, etc.

9. Thereafter, a Presentation was made on Air Force and pursued with deliberations on the subject which included issues such as the following:

- (i) Inadequate Budgetary Provisions;
- (ii) Shortage of Squadrons; and
- (iii) Expansion of Training facilities; etc.

10. Thereafter, Presentation on Directorate General of Quality Assurance (DGQA) was made, which was followed by discussion on the following points:

- (i) Transfer of some functions of DGQA to the manufacturing organisations;
- (ii) Introduction of third party inspection agencies; and

- (iii) Monitoring of quality of defence products, etc.

11. Thereafter, a Power Point presentation on Defence Public Sector Undertaking and Ordnance Factory Board (OFB) was made. This was followed by extensive discussion on the subjects which included the following:

- (i) Benefit to DPSUs by the introduction of a new category of 'Buy Indian IDDM' in new procurement procedure;
- (ii) Updating the capabilities of DPSUs and OFB both in manufacturing and design;
- (iii) Quality and timely delivery of ammunition by OFB etc.; and
- (iv) Downward trend in financial performances of some of the DPSUs.

12. 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) Opening of ECHS Polyclinics in more parts of the country;
- (ii) Resettlement of Ex-Servicemen with specific reference to Lateral induction of Servicemen in Central Para Military Forces and State Police Forces;
- (iii) Non-payment of bills of private hospitals;
- (iv) Misuse of ECHS facilities, etc.

13. The representatives of the Ministry of Defence replied to various queries/observations of Members. 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.

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**STANDING COMMITTEE ON DEFENCE (2016-17)**

**MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2016-17)**

The Committee sat on Thursday, the 23 February, 2017 from 1100 hrs. to 1730 hrs. in Committee Room No. 53, Parliament House, 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 H D Devegowda
6. Km Shobha Karandlaje
7. Dr Mriganka Mahato
8. Shri Rodmal Nagar
9. Shri A P Jithender Reddy
10. Ch Malla Reddy
11. Shri Rajeev Shankarrao Satav
12. Smt Mala Rajya Lakshmi Shah
13. Shri Partha Pratim Ray
14. Shri Dharambir Singh

**Rajya Sabha**

17. Shri Rajeev Chandrasekhar
18. Shri Madhusudan Mistry
19. Shri Praful Patel
20. Smt Ambika Soni
21. Dr Subramanian Swamy

**SECRETARIAT**

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

## **WITNESSES**

List of Officers/representatives who attended the Sitting:-

1. Shri G Mohan Kumar, Defence Secretary
2. Air Marshal RKS Bhadauria, DCAS
3. Air Mshl HS Arora, DGAO
4. Air Mshl SB Deo, VCAS
5. Air Vice Mshl BR Krishna, ACAS(Plan)
6. Air Vice Mshl J Chalapati, ACAS(Projects)
7. Air Vice Mshl Pothureddy Subhash Babu, ACAS(Fin Plg)
8. AVM TP Singh, ACIDS(FP)
9. Brig Anurag Bhasin, DDG 'B', MAP
10. Brig K K Repswal, DDGW (PPC & Est)
11. Brig KC Panchanathan, DDG MO(C)
12. Brig Pradeep Arora, Dir,DoS
13. Brig Subodh Mulgund, DDGAFMS(StdN)
14. Brig MH Rizvi, Secretary
15. Brig RK Sharma, DDG(TP)
16. Capt Satish Vasudevan, DNP
17. Cdr Praveen Varma, JDNP
18. Cmde Gangesh Kumar, DGR Office
19. Cmde Karunesh Kaushik, DACIDS(Bud)
20. CMDE R Ghosh ( Retd), CMD,GRSE
21. Cmde Rakesh Anand (Retd) CMD,MDL
22. Col Rajeev Kapoor, Director(Budget)
23. Comdt Alok Negi, JD(Plans)
24. DIG Mukesh Purohit, PD(P&B)
25. Dr Subhash Chandra Sati, DG (NS & M)
26. Dr Zakwan Ahmed, CCR&D(R&M& Imp)
27. Dr Chitra Rajagopal, CCR&D (SAM)
28. Dr CP Ramanarayanan, DG(Aero)
29. Dr DK Likhi, CMD,MIDHANI
30. Dr G Athithan, DG (MED & CoS)
31. Dr G Satheesh Reddy, DG (MSS)
32. Dr Guru Prasad, CCR&D(PC& SI)
33. Dr JP Singh, Director, DPA
34. Dr Mala Iyengar, IFA (R&D)
35. Dr S Christopher Secy (R&D)
36. Dr Shashi Bala Singh, DG (LS)
37. Dr T Suvarna Raju,CMD, HAL
38. Dy Comdt Niranjana Pratap Singh, ADC to DGICG
39. Gp Capt M Vijay, Director, DGR Office
40. IG VD Chafekar, DDG(P&P)
41. Lt Gen AK Bhatt, DGMO
42. Lt Gen harish Thukral,DG(DC&W)
43. Lt Gen Sarath Chand, VCOAS
44. Lt Gen SK Shrivastava,DGBR

45. Lt Gen Suresh Sharma, E-in-C
46. LT GEN ASHOK AMBRE, DG LW&E
47. Lt Gen RV Kanitkar, QMG
48. Maj Gen AP Bam, Managing Director, ECHS
49. Maj Gen Jagatbir Singh, DGR
50. Maj Gen Jagtar Singh, ADGAFMS(E&S)
51. Maj Gen Manoj Pande, ADG MO(B)
52. Maj Gen Sanjay Agarwal, DG Works
53. Maj Gen Sanjeev Jain , DG MAP
54. Maj Gen SPS Kohli, ADGW
55. Maj Gen Digvijay Setia, ADG(LW&E)
56. Ms Santosh, JS(Resettlement II, ESW)
57. Ms J Manjula, DG (ECS)
58. Ms Nabanita R Krishnan, Director, P&C
59. Ms Surina Rajan, Addl Secy (DP)
60. RAdm (Retd) L V Sarat Babu, CMD,HSL
61. RAdm (Retd) Shekhar Mital, NM, CMD,GSL
62. Rear Admiral DK Tripathi, ACNS(P&P)
63. Sarath Chandran, Adhikari (RO)
64. Sh M Hafizur Rahaman, CC R&D (TM& HR)
65. Sh NI Laskar, Director(Budget), OFB
66. Shri AK Gupta, Secy(DP)
67. Shri AN Das, Addl FA(AN) & JS
68. Shri Ajay Kumar Sharma, Addl DG
69. Shri Ajay Singh, Chief Executive, CW&E
70. Shri AK Bhateja, Director, BF&A
71. Shri Ashwini Kumar, Addl FA(AK)& JS
72. Shri Bharat Khera, JS(Air/BR)
73. Shri DK Hota, CMD,BEML
74. Shri DK Mahapatra, Secretary/OFB
75. Shri DM Deshpande, CWP&A
76. Shri GS Rajeshwaran, Addl DG
77. Shri JRK Rao, Addl Secy(J)
78. Shri Jiresh Nandan, JS
79. Shri Jojneswar Sharma, DG
80. Shri KC Meena, DFA(Pension)
81. Shri Kedar Burande, DDG(Adm)
82. Shri M V Gowtama, CMD, BEL
83. Shri P Daniel, Addl DG
84. Shri P Upadhyay, PDONA
85. Shri Prabhu Dayal Meena, Secy(ESW)
86. Shri Prachur Goel, Addl DG
87. Shri Pravin K Mehta, DG (ACE)
88. Shri RK Karna, Addl FA(RK) & JS
89. Shri Rajendra Singh, DG ICG
90. Shri Rajib Kumar Sen, Economic Advisor
91. Shri Ravi Kant, Addl Secy (R)
92. Shri Ravi Kant, JS(ESW)

93. Shri SC Bajpai, DGOF& Chairman/OFB
94. Shri Sanjay Garg, JS(DIP)
95. Shri Saurabh Kumar, Member (A&E)/OFB
96. Shri Subir Mallick, Addl FA & JS
97. Shri Sudhir Mishra, CCR&D (Brahmos)
98. Shri Sunil Kumar Kohli, FA (DS)
99. Shri Surya Praksh, Dir(L&C)
100. Shri V Udaya Bhaskar, CMD
101. Shri VK Deshpande, AGM(PIg),GSL
102. Shri Rahul Dua, Sr Addl DG
103. Smt Devika Raghuvanshi, JS (Navy)
104. Smt Kusum Singh, JS(P&C)
105. Smt Anuradha Mitra, FA (Acq)
106. Smt Dharitri Panda, Addl FA(DP) & JS
107. Smt Maulishree Pande, Dir (Fin/Bud)
108. Smt Shalini Pandey, DDG (C&Crd)
109. Smt Smita Nagaraj, DG(Acq)
110. VAdm Ajit Kumar P, DCIDS(PP&FD)
111. Vice Admiral Karambir Singh, VCNS

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the Sitting. 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 Defence Research and Development. This was followed by detailed deliberations on following issues:

- (i) Allocation of funds and expenditure,
- (ii) Accountability for scientists in DRDO,
- (iii) Efforts towards 'Make in India',
- (iv) Export of DRDO developed equipments,
- (v) grievance resolution mechanism,
- (vi) Involvement of private industry in Defence research, etc.

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

- (i) Shortfall between required and allocated budget,
- (ii) Inadequacies in capital budget,
- (iii) Shortage of manpower,
- (iv) Depletion in fleet strength,
- (v) Obsolescence,
- (vi) Delay in delivery of vessels by Shipyards,
- (vii) National War Memorial,
- (vii) Operational preparedness, etc.

6. Thereafter, a presentation on Coast Guard Organization was made before the Committee. This was followed by queries from Members on various issues which included shortfall in provision of funds of funds and state of coastal security.

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

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

- (i) Blocking of roads used by ordinary citizens by DGDE,
- (ii) Encroachment of Defence Lands by civilians and removal of the same with the help of State Governments,
- (iii) Digitisation of records in DGDE,
- (iv) Financial problems of Cantonment boards,
- (v) Non-payment of service charges by Army,
- (vi) Dilapidated condition of schools in Cantonment Boards, etc.



8. The Ministry gave presentation on Military Engineer Services. 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.

9. The Ministry made presentation on Married Accommodation Project. This was followed by detailed discussions on the subjects and Members asked questions on the following issues:

- (i) Progress of phase-II and phase-III of MAP,
- (ii) Amendments in MAP works procedure,
- (iii) Use of new technologies for construction of dwelling units, etc.

10. Thereafter, a presentation was made 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) Long Term Roll on Works Plan,
- (iv) Maintenance and snow clearance grants, etc.

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**

### **MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2016-17)**

The Committee sat on Friday, 03 March, 2017 from 1130 hrs. to 1215 hrs. in Committee Room 53, 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 Thupstan Chhewang
5. Shri H D Devegowda
6. Shri B. Senguttuvan
7. Shri Rodmal Nagar
8. Shri Ch Malla Reddy
9. Shri Rajeev Shankarrao Satav
10. Smt Mala Rajya Lakshmi Shah
11. Shri Partha Pratim Ray
12. Shri Dharambir Singh
13. Smt Pratyusha Rajeshwari Singh

#### **Rajya Sabha**

14. Shri A U Singh Deo
15. Shri Harivansh
16. Shri Madhusudan Mistry
17. Shri Sanjay Raut
18. Smt Ambika Soni
19. Dr Subramanian Swamy

#### **SECRETARIAT**

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

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

- (i) Twenty-Eighth Report on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Canteen Stores Department, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme (Demand No. 19 & 22)'.
- (ii) Twenty-Ninth Report on 'Demands for Grants of the Ministry of Defence for the year 2017-18 pertaining to Revenue Budget of Army, Navy and Air Force (Demand No. 20)'.
- (iii) Thirtieth Report on 'Demands for Grants of the Ministry of Defence for the year 2017-18 pertaining to Revenue Budget of Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance and National Cadet Corps (Demand No. 20)'.
- (iv) Thirty-First Report on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Capital Outlay on Defence Services, Defence Planning and Procurement Policy (Demand No. 21)'.

3. \*.....

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

The Committee then adjourned.

\* Does not pertain to this report.

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