

**STANDING COMMITTEE ON DEFENCE  
(2018-19)**

**(SIXTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**[Action Taken by the Government on the Observations/Recommendations contained in the Fortieth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions, Ex-Servicemen Contributory Health Scheme (Demand Nos. 19 and 22).']**

**FORTY-SIXTH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**January, 2019/Pausa, 1940(Saka)**

**FORTY-SIXTH REPORT**

**STANDING COMMITTEE ON DEFENCE  
(2018-19)**

**(SIXTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**[Action Taken by the Government on the Observations/Recommendations contained in the Fortieth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions, Ex-Servicemen Contributory Health Scheme (Demand Nos. 19 and 22).']**

*Presented to Lok Sabha on 07.01.2019*

*Laid in Rajya Sabha on 07.01.2019*



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**January, 2019/Pausa, 1940(Saka)**

## **CONTENTS**

### **REPORT**

#### **PART I**

CHAPTER I     REPORT

CHAPTER II     (A) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN  
ACCEPTED BY THE GOVERNMENT

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

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

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

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

### **APPENDICES**

I     MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2018-19) HELD ON 04.01.2019

II    ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE  
OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE FORTIETH  
REPORT (SIXTEENTH LOK SABHA) OF THE STANDING COMMITTEE     ON  
DEFENCE (2017-18)

## COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2018-19)

**SHRI KALRAJ MISHRA**

-

**CHAIRPERSON**

### **Lok Sabha**

2. Shri Deepak Adhikari (Dev)
3. Shri Suresh Chanabasappa Angadi
4. Shri Shrirang Appa Barne
5. Col Sona Ram Chaudhary VSM (Retd)
6. Shri H D Devegowda
7. Shri Jayadev Galla
8. Shri Sher Singh Ghubaya
9. Shri Gaurav Gogoi
10. Dr Murli Manohar Joshi
11. Km Shobha Karandlaje
12. Dr Mriganka Mahato
13. Shri Rodmal Nagar
14. Shri Partha Pratim Ray
15. Shri A P Jithender Reddy
16. Shri B Senguttuvan
17. Smt Mala Rajya Laxmi Shah
18. Shri Dharambir Singh
19. Smt Pratyusha Rajeshwari Singh
20. Shri Rakesh Singh

### **Rajya Sabha**

21. Shri K R Arjunan
22. Dr Ashok Bajpai
23. Shri Joginipally Santosh Kumar
24. Shri Madhusudan Mistry
25. Shri Soumya R Patnaik
26. Shri G V L Narasimha Rao
27. Shri Sanjay Raut
28. Smt Ambika Soni
29. Shri Ram Nath Thakur
30. Lt. Gen. Dr D P Vats

\* Shri Thupstan Chhewang resigned w.e.f. 13.12.2018

**SECRETARIAT**

- |    |                        |   |                     |
|----|------------------------|---|---------------------|
| 1. | Smt. Kalpana Sharma    | - | Joint Secretary     |
| 2. | Shri Srinivasulu Gunda | - | Director            |
| 3. | Smt. Jyochnamayi Sinha | - | Additional Director |
| 4. | Shri Rahul Singh       | - | Deputy Secretary    |

## REPORT

### CHAPTER I

This report of the Standing Committee on Defence deals with action taken by the Government on the Observations/Recommendations contained in the Fortieth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Service, Directorate General of Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions, Ex-Servicemen Contributory Health Scheme (Demand no. 19 & 22)' which was presented to Lok Sabha/ laid in Rajya Sabha on 13 March, 2018.

2. The Committee's Fortieth Report (16<sup>th</sup> Lok Sabha) contained 75 Observations/Recommendations on the following aspects:-

Para No.	Subject
1-2	Defence Budget – Trend
3	Growth of Defence Budget Vis-à-vis rate of inflation
4	Growth of Defence Budget Vis-à-vis Central Budget and Gross Domestic Product (GDP)
5-10	Projections made by the three Services
11-13	Declining Trend in Revenue-Capital Ratio
14-15	Shortage of manpower in the Forces
16	Defence Preparedness
17-20	Chief of Defence Staff
21-24	Budget Grants for Boarder Road Organisation
25-26	Compromises likely to be made due to reduced budgetary allocation
27-28	Status of construction of roads in difficult areas
29	Construction of roads in Jammu and Kashmir
30	Handing over of roads constructed by BRO to PWD
31-32	Difficulties faced by the organization in maintenance of existing road
33-34	Shortage of Manpower
35-36	Declining Budget of Coast Guard
37	Status of Roads in difficult areas in Uttrakhand and North East Regions
38	Monitoring system to track boats
39-41	Budgetary Provisions
42-43	Pending cases in the Ministry of Defence
44	Grants in Aid to Cantonment Boards
45	Building Bye-Laws
46-49	Encroachment of Defence Lands
50-52	Inconvenience of Civilian Population and their representatives
53-54	Dilapidated condition of schools
55	DPSUs
56	Order Book Challenges
57	Water Jet Fact Attack Craft
58	Modernisation of DPSUS
59-60	Expenditure and R&D by DPSUS
61	Defence exports by DPSUs
62	Resettlement Opportunities
63	Army Battle Casualties Welfare Fund
64	Budgetary Provisions
65-69	One Rank One Pension (OPOP)
70-72	Lower Allocation to Ex-servicemen Contributory Health Scheme (ECHS)
73	Non-availability of medicines and doctors at ECHS Polyclinics
74-75	ECHS facility to World War-II Veterans, Emergency Commissioned Officers and short service commissioned officers

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

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

Para Nos. 1, 2, 4, 16, 21, 22, 24, 25, 26, 27, 31, 32, 33, 34, 37, 39, 40, 41, 42, 43, 44, 53-54, 55, 57, 58, 59-60, 61, 65-69, 70-72  
(37 Recommendations)

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

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

Para Nos. 45, 46, 47, 48, 62 & 63  
(06 Recommendations)

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

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

Para nos. 23, 35 & 36  
(03 Recommendations)

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

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

Para Nos. 3, 5-10, 11-13, 14-15, 17-20, 30, 49, 50-52 & 56  
(22 Recommendations)

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

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

Para nos. 28, 29, 38, 64, 73, 74 & 75.  
(07 Recommendations)

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

**4. The Committee desire that the Ministry's response to the comments made in Chapter I and the final replies to the Observations / Recommendations for which interim replies have been given by the Government should be furnished to them at the earliest and in any case not later than three months of the presentation of this Report.**

## **A. GROWTH OF DEFENCE BUDGET VIS- A-VIS RATE OF INFLATION**

### **Recommendation (Para No.3)**

5. The Committee had in their fortieth report recommended as under:

The Committee note that the present annual rate of inflation as per the Economic Survey 2017-18 based on CPI- New Series ranged around 5.21%. The annual rate of inflation based on monthly Wholesale Price Index (WPI) stood at 3.58% (Provisional) for the month of December, 2017 (over December, 2016) as compared to 2.1% during the corresponding month of the previous year. Based on Consumer Price index, the inflation rate on yearly basis is 5.21% during December 2016-December 2017 period. The enhancement at the stage of RE 2017-18 amounts to only 0.75%, which is way below the inflation rate as revealed in the Economic Survey. The growth in the Defence Budget is thus miniscule and does not cater to the needs of the armed forces. Therefore, the Committee express the view that the budget of Ministry of Defence should be increased at least to an extent whereby, the modernisation efforts of the Forces remain unaffected by the vagaries of inflation.

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

“Since there was no increase under Capital Budget in RE 17-18, no additional budget could be allocated for modernisation. It may be added that Modernisation of the Defence Forces is the first & foremost priority of the Ministry and it is ensured that critical requirements of Services do not suffer due to want of funds.”

7. **The Committee had observed that the 0.75% increase in defense budget at RE 2017-18 stage does not even offset the 5.21% increase in CPI based inflation. The increase in allocation may have been barely sufficient to cater to the increase in revenue expenditure, which includes salary and allowances and goes up in tune with inflation, leaving little increase in funds for modernization of the forces. In view of the foregoing, the Ministry 's reply/ assurance that the foremost priority is being given to modernization of defence forces and the funds crunch is not being allowed to affect the critical requirement of Services is not convincing. In this context, the Committee would like to draw the Ministry's attention to the Committee's observation / recommendation contained in the action taken report on 42<sup>nd</sup> report. Referring to the meager allocations under Capital Budget for the year 2018-19 (BE), the Committee observed that the allocations made for defence capital budget for the year 2018-19 (BE) are not sufficient even to cover committed liabilities leaving alone new projects and other capital requirements. The Committee, therefore earnestly urge the Ministry of Defence to ensure availability of sufficient funds to meet the critical needs of the services to prevent any adverse impact on the operational preparedness of the forces.**

## **B. PROJECTIONS MADE BY THE THREE SERVICES**

### **Recommendation (Para nos. 5-10)**

8. The Committee, in their fortieth report, had recommended as under:

“.... during the last 6 years, the Services are being provided with much lower allocations than what they asked for or projected. However, the Services have been, by and large able to spend the amounts allocated at the stage of RE. At the stage of BE 2012-13, while the Army projected a requirement of Rs. 1,12,096.22 crore, only Rs.96,564.83 crore was allocated. At the stage of Revised Estimates for the year, the Army projected an amount of Rs. 1,02,091.42 crore but was allocated only Rs. 91,269.50 crore. Of the allocated amount, the Army has been able to spend more than the budgeted amount i.e. Rs. 91,450.51 crore. The Navy projected an amount of Rs. 44,478.90 crore during the year. However, only Rs. 37,314.44 crore was provided. For the same year, at the stage of Revised Estimates, the Navy projected an amount of Rs. 40,768.63 crore but the allocated amount was only Rs. 29,668.33 crore. Of this, the Navy has been able to spend almost the entire budget provided i.e. Rs. 29,593.53 crore. Similarly, while the Air Force projected an amount of Rs. 56,838.25 crore, only Rs. 48,220.26 crore was allocated. For the same year, at the Revised Estimates stage, Air Force projected a requirement of Rs. 57,941.98 crore but was allocated only Rs. 47,621.67 crore. Of this, the Air Force was able to spend more than the budgeted amount i.e. Rs. 50,509.13 crore.

For the previous financial year i.e. 2017-18 at the stage of BE, the Army projected a requirement of Rs.1,94,977.15 crore, but was given only Rs.1,45,167.22 crore. At the Revised Estimates stage of the year, the Army projected an amount of Rs.1,70,079.02 crore but was allocated only Rs.1,46,657.51 crore. Of this amount allocated at the RE stage, the Army was able to spend 91 percent of the budget provided i.e. Rs.1,33,501.55 crore upto 31 January, 2018. In the case of Navy, the projected amount was Rs.51065.20 crore. However, only Rs.37841.98 crore was provided. At the Revised Estimates stage of the year, the Navy projected an amount of Rs.48262.88 crore but was allocated only Rs.38227.09 crore. Of this, the Navy has been able to expend almost 80 percent of the budget provided i.e. Rs.31,742.15 crore upto 31 January, 2018. Similarly, while the Air Force projected a requirement of Rs.91,196.14 crore, quite surprisingly, only Rs.58,372.50 crore was allocated. At the stage of Revised Estimates of the year, the Air Force projected an amount of Rs.82,294.92 crore but was allocated only Rs.60,779.78 crore. Of this, the Air Force has been able to spend more than 92 percent of the budget provided i.e. Rs.56,075.50 crore. The data, as brought out and analysed here is indicative of the prudence with which the Forces have been expending the budgetary allocation.

For the Budget Estimates 2018-19, the Army projected an amount of Rs.1,51,814.73 crore under the Revenue Head, but has been allocated only Rs.1,27,059.51 crore. Under the Capital Head, the projected amount is Rs.44,572.63 crore but only Rs.26,815.71 crore has been allocated, which amounts approximately to just 60 percent of the projected requirement. Again, for the current year 2018-19, while the Navy projected a requirement of Rs.20,188.25 crore, the allocated amount has been only Rs.16,618.88 crore under the Revenue Head. Under the Capital Head, while the Navy projected an amount of Rs.35,695.41 crore, the allocated amount is only Rs.20,003.71 crore, which amounts to approximately 56 percent of the projected requirement. The case with the Air Force is also no different. While an amount of Rs.35260.79 crore has been projected as the requirement under the Revenue Head, only Rs.28,821.27 crore has been provided. Under the Capital Head, while the Air Force projected a requirement of Rs.77,694.74 crore, the allocation has been only Rs.35,770.17 crore, which is less

than half of the projected requirement. Also, quite shockingly, the Joint Staff has got an allocation of just Rs.844.45 crore under the Capital Head, while the projection was for Rs.2237.03 crore. The amount was reduced approximately to a third of the projected requirement.

The representatives of the Ministry of Defence have, in their submissions made before the Committee informed that the allocated funds will be optimally and fully utilized for meeting operational activities. Basing on the expenditure during the year, additional funds may be sought at the Supplementary/RE stage; and depending on the budget allocations, the schemes would be reprioritized so as to ensure that 'urgent and critical capabilities' are acquired without any compromises made in regard to the operational preparedness of the Defence Services. Nevertheless, the Committee cannot also help noting that as per the admission of the representatives, there are many urgent and critically important items/schemes which are to be attended to under the revenue segment, which are likely to be impacted owing to inadequate budget allocation. These pertain, inter-alia to the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. As for the Capital segment, all Committed Liabilities, which are likely to materialise during the year are to be met with the allocated amounts; and the remaining amount is to be distributed to meet the projected requirement for other items like capital modernization schemes.

The Vice Chief of Army Staff (VCOAS), in the submission before the Committee, claimed that the marginal increase in Capital Budget allocation for the Army has dashed all hopes, as it would be barely enough to counter the inflation level, and did not even cater for the affect of the increased tax burden. He further stated that the allocation for modernization in 2018-19 was insufficient to cater for Committed Liabilities, on-going schemes, 'Make in India' projects, infrastructural development, policy of strategic partnership of foreign and Indian companies and procurement of arms and ammunition. The representatives of Navy too detailed the implications of lower allocations of Capital budget for the Navy viz. constrained progress of New Schemes and ability to conclude contracts, likely delay in induction of critical capabilities, and attendant cost overruns, impact on progress of infrastructure projects, and mitigation of shortage of accommodation as well as a general setback to the pace of modernization of the Indian Navy.

The Committee are of the view that while making the budget projections, the Services must have obviously factored for the items to be purchased, infrastructure to be built, stores to be replenished, etc. Thus, not providing the Forces with the desired or requisite allocation of funds may make their planning process go haywire. The Committee, therefore, desire that the Services should be provided with adequate budgetary allocations as per their projections."

9. The Ministry, in its action taken reply, submitted as follows:

“The Ministry does not agree with the contention of the Vice Chief of Army Staff (VCoAS). The analysis of the budget estimates and expenditure incurred by Army for Capital Acquisition in the last six years is placed in the table below:-

(Rs. in crore)

Year	BE	RE	MA	Actuals
2012-13	13,724.14	11,568.76	10,789.55	10,871.79
2013-14	13,327.04	10,801.46	10,572.32	10,426.49
2014-15	20,935.41	16,927.35	20,446.06	13,867.40
2015-16	22,054.50	17,997.59	14,473.87	14,488.84
2016-17	21,433.77	17,866.46	19,466.46	22,287.80
2017-18	20,178.21	20,177.21	20,177.21	22,045.97
Average	18,608.85	15,889.80	15,987.58	15,664.72

As per table the Army has been surrendering funds on capital account regularly in the past except last two years with an average expenditure of Rs. 15,664.72 crore against an average allocation of rate 18,608.85 crore per annum. In the years 2012-16 the Army surrendered an amount of Rs. 20,386.57 crore due to slippages in contractual obligations. The current year (2018-19) allocation of Rs. 21, 338.21 crore is ~ 36% more than the average absorption capacity of the Army and is in line with actuals of last two fiscals. The requirements of Army therefore will be evaluated and taken up further with MoF on a need basis on overall threat perception and prioritization of requirements and pace of expenditure.”

10. The Committee had observed that since 2012-13 the allocations made under capital head at BE stage are far lower than those of the projections made by the Services. Sometimes the shortfall in projections *vis-a-vis* the allocations at BE stage hovered around 40-45%. However, the data furnished by the Ministry shows that the Army, despite far lower allocations *vis-à-vis* the projections, could not utilize these allocations for capital spending fully and surrendered an amount of Rs. 20,386.57 crore from 2012-13 to 2015-16. The data further shows that since 2013-14 , except in the last two years, against an average allocation of Rs. 18,605.57 crore , the average expenditure by the Army stood at Rs. 15,664.72 crore under capital head. The data, therefore, points out the lower absorption capacity of the allocated amounts in the past by the Army. The Committee, therefore, are of the view that the projections of the Services may be made more realistic after taking into their absorption capacity and at the same time allocations should be enough to ensure that critical requirements of the Services are met and the operational preparedness of the Services are not affected adversely.

## C. DECLINING TREND IN REVENUE-CAPITAL RATIO

### Recommendation (Para nos. 11-13)

11. The Committee, in their fortieth report, had recommended as under:

The Committee note that under the Capital Budget, at the Revised Estimates stage (2017-18), against the projection of Rs.1,32,212.34 crore, only Rs.86,488.01 crore was allocated. Under the same head, at the stage of BE 2018-19, the projection was for Rs.1,72,203.3 crore but the allocation is just Rs.93,982.13 crore. Of this, Committed Liabilities would be to the tune of Rs.1,10,043.78 crore. Thus, the budgetary allocation is much less vis-à-vis the Committed Liabilities. On the allocation under non salary Revenue head, at the stage of Revised Estimates (2017-18), against the projection of Rs.57,917.94 crore, only Rs.44,150.57 crore was allocated. Under the same head, in BE 2018-19, the projection was for Rs.80,160.02 crore but the allocation is only to the tune of Rs.46,339.62 crore.

From the data supplied by the Ministry, the Committee note that the Revenue to Capital ratio of the budget is receding with reference to the Capital Head of account. In 2013-14, for the Army, 20 percent of the allocation has been for the Capital Head and 80 percent towards the Revenue account. This reduced to 17 percent for the Capital Head, with the allocation for the Revenue Head amounting to 83 percent in R.E. 2017-18. Similarly, in 2013-14, in case of Navy, 66 percent of the outlay has been for the Capital account and 34 percent towards the Revenue allocation, which reduced to 51 percent for the Capital Head and 49 percent under the Revenue Head of allocation in R.E. 2017-18. During the same period, i.e. 2013-14, in case of the Air Force, 63 percent of the Allocation was towards the Capital Head and 37 percent for the Revenue account. This has now reduced to a low of 55 percent for the Capital account and 45 percent towards Revenue allocation in R.E. 2017-18.

The Committee also note that the Ministry of Finance imposes ceilings separately for Revenue (Salary and Non-Salary) and Capital Heads, based on which funds are allocated to the services. The procedure followed for the allocation inter-alia involves the trend of expenditure, projections made by the Services, Committed Liabilities to be fulfilled etc. Therefore, the Ministry of Finance desists from maintaining/deciding on a particular ratio of expenditure for the Capital and Revenue accounts. Although the Ministry of Finance has informed that every effort will be made to ensure that no project/proposal is shelved for want of funds and additional funds would be provided as and when sought by the Ministry, this is not convincing. As per the information furnished, the Services have been able to utilize the allocated amounts, prudently and to the full extent. The Committee, in this regard, share the concern expressed by the Defence Secretary, on the fact that there has been a steady decline in the portion/ratio of the allocation under the Capital Head. The Committee are of the view that the declining ratio of the allocation for Capital expenditure does not auger well for the Forces. Increased allocation in favour of the capital segment being vital for modernization of the Forces, the Committee desire that every effort be made to reverse the trend of the declining ratio of allocation for meeting capital expenditure."

12. The Ministry of defence in their action taken reply stated as follows:

"The higher growth in the revenue expenditure of the Services is mainly attributable to the fact that Army is manpower intensive with a large portion of its expenditure is devoted to Salaries. This skews the revenue-capital ratio in favour of revenue expenditure in overall sense and for Army. For Air Force and Navy, the ratio of Revenue to Capital is 47:33 and 45:55 respectively in BE2018-19."

13. The Committee, referring to the continuous decline in capital allocations *vis-s vis* the revenue allocations for the armed forces since 2013-14 had felt that continuous decline in capital allocations may not augur well for the forces and accordingly had recommended that every effort be made to arrest the declining trend of capital allocations *vis-a-vis* the revenue allocations for the forces. The Ministry in the reply stated that Army being manpower intensive a large portion of expenditure is devoted to salaries, allowances and pensions, thereby skewing the revenue capital ratio in favour of revenue expenditure in overall sense. As the future wars will be tech intensive necessitating more investments in modern technology and combat equipment, the Committee are of the opinion that there appears to be a need for reversing the trend. They accordingly, while reiterating their earlier recommendation, suggest that suitable measures be initiated especially by the army to reverse / arrest the trend of declining the capital expenditure *vis-a vis* revenue expenditure.

#### **D. Shortage of manpower in the forces**

##### **Recommendation (Para nos. 14 & 15)**

14. The Committee, in their fortieth report, had recommended as under:

“From the data furnished by the Ministry, the Committee note that there is a shortage of 7679 Officers and 20,185 JCOs/ORs in Army, 1434 Officers and 14,730 Sailors in Navy, 146 Officers and 15,357 Airmen in Air Force.

While examining the Demands for Grants 2017-18, the Committee pondered on this issue and recommended for providing five years of compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. The Ministry, in its Action Taken Reply on the matter has stated that the recommendation regarding providing five years compulsory military service to such aspirants wanting to directly join Central and State Government services, with a view to overcome shortage of officers in Armed Forces, has been taken up with Department of Personnel and Training (DoP&T). The response of the Department is awaited. Apparently, the Ministry of Defence has not taken up the matter with due seriousness with the DOP&T. The Committee, while recommending five years of compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services, have taken into account the fact that there is a perennial and alarming shortage of Officers and PBOR in the Armed Forces, which needs to be corrected. The Committee, once again express their desire that the issue of shortage of officers needs to be given priority for being addressed.”

15. The Ministry, in its action taken reply, stated as follows:

“The details of authorized strength, held strength and shortage of Officers in the three Armed Forces (excluding medical and dental), force-wise are as under:

Service	Authorised Strength	Held Strength	Shortage
Army (As on 1.1.2018)	49,933	42,635	7,298 (14.61%)
Navy (As on 1.7.2018)	11,352	9,746	1,606 (14.14%)
Air Force (As on 1.7.2018)	12,584	12,392	192 (1.52%)

Details of strength of Personnel Below Officers Rank (PBOR) / Airmen / Sailors in the three Armed Forces (excluding medical and dental), force-wise, are as under:

Service	Authorised Strength	Held Strength	Shortage
<b>Army</b> (As on 1.1.2018)	12,16,247	11,96,995	19,252 (1.58%)
<b>Navy</b> (As on 31.3.2018)	72,583	56,309	16,274 (22.42%)
<b>(Air Force</b> (As on 1.4.2018)	1,42,673	1,26,776	15,897 ( 11.14%)

As may be seen from the above data, the shortage in officers rank ranges from 1.52% in Air Force to 14.61% in Army. In case of PBORs/Airmen/Sailors, the shortage ranges from 1.58% in Army to 22.42% in Navy.

The occurrence of vacancy due to death, resignation, retirement of defence personnel and recruitment to fill up vacant post is a continuous process.

The Government has been taking a number of measures to reduce the shortages. These include sustained image projection, participation in career fairs and exhibitions and publicity campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career. Further, Government has taken various steps to make armed forces' jobs attractive including improvement in promotion prospects in the Armed Forces.

As regard the recommendation concerning providing five years compulsory military service to such aspirants wanting to directly join Central and State Government services, with a view to overcome shortage of offices in Armed Forces, it is stated that the said recommendation has been considered at the appropriate level and it has been decided not to accept the same. This decision has been taken with the approval of Hon'ble Raksha Mantri."

**16. The Committee, keeping in view of the perennial and alarming levels of shortage of officers in the Services especially, Army and Navy after due consideration, had suggested for providing five years of compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. The MoD in its**

reply furnishing the data on shortages of manpower in three services stated that the said recommendation had been considered at the appropriate level and it has been decided, with the approval of Raksha Mantri, not to accept the same. The MoD's reply is conspicuously silent as to the reasons for not accepting the same. The Committee are of the opinion that the issue seems to have not been considered with the seriousness that it deserves and accordingly reiterate their recommendation in this regard.

#### **E. Appointment of Chief of Defence Staff**

##### **Recommendation (Para nos. 17-20)**

17. The Committee, in their fortieth report, had recommended as under:

The Committee had, in their earlier reports, recommended creation of the post of Chief of Defence Staff for enabling better co-ordination among the Services. The Committee have taken up the matter in the current year as well. The Committee, in this regard, are astonished to find the reply of the Ministry to be almost similar to the one given on the earlier occasion. The Committee wish to recollect in this regard that 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.

The Committee note in this regard that the response has not been 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) and MoD's views on this issue have been conveyed to National Security Council Secretariat (NSCS). Upon consideration of the matter by the CCS on 29.04.2014, the NSCS had been informed of the approval of the CCS for implementing the recommendations.

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

The Committee find from the information that the recommendations for establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC) were considered and placed before the CCS on 29.04.2014 and NSCS had conveyed the approval of CCS for other recommendations for implementation. However, despite a lapse of time span of 3 years no definite conclusion of the creation of post has been arrived at. The Committee are of the view that permanent Chief of Defence Staff (CDS) is urgently required for interwoven and synchronized efforts of the Services to achieve desired results in peace and war. Therefore, the Committee reiterate their recommendation for the early creation of the post of CDS."

18. The Ministry, its action taken reply, stated as follows:

“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 were conveyed to NSCS. The recommendations were considered and placed before the CCS on 29.04.2014. NSCS had conveyed the approval of CCS for other recommendations for implementation. However, as on date there is no CCS approval for establishment of a Permanent Chairman, COSC and a decision about establishment of Permanent Chairman, COSC is yet to be taken.”

**19. The Committee referring to their earlier recommendations for creation of the post of Chief of Defence Staff (CDS) for enabling better coordination among Services, which however could not be materialised, had once again recommended the creation of post of CDS. The Committee had also sought the status on the establishment of Permanent Chairman, Chiefs of Staff Committee, as recommended by the Naresh Chandra Task Force (NCTF) on National Security and considered and approved by Cabinet Committee on Security (CCS) on Security on 29.04.2014.**

**The Ministry with regard to creation of the post of CDS, in its action taken reply stated *inter alia* that the recommendation made in the report of Group of Ministers (GoM), constituted to review the recommendations of the Kargil Review Committee, for creating the post of CDS was approved by the Government on 11 May, 2001 that the final decision will be taken after consultation with various political parties. The consultation process with political parties was stated to have been initiated in 2006 with Raksha Mantri writing to all the political parties. However, it was informed that the replies have not been received from all political parties.**

**It could be seen that more than twelve years have elapsed since the process for obtaining views of all the political parties on the issue was initiated. However, the process of obtaining the view of all the political parties is yet to be received/taken. The Ministry's reply is conspicuously silent as to the specific steps taken to obtain the views of the political parties apart from writing to them once in 2006. The Committee, therefore, are of the view, that had the matter been taken up with the due seriousness that it deserved the**

Government would have received the views of all the political parties in this regard. They accordingly, reiterating their earlier recommendation, suggest that suitable steps be taken immediately to have the views of all the political parties so as to avoid further delay in creating the post of Chiefs of Defence Staff (CDS).

20. The Ministry in its action taken reply stated that the proposal for establishment of Permanent Chairman, Chiefs of Staff Committee (CoSC), recommended by Naresh Chandra Task Force (NCTF), was placed before Cabinet Committee on Security (CCS) on 29.04.2014. However, as on date there is no CCS approval for the same. The reply does not contain any reasons for not accepting or otherwise of the said recommendation. The Committee, therefore, reiterating their earlier recommendation suggest that a final call on the issue may be taken without further delay in view of the importance attached to CoSC.

#### **F. Handing over of roads constructed by BRO to PWD**

##### **Recommendation ( para no. 30)**

21. The Committee, in their fortieth report, recommended as follows:

“The Committee note that although at many places, the roads constructed by BRO have been handed over to the State PWD concerned for maintenance, such handing over has not taken place in many other cases. The Committee are of the view that wherever possible, these roads should be handed over to the PWD concerned for maintenance. Nevertheless, the Committee also desire that in difficult areas such as Badrinath, the maintenance work allocated to the PWD needs to be withdrawn and the work given back to BRO as the PWD does not appear to have the required infrastructure and equipment for executing the work in such difficult areas.

22. The Ministry, in its action taken reply, submitted as under:

The present status of handing over of roads by BRO to other agencies is given as under:-

S/No	Details	Length earmarked for handing over (Km)	Length already handed over (Km)	Balance to be handed over (Km)
(a)	Road already handed over	2216.35	2216.35	-
(b)	Road under handing/taking over	1162.58	360.18	802.40
Total		3378.93	2576.53	802.40

During the recent BRDB meeting, the issue for early taking over of roads by various State Governments was discussed and it was decided that the handing over of roads be completed at the earliest, so that BRO is able to focus on the construction of strategic roads in border areas.

Based on the operational requirements of the Army and consequent upon the decision taken in the National Security Council meeting, it was decided that BRO may focus on core strategic functions on the borders. Accordingly, certain roads in the hinterland, which were earlier constructed by BRO and are now further required to be improved, are identified to be handed over to other agencies, so that BRO is able to utilize its resources optimally for construction of roads, which are of strategic importance in the border areas and will meet the operational requirements of the Army.

The decisions to hand over the roads to civil agencies are also taken in accordance with the National Highway Development Plan called “Bharatmala”. Once a road is included therein, MoD has little choice, particularly in locations away from the Indo-China Border.”

**23. As there are many cases where BRO has not handed over the roads constructed by them to state PWD authorities, the Committee had recommended that the roads may be handed over to the local PWD authorities for maintenance at the earliest. The reply furnished by BRO in this regard shows that out of 1162.58 Kms of roads which are required to be handed over to State PWD authorities, roads of 360.18 Kms only i.e. 30 % of the roads required to be handed over were actually handed over to state PWD authorities. The Committee would like to be apprised of the reasons for handing over of such low per cent of roads and also the concrete steps taken to complete the handing over at the earliest.**

**24. The reply of the MoD is silent as to the Committee’s suggestion for taking back the roads in difficult areas such as Badrinath given to state PWD as they do not have the required infrastructures and equipment for executing and maintenance of the works in difficult areas. The Committee, therefore, while reiterating their earlier recommendation, want the Ministry to apprise them of the concrete action taken in this regard and the outcome thereof.**

## **G. BUILDING BYE-LAWS**

### **(Recommendation no. 45)**

**25 . The Committee in their fortieth report observed and recommended as follows:**

“.... the Cantonment Act as amended in 2006 has some lacunae especially in regard to the building laws. Byelaws were given in 2002 and 2006 and they are applied retrospectively. As informed, regarding the Building Byelaws amendments, the guidelines have been issued by the Ministry on 23<sup>rd</sup> May, 2016 as to how the byelaws have to be amended. Accordingly, DGDE has asked for the amended byelaws draft from each Cantonment Board but till date it has received only 19 drafts, which include that of the Delhi Cantonment Board. The Committee desires that the Ministry should instruct the rest of the Cantonment Boards to send the drafts and introduce amended Building Byelaws at the earliest.”

26. The Ministry, in its action taken reply, submitted that:

‘Keeping in view FAR limits & other issues as compared to neighbouring municipalities, a proposal for amendment in MoD guidelines for Building Bye-Laws in Cantonments was earlier considered in the Ministry. Considering security implications and aspirations of the residents of Cantonments and the fact that the matter involves multiple stakeholders viz., Army Headquarters, Directorate General Defence Estates and the general public, Hon’ble RM has approved constitution of an expert committee to look into the aspect of Building Bye-laws in the larger context.’

**27. The Committee appreciate the initiative taken by the MoD to address the issue of amending building bye laws in Cantonment Boards by way of constituting an expert Committee consisting of multiple stakeholders. The Committee hope that the expert Committee submits the report in the given time and the recommendations contained therein may be acted upon at the earliest under intimation to the Committee.**

## **H. ENCROACHMENT ON DEFENCE LANDS**

### **Recommendation (Para nos. 46-48)**

28. The Committee in their fortieth report observed and recommended as follows:

“ .... the issue of encroachment of defence lands has become perennial and seems to have hit a deadlock. The issue was raised during examination of Demands for Grants 2017-18 also. The Committee, while taking note of the issue of encroachment of defence lands had desired that the Ministry, in consultation with DGDE, should take up the matter with the State Governments for removal of encroachments by civilian population on Defence lands so that such lands are used for Defence purposes only. The Ministry, in its action taken note, stated that the encroachments on defence land are in the nature of unauthorised occupation by State Government authorities/undertaking; encroachments by private persons and non-vacation of land by Ex-agricultural lessees. As regard the first category i.e. encroachment by State Authorities, the matter has been taken up with respective State Governments at various levels, for vacation of land by civilians or regularization of occupation by offering equal value of the land to MoD in exchange. Most such encroachments are by authorities which provide public services/utilities.

As regards removal of encroachments by private persons, vigorous efforts are made by respective officers to remove such encroachments wherein, State Government authorities are providing requisite support. In some cases of Ex-agricultural lessees, ‘status quo orders’ have been issued as there were requests from State Governments for regularization of such lessees, either on equal value land offer or otherwise. MoD has constituted a Committee under the Chairmanship of the Additional Secretary to monitor and review the status of encroachment of defence land.

The Committee note that in the last meeting held on 02.11.2016, instructions were issued to all defence land holding agencies that all cases of encroachment which are pending before the court of law should be vigorously pursued for early disposal. Wherever the State authority does not respond to the correspondence made by defence authorities on encroachment of defence land, ASG in the State concerned should be approached for talking legal recourse for retrieval of defence land.”

29. The Ministry of Defence, in their action taken reply, submitted as under:

“The Ministry has directed all concerned agencies of defence land that action under PPE Act, 1971 be taken vigorously and Court cases be followed up scrupulously for ensuring early removal of encroachment.

As a result of persistent efforts, encroachments on 384.177755 acres of Defence land have been removed during the period 2015-2017 and up to 31.01.2018.”

**30. The Committee appreciate the Ministry that due to their persistent efforts encroachments on 384 acres of defence land have been removed during 2015-17. However, it is not clear as to whether the said area of the defence land was freed from the encroachments of state Governments or private persons or both. Further MoD was stated to have constituted a Committee under the Chairmanship of the Additional Secretary to monitor and review the status of encroachment of defence land. The said Committee was stated to have issued instructions to all defence land holding agencies that all cases of encroachment which are pending before the court of law should be vigorously pursued for early disposal. The Committee would like to be apprised of outcome of such instructions in concrete terms.**

## **I. ENCROACHMENT OF DEFENCE LANDS**

### **Recommendation (Para No. 49)**

31. The Committee, in their fortieth report, recommended as follows:

“The Committee desire that meetings of the Committee to review status of encroachment of defence land should be held monthly and not on yearly basis as is being done in the past and the Ministry may request the Supreme Court for having the cases adjudicated in fast track courts, so that the encroached land may be returned to DGDE and utilized for defence purposes.”

32. The Ministry, in its action taken reply, furnished as follows:

“It is submitted that holding the meeting of the Committee to review status of encroachment on defence land, on monthly basis may not serve any fruitful purpose due to following:

- i. Vast area of Defence land is spread over in different parts of the country. Collection of data on encroachment/its removal on defence land from field offices & their examination and compilation is a time consuming process.
- ii. Detection, prevention and removal of encroachment is a continuous exercise. Action for removal of encroachments on defence land is taken under the provisions of Public Premises (Eviction of Unauthorized Occupants) Act, 1971 as well as under the Cantonment Act, 2006. In many cases, the issues are required to be taken up with State or Municipal authorities for resolution of the problem. All such actions take a considerable time.
- iii. In many cases, encroachers have approached Courts against eviction order and thus legal proceedings are underway which take its own time.

- iv. A considerable time is required for implementation of decisions taken on the matter. “

**33. The Committee are surprised to find that the Ministry does not appear to have any centralized data base of the encroached defence land so far and they are in the process of collecting and compiling data on encroached defence land for which they are seeking time. The Committee feel that in view of the vast amount of encroached defence land, such data should have been collected and compiled long time ago. The Committee would like to be apprised of as to whether there is any specific deadlines/ timelines to collect and compile the said data.**

**34. The Ministry's reply is conspicuously silent as to the Committee's recommendation that MoD may request Hon'ble Supreme Court for adjudicating the cases in fast track courts so that the encroached land may be returned to DGDE and utilized for defence purposes. They therefore, reiterate their recommendations made earlier in this regard.**

## **J. INCONVENIENCE TO CIVILIAN POPULATION AND THEIR REPRESENTATIVES**

### **Recommendation (Para nos. 50-52)**

**35. The Committee, in their fortieth report, had observed and recommended as under :**

“During the oral evidence issues relating to inconvenience to civilian population residing in Cantonments have been taken up. The Committee expressed their displeasure over the incidents of highhandedness of Cantonment Board officials/security personnel. This issue was also raised during the course of taking evidence of the representatives while examination of Demands for Grants 2017-18. The issues, *inter alia*, relating to closure of entry and exit of passages inside the Cantonments without proper reasons came to the fore. It had also come to the notice of the Committee that, in some Cantonments, despite having a large open area, March pasts were being held on the roads, thereby obstructing movement of public which results in great inconvenience. The Committee had desired that the DGDE and his representatives take appropriate measures for resolving such issues amicably so that there would be no tension or conflict between the civilians and the military.

The Committee note from the action taken reply that in view of public inconvenience due to arbitrary closure of Cantonment Roads by Local Military Authority, MoD vide letter no. 4(2)/2015-D(Q&C) dated 07.01.2015 has issued an order that henceforth, no public road shall be closed by any authority other than a Cantonment Board, for any reason other than security, and without following the procedure laid down under the aforesaid section 258. Based on the above orders, a list of public roads which were closed by Local Military Authority (LMA) without following the due process was obtained from DGDE and due action has been taken by Army HQ. It has also been stated that due to lack of all-weather parade grounds, sometimes, drills, parade/practises are held on unit roads which are normally not used by civilian public.

The Committee find from the experience of the public representatives that the issue of closing of roads as well as highhandedness with the public and their representatives by the LMA is on the rise. Therefore, the Committee desire that the Ministry of Defence

instruct the LMA and Cantonment Board Officers to get in touch with local Members of Parliament and Members of Legislative Assembly to sort out such matters amicably as and when they arise. The Committee also desired that a copy of communication and details of meetings may be communicated to them. The Committee also desire that the local MP and MLA should be invited to attend the meetings of the Cantonment Boards.”

36. The Ministry, in its action taken reply, stated as under:

The matter of closure of roads received considerable attention in a meeting taken by Hon'ble RM on 04.05.2018 with Members of Parliament and elected Vice Presidents of all 62 Cantonment Boards wherein issues related to Cantonments were discussed. After review of the entire matter by Hon'ble RM with concerned officials of the Ministry, Army Headquarters and Directorate General Defence Estates, it was directed that all roads inside Cantonments which were closed without following due procedure as laid down in the Cantonments Act, 2006 be reopened by the LMA. Fresh orders have been issued on 28.05.2018 where in procedure to close roads in Cantonments has been laid down envisaging that any road in Cantonment will be closed only after inviting claims/objections/suggestions from the local public through newspapers and official website of the concerned Board and legal vetting by the Ministry thereon. Further, to provide a statutory framework to the matter, draft Rules with regard to closure of roads are currently under consideration of the Ministry.

**37. While expressing displeasure at the closure of the entry and exit passages inside the Cantonments without proper reasons and conducting march pasts on the roads despite having large open spaces causing inconvenience to the movement of public, the Committee had desired that Directorate General of Defence Estates (DGDE) and his representatives take appropriate measures for resolving such issues amicably so that there would be no tension or conflict between the civilians and the military. The Committee, referring to the rising incidents of highhandedness of authorities of the Cantonments with the public and their representatives, had also recommended that local MLAs and MPs may be involved in resolving such issues, inviting them to the meetings of the Cantonment Boards, etc.**

The Ministry in its action taken reply stated that instructions were issued to Local Military Authority (LMA) to the effect that no public road shall be closed by any authority other than a Cantonment Board, for any reason other than security, and without following the procedure laid down in the letter no. 4(2)/2015-D(Q&C) dated 07.01.2015 sent to them .

The Committee while appreciating the efforts of MoD for taking afore mentioned action to address the public grievances, they note that no specific reply was given to their recommendations regarding involving elected local MLAs and MPs in resolving such issues, inviting them to the meetings of the Cantonment Boards, etc. They therefore, while reiterating their earlier recommendation in this regard, desire that specific action taken on the recommendation be intimated to the Committee at the earliest.

## K. CAPACITY UTILIZATION OF DEFENCE PSUs.

### Recommendation ( Para no. 56)

38. The Committee, in their fortieth report, recommended as follows:

“The Committee were informed of the alarming situation during the presentation made before the Committee that all current orders of HAL would be completed by 2020-21. For BDL, after supply of MILAN 2T order, no fresh order has been received and the production line is idle. In case of MDL, Ship construction facility is likely to remain idle from 2020. GRSE is also facing the same situation wherein 60% of large ships and 100% of small ships construction facilities would be idle from 2019, while the GSL is working to 50% of its capacity due to non-availability of orders. The Committee view the situation very seriously and desire to know the factors that led to such a situation whereby the capacity of DPSUs is being allowed to remain idle. The Committee desire that the Armed Forces should be encouraged to give orders with budgetary support from the Ministry and a fool proof strategy carved out so that none of the DPSUs remain idle for want of orders. The Committee also desire that they may be informed of the action taken in this regard.

39. The Ministry, in its action taken reply, stated as follows:

“**HAL:**The major existing orders on HAL for supply of aircraft and helicopters are expected to be liquidated by 2020-21, except for 41 ALH for Army, 32 ALH for Indian Navy/CG and 8 Chetak for Indian Navy for which contracts have been signed during the last year.

On completion of the Su-30MKI program it was originally planned to utilize the HAL Nasik facilities for manufacture of Fifth Generation Fighter Aircraft (FGFA). However, the program is awaiting R&D contract finalization to proceed further. Similarly, the MMRCA program, with HAL as the Lead Production Agency, the MTA program and IJT development didn't materialize as planned. This has led to lack of fresh orders at Aircraft Division Bangalore and Transport Aircraft Division Kanpur.

Further, HAL has submitted quotation for supply of 83 LCA Mk 1A aircraft and 15 LCH LSP helicopters and orders are awaited. Additional orders for on-going programs like ALH, LCA, HAWK, Do-228 and SU-30 MKI as well as fresh production orders for new platforms like Do-228 Civil variant, LCH, HTT 40, LUH, Hawk-i and UAVs would help in sustaining growth of the organisation in the coming years.

**BDL:** The present order book position of BDL is sound. However, BDL striving to get further more orders in the areas of ATGMs, SAMs and Underwater Weapon System which will ensure further improvement in order book position of the Company in coming year and its sustenance.

**MDL:** By 2019-20 Hull construction of all 8 ships under construction would be completed and all the production & assembly shops would be idle by then.

Hence, MDL upon exploring the feasibility of constructing additional ships has identified that one ship of P15B and one ship of P17A can be constructed and delivered by Dec 2025 and July 2026, if ordered now.

MDL is vying for next generation warships for Indian Navy and export orders for various countries.

**GRSE:** The status of existing order book position of GRSE shipyard is as follows:-

Order Book Position / Contract value (Rs in Crore)	Remaining Order Book Position as of 31 JAN 18 (Rs in Crore)	Projects
29921	20813	P-28, LCU, WJFAC, P17A, FPV

### Idling Capacity

(i) GRSE has enhanced its shipbuilding capacity by modernising the infrastructure. The new facility provides Modular and Integrated Construction of warships. With the above modernization and ongoing revitalization of Raja Bagan Dockyard Unit facilities (01 No. Dry Dock and additional Block Fabrication Facilities), GRSE will have capacity to build 20 ships (08 large + 12 small) simultaneously. Further, a Wet Basin is also planned to be developed at Raja Bagan Dockyard Unit for fitting out of small/ medium ships.

(ii) Presently, post launch work of 01 large ship (ASW Corvette) and 05 ships (LCUs) and 01 FPV is progressing. In addition, the shipyard is also progressing the pre-launch work of 04 Fast Patrol Vessels for Coast Guard. The delivery of 11 balance ships to Navy (06 Nos) and Coast Guard (05 Nos) will be completed by Mid-2019. The shipyard will be left with only 03 ships under P-17A beyond FY 2019-20. Delivery of these ships will start from Aug 23 and will be completed by Aug 25.

(iii) In addition, GRSE has been declared L1 bidder for 04 Nos. Survey Vessel - Large (SVL) for Indian Navy. The CNC for these ships has been completed and the contract is expected to be finalized by mid-2018. The project is likely to commence from mid-2018 and completed by FY 2022-23.

(iv) GRSE has also been declared L2 bidder for Anti Submarine Warfare Shallow Water Craft (ASW SWC) and has given its willingness to accept L1 price for 08 Nos. Anti Submarine Warfare Shallow Water Craft (ASW SWC). Order is expected in Oct 2018 and project is expected to be completed during FY 2025-26.

(v) Considering the current orders, about 25% of facilities for Large Ships and about 60% of facilities for Small Ships will idle from Mar 19 onwards.

(vi) Out of the balance order of Rs 20813 Cr, major component is of P-17A, which has to be delivered by 2025 (Rs 19284 Cr). The construction of P-17A will be commencing in early 2018 as per contractual stipulation. The VoP of GRSE has gone down to Rs. 928 Cr. in the FY 2016-17 as compared to Rs. 1661 Cr. achieved in FY 2015-16 due to lack of orders.

### GRSE ORDER BOOK

Project	Contract Value	Remaining Order -31 JAN 18	Delivery schedule
WJFACs	379.87	24.08	Last ship delivered in Jun 2017
P-28	7705.56	856.31	by Mar'19
LCUs	2169.00	482.54	by Mar'19
FPV	373.01	284.60	FY 2019-20
P-17A	19293.46	19165.90	FY 2025-26
Total	29920.90	20813.43	

**GSL:** Post completion of Phase 3A Modernisation in Aug 2016, GSL has capacity to construct 14 Steel/Aluminum ships up to 130M length concurrently under various stages of construction.

The current order book position of GSL is less than Rs 1700 Cr, which is spread over three years (till 2021), is resulting in extremely low capacity utilization of 40% currently. The hull construction shops for steel will be completely idle from end 2018 to 2021, till commencement of 1135.6 Naval Frigates 'nominated' to GSL.

The loading chart for Steel ship construction is as under:

Financial Year	Capacity Utilisation (%)	Spare Capacity
FY 17-18	42	8 Ships
FY 18- 19	30	9 Ships
FY 19-20	21	11 Ships

In view of the order book, resulting in extreme low capacity utilization and in view of GSL's track record of delivering all projects ahead of schedule, MOD has been approached for nomination of new projects for optimum capacity utilization of the shipyard."

**40. The Committee referring to the alarmingly low level of order books of defence PSUs such as Hindustan Aeronautics Ltd. (HAL), Bharat Dynamics Ltd(BDL), Mazagon Docks Ltd (MDL), Garden Reach Ship Building and Engineers (GRSE), Goa Shipyard Ltd(GSL),etc, whose current order books do not sustain them beyond 2020-21 and are not able to use full production capacity due to lack of orders, had sought to know the factors that led to such an alarming situation which resulted in idling capacity of these PSUs. The Committee had also recommended that Armed Forces should be encouraged to give orders with budgetary support from the Ministry and a fool proof strategy be carved out so that none of the DPSUs remain idle for want of orders.**

The reply furnished by the Ministry shows that many defence PSUs in general and Naval defense PSUs manufacturing warships, submarines, corvettes, etc in particular, have alarming levels of order books resulting idling of their production capacities. For instance considering the current orders, about 25% of facilities for Large Ships and about 60% of facilities for Small Ships will idle from Mar 19 onwards in case of GRSE. The value of production of GRSE has gone down to Rs. 928 crore in 2016-17 from Rs. 1661 crore in 2015-16 due to lack of orders. The order book position of Goa Shipyard Limited (GSL) is no way different from GRSE. The current order book of GSL at less than Rs 1700 Cr, is spread over three years (till 2021). GSL was also stated to have approached MoD for getting new projects to ensure utilization of production capacity. In view of the low orders books and consequent lower utilization of production capacities of defence PSUs effecting adversely their profitability , the Committee reiterate their recommendation that Armed Forces should be encouraged to give orders

**with budgetary support from the Ministry and a fool proof strategy be carved out so that none of the DPSUs remain idle for want of orders.**

## **L. WELFARE OF EX-SERVICEMEN- RESETTLEMENT OPPORTUNITIES**

### **Recommendation (para no. 62)**

41. The Committee, in their fortieth report, recommended as follows:

“The Committee are appreciative of the fact that various schemes have been launched by the Government through Directorate General of Resettlement (DGR) i.e. job opportunities for Ex-servicemen in Central Government induction at the management level at Company Owned, Company Operated Retail shops and Outlets, Retail Outlet Dealership (Petrol/Diesel), DGR Sponsored Security Scheme, ESM Coal Loading and Transportation Scheme, allotment of Mother Dairy Milk Booths and Fruit & Vegetable (Safal) Shops in NCR, as well as transportation (tipper) attachment scheme for Widows and Disabled Soldiers/ Dependents and management of CNG Stations by ESM(O) in NCR.

The Committee note that the number of applications received from JCOs/ORs/ESM for resettlement/re-employment from 2014 onwards is as under:-

Sl. No.	Year	No. of applications for re-employment
1.	2013	2776
2.	2014	6284
3.	2015	6284
4.	2016	6022
5.	2017	10889

Although, the number of applications for post-retirement jobs, is on the rise, considering the fact that approximately 60,000 Service personnel retire every year, this number is miniscule as compared to the number of personnel retiring each year. The Committee are not sure whether the DGR is maintaining data regarding all the Service Personnel who retire each year. Therefore, the Committee desire that proper computerized data should be maintained in respect of all the retiring personnel. Also, a system should be developed to impart training so that the retiring personnel are ‘well skilled’. This exercise needs to be taken preferably six months before the retirement so that the avenues of resettlement as proposed by DGR, are tapped and are fruitfully utilized.”

42. The Ministry, in its action taken reply, submitted as follows:

“DGR conducts training for retiring/retired ESM/widows/and their dependents as per instructions dated 15.7.2016 of Ministry of Defence relating to conduct of resettlement courses. Since August, 2016 ESMs undergo Skill Resettlement Training Courses at Central/State Government Institutes /institutes run by regulatory bodies/institutes certified by NSDC with minimum NSQF level 4. The training imparted to the ESMs give an overall exposure and orientation towards transition to civil life. However, the success of placement relates to the factors i.e. place of work/salary/interest of the individual to work closer to their home town. The ESM prefer jobs which provides them dignity and income and which are comfortable. Therefore, many JCOs/OR refuse jobs

because they are not close to their homes or do not pay adequately or in short do not meet the aspirations of the ESM.

It is submitted that DGR does not maintain data of ESMs who are retiring in the coming six months/one year. However, DGR is registering only those ESMs who are interested in availing DGR sponsored schemes and approach DGR for this purpose. Hence, there will always be a gap between the number of personnel retiring and registering with DGR. There is no such data bank of ESM held with DGR who are retiring in six months/one year. However, such data banks are available with all three service Headquarters. As per the recommendation of the Standing Committee a case has been taken up with all the three services HQs to provide the data of all personnel who are retiring in next one year.”

**43. The Committee while appreciating the efforts of the Directorate General of Resettlement (DGR) for providing job opportunities to the Ex-Servicemen (ESM) had also recommended that proper computerized database of all retiring service personnel be maintained and a skill training may be imparted to them for gainful employment after retirement. The MoD in its action taken reply stated that DGR is registering only those ESMs who are interested in availing DGR sponsored schemes and approach DGR for this purpose. Further, the Ministry has also informed that three service HQs were requested to provide the data of all service personnel retiring in the next six months / one year. In this context , the Committee would like to draw the attention of Ministry of Defence to their 33<sup>rd</sup> report on Resettlement of Ex Servicemen, presented to Lok Sabha on 10.08.17 where in the issue of furnishing data on ESM, who will be retiring in the coming one year, to Rajya Sainik Boards (RSBs) was extensively discussed. Subsequently, the three services have agreed to furnish the lists to DGR and RSBs. However, as the same was done even after repeated reminders, the Committee in their action a taken report on the afore mentioned 33<sup>rd</sup> report suggested that such list should be provided to RSBs without further delay.**

**44. The Committee also dealt with the nature and quality of training to be imparted to ESMs to ensure their gainful employment after retiring from the Services. In response to the Committee’s suggestion that the certificates of training given to ESMs should be acceptable in the open market for placements, the Government made changes to the certification of resettlement courses such as offering courses in the Govt. run Institutes / Institutes run by regulatory bodies and are National Skill Qualification Framework (NSQF) compliant to make them relevant for job placements in Corporates. They also suggested that the proposal for amending the Recruitment Rules for recognizing the resettlement courses, assessed and certified by regulatory agencies / National Skill Development Corporation (NSDC) and for giving due weightage in recruitment, may be sent to DoPT at the earliest.**

## **M. ARMY BATTLE CASUALTIES WELFARE FUND (ABCWF)**

### **Recommendation (Para No. 63)**

45. The Committee, in their fortieth report, recommended as follows:

“ .... a large number of philanthropic organizations and individuals have been approaching for extending monetary assistance to the next of kin of battle casualties as a benevolent gesture. A surge of such requests has come about post the ‘Siachen avalanche’ where the Indian Army lost some 10 brave soldiers.

Post detailed deliberations, it was decided that donations/ contributions are being accepted from such organizations and individuals through a separate and centralized fund focused for the purpose. This is in addition to the various existing schemes for the welfare of the next of kin and children of battle casualties. Accordingly, the Indian Army has opened a new bank account for welfare of the bereaved families of battle casualties which is named ‘Army Battle Casualties Welfare Fund’. It has come to the notice of the Committee that such persons who contribute to this fund are not given exemption from Income Tax. The Secretary, Ex-Servicemen Welfare apprised the Committee in this regard that for such contributions, the matter of providing exemption continues to be under process. The Committee desire this issue be resolved at the earliest by the Ministry of Finance so that such persons contributing for aiding the bereaved families of the Soldiers get the benefit of tax exemption.”

46. The Ministry, in its action taken reply, submitted as follows:

- (i) Proposal for exemption of donations to Army Battle Casualties Welfare Fund(ABCWF)from Income Tax was taken up with CBDT in August 2017. Now, ITA-1 unit of CBDT has informed on 18.4.2018that an application is to be made in the prescribed format by the Implementing Agency for registration of ABCWF under section 12A and under section 80G of Income Tax Act before Commissioner of Income-Tax (Exemption).
- (ii) DDG (Welfare)/IHQ Army, the Secretary of ABCWF, has been requested on 20.4.2018 to prefer the application before Commissioner, Income Tax (Exemption) accordingly. They have initiated the process.

**47. The Committee had recommended that the issue of granting tax exemption to philanthropic organizations/ individuals on the donations made to the ‘Army Battle Casualties Welfare Fund’(ABCWF)’ be resolved at the earliest. The MoD in their action taken reply stated that the proposal was taken up with CBDT in the month of August, 2017. The Committee take a serious note of the fact it took eight months for the Ministry of Finance (MoF) to respond to the proposal sent by MoD in this regard. ITA-I of CBDT was stated to have requested MoD to make an application in the prescribed format by the implementing agency for registration of ABCWF under the relevant provisions of the Income Tax Act. DDG (Welfare) / IHQ Army and Secretary of ABCWF are stated to have been asked to process the matter accordingly. The Committee emphasis that utmost**

importance be given to such issues to give effect to the benevolent citizens offering help to our brave soldiers and the matter be pursued at regular intervals with MoF to ensure that that the proposal for exempting such donations is not delayed further. The Committee may be intimated of the concrete action taken on this issue.

## CHAPTER II

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

#### Recommendation (Para Nos. 1-2)

##### Defence Budget - Trend

As indicated in the General Budget, the provision for Defence Services under Demand Nos. 20 and 21 for 2017-18 in the Budget Estimates (BE) was Rs.2,81,904.39 crore (Gross) and Rs.2,59,261.90 crore (Net). The Revised Estimates (RE) provided an amount of Rs.2,82,583.82 crore (Gross) and Rs.2,63,003.85 crore (Net). On a net basis, the R.E. for 2017-18 shows an increase of Rs.3,741.95 crore over the B.E. 2017-18. The net Revenue Budget for BE 2017-18 at Rs.1,72,773.89 crore has been increased by Rs.3,741.95 crore thereby taking the RE allocation to Rs.1,76,515.84 crore. As for the Capital Outlay, there has been no increase, and the RE allocation for 2017-18 is same as BE 2017-18 i.e. Rs.86,488.01 crore.

The Committee note that the Budget Estimate for 2018-19 works out to be Rs.2,99,107.93 crore (gross) and Rs.2,79,305.32 crore (net). This includes allocations for Army - Rs.1,30,862.30 crore, Navy - Rs.20,221.37 crore, Air Force - Rs.30,121.27 crore, Ordnance Factories - Rs.15,644.12 crore, Research and Development - Rs.8,276.74 crore under the Revenue head. Capital Outlay which encompasses the Capital Expenditure of all Services, i.e., Army(excluding Military Farms & ECHS), Air Force, Ordnance Factories, Research and Development, DGQA amounts to Rs. 93,982.13 crore.

#### Reply of the Government

This Ministry is in agreement with Committee's observation as the figures indicated above are factually correct.

#### Recommendation (Para No. 4)

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

The allocation for Defence Budget, including Civil estimates and Pensions for 2018-19 is Rs.4,04,364.71 crore, which accounts for 16.6% of the total Central Government Expenditure and 2.16% of GDP for the year 2018-19. Further, Capital budget of Ministry of Defence for 2018-19 is approximately 33% of the 'Capex' of Central Government Expenditure. Analysis of the data provided by the Ministry indicates that during 2013-14, Defence Expenditure, as a percentage of Central Government Expenditure was 13.5%. This has declined steadily to a level of 11.44% in 2018-19. Defence Expenditure, as a percentage of GDP, which was to the extent of 2.08% in the year 2013-14 has also been continuously declining and it has now, in 2018-19, reached 1.49%.

A comparison of data provided by the Ministry, based on the Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database indicates that in 2016, 6.2% of the Chinese Government Expenditure has been on Defence. During the same year, i.e. 2016, Defence expenditure, as a percentage of the Government expenditure has been to the extent of 18.1% in case of Pakistan. 9.3% for USA, 15.5% for Russia and 4.7% for UK. Also, during 2016-17, Defence Expenditure as a percentage of GDP was 1.9% in case of China, 3.4% in case of Pakistan, 3.3% in the case of USA, 5.3% for Russia and 1.9% in the case of UK. From the data furnished, it is seen that Pakistan's expenditure on Defence as a percentage of GDP

as well as total Government expenditure is much more than that of India. The Committee also note from the information furnished by the Ministry of Defence that the Ministry of Finance is not in favour of fixing or deciding on a definitive percentage of the GDP for deciding on the allocation for the Defence sector. During the course of the evidence of the representatives of the Ministry, the Committee expressed favour for having a benchmark percentage of GDP earmarked for deciding on the allocation to the Defence sector.

### Reply of the Government

The allocation for Defence Budget, including Civil estimates and Pensions for 2018-19 is Rs.4,04,364.71 crore, which accounts for 16.6% of the total Central Government Expenditure and 2.16% of GDP for the year 2018-19. Further, Capital budget of Ministry of Defence for 2018-19 is approximately 33% of the 'Capex' of Central Government Expenditure.

Data for military expenditure as percentage of General Government spending in respect of a few major nations given in the table below:-

Year	China	Japan	USA	Brazil	France	Germany	Italy	Spain	UK
2015	6.1	2.6	9.4	3.6	4.0	2.7	2.7	2.9	4.7
2016	6.0	2.6	9.0	3.4	4.1	2.7	3.1	2.7	4.7
2017	6.1	2.6	8.8	3.7	4.0	2.7	3.1	3.0	4.7

Source: SIPRI

{Figures are for military expenditure expressed as a percentage of general government expenditure, and are for calendar years except where otherwise stated. Data for general government expenditure are from the IMF World Economic Outlook}

It may not be always appropriate to think about Defence spending in terms of national economic output. If the economy grows at a faster rate, spending decreases as a percentage of GDP. But it doesn't mean that the level of spending has fallen, or has even become inadequate. A small slice of a big pie can easily outsize a proportionately larger slice of a small pie. Looking at spending as a percentage of GDP thus creates an illusion of declined spending by ignoring the size of the economy.

Further, there is a worldwide trend of decrease in Defence Expenditure w.r.t. GDP as can be seen from the table as under:-

Country	China	US	Brazil	France	Germany	Italy	Spain	UK	Japan
In 1960	2.5% (in 1990)	8.6%	2.7%	6.5%	4.0%	3.1%	2.3%	6.3%	1.1%
In 2016	1.9%	3.3%	1.3%	2.3%	1.2%	1.5%	1.2%	1.9%	1.0%

\*Source: SIPRI/ Times of India Article dated 26 March, 2018

The Ministry therefore does not agree with the view that Defence Expenditure should be a particular percentage of GDP. Rather it would be more prudent to look at it as percentage of total Central Government Expenditure on the Central Government Capital Expenditure. This question was also examined in detail by the Kargil Review Committee. It too, did not recommend a specific, targeted percentage of the GDP to be earmarked for defence. It exhorted the need to extract the maximum value from each defence rupee, inter-alia through rigorous prioritisation, restructuring of the defence forces, integration with

defence production and focussing resources in areas likely to enhance the effectiveness of the defence forces.

### Recommendation (Para No. 21)

#### Budget Grants for Border Roads Organisation

Border Roads Organisation has given details regarding allocation of budget to the organization by various Ministries but has not given figures related to projected requirements made. The Ministry supplied the following data in this regard:

(Rs. in Crore)			
Year	BE Allotment	Final Allotment	Expenditure
2014-15	4813	4039.21	4029.10
2015-16	4668	4360.70	4311.42
2016-17	4965	4920.88	4969.86
2017-18 (upto Dec 2017)	5274.44	4180.69	3689.44

The reduction from Rs.5274.44 Crore to Rs. 4180.69 in the year 2017-18 has been informed to be on account of the fact that except for the General Staff roads, the final allocation from the Ministries (MoRT&H, M DoNER etc.) was not received during the year. For 2018-19, BE given is Rs. 4426.16 Crore for the General Staff road, and the allocation from the other Ministries concerned remains pending.

### Reply of the Government

(a) The details of allocation to BRO, made by various Ministries at BE and RE stage and expenditure incurred for 2017-18 and 2018-19 are given below:-

(Rs in Crores)				
YEAR	AGENCY	BE Allotment	Final Allotment	Expenditure
<b>2017-18</b>	GS	4168.20	4180.69	4239.56
	MoRT&H	370.00	320.00	317.90
	MEA	35.08	49.75	49.75
	MHA	101.62	83.15	82.97
	MoD	523.60	726.43	725.67
	M DoNER	5.00	5.00	5.00
	Deposit	70.94	91.55	36.85
	<b>Total</b>	<b>5274.44</b>	<b>5456.57</b>	<b>5457.70</b>
<b>2018-19</b>	GS	4426.16	-	-
	MoRT&H	395.00	-	-
	MEA	-	-	-
	MHA	116.57	-	-
	MoD	405.08	-	-
	M DoNER	-	-	-
	Deposit	-	-	-
	<b>Total</b>	<b>5342.81</b>	<b>-</b>	<b>-</b>

### **Recommendation (Para No.22)**

The Committee note that an additional amount of Rs.1405.88 Crore was sought from Ministry of Finance (MoF) during the First Batch of Supplementary Demand for Grant 2017-18. Also an additional amount of Rs.181 Crore was sought from the Ministry of Finance at the stage of RE as also in the Second Batch of Supplementary Demand for Grants 2017-18. From the information furnished, it is not clear whether these amount have been provided or not to the organization.

### **Reply of the Government**

No additional fund during the First and Second Batch of Supplementary Demand for Grants were allocated.

### **Recommendation (Para No.24)**

The Committee are of the view that in today's volatile security environment, where the Nation has to deal with some not so friendly neighbours, Border roads are the life line for our Forces. Therefore, it is an urgent necessity that no allocation to BRO is left pending from the Ministries and the Organisation does not struggle owing to shortage of funds.

### **Reply of the Government**

Noted.

## **COMPROMISES LIKELY TO BE MADE DUE TO REDUCED BUDGETARY ALLOCATION**

### **Recommendation (Para No.25)**

The Committee note that, as is the case with the other Services under the Ministry of Defence, the Ministry of Finance (MoF) imposes a ceiling on the allocation of budget at the Budget Estimate (BE) and Revised Estimate (RE) stages. This is done on the basis of the actual expenditure incurred during the previous financial year as well as the on-going financial year. In order to circumvent this problem, and with a view to enhancing the pace of expenditure, the following steps have been taken by BRO :-

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

- **Engineering Procurement Contract (EPC) Mode of execution:** In order to enhance the capacity of BRO and to ensure the completion of various roads projects in the border areas as per the requirement of the Army, guidelines for adoption of EPC mode of execution have been issued by the Ministry, so that BRO is able to outsource road projects to big companies.
- **Outsourcing of maintenance and preparation of Detailed Project Report (DPR) has been accorded’.**

#### **Reply of the Government**

In order to enhance its own capacity, BRO has identified 27 roads of length 2144.17 km including one Sela Tunnel for construction through outsourcing. As on date the Request for Proposal (RFP) has been uploaded for tendering of Detailed Project Report (DPR) preparation of 22 roads of length 1877.383 Km and for Sela Tunnel of length 2.265 Km. Bids have been received and opened for 19 road projects & Sela Tunnel. Contract for DPR preparation has been awarded in 10 cases. DPR has been submitted for 1 road and Sela Tunnel which are under examination.

#### **Recommendation (Para No.26)**

The Defence Secretary, being well aware of the situation, expressed the view before the Committee that in order to make a big impact on the Indo-China Border Roads, including the Sela Pass project, additional funds would be required. The Committee, in this regard, are of the view that BRO's works in difficult terrains would, apart from having a direct impact on the Security of the Nation, also be of help to the local populace residing in the villages in the borders areas. While the country is strengthening its position internationally, any budgetary restrictions at this stage may lead to delay in building important strategic bridges and roads and creating other infrastructure. Therefore, BRO needs to be provided with adequate resources.

#### **Reply of the Government**

Detailed Project Report (DPR) and feasibility study for the construction of Sela tunnel of length 2.265 km has been completed and is under examination. Once it is approved, RFP for construction of tunnel will be uploaded. Case has been taken up with DoNER for providing funds. Further, BRO has intimated that higher priority is accorded for allocation of funds for ICBRs within the allocated funds, so that the construction of ICBRs is not hampered.

### **STATUS OF CONSTRUCTION OF ROADS IN DIFFICULT AREAS**

#### **Recommendation (Para No.27)**

The Committee note that out of the 530 roads of 22803 Km length, identified by the Army for construction/improvement, 27 roads of 1,117 Km length are in the State of Uttarakhand and 187 roads of 10,163 Km length are in the North Eastern Region (excluding roads in Bhutan). With regard to Indo-China Border Roads (ICBRs), in Arunachal Pradesh,

out of 27 roads, 15 roads have been completed and work is under progress on 12 other roads. In Sikkim, out of 03 roads, 01 road has been completed and work is under progress in respect of 02 other roads. In Uttarakhand, the position appears to be a little grim as out of 14 roads, only 03 roads have been completed and work is under progress on 11 other roads.

### Reply of the Government

The present status of ICBRs state wise is given below:-

Name of agency	Nos of roads	Length (in km)	Nos of Roads completed		Nos of Roads under progress			
			Nos	Length (in km)	Connected		Un connected	
					Nos	Length (in km)	Nos	Length (in km)
Arunachal Pradesh	27	1791.96	16	681.13	5	800.35	6	310.48
Sikkim	03	61.98	01	8.46	01	19.72	01	33.80
Uttarakhand	14	354.80	03	33.25	08	151.00	03	170.55
<b>Total</b>	<b>44</b>	<b>2208.74</b>	<b>20</b>	<b>722.84</b>	<b>14</b>	<b>971.07</b>	<b>10</b>	<b>514.83</b>

### DIFFICULTIES FACED BY THE ORGANIZATION IN MAINTENANCE OF EXISTING ROAD

#### Recommendation (Para No.31)

The Committee note from the information supplied to them that in order to facilitate maintenance of the existing roads, DGBR has been delegated powers for fixing/revising the rates for maintenance, snow clearance grants, outsourcing the work of maintenance of roads etc. However, many other difficulties continue to remain i.e. adverse and harsh climatic conditions (severe cold/snow covered areas), non-availability of sufficient labour, limited working season due to prolonged monsoons from May to September each year, repeated damages due to landslides, natural calamities i.e. flash floods and cloud bursts, non-allocation of stone/sand quarries by the State Governments, weak geological strata/formations, especially in North Eastern region which causes sinking/formation breaches, insurgency affected areas, etc. Also, reduction in allocation of maintenance budget affects resurfacing works, maintenance and snow clearance of roads.

### Reply of the Government

The details of funds allocated and expenditure during the last three years for maintenance of roads is mentioned below:-

Financial Year	Allocation (Rs in crore)	Expenditure (Rs in crore)
2016-17	656.74	663.03
2017-18	651.49	651.91
2018-19	660.50	38.76 (upto May 2018)

### **Recommendation (Para No.32)**

The Committee are of the view that although natural phenomena cannot be controlled, but by way of adopting and following the latest methods and usage of state of the art equipment including those relating to weather forecasting, these could be controlled to some extent. The Committee's views in this regard are in sync with those expressed by the Financial Advisor, Defence Services for enhancing the allocation to BRO for carrying out the work of significant magnitude with diligence and on a bigger canvas. Therefore, the Committee desire that BRO should be provided with the latest equipment and more budget so that some of the problems can be mitigated and the organisation can work according to the expectations of the Nation.

### **Reply of the Government**

Earlier, the requirement of V/ E/ Ps used to be calculated based on AWP and not related to the actual budget allocation. However, due to handing over of roads to State PWD/ NHAI/ NHIDCL and shift in methodology of execution of work from departmental to execution contract, critical deficiency of V/ E/ Ps which arose till 2016-17, no longer exists. Further, all powers for procurement of V/ E/ Ps now stand delegated to DGBR.

## **SHORTAGE OF MANPOWER**

### **Recommendation (Para No.33)**

The Committee note from the reply furnished to them that BRO is a work charged Organisation due to which, depending upon the workload, certain Functional Units are placed under Suspended Animation (SA) or the full authorized strength is not posted as part of Under Posting Plan (UPP). Therefore, the requirement of manpower varies from year to year. Accordingly, the vacancies are projected to SSC and advertised for recruitment departmentally after factoring in the increase/decrease on account of SA/UPP at any given point of time. However, upon perusing the data furnished the Committee note that for the post AEE (Civ), while the vacancies advertised was 281, only 51 officers joined. For AEE (E&M), only 11 persons joined as against the vacancy position of 67, and for MO-II only 1 joined against the vacancy position of 20. Further, the vacancies in the lower grades are also not filled.

### **Reply of the Government**

Filling up of vacancies in various cadres in BRO has been a matter of concern over the last few years basically due to the difficult working conditions. In order to expedite the recruitment process, recently SSC has been approached to fill up the vacancies and BRO has been permitted to outsource JEs. Further, to attract more personnel, recently some additional concessions are given to BRO which are as under:-

(i) Provision of medical facilities in Army Hospital to GREF persons posted at Hard area, High Altitude area and Extreme Hostile area.

- (ii) Admissibility of two days additional joining time in case of transfer to and from North East including Sikkim.

### **Recommendation (Para No.34)**

The Committee find it strange that the vacancies have remained unfilled since a very long time. The Committee desire to know whether or not the BRO has conducted any study to identify the reasons for the prevalence of such a large number of vacancies. The Committee also desire that BRO should initiate some steps to make the Service attractive so that the vacancies may be filled and the organisation gets efficient and talented youth.

### **Reply of the Government**

Border Roads Organisation is a unique organization, which is predominantly located at High Altitude Area, Hilly terrain and far-flung border areas. The primary role consists of road construction, infrastructural works in the most difficult terrain. In past, Government had approved a number of proposals to improve the service condition of GREF personnel such as grant of CSD canteen facilities to serving as well as retired personnel, grant of ration at par with Army scale, grant of 'High Altitude Allowance', enhancement of leave up to 60 days and similarly casual leave upto 15 days in a calendar year for personnel/officer, those serving in Units/establishment other than HQ DGBR and GREF Centre/Record, grant of additional LTC and provision of emergency medical facility from Army Medical Hospitals to GREF personnel, those posted in remote and difficult area etc.

### **Recommendation (Para No. 37)**

The Committee note that during Coast Guard Development Plan [12<sup>th</sup> plan (2012-17)], Indian Coast Guard envisaged 214 ships, Air Cushion Vehicles (ACVs) and Interceptor Boats (IBs) by the end of the plan. However, it has been able to acquire only 134 assets. As stated, 66 surface platforms/16 aircraft are under construction/production at various shipyards/HAL. During the same plan period, the Indian Coast Guard envisaged adding 100 aircraft by the end of the plan but it has been able to acquire only 63 aircraft. The Committee also note that while there has been continuous addition in Surface Platforms over the years, the number of Aircraft held has remained the same since 2014, with no addition taking place till date. The Committee would like to know the reasons for non-acquisition of these assets and desire that procurement of Surface Platforms and Aircraft should be done at the earliest.

### **Reply of the Government**

- (a). **Surface Assets**:- The force level of surface platforms as on 19<sup>th</sup> April 2018 is 135. 63 Ships are under construction at various shipyards and will be delivered during 2017-23. During the said period catering for decommissioning of 08 ships from the ICG fleet, ICG shall have a fleet of 190 surface platforms by 2023. In order to sustain capacity building plans, ICG has included Acquisition of 30 surface platforms as accretion vessels in the Coast Guard Definitive Action Programme 2017-22 (XIII<sup>th</sup> CGDAP) which includes foreclosed 08 IPVs Project signed with M/s Hindustan Shipyard Limited (HSL) on 23 November 2011.

- (b). **Air Assets**:-The ICG had envisaged a force level of 100 aircraft by the end of 12<sup>th</sup> Plan period. The force level of air assets as on 19<sup>th</sup> April 2018 is 62 and Acquisition of aircraft to make good the envisaged numbers is being actively progressed as follows:-
- (i). The contract for Acquisition of 16 Advanced Light Helicopters (ALH) has been signed with M/s HAL on 29<sup>th</sup> March 2017. The delivery of first ALH is scheduled in 2020.
  - (ii). The case for Acquisition of 14 Twin Engine Heavy Helicopters (TEHH) is at advance stage of processing.
  - (iii). Case for Design and Development followed by delivery of 06 Multi Mission Maritime Aircraft (MMMA) is also being progressed.

## **BUDGETARY PROVISIONS**

### **Recommendation (Para No. 39)**

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.

### **Reply of the Government**

Being factual no comments are offered.

## **BUDGETARY PROVISIONS**

### **Recommendation (Para No. 40)**

The Committee note that in the Financial Year 2013-14, an amount of Rs. 5945.73 crore was projected under Capital Head, however, the allocation was less than 70 percent i.e. Rs. 4150.64 crore. Under the Revenue Head, MES projected for a sum of Rs. 9455.01 crore but was allocated only Rs. 7806.19 crore. This trend continued in the subsequent years and during Financial Year 2017-18 also, under the Capital Head, MES projected a requirement of Rs. 7970.68 crore but was allocated only Rs. 6169.17 crore. Under the Revenue Head, it projected for Rs. 11649.28 crore but only Rs. 10092.63 crore was allocated. Thus, it is seen that year after year, MES is being provided with allocations lower than the projection. The Committee are of the view that MES, as one of the largest construction and maintenance agencies in India is one of the pillars of Corps of Engineers of the Indian Army, and also provides rear line engineering support to all the Defence Forces. Yet, in the absence of requisite budget, its resources cannot be optimally utilized and works get hampered.

### **Reply of the Government**

There are budgetary constraints, both for Capital Works and Revenue/ Maintenance as observed by the Committee. However these are dependent on overall allocations made to

Ministry of Defence which has to judiciously make distribution of the available budget as per a rational assessment of priorities.

## **BUDGETARY PROVISIONS**

### **Recommendation (Para No. 41)**

The Committee also support the view of the Engineer in Chief, MES who, in his deposition, has stated that MES has capabilities but funding does become a criticality. On the issue of satisfaction level of Services in Cantonments also, as per the appraisal given by him to the Committee, when there are constraints of budget, the first priority is given to maintenance of operational assets. Therefore, the Committee, desire that to develop dependable infrastructure for the Forces in the Cantonments/ Peace Stations as well as difficult areas, adequate budgetary provisioning should be made to MES as per their requirement and capability at RE or Supplementary Grants stage and the Committee be apprised accordingly.

### **Reply of the Government**

The recommendations of the Committee regarding providing adequate budgetary provision to MES at RE stage have been duly noted.

## **PENDING CASES IN MINISTRY OF DEFENCE**

### **Recommendation (Para No. 42)**

The issue of the pending cases like scale of accommodation, revision of rates etc, in the Ministry of Defence has also been raised during oral evidence. The views expressed by the Financial Advisor, Defence Services, in his deposition are in consonance with the thinking of the Committee. The Financial Advisor in his deposition stated that one should not spread the resources too thinly also: and emphasis needs to be placed on completion of the works. There are time and cost overruns in case of a number of works which are going on for years together. The Ministry has been trying to rationalize the number of works sanctioned with reference to the availability of budget and prioritize the projects accordingly. The Financial Advisor also admitted that there was no point in having a few thousand crore worth of 'carry over works' for which, the budget would not be to the extent of one-third of the requirement. There was no point in having time and cost overruns due to lack of resources. He further stated that control and austerity should also be the focus where we can generate the money required.

### **Reply of the Government**

As stated by the FA(DS) , efforts are being made to avoid spreading available resources thinly and emphasis is now on completion of works. An effort to rationalize the number of works has been made at the Ministry's level. Budget allocations to ensure this would be further examined.

## **PENDING CASES IN MINISTRY OF DEFENCE**

### **Recommendation (Para No. 43)**

The Committee desire that pending cases/ works may be taken care of at the earliest and while executing the pending works, till more resources are available, prioritization should be done for attending to more critical areas.

### **Reply of the Government**

The recommendations and guidance of the Committee have been duly noted.

## **DIRECTORATE GENERAL DEFENCE ESTATES**

### **GRANTS IN AID TO CANTONMENT BOARDS**

#### **Recommendation (Para No. 44)**

The Committee note from the plight of DGDE in maintenance of Cantonment Boards as Grants in aid are not being received as per the demand. After the introduction of GST, there is a need of Rs. 122 crore to maintain the Cantonment Boards. The Committee understand that Cantonment are local bodies responsible for providing civic administration and implementation of the Central Govt. Schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education. Without requisite allocation of funds, it is very difficult to discharge their responsibilities. Therefore, the committee desire that Grants in aid should be provided to Cantonment Boards to meet their requirements.

### **Reply of the Government**

Any additional funds under Grants-in-aid is provided by Ministry of Finance with the prior approval of Parliament. DGDE projected their requirement of Rs. 1356.38 crore (Rs. 803.44 crore for Grants-in-aid-General + Rs. 312.72 for Grants for creation of Capital Assets & Rs. 240.22 crore for others expenditure) for BE 2018-19 in Revenue section and the same was forwarded to Ministry of Finance for consideration. However, Ministry of Finance conveyed the overall ceilings of Rs. 16206.09 crore (NET) for BE 2018-19 in r/o Ministry of Defence (Misc.) against the projections of Rs. 23048.43 crore (NET). Accordingly, the funds were allocated to Defence Estate Organisation for BE 2018-19 i.e. Rs. 475.99 crore (Rs. 297.75 crore for Grants-in-aid-General + Rs. 68.68 crore for Grants for creation of Capital assets & Rs. 109.32 crore for other expenditure).

However, the request of DGDE for additional budget for Cantonment boards over approved grant in the current financial year will be forwarded to Ministry of Finance for consideration at the stage of Supplementary/ RE 2018-19.

## DILAPIDATED CONDITION OF SCHOOLS

### **Recommendation (Para Nos. 53 & 54)**

#### Recommendations No. 53

Taking into consideration the issue of dilapidated condition of schools and urgency of their repairs, the Committee, in their previous report on Demands for Grants 2017-18, had recommended that the Ministry should give adequate Grant-in-Aid specially for this purpose. The Committee note that from the Action Taken Reply submitted by the Ministry that up-gradation of primary education facilities have been taken up by various Cantonment Boards depending on local need, financial capabilities and availability of similar facilities run by State Governments in Cantonments or in their vicinity. Lack of funds affected the allocation of Grant-in-Aid (General). For construction of new school buildings, the allotment of funds is also being made under the newly created budget head 'Grants for Creation of Capital Assets'.

#### Recommendations No. 54

The Committee are not satisfied with the routine nature of reply of submitted by the Ministry and desire that specific allocations for improving the condition of schools in cantonment areas should be given in order to improve the infrastructure of these schools. The Committee also desire that this work be done in a time bound manner and the Committee kept apprised of the developments that take place.

### **Reply of the Government**

General Grant In Aid of Rs. 267 Crore was given to 52 deficit Boards during FY 2017-18. Under the Grant for creation of Capital Assets an amount of Rs.85,62,000/- was sanctioned to Mathura Cantonment Board for extension of School building. All Cantonment Boards do undertake works for keeping the school buildings properly maintained.

### **Recommendation (Para No.55)**

The Committee note from the information supplied that no budgetary support is given to DPSUs by the Government of India and following DPSUs have registered profit for the last five years:

(Rs. In Crore)

Name of DPSUs	2012-13	2013-14	2014-15	2015-16	2016-17
HAL	2997	2693	2388	1998	2615
BEL	890	932	1167	1307	1548
BEML#	-80	5	7	64	84
BDL	288.40	345.51	418.57	563.24	351.88
GRSE	131.54	121.46	43.45	162.05	12.23
GSL*	15.50	-61.09	78.24	62.28	117.41
HSL^	-55	-46.21	-202.84	19.00	53.77
MDL	412.72	397.61	491.59	525.12	575.23
MIDHANI	82.52	82.46	102.13	119.89	127.29

**HAL:** From the above table it may be seen that the profits made by HAL over the years are inconsistent and during 2015-16, it dipped to Rs. 1998 crore. The Committee desire that they may be apprised of the reasons of such lower profits and the steps taken to arrest the decline of profit.

**BEML:** The Ministry has given various reasons for lower profits or losses earned and incurred in the years 2012-13 to 2016-17. The extent of loss and the meagre profit of Rs.5 crore and Rs. 7 crore earned during 2013-14 and 2014-15 in particular does not inspire confidence. The Committee are of the view that BEML should carve out a viable strategy for obtaining orders for its products from indigenous or foreign customers and keep itself a float.

**GSL:** The Committee note from the above information that Goa Shipyard Limited (GSL) has been consistently making profits except for 2013-14, which was on account of decline in Value of Production (VoP) due to insufficient Order Book, under-utilisation of capacity and unaccounted Liabilities of Offshore Petrol Vessels. The Committee desire that GSL needs to take pre-emptive actions to avoid a repetition of the situation faced in 2013-14.

### Reply of the Government

**HAL:** Profit considered for comparison over the years is Profit After Tax (PAT). Net Profit (PAT) over the years is as follows:

Year	Operating Profit	Interest Income	PBT	Tax	PAT (Net Profit)
	(A)	(B)	(C) = (A)+(B)	(D)	(E) = (C)-(D)
2012-13	1194	2303	3497	500	2997
2013-14	1552	2026	3578	885	2693
2014-15	1552	1620	3172	784	2388
2015-16	1658	1549	3207	1209	1998
2016-17	2691	891	3582	967	2615*

The reasons for reduction in Net Profit during 2012-13 to 2015-16 is due to

- Reduction in interest income due to utilisation of advances / milestone payments towards build and delivery of Aircraft and Accessories to customers.
- Provision for taxation will vary from year to year depending on the extent of disallowances

\* Increase in Profit for the year 2016-17 includes onetime finalisation of prices of Rs. 538 Crore. Excluding the same, the net profit for the year 2016-17 would be Rs. 2223 Crore.

Further, the reasons for reduction in Net Profit (PAT) in the year 2015-16 from 2014- 15 are as given below: -

<b>Sl. No.</b>	<b>Particulars</b>	<b>Amount in Crore</b>
1	Net Profit(PAT) for 2014-15	2388
2	Net Profit(PAT) for 2015-16	1998
3	Reduction in Net Profit (PAT) (1)-(2)	390

Reduction in Net Profit(PAT) in 2015-16 of Rs. 390 Crore is due to:-

<b>Sl. No.</b>	<b>Particulars</b>	<b>Amount in Crore</b>
1	Reduction in Interest Income	71
2	Increase in Tax Expense due to settlement of disputes relating to income tax	425
3	Increase in Operating Profit	106
	Net Impact (1)+(2)-(3)	390

However, it may also be noted that the Operating Profit of HAL as indicated above, has been consistently increasing over the years and there is no dip in the operating profit in 2015-16.

**BEML:** BEML has registered Profit as below, during the last 5 years:

<b>Sl No.</b>	<b>Year</b>	<b>Profit Before Tax (PBT) Rs in</b>
01	2013-14	9.08
02	2014-15	6.91
03	2015-16	77.92
04	2016-17	98.29
05	2017-18 (Provl)	112.94

**GSL:** Due to the concerted steps taken, Goa Shipyard Limited (GSL) could turnaround within a year and since FY 2015 has been consistently making profit. The yard in last three years has shown impressive growth both in turnover and profit. This includes recently concluded FY 2018 wherein Yard has achieved VoP of Rs. 1370.29 Crores (Provisional) and PAT of Rs. 199.61 Crores (Provisional). There is thus jump of approximately 270% in four years in VOP and PAT has moved up by approximately 350%.

### **Recommendation (Para No.57)**

The Committee note that HAL is supplying Su-30 MKI fighter aircraft, Light Combat Aircraft (LCA - Tejas), Dornier Do- 228, Advanced Light Helicopters (ALH) and Cheetah helicopters to the Defence Forces. As these supplies are against firm and fixed contracts, there are no slippages on account of costs. However, the Committee find that there are certain instances of rescheduling of delivers. In respect of BEL, on-time delivery in the last 5 years was to the extent of 80%. However, there is delay in delivery of some projects. In case of BEML, the deliveries of 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 trucks completed as per the revised delivery schedule. Only BDL has a cost slippage in Konkurs-M ATGM due to increase in cost of imported items from OEM which is not being reimbursed. Owing to reasons that are said to be beyond control, products like Konkurs-M ATGM have been delivered well after the scheduled time. The factor responsible for the delays are said to include, technical snags encountered during 'proof firings' etc. The Akash Weapon Systems were delivered after the scheduled time due to delay in receipt of input materials from vendors and delay in receipt of Tatra vehicles from M/s BEML.

In case of GRSE, although there are no cost overruns due to fixed term contracts, there has been a delay of 2 to 3 years in supply of Water Jet Fast Attack Craft, Landing Craft Utility, ASW (Corvette), Landing Craft utility etc. during the financial year 2017-18. HSL has supplied six tugs to Indian Navy and four inshore Patrol Vessels for Indian Coast Guard in the last five years and has also undertaken Medium Refit cum Modernisation of Russian made submarine, INS Sindhukirti but it has experienced time slippages due to various reasons like lack of working capital, numerous design changes, re-works, various modifications and delay in getting approval of drawings etc. In case of MDL, times slippages in deliveries and consequent contract pricing changes are said to be the main reasons. Further, time slippages in the delivery of P17 and P15A is said to be owing to reasons which range from delays in availability of quality steel, finalization of weapon equipment, propulsion equipment, equipment shipped by OEMs etc. For P75, the delay has been attributed to delay in supply of material by OEMs.

The Defence Public Sector Undertakings have been perceived to be pride of the nation and our Armed Forces are basically dependent on them for supply of Defence systems. Any delay from DPSUs can jeopardize the security plans of the Forces. Therefore, the Committee desire that DPSUs should review their strategies so they can strictly maintain the time schedule of supply of Vessels, Weapon systems and other accessories.

### **Reply of the Government**

**HAL:** On-time project completion is given due importance at HAL and project execution is being reviewed at multiple levels to ensure early identification of potential issues and timely risk mitigation. The project execution/strategies are being periodically reviewed internally at the highest level and are also being monitored by external committees involving customer/MoD in various apex forums such as Steering Committees, Empowered Committee etc. Learnings are utilised to avoid pitfalls and remedial measures implemented.

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

**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.

Meeting the delivery requirements of customers (Indian Armed Forces) is of paramount importance to BEL. As part of BEL's continuous improvement of on-time delivery, the root cause for delay in delivery of some of the projects is analysed and necessary corrective/preventive measures are taken to minimize/zero down the same. It is pertinent to mention that even though BEL provides thrust on timely delivery, it is inevitable that some of the large complex projects get delayed due to Concurrent Engineering, accord of Bulk Production Clearance, Change in user requirement, Specifications to incorporate additional features, Site/platform Readiness etc. However, BEL will continue to focus on achieving timely delivery of products/services to complement the security plans of the defence forces.

**BDL:** BDL is making all out efforts to ensure that input material from vendors is received well in time. Alternative sources of supplies and more no. of vendors are being developed to streamline the supplies to the tune of production requirement, handholding of vendors for technical and quality support, strengthening of supply chain management and curtailing lead time in procurement of critical items.

**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 57 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 completed as per the revised delivery schedule.

BEML has been adhering to the time schedules of the projects in order to meet the operational requirements of Defence forces. However, the three projects viz. ARV-WZT-3, SARVATRA Bridging system and CPV has slippage in time without cost overrun due to unforeseen technical / commercial issues.

The time slippages in delivery of projects in respect of BEML Limited with reasons / status are enclosed at **Annexure**.

**MDL:** In case of warships built earlier, slippages were due to following reasons:

- a) Delay in receipt of vital weapons, sensors and certain propulsion machineries from suppliers abroad for various reasons. These equipment were not available indigenously.
- b) Delay in receipt of warship building steel from foreign sources.
- c) Many equipment are nominated by Navy. A few of these equipment were under R&D and took unduly long time for the supply.
- d) The ancillary industry in the country was in its nascent stages & took much longer than the anticipated time for developing equipment / systems.
- e) Unavoidable modifications by customer, for improving operational capability, after commencement of production leading to rework and delays.

However, following measures have been instituted to overcome the shortcomings observed during the earlier built ships & also to improve the productivity and reduce the build periods:

- a) Development of most 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.
- b) Indigenisation of warship building steel has been undertaken through DPSU and Private Industries.
- c) New technology for shipbuilding such as integrated construction has been incorporated in new projects. M/s. Fincantieri, Italy have been appointed as a Know How Provider for Technology up-gradation and Capability Enhancement (KHP for TUCE) to guide MDL on integrated construction.
- d) MDL has also 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 Cradle Assembly Shop, Store Building, Submarine Sub Assembly shop and associated ancillary structures.
- e) MDL has developed new parallel lines of construction of Submarines and also another warship construction facility at Alcock&Nhava Yards.
- f) In addition, large scale outsourcing is being resorted to for parallel construction of part of ships and submarines at different geographical locations
- g) Regular follow ups are being undertaken for availability of balance material as per revised schedule indicated by Naval Group and Task force formed to focus and expedite the outfitting phase of the boats in order to mitigate the delays on account of delayed delivery of MPM items.

**GRSE:** GRSE has adopted the strategy by bringing in large firms with sufficient financial strength, technical and managerial capability to work for GRSE as subcontractors which is likely to improve throughput and timelines. Further, efforts are on to outsource part construction of the ship to capable shipyards in the country to overcome short term capacity constraints.

### **Recommendation (Para No.58)**

The Committee note that DPSUs have taken up modernization in a big way. Not only are the modernizing their plants and machinery but also setting up new manufacturing facilities. The Committee are, in particular happy to note that a state-of-the-art greenfield helicopter manufacturing facility is being set up at Tumakuru, near Bengaluru for which the Hon'ble Prime Minister has laid the foundation stone on 3 Jan, 2016. The Committee hope and wish that the work would be completed in record time, and our forces get quality Choppers as per scheduled.

The Committee desire that wherever necessary, the Ministry may also provide financial help to such DPSUs, which are not able to finance their modernization plans through internal accruals.

## Reply of the Government

**HAL:**The modernization plans have been finalized considering the available capacity and augmentation required in new projects undertaken by HAL. The green field helicopter factory being set up at Tumakuru, construction activities are progressing after resolution of the initial legal issues with support of State Government, facility inauguration is targeted by end of the year.

Ministry provides financial help to such DPSUs, which are not able to finance their modernization plans through internal accruals, on need basis.

### Recommendation (Para No.59 & 60)

#### Recommendation (Para No.59)

The total expenditure on R&D (as % of VoP) for the last 3 years in respect of all DPSUs is as under:

Name of DPSU	2014-15	2015-16	2016-17	2017-18 (Upto 30.12.2017)
HAL	6.40	6.94	7.51	8.42
BEL#	8.24	9.05	8.41	4.94
BEML **	2.65	1.95	2.75	-
BDL	0.623	0.68	0.69	0.90
GRSE	0.85	0.91	1.42	0.71
GSL	1.57	1.11	0.94	0.57
HSL	1.0	1.0	1.0	1.0
MDL	1.61	1.55	1.84	1.53
MIDHANI	1.30	3.35	1.92	0.67

# upto 30.09.2017

#### Recommendation (Para No.60)

The Committee note from the above information supplied by the Ministry that expenditure on Research and Development by DPSUs varies significantly. HAL is spending 8.42 per cent of the Value of Production on its R&D, while GSL is spending just about 0.57 per cent. As informed by the Ministry, about BEML, is spending a much larger amount of money in order to develop new products to have a competitive edge. Its R&D expenditure as a percentage of sales is on an average 2.42% of the sales in the last 3 years which is in line with the international standards in the sectors it operates. Therefore, the Committee are of the view that at least this much of percentage of the resources should be spent by BDL, GRSE, GSL, HSL, MDL and MIDHANI to keep our armed forces abreast with State of the Art products.

## Reply of the Government

**BDL:** The total expenditure on R&D (as % VoP) for the last 3 years in respect of BDL is as under:

2014-15	2015-16	2016-17	2017-18 (up to 30.03.2018- prov.)
0.62	0.68	0.69	0.86

**MIDHANI:** The total expenditure on R&D (as % VoP) for the last 3 years in respect of MIDHANI is as under:

2014-15	2015-16	2016-17	2017-18 (up to 30.03.2018- prov.)
1.30	3.35	1.92	2.15

Percentage of R & D Expenditure to VoP for the year 2017-18 is 2.15% (Provisional) which is in line with earlier years.

**MDL:** The total expenditure on R&D (as % of VOP) for last 3 years is as under:

(Rs. Crore)

Parameter	2014-15	2015-16	2016-17	2017-18 (Prov.)
VoP	3593	4106	3524	4250
R&D Expenditure	58	64	77	75
R&D (as % of VoP)	1.61%	1.55%	2.19%	1.76%

Norm fixed in this regard is 0.5% of PAT as per the R&D Guidelines issued by Ministry. Drastic increase in R&D expenditure above current levels is not possible, because as per the existing contracts only 5 to 7% profit is permissible to MDL. After mandatory provisions such as CSR, Buy Back of Shares, Listing expenses, Liquidation Damages (LD) for the current projects etc, the remnant Operating Profit is not more than 3%.

Also, to cater for the Master Development Plan & other Capex projects for augmentation of production facilities, huge capital is required. This will consume the accrued & incoming profit and on the contrary would require funding from external sources.

However, R&D efforts are a foot involving a judicious mix of both project carried in-house and in collaboration with academic institutions of repute like the Indian Institute of Science, Bengaluru, National Institute of Design, Ahmedabad, Welding Research Institute, Trichy, Indian Institute of Technology, Kharagpur, Indian Institute of Technology, Madras etc. Thrust on R&D is being essentially put so as to imbibe industry best practices to enhance the productivity in warship building.

**GRSE:** Expenditure on R&D (as % of VoP) of GRSE for the last 03 years are as follows:-

<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18 (Prov.) (upto 28<sup>th</sup> Feb 2018)</b>
0.85	0.91	1.42	0.62

GRSE is a Miniratna- I DPSU shipyard. As per DPE Guidelines on Research & Development, the Minimum yearly Expenditure on R&D as a percentage of PAT for Miniratna – I & II and below is 0.5%.The R&D expenditure by the company is need based and the achievements towards:

- Development of basic design of Coastal ASW Ship
- Design verification and preparation of load-span chart against AASHTO specification for Portable Steel Bridges
- Designing of Walkway attachment to existing Steel Bridge
- Development of design of 50 – 55 mts. Long Stealth Inshore Patrol Vessel (IPV)
- Design of trawhella Grab for Bailey Suspension Bridges
- Flow & Manoeuvre analysis of LCU Class ship to further optimise performance at sea
- Implementation of Laser Tracker Technology for Hull Block alignment
- Development of Hull forms for Survey Vessel Completed on 07.12.2017
- Automation of Nesting process completed on 16.08.2017
- Basic Design of Survey Vessel (Large)
- Indigenous development of Cable Gripper as a Substitute for Trawhella Grab for use of Bailey Suspension Bridges for Spans upto 400 Ft.
- Stealth Hull form Development for Anti-Submarine Warfare Shallow Water Craft (ASW SWC)
- Design Development for Floating Border Out Post (FBOP)
- Design Development of Assault Bridges

**GSL:** Ships are being taken for increased export orders with necessary support of Ministry. Shipyards are aggregation of equipment. However, continues efforts are being made to procure the best software required for R&D and design the new platform internally to meet diverse needs of armed forces and for export. Some of the in-house design undertaken successfully includes following:-

- i. Offshore Patrol Vessels for Sri Lanka;
- ii. Fast Interceptor Boats for Mauritius;
- iii. Fast Patrol Vessels for Mauritius
- iv. Further large number of new projects are being identified and worked upon.

Continuous efforts will be made to enhance financial outflow on R&D.

**HSL:** HSL has a well-equipped Design & Drawing Office, which in the past has developed in-house design for a number of vessels. HSL's design department has been recognized as in-house R&D unit by Department of Scientific & Industrial Research (DSIR), Ministry of Science & Technology. HSL's design capability embraces wide spectrum of general and special purpose vessels. In anticipation of the requirement of state-of-the-art resources for taking on the complex design support for the assured orders for SOVs and FSS, design office has been upgraded in the recent past with sufficient number of licenses for Aveva

Marine as well as for Auto CAD Mechanical under modernisation program. With these tools, the design office has mastered the art of producing composite drawings which would enable adoption of integrated modular construction methodology with a high level of pre-outfitting of blocks-modules.

Presently, the shipyard is in implementation of SAP ERP system. The unique feature of this ERP system would be integration of Design software, Aveva Marine including its 3D features with an embedded PLM in SAP. This would be first time in any Indian Shipyard that Design software would be integrated with any ERP software through PLM.

### **Recommendation (Para No.61)**

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

(Rs. in Crore)

Name of the PSU	2014-15	2015-16	2016-17
	Defence	Defence	Defence
GRSE	337.18	0.02	1.68
GSL	77.91	191.43	360.59
HSL	0	0	0
MIDHANI	0	0	0
MDL	0	0	0
BEL	255	470	360
BDL	0	0	0
HAL	299.09	258.66	239.86
BEML	0	0	0

The Committee note that most of the DPSUs have not exported any item to any country for the last 3 years. Except GSL, export of all other DPSUs is either on the decline or is erratic. The Committee desire that the Ministry should prepare a road map for DPSUs so that they after meeting the supply to the Forces, they can use their spare capacity for exporting their products and thereby earn valuable foreign exchange.

### **Reply of the Government**

**HAL:** HAL has exported the following Platforms during the last three years (2014-15 to 2016-17):

- One Advanced Light Helicopter(ALH) to Nepal Army
- Three Cheetal Helicopters to Afghanistan Air Force
- One Do-228 Aircraft to Mauritius Police Force

HAL has undertaken various initiatives to promote exports and the major initiatives taken-up by the Company include:

- ❖ Sought MoD/MEA's assistance for inclusion of sale of ALH and Do-228 aircraft in the agenda point during discussions on bilateral co-operation with friendly countries.
- ❖ Regular interaction with Defence Attaches of Indian Missions abroad and Foreign Missions in India to promote HAL products in their countries.
- ❖ Promoting HAL products during the visit of Foreign Delegations to India

- ❖ Participation in leading International Air Shows and Exhibitions through demonstrations and displays of platforms.
- ❖ Pursue International Certification for ALH – Dhruv helicopter.
- ❖ Flying demonstration & showcasing of facilities to visiting Foreign MoD Delegations.
- ❖ HAL is also deputing its technical / marketing team to target countries for actively pursuing export of its platforms.

**BEL:** BEL has a roadmap to have consistent growth in exports. However, during the year 2016-17, the deemed export to Reliance Defence Limited (RDL) could not be despatched due to non-opening of LC by RDL which has resulted in marginal decline in exports. It is pertinent to mention here that BEL has taken pro-active initiatives towards exports, the major ones are listed below:

I. New Products are identified for exporting to different countries:

- ✓ 3D Air Surveillance Radar to Vietnam, Myanmar, Brazil, Indonesia & Malaysia.
- ✓ RAWL02 Mk IIA to Myanmar, Sri Lanka, Brazil and Philippines.
- ✓ Gun Shot Detection System to Egypt.
- ✓ Weapon Locating Radar (WLR) to Armenia and Egypt.
- ✓ Active and Passive Towed Array Sonar (APTAS) to Vietnam.
- ✓ Hull Mounted Sonar (HMS) – X2 to Vietnam.
- ✓ Low Frequency Variable Depth Sonar (LFVDS) to Vietnam.

II. New Products are identified for exporting to different foreign Companies:

- ✓ Composite Shelters to SAAB AB, Sweden.
- ✓ Reflex Weapon Sight to Beretta, Italy and Meprolight, Israel.
- ✓ Helmet Mounted Display System to Airbus, BELL Helicopter, Sikorsky and Russian Helicopters.
- ✓ SDR – AR to Boeing; Airbus; BELL Helicopter; Sikorsky; Russian Helicopters.
- ✓ Monocular for Assault Rifle to Beretta, Italy and Meprolight, Israel.
- ✓ EW Suite for Helicopters to Airbus, BELL Helicopter, Sikorsky & Russian Helicopters.

III. Setting up of New marketing offices abroad to spread BEL's export into different geographical locations:

- ✓ A Marketing office in Vietnam is established during 2017-18.
- ✓ During 2018-19 Marketing Offices are proposed to be established in Muscat- Oman, Colombo- Sri Lanka and Yangon – Myanmar.

IV. With an intention to create strong support within the country, BEL has planned strategic alliance with the Indian Platform Manufacturers and initiated discussions and process for signing Agreements with the following organizations:

- ✓ Goa Shipyard Limited, Goa.
- ✓ Mazagaon Dockyard Limited, Mumbai.
- ✓ Larsen & Toubro, Mumbai.
- ✓ Mahindra Defence Systems Limited, Mumbai.

V. BEL has also proposed strategic alliance with foreign OEMs to address global markets by offering the best value proposition. The OEMs are listed as under:

- ✓ Saab AB, Sweden: Marketing agreement for various equipment.
- ✓ ELOP, Israel: Electro-optics.
- ✓ Elbit, Israel: Airborne EW, TIFCS, SAR, HMDS.
- ✓ Controp, Israel: Night Vision and Laser Equipment.
- ✓ Meprolight, Israel: Co-production agreement for LRFs, GLS, Day Sights for small Arms.
- ✓ Beretta, Italy: MoU for supplying of Reflex Sight and NVDs for Assault/Sniper Rifle for Global requirement.
- ✓ Thales: Radar for Rafale, EW Suite and Search Master Radar.

**BEML:** There was no export for Defence products. However, the total Exports in other Business verticals are as under:

(Rs. In Crore)

S.No.	Year	Export (including Deemed Export)
1.	2014-15	484.33
2.	2015-16	275.23
3.	2016-17	30.16
4.	2017-18(Prov.)	28.00

**MIDHANI:** In the Financial Year 2017-18 company recorded export sales of Rs 14.72 Lacs.

**MDL:** The value of exports during last 3 years including 2017-18 may be considered as NIL, However, various initiatives taken up for Export of MDL products are as under:

- a) With a view to explore export potential for MDL's products and establish business development in the international markets viz. in shipbuilding sector, MDL has constituted an International Marketing Team (IMT) during the year 2017. The primary role of the IMT is to identify the present and the futuristic requirements of the friendly nations both in the defence and merchant shipbuilding / civil sector as well.
- b) MDL has finalised its export product portfolio and the main products identified in the defence sector range from destroyers, frigates, corvettes, patrol vessels, naval training vessels, coast guards, police boats etc; whereas products identified in the civil sectors range from Multi Support Vessels (MSVs), Offshore Supply Vessels (OSVs), research vessel, survey vessel, dredgers etc.
- c) MDL also participates in various International Defence Exhibitions to showcase its product range and seek information about the requirements from its prospective customers, explore the market potential for MDL products, demonstrate MDL's capabilities to the delegates visiting MDL pavilion and understand their requirements etc.
- d) To expand its product outreach and search for prospective customers, MDL has been in dialogue with various Indian Embassies/High Commissions situated in Latin American Countries, South African Counties, Gulf nations, South East ASEAN Countries, SAARC friendly countries, European nations etc. for seeking their assistance in locating the

prospective customers for MDL products. Almost 50 countries have been identified for various products and communication sent to more than 35 countries approximately. MDL has also been receiving enquiries about the requirements of fighting ships from various countries in the defence sector through defence co-operation meetings held at the MoD level.

- e) MDL has also received enquiries from countries like Philippines (for Corvettes & Patrol Vessels), Nigeria (Patrol Vessels), Peru (Frigates and Type 209 Submarines), Ecuador (Corvettes), Bangladesh (Corvettes, Patrol Vessels), Senegal (Patrol vessels & Commercial vessels), Angola (Patrol vessels & Commercial vessels) and is in the process of dialogue with these countries for its likely emerging requirements through Indian Missions abroad.
- f) MDL is also subscribed to internet portals for various global tenders on regular basis. For equipping itself with design requirements for latest vessels. MDL is also exploring the option of entering into long term tie-ups/MoUs with Internationally renowned design firms to meet its design requirements for construction of various vessels for exports.
- g) Assistance of various Indian High Commissions/Embassies abroad is being sought in locating the prospective customer along with the requirements within that country including the commercial sector.

**GRSE:** Defence Export by GRSE over the last three years are as follows:-

(Rs. in Crore)

Name of DPSU	2014-15	2015-16	2016-17	2017-18 (Prov.)
GRSE	337.18	0.02	1.68	2.90

**GSL:** GSL has taken several initiatives for export of its proven designs to international customers and has emerged as 'largest exporter of defence ships' from the Indian sub-continent. The Company has a strategic advantage in establishing itself as a major international player in construction of vessels due to proven product range, past track record of timely deliveries and construction of high Quality ships with 'build periods' comparable to international shipyards. The Company has achieved VoP from Export Projects of Rs. 608.91 Crores (Provisional) during FY 2017-18. The Company has delivered export orders of two OPVs for Sri Lanka Navy, of two Water Jet Fast Attack Crafts and 11 Fast Interceptor Boats for Govt. of Mauritius and one Damage Control Simulator for Myanmar Navy in the past three years (FY 2015-16 to FY 2017-18). With available capacity and modernized yard, the Company is well equipped and has potential to undertake further export orders.

**HSL:** HSL has sufficient spare capacity and infrastructure for carrying out export orders. HSL has interacted with the following countries in connection with exhibiting the export potential of the shipyard:-

S No.	Country	Project	Current Status
1	Sri Lanka Myanmar Indonesia Turkey	✓ Bulk carriers ✓ General cargo cum multipurpose vessels	No reply from the embassy offices of these countries in India
2	Bangladesh	✓ Survey and mooring vessels ✓ Training ships ✓ Offshore patrol vessels ✓ Inshore patrol vessels ✓ Passenger/ ferry ship	Bangladesh Navy Delegation visited HSL on 09 Aug 2017 to have an overview on the capabilities and capacity of HSL in shipbuilding
3	Vietnam	✓ Passenger cum cargo ships ✓ Barges & floating cranes ✓ Tugs for defence sectors & various ports ✓ Repair & refit of amphibious ships & crafts ✓ Refit of offshore platforms ✓ NR & MRLC of INS Sindhugosh class & Vela class submarines	Presentation on HSL capabilities to take up submarine refits for Vietnam had been presented to Vietnam Delegates & MoD in New Delhi

Export Promotion Cell (EPC) has been formed under Department of Defence Production to coordinate and follow up on all activities related to export of defence equipment.

## ONE RANK ONE PENSION (OROP)

### Recommendation (Para No.65 to 69)

#### Recommendation (Para No.65)

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

#### Recommendation (Para No.66)

The Committee also note that the Government of India had taken the historic decision of implementing OROP in November 2015 and issued orders to this effect on 7.11.2015 for implementation of OROP for the Defence Forces Personnel. Detailed instructions relating to implementation of OROP along with tables indicating revised pension for each rank and each category was issued on 3.2.2016. The pensioners were facing some difficulties on regard to fixation of pension w.r.t OROP. Therefore, the Government had appointed a One Member Judicial Committee (OMJC) headed by Justice L.Narasimha Reddy, Retd. Chief Justice of

Patna High Court to look into the anomalies, if any, arising out of implementation of OROP. The Committee submitted its Report to the Government. As reported, an Internal Committee has been constituted for examining the recommendations of OMJC with regard to assessing the feasibility, impact of recommendations on other existing provisions and financial aspects in implementation of the recommendations.

**Recommendation (Para No.67)**

The Committee further note that a sum of Rs. 10739.09 crore has been disbursed up to 30.9.2017 (compiled till 31.12.2017) to Defence Pensioners/Family pensioners on account of implementation of OROP.

**Recommendation (Para No.68)**

The Committee have also been informed that some anomalies have been brought to the notice of the Ministry of Defence on account of which it is interacting with ex-servicemen on a regular basis. Recently, RakshyaRajyaMantri(RRM) has chaired a meeting with all the associations of ex-servicemen in this regard. Thus, efforts are underway for resolving the anomalies as well as identifying and resolving the issues that may have been left out.

**Recommendation (Para No.69)**

The Committee appreciate that the One Member Judicial Commission has submitted its report on OROP. The Committee desire that the recommendations of the OMJC should be implemented at the earliest and a copy of the report alongwith the details of the initiatives taken thereon may be shared with the Committee. The Committee wish and hope that following the implementation of the recommendations of the OMJC, the grievances of ESM will be resolved once for all.

### **Reply of the Government**

Government of India had taken historic decision to implement OROP in November 2015 and issued orders on 7.11.2015 for implementation of OROP for the Defence Forces Personnel. Detailed instructions relating to implementation of OROP along with tables indicating revised pension for each rank and each category was issued on 3.2.2016.

**1.2. Salient features of the OROP are as under:-**

- (i) Pension of the past pensioners would be re-fixed on the basis of pension of retirees of calendar year 2013 and the benefit will be effective with effect from 01.07.2014.
- (ii) Pension will be re-fixed for all pensioners on the basis of the average of minimum and maximum pension of personnel retired in 2013 in the same rank and with the same length of service.
- (iii) Pension for those drawing above the average shall be protected.
- (iv) Arrears will be paid in four equal half yearly instalments. However, all the family pensioners including those in receipt of Special/Liberalized family pension and Gallantry award winners shall be paid arrears in one instalment.
- (v) The pension would be re-fixed every 5 years.

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

1.4. The Government had appointed One Member Judicial Committee (OMJC) headed by Justice L. Narasimha Reddy, Retd. Chief Justice of Patna High Court to look into anomalies, if any, arising out of implementation of OROP. The Committee submitted its Report on 26.10.2016 to the Government. An Internal Committee has been constituted on 19.7.2017 to examine the recommendations of OMJC with respect to the feasibility, impact of recommendations on other existing provisions and financial aspects in implementation of the recommendations.

1.5. A sum of Rs. 10788.23 crore has been disbursed up to 30.9.2017 (compiled till 28.02.2018) to Defence Pensioners/Family pensioners on account of implementation of OROP and the instalment-wise bifurcation is as under:

No. of cases paid (1 <sup>st</sup> instalment and lump sum payments)	Amount disbursed (Rs. in crores)	No. of cases paid (2 <sup>nd</sup> instalments)	Amount disbursed (Rs. in crores)	No. of cases paid (3 <sup>rd</sup> instalments)	Amount disbursed (Rs. in crores)	No. of cases paid (4 <sup>th</sup> instalments)	Amount disbursed (Rs. in crores)
2060220	4172.64	1594311	2397.22	1576254	2322.68	1350319	1895.69

## **LOWER ALLOCATION TO EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (ECHS)**

### **Recommendation (Para No.70 to 72)**

#### **Recommendation (Para No.70)**

The committee note that ECHS is not being provided with the desired budget since long. In the year 2017-18, ECHS projected for an amount of Rs. 4487.12 crore but only Rs. 2911.50 crore was allocated under the Revenue Head. During the same year, under Capital Head, ECHS has projected for Rs. 60.00 crore but was able to get only Rs. 7.20 crore. This year i.e. 2018-19 ECHS projected for Rs. 4686 crore under Revenue Head but only Rs. 3226.76 crore has been provided. The Ministry has not supplied the figure projected under the Capital head, however as per the information furnished subsequently, but it is seen that it has asked for Rs. 28.42 crore under capital head in the Budget Estimates 2018-19. The Committee also note that ECHS is catering approximately to 52 lakh persons including veterans and their family members through 426 Polyclinics spread out in 347 districts and 2609 Medical facilities.

#### **Recommendation (Para No.71)**

The committee further note that the ECHS has plans to cover all 716 districts of the country. For the purpose, the budget of Rs. 3252.18 crore provided for the year 2018-19

would be a miniscule amount. The committee share the concerns of Managing Director, ECHS, wherein he has mentioned that unless the BE is revised to Rs. 5000 crore, the available Budget would be used up by September 2018 and Ex-servicemen Contributory Health scheme was provided with less Budget as a consequences of which, ran out of funds for providing to the hospitals for the purpose of treatment.

#### Recommendation (Para No.72)

As ECHS is dealing with veterans and their dependents and most of them are aged/old people, they are prone to falling ill frequently and are consequently more dependent on ECHS for medical facilities. Therefore, the Committee desire that more funds should be allocated to ECHS at RE and supplementary grants stage so that our veterans can be looked after well.

### **Reply of the Government**

The provision of ECHS in BE 2017-18 was Rs. 2911.50 crore. The additional funds over and above approved Grant is provided by Ministry of Finance at the stage of RE/Supplementary. At the stage of RE 2017-18, ECHS projected funds of Rs. 4493.50 crore under Revenue section and Rs. 33.00 crore under Capital section and the same projections were recommended/forwarded to Ministry of Finance for consideration. However, Ministry of Finance conveyed the overall ceilings of Rs. 16000.00 crore (NET) for RE 2017-18 in r/o Ministry of Defence (Misc.) against the projections of Rs. 19757.55 crore (NET). Accordingly, the funds were allocated to all the user departments under MoD (Misc.). The funds of Rs. 2911.50 crore in BE 2017-18 of ECHS was increased by 1005.36 crore by providing funds of Rs. 3916.86 crore in RE 2017-18 under Revenue Section. The funds under capital section was decreased to Rs. 7.20 crore according to their pace of the expenditure and overall less funds provided by Ministry of finance under Capital Section.

The provision of ECHS in BE 2018-19 is Rs. 3223.76 crore under Revenue section and BE 2018-19 is Rs. 28.42 crore in Capital section. ECHS projected a request of 4685.48 crore under Revenue section and Rs. 33.00 crore under Capital section and the same projections were recommended/forwarded to Ministry of Finance for consideration. However, Ministry of Finance conveyed the overall ceilings of Rs. 16206.09 crore (NET) for BE 2018-19 in r/o Ministry of Defence (Misc.) against the projections of Rs. 23048.43 crore (NET). Accordingly, the funds were allocated to all the user departments under MoD (Misc.).

However, if ECHS seeks any additional budget/Fund over approved grant in the current financial year, the request will be forwarded/recommended to Ministry of Finance for consideration at the stage of Supplementary/ RE 2018-19 along with the views of the Standing Committee in this regard to Ministry of Finance.

## **(B) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND COMMENTED UPON**

### **BUILDING BYE-LAWS**

#### **Recommendations (Para No. 45)**

‘The Committee noted that the Cantonment Act as amended in 2006 has some lacunae especially in regard to the building laws. Byelaws were given in 2002 and 2006 and they are applied retrospectively. As informed, regarding the Building Byelaws amendments, the guidelines have been issued by the Ministry on 23<sup>rd</sup> May, 2016 as to how the byelaws have to be amended. Accordingly, DGDE has asked for the amended byelaws draft from each Cantonment Board but till date it has received only 19 drafts, which include that of the Delhi Cantonment Board. The Committee desires that the Ministry should instruct the rest of the Cantonment Boards to send the drafts and introduce amended Building Byelaws at the earliest.’

#### **Reply of the Government**

‘Keeping in view FAR limits & other issues as compared to neighbouring municipalities, a proposal for amendment in MoD guidelines for Building Bye-Laws in Cantonments was earlier considered in the Ministry. Considering security implications and aspirations of the residents of Cantonments and the fact that the matter involves multiple stakeholders viz., Army Headquarters, Directorate General Defence Estates and the general public, Hon’ble RM has approved constitution of an expert committee to look into the aspect of Building Bye-laws in the larger context.’

**(Please see Para. No. 27 of Chapter I)**

### **ENCROACHMENT ON DEFENCE LANDS**

#### **Recommendations (Para No. 46, 47, & 48)**

##### **Recommendation (Para No. 46)**

The Committee note that the issue of encroachment of defence lands has become perennial and seems to have hit a deadlock. The issue was raised during examination of Demands for Grants 2017-18 also. The Committee, while taking note of the issue of encroachment of defence lands had desired that the Ministry, in consultation with DGDE, should take up the matter with the State Governments for removal of encroachments by civilian population on Defence lands so that such lands are used for Defence purposes only. The Ministry, in its action taken note, stated that the encroachments on defence land are in the nature of unauthorised occupation by State Government authorities/undertaking; encroachments by private persons and non-vacation of land by Ex-agricultural lessees. As regard the first category i.e. encroachment by State Authorities, the matter has been taken up with respective State Governments at various levels, for vacation of land by civilians or regularization of occupation by offering equal value of the land to MoD in exchange. Most such encroachments are by authorities which provide public services/utilities.

#### Recommendations (Para No. 47)

As regards removal of encroachments by private persons, vigorous efforts are made by respective officers to remove such encroachments wherein, State Government authorities are providing requisite support. In some cases of Ex-agricultural lessees, 'status quo orders' have been issued as there were requests from State Governments for regularization of such lessees, either on equal value land offer or otherwise. MoD has constituted a Committee under the Chairmanship of the Additional Secretary to monitor and review the status of encroachment of defence land.

#### Recommendations (Para No. 48)

The Committee note that in the last meeting held on 02.11.2016, instructions were issued to all defence land holding agencies that all cases of encroachment which are pending before the court of law should be vigorously pursued for early disposal. Wherever the State authority does not respond to the correspondence made by defence authorities on encroachment of defence land, ASG in the State concerned should be approached for talking legal recourse for retrieval of defence land.

### **Reply of the Government**

The Ministry has directed all concerned agencies of defence land that action under PPE Act, 1971 be taken vigorously and Court cases be followed up scrupulously for ensuring early removal of encroachment.

As a result of persistent efforts, encroachments on 384.177755 acres of Defence land have been removed during the period 2015-2017 and up to 31.01.2018.

**(For comments of the Committee, please see Para. No. 30 of Chapter I)**

## **RESETTLEMENT OPPORTUNITIES**

### **Recommendation (Para No.62)**

The Committee are appreciative of the fact that various schemes have been launched by the Government through Directorate General of Resettlement (DGR) i.e. job opportunities for Ex-servicemen in Central Government induction at the management level at Company Owned, Company Operated Retail shops and Outlets, Retail Outlet Dealership (Petrol/Diesel), DGR Sponsored Security Scheme, ESM Coal Loading and Transportation Scheme, allotment of Mother Dairy Milk Booths and Fruit & Vegetable (Safal) Shops in NCR, as well as transportation (tipper) attachment scheme for Widows and Disabled Soldiers/ Dependents and management of CNG Stations by ESM(O) in NCR.

The Committee note that the number of applications received from JCOs/ORs/ESM for resettlement/re-employment from 2014 onwards are as under:-

<b>Sl. No.</b>	<b>Year</b>	<b>No. of applications for re-employment</b>
<b>1.</b>	2013	2776
<b>2.</b>	2014	6284
<b>3.</b>	2015	6284
<b>4.</b>	2016	6022
<b>5.</b>	2017	10889

Although, the number of applications for post-retirement jobs, is on the rise, considering the fact that approximately 60,000 Service personnel retire every year, this number is miniscule as compared to the number of personnel retiring each year. The Committee are not sure whether the DGR is maintaining data regarding all the Service Personnel who retire each year. Therefore, the Committee desire that proper computerized data should be maintained in respect of all the retiring personnel. Also, a system should be developed to impart training so that the retiring personnel are 'well skilled'. This exercise needs to be taken preferably six months before the retirement so that the avenues of resettlement as proposed by DGR, are tapped and are fruitfully utilized.

### **Reply of the Government**

DGR conducts training for retiring/retired ESM/widows/and their dependents as per instructions dated 15.7.2016 of Ministry of Defence relating to conduct of resettlement courses. Since August, 2016 ESMs undergo Skill Resettlement Training Courses at Central/State Government Institutes /institutes run by regulatory bodies/institutes certified by NSDC with minimum NSQF level 4. The training imparted to the ESMs give an overall exposure and orientation towards transition to civil life. However, the success of placement relates to the factors i.e. place of work/salary/interest of the individual to work closer to their home town. The ESM prefer jobs which provides them dignity and income and which are comfortable. Therefore, many JCOs/OR refuse jobs because they are not close to their homes or do not pay adequately or in short do not meet the aspirations of the ESM.

It is submitted that DGR does not maintain data of ESMs who are retiring in the coming six months/one year. However, DGR is registering only those ESMs who are interested in availing DGR sponsored schemes and approach DGR for this purpose. Hence, there will always be a gap between the number of personnel retiring and registering with DGR. There is no such data bank of ESM held with DGR who are retiring in six months/one year. However, such data banks are available with all three service Headquarters. As per the recommendation of the Standing Committee a case has been taken up with all the three services HQs to provide the data of all personnel who are retiring in next one year.

**(For comments of the Committee, please see Para. No. 43 and 44 of Chapter I)**

## **ARMY BATTLE CASUALTIES WELFARE FUND**

### **Recommendation (Para No.63)**

The Committee note from the information made available to them that a large number of philanthropic organizations and individuals have been approaching for extending monetary assistance to the next of kin of battle casualties as a benevolent gesture. A surge of such requests has come about post the 'Siachen avalanche' where the Indian Army lost some 10 brave soldiers.

Post detailed deliberations, it was decided that donations/ contributions are being accepted from such organizations and individuals through a separate and centralized fund focused for the purpose. This is in addition to the various existing schemes for the welfare of the next of kin and children of battle casualties. Accordingly, the Indian Army has opened a

new bank account for welfare of the bereaved families of battle casualties which is named 'Army Battle Casualties Welfare Fund'. It has come to the notice of the Committee that such persons who contribute to this fund are not given exemption from Income Tax. The Secretary, Ex-Servicemen Welfare apprised the Committee in this regard that for such contributions, the matter of providing exemption continues to be under process. The Committee desire this issue be resolved at the earliest by the Ministry of Finance so that such persons contributing for aiding the bereaved families of the Soldiers get the benefit of tax exemption.

### **Reply of the Government**

- (iii) Proposal for exemption of donations to Army Battle Casualties Welfare Fund(ABCWF) from Income Tax was taken up with CBDT in August 2017. Now, ITA-1 unit of CBDT has informed on 18.4.2018 that an application is to be made in the prescribed format by the Implementing Agency for registration of ABCWF under section 12A and under section 80G of Income Tax Act before Commissioner of Income-Tax (Exemption).
- (iv) DDG (Welfare)/IHQ Army, the Secretary of ABCWF, has been requested on 20.4.2018 to prefer the application before Commissioner, Income Tax (Exemption) accordingly. They have initiated the process.

**(For comments of the Committee, please see Para. No. 47 of Chapter I)**

## **CHAPTER - III**

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

#### **Recommendation (Para No.23)**

The Committee also note that due to shortage of funds, maintenance of some roads and resurfacing works do get affected. Moreover, 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 resources are, therefore, sub-optimally utilized.

#### **Reply of the Government**

With the current budgetary allocation and the construction philosophy in BRO, BRO is not able to increase its pace of progress. To ensure the optimal utilization of resources and enhance BRO's own absorption capacity, the following measures have been taken:-

(i) For BRO to be able to focus on the strategic roads and to ensure that BRO's resources are not spread over a large number of roads, the present five year LTRoWP has been reviewed and a revised LTRoWP for 272 roads of length 14546 km is under process, which has lesser number of roads and is more realistic vis –a vis budget allocation.

(ii) To bridge the gap between the strategic requirements of the Army and BRO's own capacity constraints of departmental execution, BRO has also started outsourcing of projects. Guidelines have been issued by the Ministry to adopt EPC mode of execution for all projects for which the value as per the DPR is above Rs 100 Crores.

(v) Further, delinking of pay allowances of BRO personnel has been approved.

(vi) After the review of manpower of BRO, certain non functional cadres have been frozen for further recruitment and the deputation policy for Officers has been liberalised.

### **INDIAN COAST GUARD**

#### **DECLINING BUDGET OF COAST GUARD**

##### **Recommendation (Para No. 35 & 36)**

##### **Recommendation (Para No.35)**

The committee are surprised to note that the budget for the Indian Coast Guard has been steadily declining since the year, 2015-16. In the current year, 2018-19 also, while the ICG projected a requirement of Rs. 4950.00 crore, only Rs. 2700.00 crore has been allocated under the Capital Head. This is approximately 46 percent less than the projected amount. Similarly, under the Revenue Head, while the BE projection was Rs. 2408.41 crore, the allocation has been only to the extent of Rs. 2091.42 crore. In total, while the ICG projected a requirement of Rs. 7358.41 crore, the allocation has been just 4791.42 crore, which approximately amounts to 65 percent of the projected requirement.

#### Recommendation (Para No.36)

The Committee are aware that as per the mandate given to the Indian Coast Guard, the organisation has to guard 7516 Kms of coastline, 2.3 million sq.km. of Exclusive Economic Zone and also has the responsibility for Search & Rescue operation in 4.60 million sq. kms. Besides, the Indian Coast Guard has to perform duties and functions related to security of off shore installations, provide assistance in collection data, safety of life and property at sea, assist the Customs Department in anti-smuggling operations, prevent and control marine pollution, preserve and protect marine environment and also protect and assist fishermen in distress. For attending to the assigned tasks, the Coast Guard needs enhanced Capital Budget to buy offshore vessels, helicopters, aircrafts etc. As per the admission made by the representative of the Coast Guard, lesser allocation to the organisation would affect New Schemes, which have been prioritized as per budget availability.

The committee are of the view that the budgetary issue should be taken on priority as non-fructification of New Scheme would affect acquisition of the much required Capital assets to protect our coast line and thereby avoid recurrence of unfortunate incidents such as that of 26/11 in Mumbai. Therefore, the Committee desire that allocation, as per projection, should be provided to the Indian Coast Guard so that the organisation can carry on with its acquisition and development plans.

#### **Reply of the Government**

The expenditure ceiling in respect of Coast Guard Organisation is provided/fixed by Ministry of Finance. Coast Guard Organisation projected a request for funds of Rs. 2408.41 crore under Revenue section and Rs. 4950.00 crore under Capital section for BE 2018-19 and the same projections were recommended to Ministry of Finance for consideration. Ministry of Finance fixed/provided the expenditure ceiling at Rs. 2091.42 crore in Revenue Section and Rs. 2700.00 crore in Capital Section for BE 2018-19.

Further, in this context, it is stated that Coast Guard Organisation sought additional funds of Rs. 350.01 crore under Revenue Section and Rs. 1100.00 crore under Capital Section over and above the approved BE 2017-18 in the first batch of supplementary demands for 2017-18. The same was recommended/forwarded to Ministry of Finance for their consideration. However, Ministry of Finance has not included the said projections in r/o Coast Guard Organisation into the statement of First Batch of Supplementary for approval of the Parliament.

The actual expenditure of Coast Guard Organisation in FY 17-18 is Rs. 2148.80 crore in Revenue Section and Rs. 2180.44 crore in Capital. The allocated funds for FY 2018-19 are in line with the pace of expenditure & utilization of funds. The requirement of additional funds will be reviewed and will be taken up with Ministry of Finance.

## **CHAPTER IV**

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

#### **GROWTH OF DEFENCE BUDGET VIS-À-VIS RATE OF INFLATION**

##### **Recommendation (Para No.3)**

The Committee note that the present annual rate of inflation as per the Economic Survey 2017-18 based on CPI- New Series ranged around 5.21%. The annual rate of inflation based on monthly Wholesale Price Index (WPI) stood at 3.58% (Provisional) for the month of December, 2017 (over December, 2016) as compared to 2.1% during the corresponding month of the previous year. Based on Consumer Price index, the inflation rate on yearly basis is 5.21% during December 2016-December 2017 period. The enhancement at the stage of RE 2017-18 amounts to only 0.75%, which is way below the inflation rate as revealed in the Economic Survey. The growth in the Defence Budget is thus miniscule and does not cater to the needs of the armed forces. Therefore, the Committee express the view that the budget of Ministry of Defence should be increased at least to an extent whereby, the modernisation efforts of the Forces remain unaffected by the vagaries of inflation.

##### **Reply of the Government**

Since there was no increase under Capital Budget in RE 17-18, no additional budget could be allocated for modernisation. It may be added that Modernisation of the Defence Forces is the first & foremost priority of the Ministry and it is ensured that critical requirements of Services do not suffer due to want of funds.

**(For comments of the Committee, please see Para. No. 7 of Chapter I)**

#### **PROJECTIONS MADE BY THE THREE SERVICES**

##### **Recommendation (Para No.5-10)**

##### **Recommendation (Para No.5)**

The Committee note from the data supplied to them that during the last 6 years, the Services are being provided with much lower allocations than what they asked for or projected. However, the Services have been, by and large able to spend the amounts allocated at the stage of RE. At the stage of BE 2012-13, while the Army projected a requirement of Rs. 1,12,096.22 crore, only Rs.96,564.83 crore was allocated. At the stage of Revised Estimates for the year, the Army projected an amount of Rs. 1,02,091.42 crore but was allocated only Rs. 91,269.50 crore. Of the allocated amount, the Army has been able to spend more than the budgeted amount i.e. Rs. 91,450.51 crore. The Navy projected an amount of Rs. 44,478.90 crore during the year. However, only Rs. 37,314.44 crore was provided. For the same year, at the stage of Revised Estimates, the Navy projected an amount of Rs. 40,768.63 crore but the allocated amount was only Rs. 29,668.33 crore. Of this, the Navy has been able to spend almost the entire budget provided i.e. Rs. 29,593.53 crore. Similarly, while the Air Force projected an amount of Rs. 56,838.25 crore, only Rs. 48,220.26 crore was allocated. For the same year, at the Revised Estimates stage, Air Force projected a requirement of Rs. 57,941.98 crore but was allocated only Rs. 47,621.67 crore.

Of this, the Air Force was able to spend more than the budgeted amount i.e. Rs. 50,509.13 crore.

#### Recommendation (Para No.6)

For the previous financial year i.e. 2017-18 at the stage of BE, the Army projected a requirement of Rs.1,94,977.15 crore, but was given only Rs.1,45,167.22 crore. At the Revised Estimates stage of the year, the Army projected an amount of Rs.1,70,079.02 crore but was allocated only Rs.1,46,657.51 crore. Of this amount allocated at the RE stage, the Army was able to spend 91 percent of the budget provided i.e. Rs.1,33,501.55 crore upto 31 January, 2018. In the case of Navy, the projected amount was Rs.51065.20 crore. However, only Rs.37841.98 crore was provided. At the Revised Estimates stage of the year, the Navy projected an amount of Rs.48262.88 crore but was allocated only Rs.38227.09 crore. Of this, the Navy has been able to expend almost 80 percent of the budget provided i.e. Rs.31,742.15 crore upto 31 January, 2018. Similarly, while the Air Force projected a requirement of Rs.91,196.14 crore, quite surprisingly, only Rs.58,372.50 crore was allocated. At the stage of Revised Estimates of the year, the Air Force projected an amount of Rs.82,294.92 crore but was allocated only Rs.60,779.78 crore. Of this, the Air Force has been able to spend more than 92 percent of the budget provided i.e. Rs.56,075.50 crore. The data, as brought out and analysed here is indicative of the prudence with which the Forces have been expending the budgetary allocation.

#### Recommendation (Para No.7)

For the Budget Estimates 2018-19, the Army projected an amount of Rs.1,51,814.73 crore under the Revenue Head, but has been allocated only Rs.1,27,059.51 crore. Under the Capital Head, the projected amount is Rs.44,572.63 crore but only Rs.26,815.71 crore has been allocated, which amounts approximately to just 60 percent of the projected requirement. Again, for the current year 2018-19, while the Navy projected a requirement of Rs.20,188.25 crore, the allocated amount has been only Rs.16,618.88 crore under the Revenue Head. Under the Capital Head, while the Navy projected an amount of Rs.35,695.41 crore, the allocated amount is only Rs.20,003.71 crore, which amounts to approximately 56 percent of the projected requirement. The case with the Air Force is also no different. While an amount of Rs.35260.79 crore has been projected as the requirement under the Revenue Head, only Rs.28,821.27 crore has been provided. Under the Capital Head, while the Air Force projected a requirement of Rs.77,694.74 crore, the allocation has been only Rs.35,770.17 crore, which is less than half of the projected requirement. Also, quite shockingly, the Joint Staff has got an allocation of just Rs.844.45 crore under the Capital Head, while the projection was for Rs.2237.03 crore. The amount was reduced approximately to a third of the projected requirement.

#### Recommendation (Para No.8)

The representatives of the Ministry of Defence have, in their submissions made before the Committee informed that the allocated funds will be optimally and fully utilized for meeting operational activities. Basing on the expenditure during the year, additional funds may be sought at the Supplementary/RE stage; and depending on the budget allocations, the schemes would be reprioritized so as to ensure that 'urgent and critical capabilities' are acquired without any compromises made in regard to the operational preparedness of the Defence Services. Nevertheless, the Committee cannot also help noting that as per the admission of the representatives, there are many urgent and critically important items/schemes which are to be attended to under the revenue segment, which are likely to

be impacted owing to inadequate budget allocation. These pertain, inter-alia to the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc. As for the Capital segment, all Committed Liabilities, which are likely to materialise during the year are to be met with the allocated amounts; and the remaining amount is to be distributed to meet the projected requirement for other items like capital modernization schemes.

#### Recommendation (Para No.9)

The Vice Chief of Army Staff (VCOAS), in the submission before the Committee, claimed that the marginal increase in Capital Budget allocation for the Army has dashed all hopes, as it would be barely enough to counter the inflation level, and did not even cater for the affect of the increased tax burden. He further stated that the allocation for modernization in 2018-19 was insufficient to cater for Committed Liabilities, on-going schemes, 'Make in India' projects, infrastructural development, policy of strategic partnership of foreign and Indian companies and procurement of arms and ammunition. The representatives of Navy too detailed the implications of lower allocations of Capital budget for the Navy viz. constrained progress of New Schemes and ability to conclude contracts, likely delay in induction of critical capabilities, and attendant cost overruns, impact on progress of infrastructure projects, and mitigation of shortage of accommodation as well as a general setback to the pace of modernization of the Indian Navy.

#### Recommendation (Para No.10)

The Committee are of the view that while making the budget projections, the Services must have obviously factored for the items to be purchased, infrastructure to be built, stores to be replenished, etc. Thus, not providing the Forces with the desired or requisite allocation of funds may make their planning process go haywire. The Committee, therefore, desire that the Services should be provided with adequate budgetary allocations as per their projections.

### Reply of the Government

The Ministry does not agree with the contention of the Vice Chief of Army Staff (VCoAS). The analysis of the budget estimates and expenditure incurred by Army for Capital Acquisition in the last six years is placed in the table below:-

(Rs. in crore)

Year	BE	RE	MA	Actuals
<b>2012-13</b>	13,724.14	11,568.76	10,789.55	10,871.79
<b>2013-14</b>	13,327.04	10,801.46	10,572.32	10,426.49
<b>2014-15</b>	20,935.41	16,927.35	20,446.06	13,867.40
<b>2015-16</b>	22,054.50	17,997.59	14,473.87	14,488.84
<b>2016-17</b>	21,433.77	17,866.46	19,466.46	22,287.80
<b>2017-18</b>	20,178.21	20,177.21	20,177.21	22,045.97
<b>Average</b>	<b>18,608.85</b>	<b>15,889.80</b>	<b>15,987.58</b>	<b>15,664.72</b>

As per table the Army has been surrendering funds on capital account regularly in the past except last two years with an average expenditure of Rs. 15,664.72 crore against an average allocation of rate 18,608.85 crore per annum. In the years 2012-16 the Army surrendered an amount of Rs. 20,386.57 crore due to slippages in contractual obligations. The current year (2018-19) allocation of Rs. 21, 338.21 crore is ~ 36% more than the average

absorption capacity of the Army and is in line with actuals of last two fiscals. The requirements of Army therefore will be evaluated and taken up further with MoF on a need basis on overall threat perception and prioritization of requirements and pace of expenditure.

**(For comments of the Committee, please see Para. No. 10 of Chapter I)**

## **DECLINING TREND IN REVENUE-CAPITAL RATIO**

### **Recommendation (Paras No.11-13)**

#### **Recommendation (Para No.11)**

The Committee note that under the Capital Budget, at the Revised Estimates stage (2017-18), against the projection of Rs.1,32,212.34 crore, only Rs.86,488.01 crore was allocated. Under the same head, at the stage of BE 2018-19, the projection was for Rs.1,72,203.3 crore but the allocation is just Rs.93,982.13 crore. Of this, Committed Liabilities would be to the tune of Rs.1,10,043.78 crore. Thus, the budgetary allocation is much less vis-à-vis the Committed Liabilities. On the allocation under non salary Revenue head, at the stage of Revised Estimates (2017-18), against the projection of Rs.57,917.94 crore, only Rs.44,150.57 crore was allocated. Under the same head, in BE 2018-19, the projection was for Rs.80,160.02 crore but the allocation is only to the tune of Rs.46,339.62 crore.

#### **Recommendation (Para No.12)**

From the data supplied by the Ministry, the Committee note that the Revenue to Capital ratio of the budget is receding with reference to the Capital Head of account. In 2013-14, for the Army, 20 percent of the allocation has been for the Capital Head and 80 percent towards the Revenue account. This reduced to 17 percent for the Capital Head, with the allocation for the Revenue Head amounting to 83 percent in R.E. 2017-18. Similarly, in 2013-14, in case of Navy, 66 percent of the outlay has been for the Capital account and 34 percent towards the Revenue allocation, which reduced to 51 percent for the Capital Head and 49 percent under the Revenue Head of allocation in R.E. 2017-18. During the same period, i.e. 2013-14, in case of the Air Force, 63 percent of the Allocation was towards the Capital Head and 37 percent for the Revenue account. This has now reduced to a low of 55 percent for the Capital account and 45 percent towards Revenue allocation in R.E. 2017-18.

#### **Recommendation (Para No.13)**

The Committee also note that the Ministry of Finance imposes ceilings separately for Revenue (Salary and Non-Salary) and Capital Heads, based on which funds are allocated to the services. The procedure followed for the allocation inter-alia involves the trend of expenditure, projections made by the Services, Committed Liabilities to be fulfilled etc. Therefore, the Ministry of Finance desists from maintaining/deciding on a particular ratio of expenditure for the Capital and Revenue accounts. Although the Ministry of Finance has informed that every effort will be made to ensure that no project/ proposal is shelved for want of funds and additional funds would be provided as and when sought by the Ministry, this is not convincing. As per the information furnished, the Services have been able to utilize the allocated amounts, prudently and to the full extent. The Committee, in this regard, share the concern expressed by the Defence Secretary, on the fact that there has been a steady decline in the portion/ratio of the allocation under the Capital Head. The Committee are of the view that the declining ratio of the allocation for Capital expenditure does not auger well for

the Forces. Increased allocation in favour of the capital segment being vital for modernization of the Forces, the Committee desire that every effort be made to reverse the trend of the declining ratio of allocation for meeting capital expenditure.

### **Reply of the Government**

The higher growth in the revenue expenditure of the Services is mainly attributable to the fact that Army is manpower intensive with a large portion of its expenditure is devoted to Salaries. This skews the revenue-capital ratio in favour of revenue expenditure in overall sense and for Army. For Air Force and Navy, the ratio of Revenue to Capital is 47:33 and 45:55 respectively in BE2018-19.

**(For comments of the Committee, please see Para. No. 13 of Chapter I)**

## **SHORTAGE OF MANPOWER IN THE FORCES**

### **Recommendation (Para No.14 & 15)**

#### **Recommendation (Para No.14)**

From the data furnished by the Ministry, the Committee note that there is a shortage of 7679 Officers and 20,185 JCOs/ORs in Army, 1434 Officers and 14,730 Sailors in Navy, 146 Officers and 15,357 Airmen in Air Force.

#### **Recommendation (Para No.15)**

While examining the Demands for Grants 2017-18, the Committee pondered on this issue and recommended for providing five years of compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. The Ministry, in its Action Taken Reply on the matter has stated that the recommendation regarding providing five years compulsory military service to such aspirants wanting to directly join Central and State Government services, with a view to overcome shortage of officers in Armed Forces, has been taken up with Department of Personnel and Training (DoP&T). The response of the Department is awaited. Apparently, the Ministry of Defence has not taken up the matter with due seriousness with the DOP&T. **The Committee, while recommending five years of compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services, have taken into account the fact that there is a perennial and alarming shortage of Officers and PBOR in the Armed Forces, which needs to be corrected. The Committee, once again express their desire that the issue of shortage of officers needs to be given priority for being addressed.**

### **Reply of the Government**

The details of authorized strength, held strength and shortage of Officers in the three Armed Forces (excluding medical and dental), force-wise are as under:

<b>Service</b>	<b>Authorised Strength</b>	<b>Held Strength</b>	<b>Shortage</b>
<b>Army</b> (As on 1.1.2018)	49,933	42,635	7,298 (14.61%)
<b>Navy</b>	11,352	9,746	1,606 (14.14%)

(As on 1.7.2018)			
<b>Air Force</b> (As on 1.7.2018)	12,584	12,392	192 (1.52%)

Details of strength of Personnel Below Officers Rank (PBOR) / Airmen / Sailors in the three Armed Forces (excluding medical and dental), force-wise, are as under:

<b>Service</b>	<b>Authorised Strength</b>	<b>Held Strength</b>	<b>Shortage</b>
<b>Army</b> (As on 1.1.2018)	12,16,247	11,96,995	19,252 (1.58%)
<b>Navy</b> (As on 31.3.2018)	72,583	56,309	16,274 (22.42%)
<b>(Air Force)</b> (As on 1.4.2018)	1,42,673	1,26,776	15,897 ( 11.14%)

As may be seen from the above data, the shortage in officers rank ranges from 1.52% in Air Force to 14.61% in Army. In case of PBORs/Airmen/Sailors, the shortage ranges from 1.58% in Army to 22.42% in Navy.

The occurrence of vacancy due to death, resignation, retirement of defence personnel and recruitment to fill up vacant post is a continuous process.

The Government has been taking a number of measures to reduce the shortages. These include sustained image projection, participation in career fairs and exhibitions and publicity campaign to create awareness among the youth on the advantages of taking up a challenging and satisfying career. Further, Government has taken various steps to make armed forces' jobs attractive including improvement in promotion prospects in the Armed Forces.

As regard the recommendation concerning providing five years compulsory military service to such aspirants wanting to directly join Central and State Government services, with a view to overcome shortage of offices in Armed Forces, it is stated that the said recommendation has been considered at the appropriate level and it has been decided not to accept the same. This decision has been taken with the approval of Hon'ble Raksha Mantri.

**(For comments of the Committee, please see Para. No. 16 of Chapter I)**

## **CHIEF OF DEFENCE STAFF**

### **Recommendation (Para No.17 to 20)**

#### **Recommendation (Para No.17)**

The Committee had, in their earlier reports, recommended creation of the post of Chief of Defence Staff for enabling better co-ordination among the Services. The Committee have taken up the matter in the current year as well. The Committee, in this regard, are astonished to find the reply of the Ministry to be almost similar to the one given on the earlier occasion.

The Committee wish to recollect in this regard that 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 RakshaMantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS.

#### Recommendation (Para No.18)

The Committee note in this regard that the response has not been 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) and MoD's views on this issue have been conveyed to National Security Council Secretariat (NSCS). Upon consideration of the matter by the CCS on 29.04.2014, the NSCS had been informed of the approval of the CCS for implementing the recommendations.

#### Recommendation (Para No.19)

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

#### Recommendation (Para No.20)

The Committee find from the information that the recommendations for establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC) were considered and placed before the CCS on 29.04.2014 and NSCS had conveyed the approval of CCS for other recommendations for implementation. However, despite a lapse of time span of 3 years no definite conclusions of the creation of post has been arrived at. The Committee are of the view that permanent Chief of Defence Staff (CDS) is urgently required for interwoven and synchronized efforts of the Services to achieve desired results in peace and war. Therefore, the Committee reiterate their recommendation for the early creation of the post of CDS.

### **Reply of the Government**

The Group of Ministers (GoM) constituted by the Government to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation, had inter-alia, recommended in its report, the establishment of the post of Chief of Defence Staff (CDS). The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with RakshaMantri 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.

3. 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 were conveyed to NSCS. The recommendations were considered and placed before the CCS on 29.04.2014. NSCS had conveyed the approval of CCS for other recommendations for implementation. However, as on date there is no CCS approval for establishment of a Permanent Chairman, COSC and a decision about establishment of Permanent Chairman, COSC is yet to be taken.

**(For comments of the Committee, please see Para. No. 19 and 20 of Chapter I)**

## **HANDING OVER OF ROADS CONSTRUCTED BY BRO TO PWD**

### **Recommendation (Para No.30)**

The Committee note that although at many places, the roads constructed by BRO have been handed over to the State PWD concerned for maintenance, such handing over has not taken place in many other cases. The Committee are of the view that wherever possible, these roads should be handed over to the PWD concerned for maintenance. Nevertheless, the Committee also desire that in difficult areas such as Badrinath, the maintenance work allocated to the PWD needs to be withdrawn and the work given back to BRO as the PWD does not appear to have the required infrastructure and equipment for executing the work in such difficult areas.

### **Reply of the Government**

The present status of handling over of roads by BRO to other agencies is given as under:-

<b>S/N o</b>	<b>Details</b>	<b>Length earmarked for handing over (Km)</b>	<b>Length already handed over (Km)</b>	<b>Balance to be handed over (Km)</b>
(a)	Road already handed over	2216.35	2216.35	-
(b)	Road under handing/taking over	1162.58	360.18	802.40
<b>Total</b>		<b>3378.93</b>	<b>2576.53</b>	<b>802.40</b>

During the recent BRDB meeting, the issue for early taking over of roads by various State Governments was discussed and it was decided that the handing over of roads be completed at the earliest, so that BRO is able to focus on the construction of strategic roads in border areas.

Based on the operational requirements of the Army and consequent upon the decision taken in the National Security Council meeting, it was decided that BRO may focus on core strategic functions on the borders. Accordingly, certain roads in the hinterland, which were earlier constructed by BRO and are now further required to be improved, are identified to be handed over to other agencies, so that BRO is able to utilize its resources optimally for

construction of roads, which are of strategic importance in the border areas and will meet the operational requirements of the Army.

The decisions to hand over the roads to civil agencies are also taken in accordance with the National Highway Development Plan called “Bharatmala”. Once a road is included therein, MoD has little choice, particularly in locations away from the Indo-China Border.

**(For comments of the Committee, please see Para. No. 23 and 24 of Chapter I)**

#### **Recommendation (Para No. 49)**

The Committee desire that meetings of the Committee to review status of encroachment of defence land should be held monthly and not on yearly basis as is being done in the past and the Ministry may request the Supreme Court for having the cases adjudicated in fast track courts, so that the encroached land may be returned to DGDE and utilized for defence purposes.

#### **Reply of the Government**

It is submitted that holding the meeting of the Committee to review status of encroachment on defence land, on monthly basis may not serve any fruitful purpose due to following:

- v. Vast area of Defence land is spread over in different parts of the country. Collection of data on encroachment/its removal on defence land from field offices & their examination and compilation is a time consuming process.
- vi. Detection, prevention and removal of encroachment is a continuous exercise. Action for removal of encroachments on defence land is taken under the provisions of Public Premises (Eviction of Unauthorized Occupants) Act, 1971 as well as under the Cantonment Act, 2006. In many cases, the issues are required to be taken up with State or Municipal authorities for resolution of the problem. All such actions take a considerable time.
- vii. In many cases, encroachers have approached Courts against eviction order and thus legal proceedings are underway which take its own time.
- viii. A considerable time is required for implementation of decisions taken on the matter.

**(For comments of the Committee, please see Para. No. 33 and 34 of Chapter I)**

### **INCONVENIENCE TO CIVILIAN POPULATION AND THEIR REPRESENTATIVES**

#### **Recommendation (Para Nos. 50, 51 & 52)**

##### **Recommendation (Para No. 50)**

During the oral evidence issues relating to inconvenience to civilian population residing in Cantonments have been taken up. The Committee expressed their displeasure over the incidents of highhandedness of Cantonment Board officials/security personnel. This issue was also raised during the course of taking evidence of the representatives while

examination of Demands for Grants 2017-18. The issues, *inter alia*, relating to closure of entry and exit of passages inside the Cantonments without proper reasons came to the fore. It had also come to the notice of the Committee that, in some Cantonments, despite having a large open area, March pasts were being held on the roads, thereby obstructing movement of public which results in great inconvenience. The Committee had desired that the DGDE and his representatives take appropriate measures for resolving such issues amicably so that there would be no tension or conflict between the civilians and the military.

#### Recommendation (Para No. 51)

The Committee note from the action taken reply that in view of public inconvenience due to arbitrary closure of Cantonment Roads by Local Military Authority, MoD vide letter no. 4(2)/2015-D(Q&C) dated 07.01.2015 has issued an order that henceforth, no public road shall be closed by any authority other than a Cantonment Board, for any reason other than security, and without following the procedure laid down under the aforesaid section 258. Based on the above orders, a list of public roads which were closed by Local Military Authority (LMA) without following the due process was obtained from DGDE and due action has been taken by Army HQ. It has also been stated that due to lack of all-weather parade grounds, sometimes, drills, parade/practises are held on unit roads which are normally not used by civilian public.

#### Recommendation (Para No. 52)

The Committee find from the experience of the public representatives that the issue of closing of roads as well as highhandedness with the public and their representatives by the LMA is on the rise. Therefore, the Committee desire that the Ministry of Defence instruct the LMA and Cantonment Board Officers to get in touch with local Members of Parliament and Members of Legislative Assembly to sort out such matters amicably as and when they arise. The Committee also desired that a copy of communication and details of meetings may be communicated to them. The Committee also desire that the local MP and MLA should be invited to attend the meetings of the Cantonment Boards.

### **Reply of the Government**

The matter of closure of roads received considerable attention in a meeting taken by Hon'ble RM on 04.05.2018 with Members of Parliament and elected Vice Presidents of all 62 Cantonment Boards wherein issues related to Cantonments were discussed. After review of the entire matter by Hon'ble RM with concerned officials of the Ministry, Army Headquarters and Directorate General Defence Estates, it was directed that all roads inside Cantonments which were closed without following due procedure as laid down in the Cantonments Act, 2006 be reopened by the LMA. Fresh orders have been issued on 28.05.2018 where in procedure to close roads in Cantonments has been laid down envisaging that any road in Cantonment will be closed only after inviting claims/objections/suggestions from the local public through newspapers and official website of the concerned Board and legal vetting by the Ministry thereon. Further, to provide a statutory framework to the matter, draft Rules with regard to closure of roads are currently under consideration of the Ministry.

**(For comments of the Committee, please see Para. No. 37 of Chapter I)**

### **Recommendation (Para No.56)**

The Committee were informed of the alarming situation during the presentation made before the Committee that all current orders of HAL would be completed by 2020-21. For BDL, after supply of MILAN 2T order, no fresh order has been received and the production line is idle. In case of MDL, Ship construction facility is likely to remain idle from 2020. GRSE is also facing the same situation wherein 60% of large ships and 100% of small ships construction facilities would be idle from 2019, while the GSL is working to 50% of its capacity due to non-availability of orders. The Committee view the situation very seriously and desire to know the factors that led to such a situation whereby the capacity of DPSUs is being allowed to remain idle. The Committee desire that the Armed Forces should be encouraged to give orders with budgetary support from the Ministry and a fool proof strategy carved out so that none of the DPSUs remain idle for want of orders. The Committee also desire that they may be informed of the action taken in this regard.

### **Reply of the Government**

**HAL:** The major existing orders on HAL for supply of aircraft and helicopters are expected to be liquidated by 2020-21, except for 41 ALH for Army, 32 ALH for Indian Navy/CG and 8 Chetak for Indian Navy for which contracts have been signed during the last year.

On completion of the Su-30MKI program it was originally planned to utilize the HAL Nasik facilities for manufacture of Fifth Generation Fighter Aircraft (FGFA). However, the program is awaiting R&D contract finalization to proceed further. Similarly, the MMRCA program, with HAL as the Lead Production Agency, the MTA program and IJT development didn't materialize as planned. This has led to lack of fresh orders at Aircraft Division Bangalore and Transport Aircraft Division Kanpur.

Further, HAL has submitted quotation for supply of 83 LCA Mk 1A aircraft and 15 LCH LSP helicopters and orders are awaited. Additional orders for on-going programs like ALH, LCA, HAWK, Do-228 and SU-30 MKI as well as fresh production orders for new platforms like Do-228 Civil variant, LCH, HTT 40, LUH, Hawk-i and UAVs would help in sustaining growth of the organisation in the coming years.

**BDL:** The present order book position of BDL is sound. However, BDL striving to get further more orders in the areas of ATGMs, SAMs and Underwater Weapon System which will ensure further improvement in order book position of the Company in coming year and its sustenance.

**MDL:** By 2019-20 Hull construction of all 8 ships under construction would be completed and all the production & assembly shops would be idle by then.

Hence, MDL upon exploring the feasibility of constructing additional ships has identified that one ship of P15B and one ship of P17A can be constructed and delivered by Dec 2025 and July 2026, if ordered now.

MDL is vying for next generation warships for Indian Navy and export orders for various countries.

**GRSE:** The status of existing order book position of GRSE shipyard is as follows:-

<b>Order Book Position / Contract value (Rs in Crore)</b>	<b>Remaining Order Book Position as of 31 JAN 18 (Rs in Crore)</b>	<b>Projects</b>
29921	20813	P-28, LCU, WJFAC, P17A, FPV

### **Idling Capacity**

1. GRSE has enhanced its shipbuilding capacity by modernising the infrastructure. The new facility provides Modular and Integrated Construction of warships. With the above modernization and on going revitalization of Raja Bagan Dockyard Unit facilities (01 No. Dry Dock and additional Block Fabrication Facilities), GRSE will have capacity to build 20 ships (08 large + 12 small) simultaneously. Further, a Wet Basin is also planned to be developed at Raja Bagan Dockyard Unit for fitting out of small/ medium ships.
2. Presently, post launch work of 01 large ship (ASW Corvette) and 05 ships (LCUs) and 01 FPV is progressing. In addition, the shipyard is also progressing the pre-launch work of 04 Fast Patrol Vessels for Coast Guard. The delivery of 11 balance ships to Navy (06 Nos) and Coast Guard (05 Nos) will be completed by Mid-2019. The shipyard will be left with only 03 ships under P-17A beyond FY 2019-20. Delivery of these ships will start from Aug 23 and will be completed by Aug 25.
3. In addition, GRSE has been declared L1 bidder for 04 Nos. Survey Vessel - Large (SVL) for Indian Navy. The CNC for these ships has been completed and the contract is expected to be finalized by mid-2018. The project is likely to commence from mid-2018 and completed by FY 2022-23.
4. GRSE has also been declared L2 bidder for Anti Submarine Warfare Shallow Water Craft (ASW SWC) and has given its willingness to accept L1 price for 08 Nos. Anti Submarine Warfare Shallow Water Craft (ASW SWC). Order is expected in Oct 2018 and project is expected to be completed during FY 2025-26.
5. Considering the current orders, about 25% of facilities for Large Ships and about 60% of facilities for Small Ships will idle from Mar 19 onwards.
6. Out of the balance order of Rs 20813 Cr, major component is of P-17A, which has to be delivered by 2025 (Rs 19284 Cr). The construction of P-17A will be commencing in early 2018 as per contractual stipulation. The VoP of GRSE has gone down to Rs. 928 Cr. in the FY 2016-17 as compared to Rs. 1661 Cr. achieved in FY 2015-16 due to lack of orders.

## GRSE ORDER BOOK

Project	Contract Value	Remaining Order -31 JAN 18	Delivery schedule
WJFACs	379.87	24.08	Last ship delivered in Jun 2017
P-28	7705.56	856.31	by Mar'19
LCUs	2169.00	482.54	by Mar'19
FPV	373.01	284.60	FY 2019-20
P-17A	19293.46	19165.90	FY 2025-26
<b>Total</b>	<b>29920.90</b>	<b>20813.43</b>	

**GSL:** Post completion of Phase 3A Modernisation in Aug 2016, GSL has capacity to construct 14 Steel/Aluminum ships up to 130M length concurrently under various stages of construction.

The current order book position of GSL is less than Rs 1700 Cr, which is spread over three years (till 2021), is resulting in extremely low capacity utilization of 40% currently. The hull construction shops for steel will be completely idle from end 2018 to 2021, till commencement of 1135.6 Naval Frigates 'nominated' to GSL.

The loading chart for Steel ship construction is as under:

Financial Year	Capacity Utilisation (%)	Spare Capacity
FY 17-18	42	8 Ships
FY 18- 19	30	9 Ships
FY 19-20	21	11 Ships

In view of the order book, resulting in extreme low capacity utilization and in view of GSL's track record of delivering all projects ahead of schedule, MOD has been approached for nomination of new projects for optimum capacity utilization of the shipyard.

**(For comments of the Committee, please see Para. No. 40 of Chapter I)**

## **CHAPTER V**

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

#### **Recommendation (Para No.28)**

During the course of the deliberations on the Demands for Grants (2018-19), the Committee felt flabbergasted to learn that construction of the road between Balipara to Tawang, for which the alignment works was done 30 years ago is yet to be completed. This is something beyond the comprehension of the Committee. The Committee desire that the work on this strategic road be completed in a time bound manner along with roads in Uttrakhand and the NE region. The Committee may be kept apprised of the initiatives taken and progress made in this direction.

#### **Reply of the Government**

Initially the road Balipara -Charwar- Tawang of length 317.52 Km was entrusted to BRO for construction to CL-9 specification. However, based on the requirement of the Army, the road was identified as an ICBR to be developed to double lane specifications. The present progress is as under:-

- |      |           |   |           |
|------|-----------|---|-----------|
| (i)  | Formation | - | 221.42 Km |
| (ii) | Surfacing | - | 153.40 Km |

Further, in order to expedite the completion of this road, 18 km of road stretch is planned to be executed through EPC Mode. DPR and feasibility report is under examination. In addition, a tunnel of length 2.265 Km at Sela Pass is planned to be constructed for which the DPR prepared is under examination.

### **CONSTRUCTION OF ROADS IN JAMMU AND KASHMIR**

#### **Recommendation (Para No. 29)**

During the course of the deliberations with the official representatives, issues pertaining to construction of the following important roads have been raised:

- i. Road from Shinkula Top to Janskar;
- ii. Road between Nimo, Padam and Darcha;
- iii. Connecting road from Nairak, Janskar to Himachal Pradesh;

Besides, concerns have also been expressed on the significant shortfalls in achieving the targets in execution of various projects due to non-conducive working environment.

The Committee desire that BRO should accord priority to the construction of these roads, which would enable in providing all weather connectivity of the Leh region with the other parts of the country. The Committee also express the need on the part of the Government to hold high level talks with the State Government of Jammu and Kashmir for creating a favourable working environment for BRO in executing the pending projects.

## **Reply of the Government**

In order to expedite the construction of road Darch –Nimmu- Padam, BRO has accepted tender for DPR preparation for 164 km of road length. Once the DPR is prepared and approved, RFP for EPC will be issued and the road will be outsourced. Further, MORT&H has been asked to prepare the DPR and feasibility report for the ShinkuLa tunnel.

Further, recently in the BRDB meeting, various issues such as land acquisition, forest Clearances and allocation of quarries were reviewed with J&K Government.

## **MONITORING SYSTEM TO TRACK BOATS**

### **Recommendation (Para No. 38)**

The Committee note that the ICG ships/ aircraft carry out patrolling/ aerial surveillance to monitor Indian fishing boats (IFBs) venturing into the sea and render assistance to fishermen in distress. Considering the importance of coastal surveillance, the Committee have, in their earlier report, recommended that the Coast Guard should have a proper monitoring system for tracking boats, which come to the harbours through its 42 Coast Guard stations functioning in different parts of the country.

The Committee also note that fitment of satellite based transponders onboard of boats of less than 20 mtrs. in length (i.e. sub-20 meter boats) operating across the country is under consideration by the government, which would facilitate real time monitoring of such vessels. The Committee, while welcoming this step, desire that the work of fitment of transponders in the boats should be done in a time bound manner so as to mitigate the possibility of any mishap. The Committee also desire that the issue of fishermen venturing into the waters of neighbouring countries should also be addressed through amicable means.

## **Reply of the Government**

A Committee constituted by Ministry of Home Affairs under Chairmanship of Secretary (Border Management) with representatives of Indian Navy, India Coast Guard, Defence Research & Development Organisation, Ministry of Defence, Ministry of Shipping, Department of Space, National Security Council Secretariat, and Government of Gujarat & Tamil Nadu have identified GSAT-6 technology suitable for the purpose. Proof of concept trials of the transponder based on GSAT-6 satellite for tracking boats less than 20 mtrs is presently being undertaken by Indian Navy and Indian Space Research Organisation.

## **BUDGETARY PROVISIONS**

### **Recommendation (Para No.64)**

The Committee are happy to note that the ceiling conveyed by Ministry of Finance for BE 2018-19 in respect of Defence Pension is Rs. 108853.30 crore, which is Rs. 3,243.30 crore more than the allocation of Rs. 105610 crore of the previous year. But the Committee also note that the Defence Pension Bill of Government continues to rise and it has increased by Rs. 23113.30 crore to Rs. 108853.30 crore from last year's expenditure of Rs. 85740 crore. In the year 2017-18, it was 23.82 percent of total Defence expenditure of Rs. 3,59,854.12 crore. This year it amounts to 26.91 percent of total Defence allocations of Rs.

4,04,364.71crore. As approximately 60,000 defence personnel retire every year from the forces, this percentage is definitely bound to rise and would eat up the scarce resources, which are a necessity for the modernization of our armed forces. The Committee understand and appreciate that a nation should look after its veterans well and provide all the facilities and financial benefits due to them but at the same time they also desire that the Government should seriously think of ways of reducing this burgeoning pension bill by introducing some other pension schemes or assured jobs after early retirement so as to reduce the pension obligations.

### **Reply of the Government**

Department of Expenditure, Ministry of Finance vide their O.M No. 1-2/2016-IC dated July, 2016 had conveyed approval of the Cabinet under heading “National Pension System(NPS)” that *“In view of the concerns expressed by the Staff Associations and other stakeholders and the observations of the Commission on NPS, a Committee of Secretaries comprising Secretaries of D/o Personnel and Training, D/o Financial Services and D/o Pensions & Pensioners’ Welfare may be set up to suggest measures for streamlining the implementation of the NPS.”*

The matter is proposed to be taken up with Department of Expenditure for obtaining updated status in the matter.

In regard to assured jobs after early retirement so as to reduce the pension obligations it is stated that personnel who are to retire/being retired from Service are detailed to undergo skill Resettlement Training Course at Central Govt./ State Govt. Institution/ Institution run by Govt. Regulatory Body/Institutes aligned to National Skill Development Corporation(NSDC) only. Such training enhances the skills of the personnel providing opportunities for resettlement.

### **EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (ECHS)**

#### **NON AVAILABILITY OF MEDICINES AND DOCTORS AT ECHS POLYCLINICS**

##### **Recommendation (Para No.73)**

During deliberations, the issue of non-availability of medicines and doctors at ECHS Polyclinics was raised. It has been pointed out that at times the veterans have to travel 70-80 kms to reach the polyclinics, and non-availability of doctors/medicines add to their woes. The Committee, in this regard, feels that opening of polyclinics in all the districts of the country may resolve some of the problems of the veterans. But ECHS has to ensure availability of medicines and doctors in polyclinics and for this purpose, services of retired doctors could also be taken. The Committee also welcomes the assurance given by MD ECHS that ECHS would be empanelling chemists all over the country and hope that this initiative would be operationalised at the earliest.

### **Reply of the Government**

Pan India Profile has been worked out and opening of new Polyclinics and sanction of requisite manpower is under consideration and approval of the same will result in efficient running of Polyclinics. Further in order to alleviate the difficulties faced by the ECHS

beneficiaries and streamline the supply and availability of not available medicines, the order regarding empanelment of Authorised Local Chemist with ECHS Polyclinics for supply of Non-available, emergent, life saving and essential drugs on as required basis has been issued.

## **ECHS FACILITY TO WORLD WAR-II VETERANS, EMERGENCY COMMISSIONED OFFICERS AND SHORT SERVICE COMMISSIONED OFFICERS**

### **Recommendation (Para No.74 & 75)**

#### **Recommendation (Para No.74)**

During deliberations, the Committee also came to know of the plight of World War-II veterans, Emergency Commissioned Officers and Short Service Commissioned Officers/war veterans of 1962, 1965 and 1971, who were released during the period between 1962 to 1968, with a discharge certificate which stated that their services were no longer required. They were discharged with Rs. 5000 as terminal benefit and no war time pension was considered. In the past, these officers were allowed to avail medical facilities as ex-servicemen at the military hospitals. However, on the introduction of Ex-Servicemen Contributory Health Scheme, the Directorate General of Armed Forces Medical Services barred these war veterans from availing facilities at military hospitals. The reason given was that these ex-servicemen are not in receipt of Defence pension. The Committee are not satisfied with the reasoning given by MD, ECHS for withdrawing the facility i.e. the Supreme Court stay order on the facility being extended by the Armed Forces Medical Services to these people; and the current mandate of ECHS is to provide support to only those ESMs who have been drawing pension from the Defence budget. The Committee are of the view that in such cases where the welfare of troops or veterans is involved, the Ministry should not litigate against it, that too, in Supreme Court, where the veterans may not able to bear the costs or stand a chance.

#### **Recommendation (Para No.75)**

The Committee also note from the statement of the MD, ECHS informing that ECHS has taken up the case with the Ministry for allowing and giving a waiver of the 'pensionary criteria' so that these people can be provided ECHS benefits. The Committee desire that the Ministry consider withdrawing the case from the Supreme Court and allowing the veterans of World War-II, 1962, 1965 and 1971 (Emergency Commissioned Officers and Short Service Commissioned Officer / war veterans) to avail ECHS facilities.

### **Reply of the Government**

As per the Govt. of India approved Ex-servicemen Contributory Health Scheme (ECHS), the medical health facility under ECHS scheme can be extended only to those who fulfil the following two conditions:

- (i) He must be an ESM
- (ii) He must be in receipt of pension from Controller of Defence Accounts.

Since Short Service Commissioned Officers (SSCOs)/Emergency Commissioner Officers (ECOs)/Veterans of 1962, 1965, 1971, Kargil war and World War-II are non pensioners hence they are not eligible to be granted ECHS facilities.

The proposal for grant to ECHS facilities to Short Service Commissioned Officers (SSCOs)/Emergency Commissioned Officers (ECOs)/Non Pensioner War Veterans of 1962, 1965, 1971 & Kargil War and World War-II Veterans is subjudice in the Hon'ble Supreme Court in cases being defended by DGAFMS.

This position was explained to Hon'ble RM in meeting held on 3.1.2017 and after considering the legal position he directed that a Health Insurance Policy be worked out. CO, ECHS after consultation with Insurance Companies submitted a note which was referred to MoD (Fin/Pen). MoD(Fin/Pen) advised that we should await a policy decision in the matter of Health Insurance Scheme for Central Govt. employees and pensioners to be taken by the Govt. of India in the light of recommendations of 7<sup>th</sup> CPC.

The matter was pursued vigorously with Ministry of Health & Family Welfare and Ministry of Finance for ascertaining the status of Health Insurance Scheme for employees and pensioners of Govt. of India. Ministry of Finance had advised that matter may be taken up with Ministry of Health & Family Welfare.

M/o Health & Family Welfare has intimated that Central Government Employees & Pensioners Health Insurance Scheme (CGEPHIS) for serving and retired employees is under consideration in consultation with concerned Ministry/Department and other stakeholders.

**New Delhi;  
4 January, 2019  
14 Pausa, 1940 (Saka)**

**Kalraj Mishra,  
Chairperson,  
Standing Committee on Defence**

**Annexure in r/o Recommendation (Para No.57)**

S.No.	Project	Comments
1.	<b>Armoured Recovery Vehicle (ARV)</b>	<p>1) MoD entered into a contract with BEML vide contract no 28244/ARV WZT-3(204)/GS/WE-15A/D GS(IV) dated 31<sup>st</sup> Oct 2011 (Rs.1400.85 Crore) for supply of 204 nos. of ARV WZT-3. The contract was based on “Buy Indian” category wherein 30% indigenization was mandatory. The contract was to be executed before 30<sup>th</sup> October 2014.</p> <p>2) Based on the MoD contract, BEML entered into a contract with M/s.Bumarspz.o.o.(currently M/s.PHO) on 17<sup>th</sup> January 2012 for supply of 204 nos. An addendum to the contract was signed during Feb 2012. M/s. Bumar did not execute the contract quoting certain vital economic reasons and raised certain points of delivery schedules.</p> <p>3) Based on the advice from MoD vide letter ref no PC-12(4)/2011-D(BEML) dt 13.09.2012 where in it is indicated that due to sensitivity of Inter Governmental relationship, BEML to further conduct discussion with M/s.Bumarspz.o.o (M/s.PHO). BEML had number of meetings with M/s.PHO on the subject. During this discussions technical scope, schedule &amp; increased indigenisation have been deliberated</p> <p>4) Meanwhile, BEML vide letter Ref no. D(D)/602/145/2015-16 dated 7<sup>th</sup> Oct 2015 requested MoD for dispensation on various contractual issues such as:-</p> <ul style="list-style-type: none"> <li>•Delivery Schedule extension</li> <li>• Reimbursement of Taxes &amp; Duties</li> <li>• Waiver of Liquidated damages</li> <li>• Retention of Exchange Rate Variation clause during extended contract period.</li> </ul> <p>5) BEML vide letter Ref no.D(D)/602/2830/2017-18 dated 28th Feb 2018 requested WE Directorate to consider for amendment of contract with Delivery date extension, incorporation of customs duty &amp; Reimbursement, Reimbursement of ERV and applicable taxes /duties at the time of supply.</p> <p>6) Dispensation on the above from MoD is still awaited.</p> <p>No cost over run.</p>
2.	<b>Sarvatra Bridging System</b>	<p>Contract for 22 sets Sarvatra Bridging system was signed with BEML on 26<sup>th</sup> Mar 2012 for an amount of Rs.573.98 Cr. As per contract, BEMEL had to supply set within 400 days of contract (i.e 26.03.2012) Balance within 3 Years 6 Months after accord of BPC</p> <p>The Sarvatra Bridging system had issues related to crack on the surface of the bridge, hinges and pier nut. These issues had to be addressed by the designer ie, R&amp;DE(E), DRDO. After a lapse of nearly two years, R&amp;DE(E) came out with material change in the bridge, hinge and change in the manufacturing process. Subsequent to these changes, BEML has supplied the pilot vehicles for BPC vehicles during Apr 2016. The BPC trials, DGQA &amp; MET evaluation are completed. The BPC is to be accorded by the order placing authority for Bulk Production. The delay in supply of the pilot sample is attributable to the design fault and R&amp;DE(E), DRDO. BEML has received delivery period extension for the pilot sample.</p> <p>On receipt of BPC, equipments will be delivered as per the time lines of the contract.</p>

		No cost over run.
3.	<b>Command Post vehicle: (CPV)</b>	<p>Contract for 43 Command Post Vehicles signed with M/s.BEML on 10<sup>th</sup> Dec 2015 for an amount of Rs.92.20 Cr.As per the contract a First of Production Model (FOPM) was to be delivered for validation trials by 10 Mar 2016. Balance within 9 months after accord of BPC.</p> <p>The CPV equipment was trial evaluated during 2007-08 and type approved. There were number of discussions between MoD&amp; BEML from RFQ stage ( Jul 2007 ) till the order placement (2015) on various technical &amp; commercial issues( including number of CNCs). Subsequently the contract was signed during Dec 2015.</p> <p>M/s.Speck Systems Pvt Ltd (SSPL) is the sub supplier for shelter with accessories to BEML. There were issues related the technical scope, upgradation of the Electronics related equipments (Ruggedised computer, GPS etc) which were to be resolved with M/s.SSL. After resolving these issues, BEML placed the order on M/s.SSL during Oct 2016. M/s.SSL delivered the 1<sup>st</sup> equipment during Jan 2017.</p> <p>The equipment was offered to DGQA for inspection before offering the equipment to BPC. The DGQA inspection involved CQA(L), CQA(R), CQA(E), CQA(I), CQA(BEML) as per ATP. There were number technical issues related to clearance by these agencies since the original equipment was trial evaluated during 2007-08 and the electronic related equipments had issues related to hardware &amp; software updates. Resolving various issues &amp; clearance by various DGQA agencies took about 10 months before offering to BPC. After clearance of FOPM on 12.10.17, the BPC was accorded on 30.11.2017. Presently, 13 equipments are under DGQA inspection. BEML proposes to supply 43 equipments within the stipulated delivery period as per contract post BPC.</p> <p>No cost over run.</p>

**STANDING COMMITTEE ON DEFENCE**

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON DEFENCE  
(2018-19)**

The Committee sat on Friday, the 4<sup>th</sup> January, 2019 from 1500 hrs. to 1645 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

**PRESENT**

**Shri Kalraj Mishra      -      Chairperson**

**MEMBERS**

**LOK SABHA**

- 2      Km Shobha Karandlaje
- 3      Smt Mala Rajya Laxmi Shah
- 4      Shri Dharambir Singh
- 5      Smt Pratyusha Rajeshwari Singh

**RAJYA SABHA**

- 6      Dr Ashok Bajpai
- 7      Shri Madhusudan Mistry
- 8      Shri Soumya R Patnaik
- 9      Shri G V L Narasimha Rao
- 10      Shri Ram Nath Thakur
- 11      Lt. Gen. Dr D P Vats

**SECRETARIAT**

- 1. Smt. Kalpana Sharma                      -      Joint Secretary
- 2. Shri Srinivasulu Gunda                      -      Director
- 3. Shri Rahul Singh                              -      Deputy 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 the following draft Reports for consideration and adoption:

- (i)      Action Taken by the Government on the Observations/Recommendations contained in the Fortieth Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions, Ex-Servicemen Contributory Health Scheme (Demand Nos. 19 and 22);

- (ii) Action Taken by the Government on the Observations/Recommendations contained in the Forty-first Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on Army, Navy and Air Force (Demand No. 20)';
- (iii) Action Taken by the Government on the Observations/ Recommendations contained in the Forty-second Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'; and
- (iv) Action Taken by the Government on the Observations/ Recommendations contained in the Forty-third Report (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 pertaining to Revenue Budget of Ordnance Factories, Defence Research and Development Organisation, DGQA and NCC (Demand No. 20)'.

3. After deliberation, the Committee adopted the above Reports and authorized the Chairperson to finalize and present the Reports to Parliament on a convenient date alongwith the Reports on Action Taken by the Government on the Observations/ Recommendations contained in the Thirty-second Report (16<sup>th</sup> Lok Sabha) on 'Creation of Non-Lapsable Capital Fund Account, instead of the present system' and Action Taken by the Government on the Observations/ Recommendations contained in the Thirty-third Report (16<sup>th</sup> Lok Sabha) on 'Resettlement of Ex-Servicemen', which were already adopted by the Committee on 14.11.2018.

4.       \*\*\*\*\*

The Committee then adjourned.

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

\*\*\*\*Does not pertain to the Reports.

## APPENDIX II

**ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE FORTIETH REPORT (16TH LOK SABHA) ON 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2018-19 ON GENERAL DEFENCE BUDGET, BORDER ROADS ORGANISATION, INDIAN COAST GUARD, MILITARY ENGINEER SERVICE, DIRECTORATE GENERAL OF DEFENCE ESTATES, DEFENCE PUBLIC SECTOR UNDERTAKINGS, WELFARE OF EX-SERVICEMEN, DEFENCE PENSIONS, EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (DEMAND NO. 19 & 22)'**

- 1. Total number of recommendations** **75**
- 2. Observations/Recommendations which have been accepted by the Government (please see Chapter II A):**  
  
**Recommendation Nos. 1, 2, 4, 16, 21, 22, 24, 25, 26, 27, 31, 32, 33, 34, 37, 39, 40, 41, 42, 43, 44, 53-54, 55, 57, 58, 59-60, 61, 65-69, 70-72**  
  

**Total : 37**  
**Percentage: 49.33 %**
- 3. Observations/Recommendations which have been accepted by the Government and are commented upon (please see Chapter II B):**  
  
**Recommendation Nos. 45, 46, 47, 48, 62 and 63**  
  

**Total : 06**  
**Percentage: 8%**
- 4. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):**  
  
**Recommendation No. 23, 35 and 36**  
  

**Total : 03**  
**Percentage: 4 %**
- 5. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee which require reiteration and to be commented upon (please see Chapter IV):**  
  
**Recommendation Nos. 3, 5-10, 11-13, 14-15, 17-20, 30, 49, 50-52 & 56**  
  

**Total : 22**  
**Percentage: 29.33%**
- 6. Observations / recommendations in respect of which Government have furnished interim replies (please see Chapter V):**  
  
**Recommendation Nos. 28, 29, 38, 64, 73, 74 & 75**  
  

**Total : 07**  
**Percentage: 9.33%**