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STANDING COMMITTEE ON DEFENCE

(2017-18)

(SIXTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2018-19)

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 & 22)

FORTIETH REPORT

LOK SABHA SECRETARIAT

NEW DELHI

March, 2018 / Phalguna, 1939 (Saka)

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(DEMAND NOS. 19 & 22)

Presented to Lok Sabha on 13.03. 2018

Laid in Rajya Sabha on 13 .03. 2018

LOK SABHA SECRETARIAT

NEW DELHI

March, 2018 / Phalguna, 1939 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

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

Lok Sabha

2. Shri Dipak Adhikari (Dev)
3. Shri Suresh C Angadi
4. Shri Shrirang Appa Barne
5. Col Sonaram Choudhary(Retd)
6. Shri Thupstan Chhewang
7. Shri H D Devegowda
8. Shri Dharambir Singh
9. Shri Jayadev Galla
10. Shri Sher Singh Ghubaya
11. Shri Gaurav Gogoi
12. Dr Murli Manohar Joshi
13. Km Shobha Karandlaje
14. Dr Mriganka Mahato
15. Shri Kalraj Mishra
16. Shri Partha Pratim Ray
17. Shri A P Jithender Reddy
18. Shri Rodmal Nagar
19. Shri B Senguttuvan
20. Smt Mala Rajya Lakshmi Shah
21. Smt Pratyusha Rajeshwari Singh

Rajya Sabha

1. Shri K R Arjunan
2. Shri A U Singh Deo
3 Shri Harivansh
4. Shri Madhusudan Mistry
5. Shri Basawaraj Patil
6. Shri Sanjay Raut
7. Smt Ambika Soni
8.# Dr Subramanian Swamy
9.* Shri Vivek K. Tankha

*** Resigned w.e.f. 16.11.2017**
 # Resigned w.e.f. 07.03.2018

SECRETARIAT

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

REPORT

PART - I

CHAPTER I

GENERAL DEFENCE BUDGET

Introductory

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

1.2 In the financial year 2016-17, the number of Demands for Grants in respect of the Ministry of Defence (MoD) was rationalized and reduced to 4 from the earlier 8.

They are as follows:

i) Grant No 19 – MoD (Miscellaneous)
ii) Grant No 20– Defence Services (Revenue)
iii) Grant No 21 – Capital Outlay on Defence Services
iv) Grant No 22 – Defence (Pension)

The heads/organisations/services covered under each demand is enumerated below:

Grant Number 19 - Civil Expenditure of the Ministry of Defence

The requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, JAK LI, Border Roads Organization, Military Farms, Ex-Servicemen Contributory Health Scheme etc., and Defence Pensions, are provided for in two separate Civil Demands for Grants of the Ministry of Defence, viz. Demand No.19 - MOD(Miscellaneous) and Demand No.22 - Defence Pensions. These are not included in the overall Defence Services allocation of Rs. 2,79,305.32 crores in Budget Estimates 2018-19.

Major components of Gross Revenue Expenditure in Revised Estimates 2017-18 are CSD (Rs. 17,000.00 crores), Defence Accounts Department

(Rs.1,483.65 crores), Coast Guard Organisation-CGO (Rs. 2,148.97 crores), MoD Secretariat (Rs. 212.09 crores), Defence Estates Organisation (DEO) (Rs. 439.72 crores) and Jammu & Kashmir Light Infantry (J&K LI) (Rs. 1,210.61 crores), etc. In the Capital outlay of MoD (Misc.) of Rs. 4,973.48 crores in the Revised Estimates 2017-18, the major allocations are for the Capital Outlay on other fiscal services- Customs (Rs.2,200.00 crores), BRO (2,708.46 crore), Construction of Office and Residential buildings (Rs. 16.38 crores & Rs. 33.06 crore) and Miscellaneous Loans for URC by CSD (Rs. 2.11 crores), etc. There is recoveries of Rs. 90.00 crore and Rs. 250.00 crore for RE 2017-18 and for 2018-19 respectively in r/o Border Roads Organization. BE & RE 2017-18 and BE 2018-19 includes Military Farms and ECHS.

The details are given below:

(Rs. in crore)

(Non-Plan + Plan)	*BE 2017-18*	*RE 2017-18*	*BE 2018-19*
Gross Revenue	*27,744.71*	*28,360.20*	*28,458.04*
Capital	*5,523.69*	*5,463.48*	*6,651.73*
Gross Expenditure	*33,268.40*	*33,823.68*	*35,109.77*
Receipts (CSD) (-)	17,737.50	17,125.00	17,625.00
Recoveries (BRO) (-)	*520.00*	*540.00*	*1,120.00*
Army (Receipts & Recoveries)	*158.68*	*158.68*	*158.68*
Net Expenditure	*14,852.22*	*16,000.00*	*16,206.09*

Grant Number 20 and 21

1.3 The Defence Services Estimates (DSE) reflects the detailed estimates for the Defence Services and Organizations / Services covered under Grant Number 20 and 21 of the Ministry of Defence. The Services and Organizations covered under DSE are as follows:

i. Army (including National Cadet Corps and Director General Quality Assurance, but excluding Military Farms and Employees Contributory Health Scheme)
ii. Navy (including Joint Staff)
iii. Air Force
iv. Defence Research and Development Organization (DRDO)
v. Defence Ordnance Factories

Grant Number 22- Defence Pensions

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

The position of budgetary allocation under this head is as under:

(Rs. in crore)

BE 2017-18	RE 2017-18	BE 2018-19
85,740.00	95,000.00	1,08,853.30

The requirement of Rs. 1,08,853.30 Cr. for BE 2018-19 has been worked out after taking in to account the variation of Rs. 23,113.30 crores over BE 2017-18 (Rs. 85,740.00 crores), which is mainly due to provision of normal growth in Pension and impact of Dearness Relief and impact of arrears of OROP. There is also increase in amount of Gratuity, Family Pension, Leave Encasement and Superannuation & Retirement Benefits as a result of increase in number of retirees.

Operating Expenditure of the three Services

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

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

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

Allocations for 2017-18

1.8 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) have been provided at 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 show 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 to bring the RE at Rs. 1,76,515.84 crore. In the Capital Outlay there is no increase and RE 2017-18 is same as BE 2017-18 of Rs. 86,488.01 crore.

1.9 Out of the Revised Estimates of Rs. 2,63,003.85 crore for 2017-18, the provision for Revenue expenditure was Rs. 1,76,515.84 crore, while that for Capital expenditure was Rs. 86,488.01 crore.

The major components of the net Capital expenditure of Rs. 86,488.01 crore are for Land – Rs. 437.65 crore, Works – Rs. 7,542.15 crore (incl. MAP), Aircraft – Rs. 29,350.45 crore, Heavy and Medium Vehicles (incl. DGOF Issues) – Rs. 2,023.61 crore, Other Equipment (incl. DGOF issues) – Rs. 25,840.53 crore (in respect of the three Services), Naval Fleet – Rs. 9,222.70 crore, Naval Dockyard – Rs. 2,002.49 and other items Rs. 10,068.43 crore.

Budget Estimates 2018-19

1.10 The Budget Estimates for 2018-19 work out to Rs. 2,99,107.93 crore (Gross) and Rs. 2,79,305.32 crore (Net). Details are as under:

(Rs. in crore)

S.No.	Demand	Major Head	B.E. 2017-18	R.E. 2017-18	BE 2018-19
1.	**20- Defence Services (Revenue)**	**2076- Army** (Revenue expdr of Army including NCC, Rashtriya Rifles & DGQA , but excluding Mil Farms & ECHS)	1,23,790.82	1,25,203.60	1,30,862.30
		2077- Navy (Revenue expdr of Navy and Joint Staff)	18,893.82	19,528.93	20,221.37
		2078-Air Force (Revenue expdr of Air Force)	26,102.33	28,509.61	30,121.27
		2079- Ord Fys (Revenue expdr of Def Ord Fys)	19,212.99	14,792.74	15,644.12
		2080- R&D (Revenue expdr of DRDO)	7,416.42	8,060.93	8,276.74
2.	**21- Capital Outlay on Defence Services**	**4076- Capital Outlay on Defence Services** (Capital expdr of all Services i.e (**Army excluding Mil Farms & ECHS, Navy including Jt.Staff, Air Force, Ord Fys, R&D, DGQA)**	86,488.01	86,488.01	93,982.13
		Total (Gross)	**2,81,904.39**	**2,82,583.82**	**2,99,107.93**
		Receipts/Recoveries	**22,642.49**	**19,579.97**	**19,802.61**
		Total (Net)	**2,59,261.90**	**2,63,003.85**	**2,79,305.32**

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

(Rs. in crore)

Service / Organisation	Revenue	Capital *	Total
ECHS	3,223.76	28.42	**3,252.18**
Military Farms	334.45	0.00	**334.45**
Total (Gross)	**3,558.21**	**28.42**	**3,586.63**
Receipts/Recoveries	**158.68**	**0.00**	**158.68**
Total (Net)	**3,399.53**	**28.42**	**3,427.95**

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

The **Gross** Revenue Expenditure in the Budget Estimates for 2018-19 is 68.58% of the gross allocation as compared to 69.39% in the Revised Estimates 2017-18. The Gross Capital Expenditure in the Budget Estimates 2018-19 is 31.42% as against 30.61% in the Revised Estimates 2017-18.

The **Net** Revenue expenditure in the Budget Estimates for 2018-19 is 66.35% as compared to 67.12% in the Revised Estimates, 2017-18. The Net Capital expenditure in the Budget Estimates 2018-19 is 33.65% as against 32.88% in the Revised Estimates 2017-18.

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

1.11 Details of net budget provided under the Defence Services Estimates (DSE) in Budget Estimates (BE) 2018-19 are tabulated below, along with details of BE, RE and actuals of the last five years:

(Rs. in crore)

Years	BE		RE		Actuals	
	Gross	Net	Gross	Net	Gross	Net
2012-13	1,98,514.90	1,93,407.29	1,83,604.49	1,78,503.52	1,87,469.00	1,81,775.78
2013-14	2,09,282.80	2,03,672.12	2,09,779.89	2,03,672.12	2,09,788.50	2,03,499.35
2014-15	2,45,664.72	2,29,000.00	2,41,298.25	2,22,370.00	2,37,394.23	2,18,694.18
2015-16	2,63,395.38	2,46,727.00	2,43,563.59	2,24,636.00	2,43,534.09	2,25,894.85
2016-17#	2,70,487.84	2,49,099.00	2,70,547.92	2,48,004.97	2,43,318.88	2,51,780.73
2017-18 $	2,81,904.39	2,59,261.90	2,82,583.82	2,63,003.85	2,51,655.01*	2,37,707.00 *
2018-19	2,99,107.93	2,79,305.32				

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

$ - Excludes Military Farms and ECHS

**Expenditure in r/o FY 2017-18 is upto 31st January, 18.*

1.12 During examination of Demands for Grants, the Ministry through a power point presentation before the Committee, submitted the following information:

Service	Revenue 2018-19	Revenue 2017-18	Capital 2018-19	Capital 2017-18	Total 2018-19	Total 2017-18
Army	1,28,076.53	1,21,027.05	26,825.67	25,213.68	1,54,902.20	1,46,240.73
Navy	19,571.37	18,493.82	20,848.16	19,348.16	40,419.53	37,841.98
Air Force	28,821.27	24,802.33	35,770.17	33,570.17	64,591.44	58,372.50
DGOF	727.28	1,184.27	803.68	803.68	1,530.96	1,987.95
DRDO	8,126.74	7,266.42	9,734.45	7,552.32	17,861.19	14,818.74
Total-DSE	1,85,323.19	1,72,773.89	93,982.13	86,488.01	2,79,305.32	2,59,261.90
Civil	10,624.36	9,760.53	5,581.73	5,091.69	16,206.09	14,852.22
Total					2,95,511.41	2,74,114.12
Defence Pension					1,08,853.30	85,740.00
Grand Total					4,04,364.71	3,59,854.12

1.13 On the Growth of Defence Budget, considering, the present rate of inflation as per the Economic Survey, rate of inflation in terms of Whole Sale Price Index (WSPI) and Consumer Price Index , the Ministry supplied the following information:

> 'Present annual rate of inflation as per the Economic Survey 2017-18 based on CPI- New Series has fluctuated 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 on yearly basis is 5.21% during December 2016-December 2017 period. Comparison with the growth of defence budget considering the CPI based inflation as per Economic Survey is as follows:

Defence Budget	2016-17 (Actuals)#	2017-18		2018-19 (BE)
		BE	RE	
Revenue Expenditure	1,65,409.93	1,72,773.89	1,76,515.84	1,85,323.19
Capital Expenditure	86,370.92	86,488.01	86,488.01	93,982.13
Total	2,51,780.73#	2,59,261.90	2,63,003.85	2,79,305.32
Defence Budget % Growth			4.46*	6.19**
Inflation Rate (CPI) Annually (%)			5.21	
Actual Increase Adjusting Inflation			0.75	

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

* Based on RE of 2017-18 over 2016-17 (Actuals).

** Based on BE of 2018-19 over 2017-18 (RE).'

As per Ministry's own information, the actual increase after adjusting inflation is just 0.75 percent at the time of 2017-18 (R.E.)

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

1.14 The allocation for Defence Budget including Civil estimates and Pension 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 on growth of Defence Services Estimates (Demand number 20 & 21) in comparison to central budget and GDP, in absolute and relative terms, for the last five years is given below:

(Rs. in crore)

Year	**Defence Expenditure**	**Total CGE (Actuals)**	**Def. Exp % of CGE**	**GDP**	**Def. Exp % of GDP**
2013-14	2,03,499	15,59,447	13.05	98,01,370	2.08
2014-15	2,18,694	16,63,673	13.15	1,05,36,984	2.08
2015-16	2,25,895	17,90,783	12.61	1,13,81,002	1.98
2016-17 (Actual)	2,51,781	19,75,194	12.74	1,21,89,854 (PE)	2.07
2017-18# (RE)	2,63,004	22,17,750	11.86	1,67,84,679 (RE)	1.56
2018-19 (BE)	2,79,305@	24,42,213	11.44	1,87,22,302 (Projection)	1.49

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

Note: GDP figures for 2014-15 to 2016-17 have been taken from Economic Survey 2017-18 (Vol-II). PE- Provisional Estimates

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

[In current US $ Million]

Country	2014			2015			2016		
	Def. exp.	**% of GDP**	**% of govt. exp**	**Def. exp.**	**% of GDP**	**% of govt. exp**	**Def. exp.**	**% of GDP**	**% of govt. exp**
China	[200772]	[1.9]	[6.58]	[214093]	[1.9]	[6.1]	[215176]	[1.9]	[6.2]
Pakistan	8655	3.3	17.3	9483	3.4	18.0	10063	3.4	18.1
USA	609914	3.5	9.9	596010	3.3	9.4	611186	3.3	9.3
Russia	84697	4.5	11.8	66419	4.9	13.8	69245	5.3	15.5
UK	59183	2.0	4.8	53862	1.9	4.7	48253	1.9	4.7

Figures in [bracket] are SIPRI Estimates

1.16 On specifically asked to allocate a fixed budget of about 3 percent of GDP to Ministry of Defence to ensure adequate preparedness of the defence services, the Ministry submitted the following information:

1.17 The recommendation of the Standing Committee for keeping a definite percent of GDP was referred to Ministry of Finance for their consideration, the same was not approved by Ministry of Finance. The relevant extract from Ministry of Finance's reply is reproduced below:

> 'Defence Expenditure is the second single largest expenditure on the Union Government, the first being expenditure on interest payments. Though specific requirements of Defence Services are provided in the budget, allocations to Ministries/Departments during the course of the year in Revised Estimates vis-à-vis budget Estimates depend on the progress of expenditure, committed liabilities and largely on resource position of the Government. Since Government resources come with definite cost, resource allocation is made among various competing priorities. Thus, Defence expenditure as definite percentage of total Government Expenditure/GDP cannot be ensured considering the fact the resource allocations are made on need basis. Rationalisation of the expenditure is the prime objective of the Government while finalising the Revised Estimates during mid-year review. The mid-year review exercise may need to be seen in this light.'

It may be seen from the above reply that every year defence budget as percentage of GDP is declining.

Projections made by the three Services

1.18 Details regarding the projections made by the three services, allocations made at BE and RE stage and the expenditure incurred during the last five years, and the projected outlay and BE allocation for 2017-18, separately for capital and revenue, are as follows:-

REVENUE *(Rs. in crore)*

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2012-13	Army	83,861.62	77,327.03	83,120.33	75,520.20	76,689.82
	Navy	15,835.71	12,548.02	15,765.78	11,401.91	11,833.65
	Air Force	19,887.73	17,705.81	20,942.36	17,103.72	17,529.02
2013-14	Army	93,355.38	81,119.20	91,294.13	85,516.45	85,030.92
	Navy	19,164.69	12,194.43	15,059.73	13,163.94	13,034.36
	Air Force	25,922.64	18,295.10	22,505.98	19,283.27	19,093.70
2014-15	Army	1,04,837.88	91,844.02	99,420.15	97,501.40	95,973.22
	Navy	19,570.57	13,975.79	15,753.51	13,935.79	13,678.87
	Air Force	27,073.41	20,506.84	22,368.56	20,185.86	19,741.06
2015-16	Army	1,09,758.22	1,03,315.91	1,04,408.45	1,00,106.78	1,02,847.18
	Navy	18,546.58	15,525.64	15,838.30	14,635.18	14,992.04
	Air Force	29,632.28	23,000.09	23,000.09	20,377.09	21,020.95
2016-17	Army	1,15,561.78#	1,12,764.62#	1,21,686.11	1,17,925.22	1,16,901.93
	Navy	18,502.56	17,424.79	19,348.23	17,813.99	17,136.77
	Air Force	25,728.60	23,655.83	23,817.22	23817.52	22856.44
2017-18	Army	1,52,491.22	1,19,961.51	1,29,287.59	1,21,451.80	1,11,435.07
	Navy	22,473.64	18,493.82	20,545.47	18,878.93	15,306.12
	Air Force	29,147.29	24,802.33	29,746.42	27,209.61	22,083.30(*)

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

**Expenditure is upto 31st January, 18.*
@ Navy includes Joint Staff

CAPITAL

(Rs in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2012-13	Army	28,234.60	19,237.80	18,971.09	15,749.30	14,760.69
	Navy	28,643.19	24,766.42	25,002.85	18,266.42	17,759.88
	Air Force	36,950.52	30,514.45	36,999.62	30,517.95	32,980.11
2013-14	Army	25,528.08	17,883.83	19,271.59	14,967.25	14,433.29
	Navy	33,775.53	24,149.03	27,290.06	20,418.98	20,358.85
	Air Force	64,607.84	39,208.84	65,825.22	37,750.44	38,614.93
2014-15	Army	41,936.15	26,533.60	23,832.67	21,933.54	18,586.73
	Navy	28,253.21	23,832.67	22,903.31	18,507.07	22,269.66
	Air Force	62,408.33	33,710.68	38,948.19	33,710.68	32,796.42
2015-16	Army	31,938.67	27,342.42	27,845.33	24,230.47	20,703.70
	Navy	26,268.13	25,003.24	25,152.20	19,740.06	19,874.69
	Air Force	46,191.96	33,686.75	35,780.78	30,442.15	31,198.32
2016-17	Army	37,960.18#	26,935.81#	34,489.90	24,017.86	28,462.11
	Navy	30,223.31	22,000.09	22,530.04	19,596.28	19,996.88
	Air Force	41,266.41	29,795.42	36,512.95	28,239.86	30,414.79
2017-18	Army	42,485.93	25,205.71	40,791.43	25,205.71	22,066.48
	Navy	28,591.56	19,348.16	27,717.41	19,348.16	16,436.03
	Air Force	62,048.85	33,570.17	52,548.50	33,570.17	33,992.20 (*)

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

**Expenditure is upto 31st January, 18.*

REVENUE+CAPITAL

(Rs. in crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2012-13	Army	112,096.22	96,564.83	102,091.42	91,269.50	91,450.51
	Navy	44,478.90	37,314.44	40,768.63	29,668.33	29,593.53
	Air Force	56,838.25	48,220.26	57,941.98	47,621.67	50,509.13
2013-14	Army	118,883.46	99,003.03	110,565.72	100,483.70	99,464.21
	Navy	52,940.22	36,343.46	42,349.79	33,582.92	33,393.21
	Air Force	90,530.48	57,503.94	88,331.20	57,033.71	57,708.63
2014-15	Army	1,46,774.03	118,377.62	123,252.82	119,434.94	114,559.95
	Navy	47,823.78	37,808.46	38,656.82	32,442.86	35,948.53

	Air Force	89,481.74	54,217.52	61,316.75	53,896.54	52,537.48
2015-16	Army	1,41,696.89	1,30,658.33	1,32,253.78	1,24,337.25	1,23,550.88
	Navy	44,814.71	40,528.88	40,990.50	34,375.24	34,866.73
	Air Force	75,824.24	56,686.84	58,780.87	50,819.24	52,219.27
2016-17	Army	1,53,521.96#	1,40,675.80#	1,69,576.52	141943.08	145364.04
	Navy	48,725.87	39,424.88	41,878.27	37410.27	37133.65
	Air Force	66,995.01	53,451.25	60,330.17	52057.38	53271.23
2017-18	Army	1,94,977.15	1,45,167.22	1,70,079.02	1,46,657.51	1,33,501.55*
	Navy	51065.20	37841.98	48262.88	38227.09	31,742.15*
	Air Force	91,196.14	58,372.50	82,294.92	60,779.78	56,075.50.*

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

**Expenditure is upto 31st January, 18.*

1.19 Details of Service-wise Projections and Allocation made under Capital and Revenue heads for 2018-19:-

(Rs. in crore)

Service	Revenue		Capital		Total Allocation (Revenue + Capital)
	Projection	Allocation	Projection	Allocation	
Army	1,51,814.73	1,27,059.51	44,572.63	26,815.71	1,53,875.22
Navy	20,188.25	16,618.88	35,695.41	20,003.71	36,622.59
Joint Staff	3,559.50	2,952.49	2,237.03	844.45	3,796.94
Air Force	35260.79	28,821.27	77,694.74	35,770.17	64,591.44

The allocated funds will be optimally and fully utilized towards operational activities. Based on expenditure during the year, additional funds may be sought at Supplementary/ RE stage and depending on the budget allocation, the schemes will reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

Revenue Capital Ratio

1.20 To ensure that all the Services are in 'war ready' mode, the Committee recommended in their earlier reports that it is essential to have Revenue Capital Ratio, in favour of the capital segment. The Committee desire to have updated information on this. The Ministry in a written note submitted the following information:

> 'This Ministry proposes projections made by the services under Revenue and Capital Budget to Ministry of Finance for favourable consideration. Ministry of Finance conveys ceilings separately for Revenue (Salary and Non-Salary) and Capital, based on which funds are allocated to services. The procedure followed for allocation involves trend of expenditure, projections made by the services, Committed Liabilities to be fulfilled etc. Therefore, it may not be possible to maintain a particular ratio in favour of Capital or Revenue. However, every effort is made to ensure that no project/ proposal is shelved for want of funds. As and when required additional funds are sought from Ministry of Finance. In absence of receipt of additional funds requirements are reprioritized for optimum utilization of available resources.'

1.21 During oral evidence, on the issue of more emphasis on Capital in Revenue Capital ratio, the Defence Secretary apprised the Committee as under:

> "The point on which I wanted to draw your attention is that we have not been able to change the ratio. There has been a minor change. This time, our capital budget because of our very good utilization this year, the Government gave us some extra money on the capital side. That is why, it has changed very little. Only in decimal points it has been changed."

The Defence Secretary admitted before the Committee that Ministry of Finance is not supporting Ministry of Defence as per its requirement.

1.22 During oral evidence, on lesser allocation to the Services, Financial Advisor, Defence Services, apprised the Committee as under:

> 'We get the ceiling from the Finance Ministry. We communicate to each services and then each service, within the money available, prioritises it.'

1.23 The capital and revenue ratio for the three services for the last five years is given below:

Year	Service	Revenue	Capital
2012-13	Army	80	20
	Navy	34	66
	Air Force	37	63
2013-14	Army	82	18
	Navy	34	66
	Air Force	32	68
2014-15	Army	78	22
	Navy	37	63
	Air Force	38	62
2015-16	Army	83	17
	Navy	43	57
	Air Force	40	60
2016-17	Army	80	20
	Navy	46	54
	Air Force	43	57
2017-18 (RE)	Army	83	17
	Navy	49	51
	Air Force	45	55

1.24 During presentation before the Committee, the Committee were apprised that under Capital Budget at Revised Estimates 2017-18 stage against the projection of Rs 1,32,212.34, only Rs 86,488.01 were allocated. Under the same head in BE 2018-19, projection was for Rs 1,72,203.3 crore but allocation is just Rs 93,982.13 crore. Out of this Committed Liabilities are to the tune of Rs. 1,10,043.78 crore. Surprisingly, the allocation is much more less than the Committed Liabilities.

1.25 On the allocation under non salary Revenue head, the Committee were informed that at Revised Estimates 2017-18 stage against the projection of Rs 57,917.94 crore, only Rs 44,150.57 were allocated. Under the same head in BE 2018-19, projection was for Rs 80,160.02 crore but allocation is just Rs 46,339.62 crore.

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

1.26 The Ministry submitted the following information:

'Under the revenue segment, provision is first made for salary and other obligatory expenses. The balance allocation available is distributed to meet the requirement of stores (including ordnance), transportation (of personnel and stores), revenue works and maintenance, etc.

In so far as the capital segment is concerned, funds are first set aside to meet the projected Committed Liabilities likely to materialise during the year. The remaining allocation is distributed to meet the projected requirement for other items. The procurement plan for capital modernization schemes may have to be reviewed and re-prioritized, based on available funds.

Efforts are made to ensure that no compromise is made on expenditure on operational requirements.'

Additional allocation sought by the three Services

1.27 The Ministry was asked to furnish the details of separately for each of the services/ organisations and the actual allocation given to them during the last 5 years. In case of reduction, furnish the reasons adduced for the same by the Ministry of Defence and Ministry of Finance respectively, i.e. separately for the two Ministries. The Ministry submitted the following information:

(Rs. in crore)

Year	Service	BE	RE		Additional amount sought in RE
		Allocated	Projected	Allocated	
2012-13	Army	96,564.83	102,091.42	91,269.50	5,526.59
	Navy	37,314.44	40,768.63	29,668.33	3,454.19
	Air Force	48,220.26	57,941.98	47,621.67	9,721.72
2013-14	Army	99,003.03	110,565.72	100,483.70	11,562.69
	Navy	36,343.46	42,349.79	33,582.92	6,006.33
	Air Force	57,503.94	88,331.20	57,033.71	30,827.26
2014-15	Army	118,377.62	123,252.82	119,434.94	4,875.20
	Navy	37,808.46	38,656.82	32,442.86	848.36
	Air Force	54,217.52	61,316.75	53,896.54	7,099.23
2015-16	Army	1,30,658.33	1,32,253.78	1,24,337.25	1,595.45
	Navy	40,528.88	40,990.50	34,375.24	461.62
	Air Force	56,686.84	58,780.87	50,819.24	2,094.03

2016-17	Army	1,39,700.43#	1,69,576.52	1,41,943.08	2,242.65
	Navy	39,424.88	41,878.27	37,410.27	-2,014.61
	Air Force	53,451.25	60,330.17	52,057.38	-1,393.87
2017-18	Army	145167.22	1,70,079.02	1,46,657.51	1,490.29
	Navy	37841.98	48,262.88	38,227.09	385.11
	Air Force	58372.50	82,294.92	60,779.78	2,407.28

While allocating lesser funds than projected, though Ministry of Finance has not furnished any reasons for the same, the trend of expenditure is taken under consideration for deciding on allocations.'

Authorized and existing (held) Force Level

1.28 On the issue of required, Authorized and existing (held) Force Level, Armaments, Equipment, Aircraft, Tanks, Bullet Proof Jackets, Radars, Missile Defence System in respect of three Services for the last five years, efforts made by the Ministry to fill the gaps and budgetary provision to procure above items in the DFG 2018-19, the Ministry submitted the following information:

1.29 The details of authorized and existing (held) force level is given below:-

	Army		**Navy**		**Air Force**	
	Officers (as on 1.7.2017)	**JCOs/ORs (as on 1.7.2017)**	**Officers (as on 31.10.2017)**	**Sailors (as on (as on 31.10.2017)**	**Officers (as on 1.9.2017)**	**Airmen (As on 1.9.2017)**
Sanctioned Strength	49,932	12,15,049	11,827	71,656	12,550	1,42,529
Existing Strength	42,253	11,94,864	10,393	56,835	12,404	1,27,172

1.30 In a written note, the Ministry has stated that the details regarding armaments, equipment, aircraft, tanks, bullet proof jackets, radars, missile defence system in r/o Indian Armed Forces is sensitive in nature and if required the information would be provided for perusal of the chairman at the time of presentation/ Oral evidence.

1.31 It has further stated that the recruitment in the Armed Forces is a continuous process. The Government has taken 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.

1.32 Recruitment of Personnel Below Officers Ranks (PBORs) in Army is carried out through Open Rally System being conducted regularly throughout the country. Efforts are made to cover entire country including remote and tribal areas. In Navy, regular recruitment drives are undertaken, covering all States/ Regions for recruitment of sailors. Recruitment of Airmen in Air Force is on all India basis through scheduled selection tests. In addition, recruitment rallies are also conducted in different parts of the country including tribal areas to provide opportunity to youth to join the Armed Forces.

1.33 In order to meet the requirement of armed forces and fill the gap in respect of armament, equipment, aircraft, tanks, bullet proof jackets, radars, missile defence system etc. the procurement as per requirement of the armed forces is done through capital and revenue procurements as per the provisions of the Defence Procurement Procedure (DPP) and Defence Procurement Manual (DPM) respectively.

1.34 The budgetary provisions are made keeping in view the requirement of the armed forces with regard to above.

During examination of Demands for Grants 2017-18, the issue was raised and the Committee had recommended for providing five years compulsory military service to such aspirants wanting to directly join Central and State Government Gazetted services. The Ministry in its Action Taken Reply 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) whose response is awaited.

Defence Preparedness

1.35 The Committee in their earlier Reports on Demands for Grants had expressed their dissatisfaction with the information provided by the Ministry on Defence on Preparedness as it merely stated that 'modernization and capability development of the Armed Forces is a dynamic and continuous process based on operational requirements and threat perception and that the Government was fully seized of the security needs of the Country. Appropriate steps are taken to ensure that the security concerns pertaining to the borders are adequately addressed through various measures including accretion of manpower, procurement of right mix of modern and conventional weapons & equipment, ammunition and infrastructure development. These are prioritized and progress of expenditure is closely monitored. Ideal mix of State of Art, Current & Vintage weapon/equipment is 30:40:30 and efforts are made to achieve it.

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

1.37 In respect of Air Force, the Committee found that a lot of projects piled up for contract during the Financial Year 2016-17. These related to Rafale fighter aircraft, Medium Lift Helicopter Upgrade, Transport Aircraft along with Associated Equipment as Avro Replacement, Additional Mi-17 V5, Manoeuvrable Expendable Aerial Targets (MEAT), Additional Akash missile system, New Generation Precision Guided Munitions, Reconnaissance Pods for Su-30 MKI, Weapons for Advance Light Helicopters for Advance Light Helicopter etc.

1.38 The Committee were of the view that on one hand the LTIPP was finalized with intricate participation of the Services and the Ministry of Defence and on the other, the Ministry of Defence did not appear to be realistic in budget allocation as the Budget of DRDO was not suffice even for ongoing projects and revenue commitments and major projects for meeting the future technology requirements have been put on hold due to pending allocation of funds.

1.39 As there are security concerns all over the world. Besides the conventional threats, there are threats for non-conventional sources as well from terrorist organisations. Therefore, the Committee called for certain information relating to Defence Preparedness of the Forces including fighting a 'two front war' again during the course of examination of Demands for Grants 2018-19. The Committee also desired to have the details of right ratio of conventional, modern and state of the art weapons as well as their life span prescribed by the manufacturer at the time of induction of each weapon system. The Committee also wanted to know whether there is any shortage of weapons and ammunition to maintain credible deterrence capability at present and for how many days the country can fight in case of sudden war.

1.40 The Ministry submitted the following information through a written note:

> 'Government is fully seized of the security needs of the country and it regularly review the threat perception to secure our borders and protect national interest. Appropriate measures are taken through development of infrastructure as well as accretion and modernization and deployment of defence forces to safeguard the sovereignty, territorial integrity and security of India. Military capacity enhancement and modernization of armed forces including armament and ammunition is a dynamic and continuous process and is done in consonance with our threat perception.
>
> In order to meet the requirement of arms and other equipments required by armed forces in order to have desired level of defence preparedness. The necessary armaments, aircraft, missiles, ships, tanks and other equipment etc. are procured

as per Defence Procurement Procedure (DPP) and Defence Procurement Manual (DPM) applicable for Capital and Revenue Procurements, respectively.'

Chief of Defence Staff

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

'The Group of Ministers (GoM) constituted by the Government to review the recommendations of the Kargil Review Committee and to formulate specific proposals for implementation, had *inter-alia*, recommended in its report, the establishment of the post of Chief of Defence Staff (CDS). The recommendations made in the report of the GoM was approved by the Government on May 11, 2001, with the stipulation that a view on the recommendation relating to the creation of the post of the CDS, will be taken, after consultation with various political parties. The process of consultation with the political parties was initiated in March 2006, with Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS. Replies were not received from all political parties.

In the interim, the Naresh Chandra Task Force (NCTF) on National Security, set up by the Government in May 2011, had in their report recommended establishment of a Permanent Chairman, Chiefs of Staff Committee (COSC). MoD‟s views in this regard have already been conveyed to NSCS. The recommendations were considered and placed before the CCS on 29.04.2014. NSCS had conveyed the approval of CCS for other recommendations for implementation.

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 this reply repetitive and routine in nature.

CHAPTER II

BORDER ROADS ORGANISATION

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

Projections made by Border Roads Organisation

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

(Rs in crore)

YEAR	AGENCY	BE Allotment	Final Allotment	Expenditure
2014-15	General Staff (GS)	3223	2819.00	2896.52
	Ministry of Road Transport & Highways (MoRT&H)	1091	756.10	711.85
	Ministry of External Affairs(MEA)	57	54.38	54.07
	Ministry of Home Affairs (MHA)	65	56.00	52.64
	Ministry of Defence (MoD)	310	281.71	276.64
	Ministry of DoNER	7	7	6.97
	Deposit	60	65.02	30.41
	Total	**4813**	**4039.21**	**4029.10**
2015-16	GS	3481	3316.22	3276.70
	MoRT&H	540	434.00	432.15
	MEA	76	56.31	56.22
	MHA	60	60.00	59.17
	MoD	442	447.08	440.14
	M DoNER	10	10.00	9.95
	Deposit	59	37.09	37.09

	Total	**4668**	**4360.70**	**4311.42**
2016-17	GS	3526	3790.87	3881.12
	MoRT&H	400	338.00	337.22
	MEA	57	40.62	40.51
	MHA	74	74.20	72.07
	MoD	845	602.04	606.01
	M DoNER	3	5.00	4.95
	Deposit	60	70.15	27.98
	Total	**4965**	**4920.88**	**4969.86**
2017-18 (upto Dec 2017)	GS	4168.20	4180.69	2918.11
	MoRT&H	370.00	Not yet allocated	169.12
	MEA	35.08		29.95
	MHA	101.62		58.21
	MoD	523.60		497.05
	M DoNER	5.00		4.72
	Deposit	70.94		12.28
	Total	**5274.44**	**4180.69**	**3689.44**
YEAR	**AGENCY**	**BE Allotment**	**Final Allotment**	**Expenditure**
2018-19	GS	4426.16	-	-
	MoRT&H	Not yet allocated	-	-
	MEA		-	-
	MHA		-	-
	MoD		-	-
	M DoNER		-	-
	Deposit		-	-
	Total	**4426.16**	-	-

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

(Rs. in crore)

Year	Agency	Capital Budget		Revenue Budget		Total Allotment	Total Expenditure
		Allotment	Expenditure	Allotment	Expenditure		
2013-2014	GS	1799.27	1850.21	962.73	969.39	2762	2819.60
	MoRTH	818	765.01	188	138.30	1006	903.31
	MEA	0	0	35.16	34.57	35.16	34.57
	MHA	58	59.89	0	0	58	59.89
	MoD	242.00	237.55	9.40	9.29	251.40	246.84
	Others & Deposit	65.80	37.83	0	0	65.80	37.83
	Total	**2983.07**	**2950.49**	**1195.29**	**1151.55**	**4178.36**	**4102.04**
2014-2015	GS	1737.46	1834.09	1081.54	1062.43	2819.00	2896.52
	MoRTH	607.60	567.05	148.50	144.80	756.10	711.85
	MEA	0	0	54.38	54.07	54.38	54.07
	MHA	56	52.64	0	0	56	52.64
	MoD	273.30	268.25	8.41	8.39	281.71	276.64
	Others & Deposit	72.02	37.38	0	0	72.02	37.38
	Total	**2746.38**	**2759.41**	**1292.83**	**1269.69**	**4039.21**	**4029.10**
2015-2016	GS	2154.80	2104.86	1161.42	1171.84	3316.22	3276.70
	MoRTH	294	293.64	140	138.51	434	432.15
	MEA	0	0	56.31	56.22	56.31	56.22
	MHA	60	59.17	0	0	60	59.17
	MoD	433	427.50	14.08	12.64	447.08	440.14
	Others & Deposit	47.09	47.04	0	0	47.09	47.04
	Total	**2988.89**	**2932.21**	**1371.81**	**1379.21**	**4360.70**	**4311.42**

2016-2017	GS	2517.53	2587.46	1273.34	1293.66	3790.87	3881.12
	MoRTH	223.00	222.47	115.00	114.75	338.00	337.22
	MEA	0	0	40.62	40.51	40.62	40.51
	MHA	73.81	71.81	0.38	0.27	74.20	72.08
	MoD	580.73	584.71	21.31	21.30	602.04	606.01
	Others & Deposit	75.15	32.92	0	0	75.15	32.92
	Total	**3470.22**	**3499.37**	**1450.65**	**1470.49**	**4920.88**	**4969.86**
2017-2018 (upto Dec 2017)	GS	2779.66	2134.47	1388.54	783.64	4168.20	2918.11
	MoRTH	250.00	94.21	120.00	74.91	370.00	169.12
	MEA	0	0	35.08	29.95	35.08	29.95
	MHA	100.62	57.62	1.00	0.59	101.62	58.21
	MoD	560.08	490.71	13.06	6.34	573.14	497.05
	Others & Deposit	75.94	17.00	0	0	75.94	17.00
	Total	**3766.76**	**2794.01**	**1557.68**	**895.43**	**5323.98**	**3689.44**

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

With a view to improve the quality of maintenance, DGBR has been delegated powers to fix rates for maintenance and snow clearance grants.

Additional allocation sought by the BRO during the year 2017-18.

2.5 The details of additional allocation sought by BRO under GS during the FY 2017-18 are given below:-

a. An additional amount of Rs 1405.88 Crore was sought from Ministry of Finance (MoF) during the First batch of Supplementary Demand for Grants2017-18.
b. An additional amount of Rs 181 Crore was sought from MoF during the Second batch of Supplementary Demand for Grants2017-18.
c. An additional amount of Rs 181 Crore has been sought from MoF at the RE stage.

The present status of expenditure up to December 2017 is given below:-

Major Head	BE Allocation (in Rs crores)	Expenditure (in Rs crores)	% Expenditure
Revenue			
2052	592.71	359.19	61
3054	707.83	406.84	57
2552	8.80	-	-
3601	79.20	17.61	54
Total Revenue	**1388.54**	**783.64**	**58**
Capital			
5054	2743.46	2134.47	77
4552	36.20	-	-
Total Capital	**2779.66**	**2134.47**	**76**
Grand Total	**4168.20**	**2918.11**	**70**

Compromises likely to be made due to reduced budgetary allocation

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

‘Ministry of Finance (MoF) imposes ceiling on the allocation of budget at the Budget Estimate (BE) and Revised Estimate (RE) stage, based on the actual expenditure incurred during the last financial year and in the current financial year respectively.

Budget constraint gets enhanced since BRO is a work charged Organisation due to which the Pay and allowances of BRO Personnel is kept as liability for the next financial year and full utilization of resources could not be done. In order to circumvent this problem and to increase the pace of expenditure following steps have been taken:-

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

2.7 While deposing before the Committee, the Defence Secretary, apprised on the requirement of Budget for BRO

“There are problems, obviously. Particularly in this case, if we get additional support, we will be in a position to make a big impact on the Indo-China Border Road. If you are aware, Finance Minister told us to make Sela Pass. If we have to do this project, we will need additional fund. The DPR is ready; additional fund should be given immediately for Sela Pass project.”

2.8 Financial Advisor Defence Service also supplemented Defence Secretary:

" I will supplement what the Defence Secretary has said. Total salary bill of border roads is Rs. 2100 crore. To have this kind of workforce, we require minimum Rs. 10,000 crore and there is a need for it. "

2.9 During oral evidence, DGBR also apprised the Committee as under:

" This year, we have made a slight policy change and we are going to give for the ICBRs because these have a fixed timeline of 2022. Dedicated fund is being allocated for east ICBR out of my budget. While I understand this may affect the other GS roads to some extent, this is a criticality for the nation and we have taken this. So, we will be allocating the budget ICBR-wise first."

Status of roads in difficult areas in Uttrakhand and North East region

2.10 On a specific information regarding Uttarakhand and North East region the Ministry submitted:

'Out of the 530 roads of length 22803 km, identified by the Army for construction/ improvement , 27 roads of length 1,117 Km are in the state of Uttarakhand and 187 roads of length 10,163 Km are in the North Eastern Region (excluding roads in Bhutan).

2.11 Further, as regards to the Indo–China border roads (ICBRs) the details are given below:-

Name of agency	Total Nos of roads		Nos of Roads completed		Nos of Roads under progress	
	Nos	Length (in km)	Nos	Length (in km)	Nos	Length (in km)
Arunachal Pradesh	27	1791.96	15	662.55	12	1129.41
Sikkim	03	61.98	01	8.46	02	53.52
Uttarakhand	14	354.80	03	33.25	11	321.55
Total	**44**	**2208.74**	**19**	**704.26**	**25**	**1504.48**

2.12 During deliberations few members raised issues regarding construction of Road between Balipada to Tawang which was pending since a very long time. Even alignment of the road has been done 30 years ago but road has not completed yet.

Reason for delays in execution of road projects

2.13 There are certain delays in execution of road projects mainly due to the following reasons:-

a. Delay in Forest/Wild life clearance
b. Hard rock stretches
c. Limited work in season
d. Difficulties in availability of construction material
e. Due to natural disaster resources are diverted
f. Delay in land acquisition
g. Poor performance of contractors
h. Non availability of local labour

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

Construction of roads in Jammu and Kashmir

2.14 During deliberations few members raised issues regarding construction of following important road:

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

Besides this Members also raised issue relating to significant shortfalls in achievement of targets in execution of various projects due to non-conducive working environment.

Handing over of roads constructed by BRO to PWD

2.15 During deliberations, the issue of handing over to roads constructed by BRO to PWD has also crept up. The Members raised the issue as many places, the roads were not handed over to PWD for maintenance.

2.16 Few Members also suggested that in difficult area like Badrinath, the maintenance allocated to PWD should also be withdrawn and given to BRO as PWD does not have the required infrastructure and equipment.

Difficulties faced by the Organization in maintenance of existing road

2.17 In reply to a question the Ministry mentioned that the following difficulties are faced by BRO in maintenance of existing roads: -

(i) Adverse and harsh climatic conditions. (Sever cold/snow covered areas)

(ii) Non availability of sufficient labour.

(iii) Limited working season due to prolonged monsoons from May to September every year.

(iv) Repeated damages due to landslides, natural calamities i.e. flash floods and cloud burst.

(v) Non allocation of stone/sand quarries by the State Governments.

(vi) Weak geological strata/formation especially in North Eastern region causing sinking/formation breaches.

(vii) Due to insurgency affected areas.

(viii) Reduction in allocation of maintenance budget affects resurfacing works, maintenance and snow clearance of roads.

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

Cost of construction of roads by BRO vis-à-vis NHAI

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

2.19 However, the cost of construction of roads by BRO and MoRT&H is given below:-

Description of work	**Hilly terrain rate per km (in Crore)**	
	BRO	**MoRT&H**
New double lane road	11.32	20.02
Improvement to double lane specification	9.15	13.64

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

Type of road	**Type of terrain**	**Rate in BRO (in Lacs) km/year**	**Rate in MoRT&H (in Lacs) km/year**
Class-9	**Hilly**	3.08	**2.5** However, in most of the cases separate cost of maintenance of roads in respect of NHAI is not available since works are inclusive of maintenance cost for a period of liability.
Intermediate width		4.00	
Double Lane		4.93	

Shortage of manpower

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

Srl No	**Year**	**Authorized strength (in Nos)**	**Held (in Nos)**
i	2013-14	42646	35310
ii	2014-15		34877
iii	2015-16	41600	35059
iv	2016-17		34693
v	2017-18		34671

2.22 The Ministry has stated 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 authorization strength is not posted as part of Under Posting Plan (UPP). Therefore, the requirement of manpower accordingly varies from year to year. Accordingly, the vacancies are projected to SSC and advertised for recruitment departmentally after factoring in the increase/decrease on account of SA/UPP at any given point oftime.

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

Year	**Post**	**Nos of Vacancies advertised**	**Officers joined BRO**
2013	AEE (Civ)	53	17
	AEE (E&M)	09	02
2014	AEE (Civ)	80	19
	AEE (E&M)	18	04
2015	MO-II	20	01
2016	AEE (Civ)	66	15
	AEE (E&M)	24	05
2017	AEE (Civ)	82	-
	AEE (E&M)	16	-
Total	**AEE (Civ)**	**281**	**51**
	AEE (E&M)	**67**	**11**
	MO-II	**20**	**01**

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

Year	Post	Nos of Vacancies advertised	Candidates inducted
2013	Laboratory Assistant	6	5
	Hindi Typist	11	7
	Vehicle Mechanic	111	111
	Driver MT (OG)	612	429
	OEM (OG)	149	88
	Total	**889**	**684**
2016	Draughtsman	52	11
	Supervisor Store	6	-
	Supervisor Nursing	6	-
	Hindi Typist	8	-
	Vehicle Mechanic	133	-
	Welder	13	-
	MSW Mess Waiter	16	-
	MSW Nursing Assistant	65	-
	MSW DES	384	-
	MSW Mason	154	-
	MSW Cook	330	-
	Driver MT (OG)	475	-
	Driver RR (OG)	73	-
	OEM (OG)	139	-
	Total	**1854**	**11**

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

Year	Post	Nos of Vacancies advertised	Candidates inducted
2013	LDC	146	90
2014	Junior Engineer (Civil)	861	394
	Junior Engineer (E&M)	119	25
	Junior Hindi Translator	5	-
	LDC (PH)	10	3
2015	Junior Engineer (Civil)	651	Under process.
	Junior Engineer (E&M)	134	
2016	UDC	128	

CHAPTER III

INDIAN COAST GUARD

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

(a) United Nations Convention on the Laws of the Sea (UNCLOS) in 1973, which awarded Exclusive Economic Zone to all coastal states.

(b) Rampant smuggling and poaching in the Indian waters.

(c) Discovery of oil in Mumbai High and consequent development of high value offshore installations.

3.2 Consequently, a committee constituted by the Government of India in 1974 recommended the setting up of a separate Coast Guard Organisation for peace-time charter. Accordingly, in January, 1977, the Cabinet approved raising of the Indian Coast Guard. An interim Coast Guard came into being on 01 February 1977, and was formally established on 19 August 1978 with the enactment of the Coast Guard Act

<u>Role and responsibilities</u>

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

(a) It shall be the duty of the Coast Guard to protect by functions of such measures, as it thinks fit, the maritime and other Coast Guard national interests of India in the maritime zones of India.

(b) Without prejudice to the generality of the provisions of sub-section (a), the measures referred to therein may provide for:-

(i) Ensuring the safety and protection of artificial islands, offshore terminals, installations and other structures and devices in any maritime zone.

(ii) Providing protection to fishermen including assistance to them at sea while in distress.

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

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

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

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

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

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

Projections made by the Coast Guard

3.6 The Ministry furnished the following details -

(Rs. in Crore)

Year	Head	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Exp
2013-14	Capital	1775.00	1775.00	1385.00	1060.00	1070.22
	Revenue	1139.64	1054.81	1171.54	1018.15	1047.73
	Total	**2914.64**	**2829.81**	**2556.54**	**2078.15**	**2117.95**
2014-15	Capital	1550.00	1550.00	1491.73	1140.00	1142.08
	Revenue	1278.97	1130.26	1465.21	1265.00	1286.78
	Total	**2828.97**	**2680.26**	**2956.95**	**2405.00**	**2428.86**
2015-16	Capital	2050.00	1200.00	2460.00	1500.00	1516.84
	Revenue	1642.86	1314.00	1625.78	1514.00	1517.18
	Total	**3692.86**	**2514.00**	**4085.78**	**3014.00**	**3034.02**
2016-17	Capital	3990.00	1500.00	3005.00	2500.00	2468.97
	Revenue	1798.58	1624.41	2085.99	1737.76	1773.25
	Total	**5788.58**	**3124.41**	**5090.99**	**4237.76**	**4242.22**
2017-18	Capital	4805.00	2200.00	4150.00	2200.00	1144.24 *
	Revenue	2214.55	1829.79	2314.27	2148.97	1585.18*
	Total	**7019.55**	**4029.79**	**6464.27**	**4348.97**	**2729.42***
2018-19	Capital	4950.00	2700.00			
	Revenue	2408.41	2091.42			
	Total	**7358.41**	**4791.42**			

* Expenditure is up to 31, January 2018

The Ministry was asked to state the areas where compromises have been made or are likely to be made during reduced budgetary allocation against the projections made by the Coast Guard. It stated that New Schemes have have been prioritized as per budget availability.

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

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

(Rs. in Crore)

Year		Coast Guard(BE)		Defence Budg et DSE (BE)		Central Govt. Expenditure	GDP
2013-14	Capital	1775.00	2829.81	116931.41	203672.12	1559447.00	9801370.00
	Revenue	1054.81		86740.71			
2014-15	Capital	1550.00	2680.26	134412.05	229000.00	1663673.00	10536984.00
	Revenue	1130.26		94587.95			
2015-16	Capital	1200.00	2514.00	152139.00	246727.00	1790783.00	11381002.00
	Revenue	1314.00		94588.00			
2016-17	Capital	1500.00	3124.41	143869.46	222456.14	1975194.00	12189854.00
	Revenue	1624.41		78586.68			
2017-18 (R E)	Capital	2200.00	4348.97	172773.89	259261.90	2217750.00	16784679.00
	Revenue	2148.97		86488.01			

***** Based on Economic Survey 2017-18

Required and existing force level

(a) Force Level

Year	Surface Platforms		Aircraft	
	Authorised	Held	Authorised	Held
2013	Coast Guard Development Plan 2012-2017 (XIIPlan) envisaged 214 Ships/ ACVs/ IBs	89	100 aircraft	62
2014		103		63
2015		119		63
2016		127		63
2017*		134		63

Note. *66 surface platforms/16 aircraft are under construction /production at various shipyards /HAL.

(b) Armament

Year	Sl. No.	Description	Quantity Authorised	Quantity held
2012-13	(a)	76/62 SRGM	04	04
	(b)	30mm Gun	28	28
	(c)	40/60 Gun	5	5
	(d)	12.7mm HMG	115	111
2013-14	(a)	76/62 SRGM	04	04
	(b)	30mm Gun	36	36
	(c)	40/60 Gun	5	5
	(d)	12.7mm HMG	137	123
2014-15	(a)	76/62 SRGM	04	04
	(b)	30mm Gun	42	40
	(c)	40/60 Gun	7	7
	(d)	12.7mm HMG	168	138
2015-16	(a)	76/62 SRGM	04	04
	(b)	30mm Gun	45	45
	(c)	40/60 Gun	11	11
	(d)	12.7mm HMG	168	138
2016-17	(a)	76/62 SRGM	04	04
	(b)	30mm Gun	51	51
	(c)	40/60 Gun	14	14
	(d)	12.7mm HMG	168	138

2017-18	(a)	76/62 SRGM	04	04
	(b)	30mm Gun	51	51
	(c)	40/60 Gun	14	14
	(d)	12.7mm HMG*	168	135

Note. *Acquisition of 12.7 mm 290 SRCG (Stabilized Remote Control Gun) is in progress.

Monitoring system to track boats

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

> 'ICG ships/ aircrafts carry out patrolling/aerial surveillance to monitor Indian fishing boats (IFBs) venturing into sea and render assistance to fishermen in distress. Further, fitment of satellite based transponder onboard sub-20 meter (less than 20 mtr) boats operating across country is under consideration by the government which in turn would facilitate real time monitoring of such vessels.'

CHAPTER IV

MILITARY ENGINEERING SERVICES

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

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

4.3 The Ministry was asked to furnish details regarding the projections and allocations made to MES by the Ministry and the expenditure incurred during the last five years including the year 2018-19. It submitted the following details:

<u>Capital and Revenue Head</u>

(Rs. in crore)

Financial Year	Capital			Revenue		
	Projection#	Allocated	Utilised	Projection	Allocated	Utilised
2013-14	5945.73	4150.64	4153.23	9455.01	7806.19	8019.95
2014-15	5801.99	4954.96	4920.52	10056.74	9339.17	9110.57
2015-16	6034.76	5297.09	5256.36	10475.72	9531.15	9257.10
2016-17	7860.71	5734.88	5686.99	11152.73	10514.37	10126.42
2017-18*	7970.68	6169.17	4885.06	11649.28	10092.63	7153.90

Allocation to MES is done by Service Headquarters. Ministry of Defence makes projection to Ministry of Finance for the MES works expenditure which forms part of Revenue and Capital Budget of Ministry of Defence. Based on the ceilings

received from Ministry of Finance, allocation is further made to Service Headquarters as per prioritized requirements.

4.4 It has further submitted that the actual budget allocation for financial year 2018-19 will be made by respective Service HQs after the passage of Demand for Grants for 2018-19 of the Ministry of Defence by the Parliament. At present, no allocation for FY 2018-19 has been made.

4.5 During oral evidence, Engineer in Chief, MES apprised the Committee about progress of work in North Eastern area and availability of budget:

> "महोदय, जितनामेराडिपार्टमेंटकन्सर्न्डहै, वहअसलाहहै। He is CCE, Chief Construction Engineer, North-East Project for the Air Force. There were seven ALGs. Out of which we have finished those and we are now in a winding up phase. कार्यकरनेकीकैपेबिलिटीतोहै, जैसेमैंनेपहलेजिक्रकियाकि कहीं-कहींफंडिंगकीजरूरकमीआजातीहै।So that issue is a larger issue which you have already taken note of. Funding does become a criticality. But as far as my capability is concerned, I have no problem."

4.6 On satisfaction level of troops, he further informed the Committee as under:

> " If the requirement is 100 per cent, they are meeting about 65-70 per cent satisfaction level which I consider, given the budgetary constraint, I think, is quite good. I will say, maybe. I will not say 100 per cent of our cantonments but majority of our cantonments today are well maintained……… if there are constraints in the budget, the first priority is given to maintenance of operational assets."

4.6 In reply to a question on number of cases like scale of accommodation, revision of rates etc., lying with the MoD for approval, the Defence Secretary, apprised the Committee as under:

> "हमारेपासजोभीमैटरआएगा, we will try and take a view. But, Sir, you have to appreciate that the scale of accommodation as well as revision of rates have been impinged on the budget. But we are working within that. We are trying to rationalize the work portfolio of the MES"

Financial Advisor, Defence Services also explained the issue as under:

> "इसमेंदो-तीनचीजेंहैं।जनरलसाहबनेकहाकिहमारीसीलिंगकाफीअच्छीरहीहै।इसमेंसबसेज्यादामहत्वपूर्णबातयहहैकि one should not spread the resources too thinly also. Emphasis should be on completion of the works. What I find is that there are time and cost overrun in a number of works which are going on for years together. We are trying to rationalize the number of works sanctioned with reference to the budget availability and the prioritization. There is no point in having a few thousands crore, carry over works and the budget which is not even one-third of it. There is no point in having the time and cost overrun over the resources. That is number one.
>
> There are a large number of establishments where there is no focus on the receipt itself. Meters are not working. There is no receipt. The only receipt is of Rs.171 crore as far as the total Defence is concerned. We are spending a lot of money. We pay in bulk to the electricity, water and all those things. Control and austerity should also be the focus where we can generate all kind of money.
>
> My next point is in term of scale of accommodation and revision of Defence works procedure. This is wonderful. All those dispensations for completion of the works will be given but accountability has to be there. We are looking into how to build more accountability in the whole process. And what the Secretary has said, there is no point giving the authorization if I am not able to afford it because then the dissatisfaction level will increase. It is better if it is within the available resources, fight for more resources and try to have prioritization in more critical areas. I think I should spend more money on repair of runways rather than having some other low priority buildings. So, we are trying to help the organization to get more resources."

CHAPTER V

DIRECTORATE GENERAL DEFENCE ESTATES

Directorate General, Defence Estates (DGDE) is the Headquarters of the Indian Defence Estates Service. DGDE provides advisory inputs on all Cantonments and Land matters. to the Ministry of Defence and Service Headquarters. ie Army, Navy, Air Force and other organizations under Ministry of Defence. Acquisition of lands, Resettlement and Rehabilitation of displaced peRs.ons, Hiring and requisitioning of lands and buildings, are some of the responsibilities of DGDE. It also ensures implementation of Cantonments Act 2006, Policies, Rules & Regulations and Executive instructions. DGDE has under its jurisdiction six Principal Directorates namely, Principal Directors., Central, Eastern, Northern, Southern, South-western and Western Command. Under the Principal Directorates there are 38 Defence Estates Offices and 4 ADEO Circles for management of defence lands in the country. There are 62 Cantonment Boards. These are local bodies responsible for providing civic administration and implementing the Central Govt schemes of social welfare, public health, hygiene, safety, water supply, sanitation, urban renewal and education.

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

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

EXPENDITURE UNDER REVENUE and CAPITAL HEADS

(₹ in Crore)

SUMMARY TOTAL	ACTUAL 15-16	ACTUAL 16-17	RE 17-18	BE 18-19
TOTAL OF REVENUE HEADS	354.55	358.44	444.32	480.82
TOTAL CAPITAL	19.76	17.01	15.99	22.94
GROSS TOTAL	374.31	375.45	460.31	503.76

Significant increase in Revenue Expenditure:
On Grant-in –Aid for development activities viz: construction of schools, hospitals, STPs, drainage system, waste management, solar energy, LED lights, ODF Cantts etc.

5.4 During presentation before the Committee, it came to the knowledge of the Committee that Cantonment Boards are struggling with shortage of Budget. On the issue DG, Defence Estates apprised the Committee as under:

> "Sir, I would like the Chairman and all the members to help us getting some funds from the Ministry of Finance because after GST was introduced entry tax and other taxes got subsumed. So, we had a very small demand of Rs. 122 crore only. We had actually gone there. The Defence Secretary had personally gone to the Finance Secretary. So, we would also like you to recommend that fund. "

Building Laws

5.5 During the course of presentation before the Committee the Members of the Committee raised issues relating to building laws. The Committee were informed that the Cantonment Act was amended in2006 and has some lacunae especially in the building laws. Byelaws were given in 2002 and 2006 and they are applied retrospectively. A representative of DGDE apprised the Committee as under:

> "Sir. Regarding the Building Byelaws amendments, the guidelines have been issued by the Ministry on 23rd May, 2016 as to how the byelaws have to be amended. Accordingly, we called for the amended byelaws draft from each Cantonment Board. We have received 19 so far including the Delhi Cantonment

Board. Delhi Cantonment Board sent it on 8th February. So, we are examining it. After the consultation with the Ministry of Defence, we will be sending our recommendations.”

Encroachment of Defence Lands

5.6 During examination of Demands for Grants 2017-18, the Committee taken note of the issue of encroachment of defence lands and desired that the Ministry should, in consultation with DGDE, take up the matter with state Governments for removal of encroachments by civilian population on Defence lands so that such lands are used for Defence purposes only. The Ministry in its action taken note stated as under:

> 'The encroachments on defence land are in the nature of unauthorized occupation by State Government authorities/undertakings; encroachments by private persons and non-vacation of land by Ex-agricultural lessees. As regard the first category i.e. encroachment by State Authorities, matter has been taken up with respective State Governments at various levels, for civilian vacation of land or regularization of occupation by offering equal value land to MoD in exchange. Most such encroachments are by authorities which provide public service/utilities.
>
> As regards removal of encroachment 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 has been issued as there were request 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 Additional Secretary to monitor and review status of encroachment of defence land. In 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 court of law should be vigorously pursued for early disposal and 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 taking legal recourse for retrieval of defence land.'

Inconvenience to Civilian population and their representatives

5.7 During the oral evidence issues relating to inconvenience to civilian population residing in Cantonments have been taken up. Members of the Committee shown 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 of Grants 2017-18, 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 desired that the DGDE and representatives take appropriate measures for resolving such issues amicably so there would be no civilian and military conflict.

5.8 In its action taken reply, the Ministry stated 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 due process was obtained from DGDE and due action has been taken by Army HQ. It has also stated that due to lack of all weather parade grounds, sometimes, drill, parade/practices are held on unit roads which are normally not used by civilian public.

<u>Dilapidated Condition of Schools</u>

5.9 During the examination of Demands for Grants 2017-18, the issue of dilapidated condition of schools was discussed. Taking into consideration schools run by cantonments were in dilapidated condition and needed urgent repairs, the Committee had recommended that the Ministry should give adequate Grants-in-aid specially for this purpose.The Ministry in its Action Taken Reply has stated as under:-

> 'Up-gradation of primary education facilities have been taken up by various Cantonment Board depending on local need, financial capabilities and availability of similar facilities run by State Govts in Cantonments or in vicinity. Lack of funds affected the maintenance of school buildings in some cases. The efforts are being made to enhance the allocation of Grant-in-Aid (General). For construction of new school buildings the allotment of funds are also being made under the newly created budget head 'Grants for Creation of Capital Assets'.

CHAPTER VI
DEFENCE PUBLIC SECTOR UNDERTAKINGS

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

1. HINDUSTAN AERONAUTICS LIMITED (HAL):

Hindustan Aeronautics Limited (HAL), a Navratna Company, is the largest DPSU under the Department of Defence Production, Ministry of Defence, India. HAL has 20 Production Divisions, 11 R&D Centres and one Facility Management Division spread across the Country. It has so far produced 15 types of aircraft from in-house R&D and 14 types under license. Major aircraft/helicopters in the current production range are SU-30MKI Multi-role Fighter, Hawk - Advanced Jet Trainer, Light Combat Aircraft (LCA), Dornier-228 Light Transport Aircraft, Dhruv- Advanced Light Helicopter and Cheetal-helicopters.

2. BHARAT ELECTRONICS LIMITED (BEL):

BEL, a Navratna Company, established in 1954 under MoD has nine Units across India. BEL has core competencies in Defence sector in areas of Radars &Weapon Systems, Sonars, Communication, EWS, Electro-Optics and Tank Electronics. In Non-Defence sector, BEL's product range includes EVMs, Tablet PCs, ICs, Hybrid Microcircuits, Semiconductor devices, solar cells etc.

3. BHARAT DYNAMICS LIMITED.(BDL):

Bharat Dynamics Limited (BDL), a Mini Ratna Category-I Company was incorporated in the year 1970 under the Ministry of Defence. A pioneer in the manufacture of Anti-Tank Guided Missiles (ATGM) in the country, BDL is now involved in manufacturing ATGMs of new generation, Surface-to-air weapon systems, strategic weapons, launchers, underwater weapons, decoys and test equipment. BDL is fully geared up to meet the demands of the Armed Forces by capacity augmentation of all Major projects including ATGMs and SAMs by establishing new units at Amravati, Maharashtra and Ibrahimpatnam, Ranga Reddy District, Telangana State.

4. BEML LIMITED (BEML):

BEML, established in 1964, is a Mini-Ratna (Category-1) Public Sector Undertaking. The Company has nine manufacturing units located at Bengaluru, Kolar Gold Fields (KGF), Mysuru and Palakkad and subsidiary steel Foundry - Vignyan Industries Ltd, in Tarikere, Chikmagalur District and engaged in design, development, manufacturing, sales and after sales activities of a wide range of areas of Mining & Construction, Defence and Rail & Metro products. The Company's International Business covers over 58 countries in Asia, Africa, and Latin America.

5. MISHRA DHATU NIGAM LIMITED (MIDHANI):

MIDHANI, a Mini-Ratna company, was established in 1973 under the administrative control of Department of Defence Production & Supplies, Ministry of Defence to achieve self reliance in the Manufacture of a wide spectrum of critical and complex alloys like super alloys, titanium alloys, special steels & stainless steels, soft magnetic alloys etc in variety of mill forms using state-of-art production facilities. MIDHANI caters to the needs of Defence, space, aeronautics, nuclear power, electronics, tele-communications and many other strategic sectors of the country. MIDHANI has developed, manufactured and supplied more than 105 grades of high performance alloys in different shapes, sizes, forms towards programmes of national importance in the Defence, Space and Atomic Energy sectors.

6. MAZAGON DOCK SHIPBUILDERS LIMITED (MDL):

Mazagon Dock Shipbuilders Limited (MDL) is the leading Shipyard amongst all Defence PSU Shipyards engaged in construction of Warships and Submarines. MDL is presently constructing Missile Destroyers, Stealth Frigates and Scorpene Submarines in order to achieve self-reliance in warship production for the Indian Navy.

7. GARDEN REACH SHIPBULDERS AND ENGINEERS LIMITED (GRSE):

Garden Reach Shipbuilders and Engineers Ltd (GRSE), a Mini-Ratna Category-I Company is a profit making & dividend paying DPSU for the last 22 years. It has kept pace with India's expanding maritime interests and is established as a leading Shipbuilding yard.

Presently, 14 warships are under construction in GRSE which include two Anti-Submarine Warfare Corvettes (ASWC), eight Landing Craft Utility (LCU) ships and four Water Jet Fast Attack Crafts (WJFAC). The Second ASW Stealth Corvette (INS

Kadmatt) was delivered on 26 Nov 2015. GRSE also completed the Hull and 'Launched' five Warships during the current year.

8. GOA SHIPYARD LIMITED (GSL):

Goa Shipyard Limited (GSL), a Mini-Ratna Group-I status company, is capable of indigenously designing and building sophisticated high technology ships for Indian Defence Forces and other varied clients including export markets. GSL is presently executing export orders worth Rs. 1050 Cr. New business development areas identified under diversification include construction of Hovercrafts for Indian Army. GSL prides itself in timely delivery of ships at 'fixed cost' and enjoys very strong execution skills.

9. HINDUSTAN SHIPYARD LIMITED (HSL):

HSL is the largest and a strategically located shipyard. The yard has built 174 vessels and repaired about 1940 vessels for Defence and Maritime Sector.

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

(Rs. in Crore)

Name of DPSU	2012-13	2013-14	2014-15	2015-16	2016-17
HAL	2997	2693	2388	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

It may be observed from the above, except for 2012-13, the Company has been consistently making profits. The Company incurred loss during 2012-13 mainly on account of decline in VoP due to the following reasons:

<u>Mining & Construction vertical:</u>

- ❖ Owing to production modulation, considering FGI on hand and aligning with market requirements.

- ❖ Continued recession with de-growth of over 15% in Mining & Construction segment.

<u>Defence vertical:</u>

- ❖ Material constraints due to the extraordinary situation the Company faced with regard to BEML Tatra 8x8 Heavy Duty vehicles. The required CKDs could not be imported.

* GSL has reported the reasons for loss amounting to Rs 61.09 crore during the Financial Year 2013-14 because of (i) Insufficient Order Book (ii) Under-utilisation of Capacity (iii)Unaccounted Liabilities of NOPVs on completion of contract in Jan 2014 (Rs.39.01 Cr) (iv) Loss on account of CGOPVs delivered prior to FY 2013-14 (Rs.18.14Cr).

^ HSL : The reasons for losses during the year 2012-13 to 2014-15 are mainly due to low order book position, lack of working capital, Hudhud cyclone (2014) etc. Despite the severe financial constraints/issues, the yard has posted profits since 2015-16 by adopting various measures i.e. reduction in expenditure, productivity improvement, increased VoP, etc.

<u>Order Book Challenges</u>

6.2 During presentation before the Committee, a representative of the Ministry of Defence submitted the following ‘Order Book Challenges’:

1.HAL: All current orders to be completed by 2020-21

2. BDL: The MILAN 2T order completed, no fresh order received. Production line idling.

3. MDL: Ship construction facility will idle from 2020.

4. GRSE: Idling of construction facilities-60% large ship, 100% small ships from 2019.

5. GSL: Presently 50% idle.

<u>Cost and time slippage by DPSUs</u>

6.3 In reply to a question, the Ministry supplied the following information on the cost and time slippage by DPSUs :

HAL: Currently, HAL is supplying Su-30 MKI fighter aircraft, Light Combat Aircraft (LCA – Tejas), Dornier Do-228, Advanced Light Helicopters (ALH) and Cheetal helicopters to the Defence Forces. As these supplies are against firm and fixed contracts, there are no slippages on account of cost. However, due to various projects/ production aspects, there are certain instances of rescheduling of deliveries in consultation with the customers. Issues concerned with timely delivery of products have been addressed from time to time and actions such as augmentation of facilities, increase in outsourcing, duplication of jigs, etc. have been implemented asrequired.

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 Pluscontracts.The On-time delivery during last 5 years is around 80%. However, there is delay in delivery of some projects and the reason for the delay is analysed and necessary corrective & preventive actions are taken to minimize the same. 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, obtaining Bulk Production Clearance, Change in user requirement, Specifications to incorporate additional features, Site/platform Readiness etc.

BEML: All contracts that the Company is executing are at either firm prices or with escalation clause. The company has been supplying equipment and spares to the Forces in time in the past. In the recent past, the deliveries of BEML, Tatra 8x8 Heavy Duty truck and ARV have been delayed due to the extraordinary situation that the Company has faced on these counts. The Heavy Duty Trucks supply has commenced from October, 2015 and all pending orders in respect of Heavy duty truck completed as per the revised deliveryschedule.

BDL: There has been a cost slippage in Konkurs-M ATGM due to increase in cost of imported items from OEM which is not being reimbursed. Milan 2-T has been delivered before delivery date as per Contract. Due to reasons which are beyond control products like Konkurs-M ATGM, Invar ATGM were delivered beyond scheduled time due to technical snag encountered during proof firings. Akash Weapon Systems were delivered beyond scheduled time due to delay in receipt of input materials from vendors and delay in receipt of Tatra Vehicles from M/s BEML due to embargo. However, no escalation to the fixed price, No Additional Cost has been incurred to Govt. Additional Cost has been absorbed by BDL.

GRSE: The delivered ships as per table given below are under fixed term contracts and there is no cost overrun in any case.

Major delivery made during the last five years and current financial year (Till date):

Sl. No	Type of Ship	Customer	Name of the Ship	Contractual Delivery	Actual Delivery
FY 2017-18 (Till Date)					
(i)	Water Jet Fast Attack Craft	Indian Navy	Tarasa	31.12.2015	15.06.2017
(ii)	Landing Craft Utility		L-52	29.11.2014	20.07.2017
(iii)	**ASW (Corvette)**		Kiltan	31.07.2014	14.10.2017
(iv)	Landing Craft Utility		L-53	28.02.2015	09.01.2018
FY 2016-17					
(i)	Water Jet Fast Attack Craft	Indian Navy	Tarmugli	31.03.2015	16.04.2016
(ii)	Water Jet Fast Attack Craft		Tihayu	30.09.2015	30.08.2016
(iii)	Landing Craft Utility		L-51	29.08.2014	30.09.2016
(iv)	Water Jet Fast Attack Craft		Tillanchang	30.06.2015	21.12.2016
FY 2015-16					
(i)	**ASW (Corvette)**	Indian Navy	INS KADMAT,	31.07.2013	26.11.2015
FY 2014-15					
(i)	**ASW(Corvette)**	Indian Navy	INS KAMORTA,	31.10.2012	12.07.2014
(ii)	Offshore Patrol Vessel	Govt. of Mauritius	MOPV BARRACUDA	04.09.2014	20.12.2014
FY 2013-14					
(i)	**Inshore Patrol Vessel**	Indian Coast Guard	ICGS RAJVEER	27.02.2013	16.07.2013
(ii)	**Inshore Patrol Vessel**		ICGS RAJDHWAJ	27.05.2013	30.10.2013
FY 2012-13					
(i)	**Inshore Patrol Vessel**	Indian Coast Guard	ICGS RAJKIRAN	27.02.2012	27.07.2012
(ii)	**Inshore Patrol Vessel**		ICGS RAJKAMAL	27.05.2012	09.11.2012
(iii)	**Inshore Patrol Vessel**		ICGS RAJRATAN	27.08.2012	28.01.2013
(iv)	**Inshore Patrol Vessel**		ICGS RAJDOOT	27.11.2012	25.03.2013

GSL: The projects are fixed price and fixed time projects. There have been no time and cost slippages while supplying items to the forces.

HSL: HSL has supplied six tugs to Indian Navy and four Inshore Patrol Vessels for Indian Coast Guard in last five years (01.04.2011 to 31.12.17). Further, HSL has also undertaken Medium Refit cum Modernisation of Russian made submarine, INS Sindhukirti and handed over to Indian Navy on 26 Jun 2015. There has been time slippage due to various reasons like lack of working capital, numerous design changes, re-works, various modifications and delay in getting approval of drawings. This has affected the delivery schedule of the vessels.

MDL: There is no cost escalation in the projects handled at MDL However, there have been time slippages in deliveries and consequent contract pricing changes and the main reason for time slippages in the delivery of P17 and P15A is because of reason ranging from delay in availability of quality steel, delay in finalization of weapon equipment, propulsion equipment, delays in equipment shipped by OEMs. For P75 the delay is attributable to delay in supply of material by OEMs.

MIDHANI: Midhani is not supplying directly to Services.

Modernization of DPSUs

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

HAL: The modernization plans have been finalized considering the available capacity and augmentation required in new projects undertaken by HAL. The modernization plan includes upgradation of technology through establishment of new processes, state-of-the-art manufacturing and design facilities, improvement in layouts, storage, material handling and IT infrastructure. Creation of additional capacity is under process for manufacturing of LCA and ALH, ROH of SU-30MkI, ROH of Hawk Mk132 and new programmes like LCH, LUH and HTT-40 etc., which are expected to enter production phase in the comingyears.

A state-of-the-art greenfield helicopter manufacturing facility is being set up at Tumakuru, about 100 km from Bengaluru on 615 Acres of land allotted by the Government of Karnataka. Hon'ble Prime Minister, Shri Narendra Modi laid the foundation stone for this Helicopter Manufacturing Facility on 3rd Jan 2016. The company utilises its own resources for CAPEX.

BEL: Modernization program of BEL is to continuously upgrade its infrastructure/facilities to be in tune with the changing needs of the technology/products. Specific groups in all Units/SBUs scan the emerging technology changes and induct new infrastructure/Test instruments/facilities available globally. BEL spends annually about Rs.350 to 500 crore from internal resources for modernization activities including setting up the required facilities including Plant & Machinery, Test Instruments, up-gradation of Infrastructure etc. BEL‟s annual modernization expenditure is fully met through internal accruals.

BEL has been consistently investing in modernization of facilities which is essential for successful indigenization efforts. The recent major investments include New Radar Assembly Hangar, Blowing Sand & Dust Test Facility, Electro-Magnetic Compatibility (EMC) Chamber for System Level Testing, Pulse Current Injection

Test Facility (PCI) for High Altitude Electro- Magnetic Pulse/Nuclear Electro-Magnetic Pulse (HEMP)/(NEMP) tests, State-of-the-art Electronics Manufacturing Services (EMS) Assembly line with Wave Soldering machine & Automated Optical Inspection (AOI) and Automated TR Module Assembly Line. BEL's investment towards modernization and acquiring new plant & machinery in 2016-17 is around Rs.612 crore.

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

BDL:BDL has spent considerable amount on modernization in the last 5 years which include procurement of machinery and development of infrastructure facilities to enhance productivity of major products. Modernisation and replacement of Plants and Ramping up of capacities for Akash SAMs is under progress. Modernisation programmes are financed by the company from internal resources. Process of establishing new units at Amaravati, Maharashtra and Ibrahimpatanam, Ranga Reddy District, Telengana State is in progress. No budgetary support has been obtained from Government.

GRSE: Being a very old shipyard, GRSE embarked upon modernization programme for upgrading the shipbuilding infrastructure in various phases/stages. In the recent past, based on preliminary concept proposal for modernization prepared in 2001-02, modernization of shipbuilding infrastructure has been carried out in following phased manner.

Under the Initial Phase-1 Modernisation, the following facilities/activities were completed by 2005-06 to facilitate construction of larger ships:-

a) Creation of a new Hull Shop of 8500 Sq.M floor area, with block handling capacity of 65 Ton.
b) Creation of a new Store of 2500 Sq.M floor area with Amenity Block (atFOJ).
c) Augmenting launching capacity of Building Berth from 1600 tons to 2500 tons.
d) Augmentation of Block handling facility at Ship Building Shop from 40 tons to 60 tons.
e) Upgrading of TRIBON Ship Design Software from Unix platform to Windows platform, with enhanced features.
f) Upgrading / induction of new production facilities like Automatic Flanging Machine, KAT Oscillator for automatic welding etc.

6.5 Subsequently, the Phase-2 Modernisation of GRSE was undertaken (by dismantling the erstwhile Slipway No-4 of 900 Ton capacity) in accordance with the Final Project Report (FPR) made by the Consultant, M/s Gifford, UK (later taken over by M/s Ramboll). The foundation stone for Phase-2 Modernisation was laid on 19 Feb 2009 by Shri Rao Inderjit Singh, Hon'ble Raksha Utpadhan Rajya Mantri. The aim of Phase-2 modernization was to create new shipbuilding infrastructure that would enable Integrated Construction of large ships, using advanced Modular Shipbuilding Technology. Accordingly, “Integrated Shipbuilding Facility” comprising of following co-located facilities were created:-

a. **Dry Dock** (180M x 29M) of 10000 Tons capacity, for building / docking large ships.
b. **Inclined Berth** (180M x 23M) of 4500 Tons capacity, for building large ships.
c. **Module Hall** (99x30 M) with telescopic sliding roof arrangement, to facilitate integration of Pre-outfitted Mega Hull Blocks weighing up to 250 Tons.
d. **Goliath Crane** of 250 Tons capacity, covering above Dry Dock, Inclined Berth and Module Hall, for handling of Mega Hull Blocks weighing up to 250 Tons.
e. **Paint Cell** for blasting and painting of hull blocks at controlled conditions of temperature and humidity.
f. **Portable Shelters** for Dry Dock and Inclined Berth, to provide protection during inclement weather.
g. Electrical **Sub-Station** of 6 KV capacity to meet power supply requirements of the new facilities.

6.6 The Modernisation work was completed and the new “Integrated Shipbuilding Facility” was formally inaugurated on 06 Jun 2013. The total financial outlay of above modernization programme is Rs 605.85 crore (Rs 76.05 crore for Phase-1 and Rs 529.8 crore for Phase-2) with Rs 274.12 crore expenditure from internal accruals of GRSE and Rs 331.73 crore expenditure from funds allotted as part of Navy ASW Corvette Project(P-28).

6.7 Currently, following up gradation of the shipbuilding infrastructure has been undertaken/ being progressed:-

a) Portable Shelters installed at old Dry Dock (DD-1) to provide protection during inclement weather.
b) Procured 02 Nos 55 ton capacity Mobile Crane
c) Procured 80 ton capacity Transporter.
d) 25 Ton capacity Tower Crane being commissioned to facilitate new Dry Dock & Inclined Berth.
e) Up gradation of existing Engineering Complex (Machine Shop, Machinery Fitting Out Shop, Pipe Shop, Hull Outfit) in progress.

f) Creation of new Steel Stockyard at Taratala Land in progress.

g) Further, installation of new Pipe Branching Machine & Flanging Machine and procurement of CNC Pipe Bending Machine & CNC Plasma Cutting Machine is under progress.

h) GRSE has so far completed installation of 500 KWp rooftop Solar Power Plant as per commitment to Ministry for installation of total 01 MW by FY 2021-22 (based on suitable roof top area available).

6.8 In addition to the above modernisation, GRSE has also completed up-gradation of Engine Plant at Ranchi in 2016 at a total Cost of Rs.10 Crore approx. to improve assembly environment to meet the MTU(F), Germany standard for SKD level assembly of MTU 4000 engine. As part of modernisation, the Plant has been provided with new facilities such as Paint booth, AC stores, QA room with Cranes, Fuel centrifugal system, Dry compressed air systematic.

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

GSL: GSL has undertaken a planned modernisation programme in last few years and is in the process of creating new infrastructure for indigenous construction of MCMVs (Mine Counter Measure Vessels) for Indian Navy. Infrastructure Modernisation plan is being implemented in four phases, of which Phase 1 & 2 was completed in Mar 2011. Phase 3A was completed and inaugurated by Hon'ble Prime Minister on 13 Nov 2016. Work for balance phases (Phase 3B & 4) is also in progress and is planned to be completed by 2020. On completion of Modernisation Plan, GSL will have the capability to build high Technology Fibre Reinforced Plastic (FRP), Hull Mine Counter Measure Vessels (MCMVs) indigenously, with the help of foreign technology provider. In addition, this will also substantially enhance the rate of production and shipbuilding capacity of the yard.

Modernisation plan for MCMV construction facilities is being executed, partly from internal accruals and part from Govt funding. The Government has sanctioned Rs 400 crore in October, 2010 towards development of facilities for indigenous construction of MCMV. The funding from internal accruals from GSL is approximately Rs 300 crore. MoD has further sanctioned Rs 480 crore in 2015 for augmentation of infrastructure under Phase 3B & 4 for MCMV Project. The work on same is in progress.

HSL: There is no budgetary allocation for modernization. However, in the year 2010, details of essential requirements for replacement/ refurbishment/ renewal of age-old plant, machinery and infrastructure had been worked out to an extent of Rs 457.36 crore and the same has been projected to MoD vide HSL letter CMD/HSL/025/2010 dated 26 November, 2010. Accordingly, GoI vide letter 1(10)/2010/HSL/DPO(NSM))/PLG-VIII/10 dated 23 December, 2011 had sanctioned Rs 457.36 crore for Refurbishment & Replacement of Machinery and Infrastructure (RRMI). The RRMI activities are being carried out expeditiously to meet the requirement for speedy construction of modern warships. So far, order has been placed for an amount of Rs 169.03 crore out of which work has been completed for items worth Rs 132.67 crore. Further, proposal to modernise the yard's infrastructure at par with those existing in modern shipyards like M/s Hyundai Heavy Industries (HHI), Korea is being actively considered. An inter-governmental agreement for strategic cooperation in shipbuilding was signed between GoI and Republic of Korea (RoK) on 21 April,2017.

MDL: MDL is planning to spend Rs. 2500 crore towards augmentation of facilities in the next five years. MDL has completed the augmentation of its infrastructure through Mazdock modernisation project (MMP) which comprise of a new Wet basin, a Heavy and Gollath Crane, a Module Workshop, a Cradle Assembly shop, Store Building and associated ancillary structures. The total cost of modernization was Rs. 966 crore.

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

MIDHANI: The up gradation and modernization program of the Company over the last decade contributed towards setting up of additional facilities and increase in production tonnage capacity & product diversity. Phase 1 Modernization of MIDHANI at a Capital outlay of around Rs. 400 crore was successfully completed for revamping /upgrading /enhancing production capacities. Prominent among them are; New 6000 T Forge Press with 20 T Manipulator, Radial Axial Ring Rolling Mill, Establishment of a New Fastener Plant, R&D Building, Installation of 20 Ton Electric Arc Furnace with Vacuum Degassing (VD) / Vacuum Oxygen Decarbursing (VOD) and Ladle Refining Furnace (LRF). Phase 2 of Modernization pegged at around Rs.1000 crore is currently underway. There is no Budgetary Allocation from Govt of India.

Expenditure on R&D by DPSUs

6.9 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

Figures upto 30.09.2017

** BEML is spending much larger money in order to develop new products to have a competitive edge over the competitors and sustain the market share. R&D expenditure as a percentage of sales is on an average 2.42% of the sales in the last 3 years which is in line with the international standards in the sectors it operates.

Defence exports by DPSUs

6.10 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

Unachieved Targets

6.11 Following are the reasons given by the Ministry for unachieved targets by DPSUs over the period of last 5 years:

(1) **‘HAL**: Not applicable

(2) **BEL:**BEL could not achieve the set targets during the years 2012-15 due to stop note received from Army for two main contracts namely Battlefield Surveillance System (BMS) and Command Information & Decision Support System (CIDSS). The other major factors attributed to the short fall in achieving the targets include non-receipt of some of the anticipated orders planned for execution during the respective financial year viz., Weapon Locating Radar (WLR), Missile Warning System (MWS) & Laser Range finder (LRF LH30), Contract amendment for Low Level Light Weight Radar (Aslesha), Non-Availability of Tatra Trucks etc.

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

(4) **Mining & Construction vertical:** Recession in Mining & Construction segment both in domestic and global markets. Due to the above production was modulated, considering FGI on hand and aligning with market requirements which had direct impact on profitability. Delay in tenders from Coal India Limited and its subsidiaries. Rope Shovel and Walking Dragline equipment Business was lost as our collaborator Company was taken over by our competitor. However, we are pursuing with Coal Companies for development of indigenous Rope Shovels. Due to the above, Mining & Construction Business was down by almost `250-300 Cr compared to previous years.

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

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

The Heavy Duty Trucks supply has commenced from October, 2015 and all pending orders in respect of Heavy duty truck has been completed as per the revised delivery schedule for BDL, BEL & BrahMos.

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

(6) **Rail & Metro vertical:**The Rail & Metro Business that had achieved a sales turnover of `1370 crore in the year 2013-14 (44% of Company's turnover) dropped down to a turnover of Rs. 567 crore in 2016-17 (20% of the Company's turnover).

The Company also depends on orders for Rail Coaches, EMUs & OHEs from Indian Railways which has severely affected the financials of the Company. The reason is due to the following:

No Rail coach order from Indian Railways. BEML used to execute over 600 Nos valued around Rs. 400 crore with a contribution of over Rs. 100 crore against an established capacity for producing around 720 coaches every year.

BEML is executing subcontract order of DMRC RS-10 with free material supply from M/s Rotem due to which there is no increase in top line.

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

(7) **BDL:** The reasons for unachieved targets are the numerous delays that arise in receipt of input material from sub-contractors, etc. Another reason for delay is that there are several occasions when the Project Team of DRDL modify the design from time to time as per the requirement.

(8) **GRSE**: Reduction in Turnover during FY 2016 -17.

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

(i) Total Ship delivery planned – 06 Nos.; Achieved - 04Nos.

(ii) The reduction in Value of Production (VoP) is due to the fact that the current projects are in the final stages of execution wherein conventionally the rate of increase in Value of Production tends to saturate.

(iii) Besides not achieving the target of delivery of 02 ships, there was also delay in delivery of ASW Corvette & LCU projects due to reasons described below:-

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

- Special Hull form designed &developed-in-house
- Numerous design challenges observed during trials
- Modifications in Hull and series of trials delayed delivery of 1stLCU
- Cascading effect on other ships of this Class
- Major modifications/ defect rectification by OEMs onsite for proving of their equipment caused major delays
- Customer nominated vendors failed to work on multiple projects concurrently, adversely affecting progress of ships

Delay in delivery of P-28 (3rd& 4th Ships)

- Composite Carbon Fibre Superstructure has been introduced by Indian Navy on 3rd& 4th Ships of ASWC Project
- First ever such technology inducted on any warship of Indian Navy
- Numerous technological challenges of integration with Steel Structure and outfitting encountered, resulting in delays
- Poor response from customer nominated major equipment suppliers affecting progress of ships

(iv) Cascading effect of above substantially reduced progress of other ships of the above projects thereby affecting VOP.

(v) The VOP target of Portable Steel Bridges could not be met as GRSE did not receive the targeted orders.

(vi) The VOP target of DEP Ranchi also could not be achieved due to non-receipt of order for Overhauling & Testing of Marine Diesel Engines of INS Topaz.

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

Justification for VoP Target of Rs. 1350 crore (MoU Very Good Target) for FY2017-18

(i) No fresh shipbuilding orders

(ii) Low Turnover from delivery of 06 ships (planned) due to ships being in advanced stages of completion

(iii) P-17A Frigate Project likely to give meager VoP during FY 2017-18 and in next two years as per Build Plan

(iv) Majority of Materials (contributing Approx. 70% of Turnover) has already been booked during the preceding FYs on ships planned for delivery

(9) **GSL:**Nil

(10) HSL: The reasons for unachieved target are delay in assured orders which resulted in low order book position when compared with installed capacity, severe financial problems and lack of working capital. Further, in the year 2014-15, there is a huge decline in VoP due to loss of production due to cyclone Hudhud which hit the yard on 12 Oct 14.

(11) **MDL**: The main reasons for shortfall in VoP are as follows:

- Vendor eco system not existing for indigenous supply.
- Delays in supply of equipment by OEMs.
- Lack of design maturity at start of construction and consequent delays.

- Non Finalization of weapons/ engineering equipment packages by Indian Navy at contract stage.
- Drawings need to be frozen by Indian Navy prior to construction of Warships.

(12) **MIDHANI**: Not applicable.’

CHAPTER VII

WELFARE OF EX-SERVICEMEN

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

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

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

Organizational Structure, Role and duties assigned to Directorate General of Resettlement (DGR)

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

(a) Training Directorate.

(b) Employment Directorate.

(c) Self-Employment Directorate.

<u>Vision (2015-2030)</u>

7.5 Well-being of the retired Armed Forces personnel/their dependents and sensitize general public about the potential of this disciplined and well-trained manpower which can be utilized in nation building, e.g. security, environment protection, natural disaster management, skill development of any other field of their expertise.

<u>Strategy (2017-18 to 2023-24)</u>

7.6 Multi-pronged strategy, as indicated below, is being adopted to convert the vision into implementable policy and activities:-

(a) Ensuring quality resettlement and rehabilitation of Ex-Servicemen/Dependents and promoting activities that depict the positive role played by Ex-Servicemen society.

(b) Facilitate universal access of ESM/dependents to various resettlement measures and to ensure that no one is denied access to these services either because of lack of resources or lack of knowledge on how to access these services. Also to ensure accessibility of services in terms of physical and geographical conditions, time, language and need.

(c) Improve upon/upgrade the existing resettlement policies/programmes.

(d) Formulate and resettlement policies/programmes.

(e) Use of e-technology to ensure effective administration of the various welfare/resettlement programmes and to ensure transparency through access to information as well as openness regarding administrative and management procedures.

(f) Sustainability: To ensure long-term maintenance of services provided.

(g) The efforts in resettlement will be garnered from available resources of the Central and State Governments in the country, the resettlement framework, corporate, society, voluntary organizations, and the Ex-Servicemen themselves. Resettlement will be based of inclusive growth strategies with coordinated efforts by all stakeholders in resettlement of Ex-Servicemen.

(h) Upgrading skills of ESM by imparting necessary training to prepare them to take on new assignment/jobs and assisting them in finding re-employment.

7.7 One of the major problems faced by ESM who retire relatively young is to secure a job as a second career. Nearly 60,000 Armed Forces personnel retire or are released from active service every year. Most of them are in a comparatively younger age bracket of 35 to 45 years and need a second career to support their families. These personnel constitute a valuable, disciplined, well-trained, dedicated and talented pool available for nation building.

Action Plan

7.8 Keeping in view the profile of Ex-Servicemen wherein, the Ex-Servicemen with their experience, age and maturity do not prefer to seek entry level jobs while on the other hand, they find it difficult to equate their experience gained during the Defence Forces with the requirements of the middle and senior level jobs. Keeping this in mind the following Action Plan is being adopted:-

(a) Providing resettlement avenues to Veterans including widows.

(b) Providing jobs in Central Government, State Government and Public Sector Undertakings.

(c) Providing employment through schemes of Self-Employment.

(d) Assistance in entrepreneurial ventures.

(e) Pro-active action to facilitate re-employment of ESM in the Corporate Sector and organizing Job Fairs more frequently.

(f) Placement Linked National Skills Qualifications Framework (NSQF) complaint training programs be launched to ensure that ESM gets employment after undergoing training.

(g) Constant endeavour to provide employment opportunities in Government/quasi Government/Public Sector Organizations.

(h) Skill Mapping and Development of Portal for ESM Training/Employment

(j) Automation of processes for providing assistance to ESM for securing jobs/schemes as second career.

(k) Aggressive campaigning about the availability of ready to use workforce of ESM among all stakeholders through electronic/print/social media.

(l) To assess the effectiveness of various training programmes in securing employment for ESM, third Party Monitoring of DGR Training programme is being undertaken.

(m) Develop ESM database with Aadhaar Number seeded to assess the requirement of ESM and accordingly formulate policies and programmes for their resettlement.

(n) Digitization of records.

Functioning of DGR

7.9 Directorate General Resettlement is an attached office of Ministry of Defence which facilitates on resettlement of ESM by organising Pre and Post retirement training, re-employment and self employment. Nearly 60,000 Armed Forces personnel retire or are released from active service every year, most of them being in the comparatively younger age bracket of 35 to 45 years and need a second career to support their families. These personnel constitute a valuable, disciplined, well-trained, dedicated and talented pool available for nation building. Resettlement is sought to be achieved through the following:-

(a) Upgrading their skills by imparting necessary training to prepare them to take on new assignments/jobs and assisting ESM in finding re-employment.

(b) Constant endeavor to provide employment opportunities in Government/Quasi Government/Public Sector Organizations.

(c) Pro-active action to facilitate re-employment of ESM in the Corporate Sector.

(d) Providing jobs through schemes for self employment.

(e) DGR has also been made as the nodal agency for monitoring reservation for ESM in various Deptt of Central Govt., PSUs, Banks and CPMF etc.

Avenues of Re-Settlement of Retired Officers and Personnel Below Officer Rank (PBOR): DGR

Resettlement Opportunities

1. **Job Opportunities For ESM In Central Government:** Personnel of the Armed Forces viz Army Navy and the Air Force are the only Govt. employees who retire at relatively younger ages to keep a youthful profile due to the arduous nature of their duties in hazardous and inhospitable terrain. Almost all Ex-Servicemen, whose retirement ages, depending on rank vary from 35 to 54 require help and assistance for resettlement. They require a second career as they are young and active and their responsibilities and obligations are at the peak when they are retired. Having given their best part of their life for the safety and security of the motherland it becomes a national obligation to provide necessary facilities for their resettlement. Keeping these in mind the Central/State Govts have provided reservation in jobs for Ex-Servicemen.

2. As per DOP&T Notification No. 36034/1/ 2006-Estt. (Res) dated 04 Oct 2012 amending DOP&T Ex-Servicemen (Re-employment in Central Civil Services and Posts) Rules, 1979, **10% of vacancies in the posts up the level of the Assistant Commandant in all Para-Military Forces, 10% of the vacancies in Group 'C' posts, and 20% of the vacancies in Group 'D' posts**, including permanent vacancies filled initially on a temporary basis and temporary vacancies which are likely to be made permanent or are likely to continue for three months and more, to be filled by Direct recruitment in any year shall be reserved for being filled by ESM.

3. As per Govt. of India Min of Finance (BPE) OM No. 6 /55/ 79- BPE (GM I) dated 13 Mar 80, **14.5% vacancies in Group C posts and 24.5% vacancies in Group D posts are reserved for ESM in Central Public Sector Undertakings. This includes 4.5% for disabled Ex-Servicemen and dependants of those killed in action.**

4. As per Govt of India, Min of Finance (Banking division) letter No. F 2/11/79/ SCT (B) dated 09Jun 1980 and letter No. F 201/15/87-SCT (B) dated 11 May 1988, **14.5% vacancies in Group C posts and 24.5% vacancies in Group D posts are reserved for ESM in action in Public Sector Banks / Financial Institutions. This includes 4.5% for Disabled Ex-Servicemen servicemen and dependants of servicemen killed in action.**

5. Likewise State Governments have also reserved State Govt. Jobs for Ex-Servicemen. The percentage and Groups in which these job have been reserved for Ex-Servicemen by the State Governments varies from State to State. Reservation available for Ex-Servicemen in State Govt. Jobs has been complied based on information available and a copy of the same is enclosed as **Appendix 'C'**.

Placement Assistance through DGR

6. Directorate General Resettlement (DGR) sponsors Ex-Servicemen (Officers) to various Government organizations, Public Sector Undertakings, Corporate Houses, Private Sector, Central Para Military Forces etc based on their requisition for re-employment of ESM. The DGR sponsored ESM are re-employed by the requisitioning agencies after due process of selection by them. For registering Ex Servicemen with DGR there is a SOP outlining the registration process including the documents required for registration. Veteran Officers are registered with DGR and the JCOs/ORs are required to register with their ZSB. Various documents are required to establish the credentials of an Ex Serviceman and the list of which is printed in the application form for clarity. Interaction with various stake holders are carried out on a regular and routine basis to generate and assist the Ex Servicemen in gainful resettlement post retirement. In the recent past Officers have been employed with Armed Forces Tribunal, Enforcement Directorate, Central Bureau of Investigation, Government PSUs, Banks (including Private banks and Financial Institutions), LIC, Legal and Medical Vacancies of various State and Central undertakings, and vacancies in corporate sectors in a plethora of sectors, most prominently being in middle and senior level opportunities of HR, Adm and Logistics etc.

DGR Sponsored Security Scheme

7. The DGR empanels / sponsors ESM run Private Security Agencies, and State ESM Corporations for providing security guards to various CPSUs, Corporate Houses, Private sector Undertakings etc. The scheme offers self-employment opportunities to retired officers and adequate employment opportunity to retired JCO/OR, in a field, where they have sufficient expertise. Presently there are approximately 1000 operational Security Agencies running 48000 guards Pan India. Status upgraded to skilled and highly skilled from semi skilled and skilled labour respectively vide gazette

notification dated 19 Jan 2017. Accordingly **wages of guards pan India has been substantially increased by approximately 50% to 60%** approximately. As the present scale of the unarmed skilled worker has been increased from **Rs 414.00/- to 637.00/- (Rupees Four Hundred Fourteen to Six Hundred Thirty Seven) per day in Class 'A'** Areas.

8. This is the largest Employment Scheme of DGR and is looked after by DGR and the DRZs. Wherein DRZ(N) is responsible for allocation of Security Guards in the State of Jammu & Kashmir, DRZ(W) is responsible in the State of Punjab, Haryana & Himachal Pradesh, DRZ(C) is responsible in the State of Uttar Pradesh and Madhya Pradesh, DRZ(S) is responsible in the State of Gujarat and Maharashtra and DRZ(E) is responsible in the State of West Bengal. Other States are looked after from this HQ. Guards are allocated based on requisition received from PSUs. The scheme is governed as per the GoI, Ministry of Defence, Deptt of ESW and a Board of Officers is held prior to allotting Security Guards.

9. **<u>ESM Coal Loading and Transportation Scheme.</u>** The scheme to raise Ex-Servicemen (ESM) Coal Transportation Companies was formulated between the erstwhile Ministry of Energy and Ministry of Defence in 1979 with the aim of having union free captive transport organisations in coal subsidiaries and providing an opportunity to ex-servicemen for resettlement. The Scheme is administered on the basis of MoU between the Coal India Ltd (CIL) and DGR. On receipt of requisition from the Coal Subsidiaries of CIL i.e. South Eastern Coalfields Limited, Chhattisgarh, Western Coalfields Limited, Nagpur, Mahanadi Coalfields Limited, Odisha, the offer is given to the five senior most eligible empanelled ESM(O) for this scheme, willing to undertake the work, to carry out a feasibility study of the proposed area offered. If the study is found profitable the ESM are advised to register their company under The Company Act of 1956. This ESM Company has to start with capital of **Rs 60 to 80 lakhs (Rupees Sixty to Eighty Lakhs)** which is pooled in by all the directors equally. The Company is required to undertake coal loading and transportation at the site offered. The job is undertaken with the help of heavy machinery like pay loaders and tipper trucks. The payloaders are purchased by the company whereas the tipper trucks are attached to this company by Ex-Servicemen waiting in a separate waiting list maintained in DGR. The ESM company starts its operations with one pay loader and ten tipper trucks and can expand upto four pay loader and forty tipper trucks. The company is sponsored by DGR for a period of five years which can be extended by four years, if the performance of the

ESM Company is found satisfactory. **In order to ensure adherence to MoU and Guidelines for running this scheme, a number of reports and returns are sought from the company, also, periodic site visits are carried out by DGR/its regional offices**. As on date 46 ESM coal companies are running in subsidiaries.

10. **Management of Company Owned Company Operated Retail Outlets**. As per the policy of MoP&NG, Company Owned Company Operated (COCO) Retail Outlets are made available for Management by Retired Defence officers & JCOs on contractual basis for a maximum period of three years. The scheme is operational Pan India. ESM Officers and JCOs should not be above 60 years of age at the time of sponsorship and should be willing to provide bank guarantee as per company's requirement. Officers are sponsored by the office of DGR and JCOs through their respective RSBs. Oil Company pays **Rs 30000/- (Rupees Thirty Thousand)** pm as fixed remuneration plus incentive on sale of oil product. The policy guidelines are available in the form of brochure on the website of all major Oil Companies namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited & Hindustan Petroleum Corporation Limited.

11. **Management of CNG Stations by ESM(O) in NCR.** Although there is no MoU on this scheme however, DGR has a tie up with IGL in New Delhi and it provides a panel of retired defence officers for managing the services and front court operations of all the CNG Fuel stations of IGL in NCR. On receipt of requisition from IGL, desirous ESM(O)s registered in the scheme are sponsored in the ratio of 2:1. The interview and selection is carried out by IGL staff with a member of DGR. The selected ESM (O) is contracted for a period of five years on a yearly renewable contract basis. The remuneration ranges from **Rs.45,000/- to Rs.90,000/- (Rupees Forty Five Thousand to Ninety Thousand) PM**. This is a very sought after scheme for officers today approx 100 such outlets are being successfully run by ESM in Delhi, NCR. With effect from 2015 a similar scheme has been launched with MNGL in Pune(Mah), three pumps are functional as on date.

12. **Allotment of Mother Dairy Milk Booths and Fruit & Vegetable (Safal) Shops in NCR.** This scheme is based on an MoU between DGR and Mother Dairy wherein fully furnished shops are offered by Mother Dairy to ESM (personal below officer rank) for sale of milk and fruit, fresh vegetables. The desirous ESM are required to register for Milk / SAFAL (Fruit and Vegetable booths separately. On receipt of requisition from Mother Dairy the ESM are sponsored in the ratio of 3:1. The selected ESM are required to sign an agreement with Mother Dairy and deposit a security deposit of Rs. One lac

(refundable). They are imparted two weeks of training and allotted booths on their turn. A security deposit amount of **Rs. 50,000/- (Fifty Thousand)** appox.is also required at the time of allotment of booth. The ESM earns a commission on all the products sold, the commission is revised from time to time by Mother Dairy. However an assured amount of **Rs. 11000/- (Eleven Thousand)** per month through out in terms of commission is ensured by Mother Dairy for Milk booths and **Rs 15000/- (Fifteen Thousand)** per month (for first six months only) for SAFAL booths. In addition to above amount for SAFAL the mother dairy also gives an amount of **Rs. 5000/- (Five Thousand)** per month for employing a helper (first six months only). The ESM is allowed to run booths up to age of 60 years and extendable by two years for ESM who are exceptionally good. **As on date approx 800 Mother Dairy milk booths and 380 SAFAL fresh fruit and vegetable outlets are being run by ESM**.

13. **<u>Coal Tipper Attachment Scheme.</u>** This scheme is linked with the ESM Coal loading and transportation scheme. Desirous ESM who enroll for this scheme are allotted to Coal transportation companies to own and attach a tipper truck. They are required to deposit seed money for buying the tipper truck. The scheme is offered for a max period of five years.

14. **<u>Tipper Attachment Scheme for Widows and Disabled Soldiers/ Dependents</u>**. Widowsupto age of 65 and disabled soldiers having 50% or more disability are also allowed to enrol for this scheme. However they do not own any tipper but deposit Rs. One Lac with the ESM Coal Transportation Company. The widow / disabled soldiers are paid a monthly sum of **Rs. 3,000/- (Three Thousand)** per month for a period of five yrs. At the end of five years the principal amount is returned back.

15. **<u>Allotment of Army Surplus Vehicles.</u>** ESM, widows and Ex-Servicemen Co-operative societies are eligible to apply for allotment of one Army Surplus Class V-B Vehicle. The scheme is governed by DoPT OM No. 10(1)/2006/D (O.II) dated 20 Apr 2006. Applicant has to apply as per the laid down norms through the ZSWO / DSW(S) / Unit Serving to DGR along with security deposit as specified for type of vehicle applied for. Post registration of the applicant at DGR subsequent release of the vehicle is done through the MGOs Branch. Option for release of one of the 42 types of vehicles from 12 CODs/CVDs can be opted for on payment of nominal sum as notified by the Government from time to time. Desirous applicants are required to apply as per the laid down norms through the Zila Sainik Board / Unit Serving (in last six months of service) to DGR along

with security deposit as specified for type of vehicle applied for. The applications are scrutinized at DGR and successful applications are forwarded to MGO's Branch for allotment as per availability. The security deposit amount is kept in the DGR Security Deposit Fund and managed by DGR. Once the vehicle is allotted the ESM are required to register the vehicle with the RTO and claim refund of their security deposit. Provisions exist for the forfeiture of the security deposit in case the allotted vehicle is not registered with RTO in time. Interest earned from DGR Security Deposit Fund is transferred to the Armed Forces Flag Day Fund maintained by KSB. As on date there is **an amount of approx Rs. Five Crores held in the DGR Security Deposit Fund.** Due to a very low availability of vehicles leading to a very long waiting period and the fact that these vehicles are not compliant to latest pollution norms, **the scheme has lost its relevance and is likely to be closed down**.

16. **<u>Issue of DGR Eligibility Certificate for Allotment of LPG/Retail Outlet (Petrol/Diesel) Distributorship advertised by Oil Marketing Companies against 8% Reservation Quota</u>**. The Ministry of Petroleum and Natural Gas has 8% reserved quota for allotment of LPG Agency advertised under the ***'Government Person (GP)' category***. The said category includes personnel of the Para Military Forces/Central Govt /State Govt and Central /State PSU employees and Defence Personnel. The defence personnel eligible include war widows/dependents of those who died in war, war disabled/disabled on duty while serving in operational area, widows/dependents of those who died in harness due to attributable or aggravated causes to Military Service, ex-servicemen disabled in peace due to attributable or aggravated causes to Military Service and able bodied ESM. Eligible applicants can only apply when a newspaper advertisement under the above category is published by the oil companies. The office of DGR issues eligibility certificate to the above entitled ESM/Widow/Dependent which is required to be submitted in original to the oil company at the time of verification. Selection of a Distributor/ Dealer is done through draw of lots by the concerned oil company of all eligible applicants.

17. **<u>Retail Outlet Dealership (Petrol/Diesel)</u>**. The Ministry of Petroleum and Natural Gas has 8% reserved quota for allotment of Regular/Rural Retail Outlet Dealership under ***'CC1'*** category. The said category includes personnel of the Para Military Forces/Central Govt /State Govt and Central /State PSU employees and Defence Personnel. The defence personnel eligible include widows/dependents of those

members of Armed Forces who died in war or in harness due to attributable or aggravated causes to Military Service, ex-servicemen who are war disabled/disabled in peace due to attributable or aggravated causes to Military Service. Eligible applicants can only apply when a newspaper advertisement under the above category is published by the oil companies. The office of DGR issues eligibility certificate to the above entitled ESM/Widow/Dependent which is required to be submitted in original at the time of interview/selection. Able bodied ex-servicemen are also eligible for the said scheme and are required to apply directly to the Oil Company with a copy of their Discharge Order or Pension Order. Selection of a Distributor/ Dealer is done through draw of lots by the concerned oil company of all eligible applicants.

The details of applications received for resettlement of officers and JCOs/ORs during last five year are as follows:-

Year	**2013**	**2014**	**2015**	**2016**	**2017**
Total ESM	**2776**	**6284**	**6284**	**6022**	**10889**

New proposals for the resettlement of Ex- Servicemen

7.10 As a new proposal for FY 2018-19 & 2019-20, pilot projects to give coaching classes to ESM for exams conducted by CPSUs/Central & State Govt. Jobs as well as Banking Sector is being considered.

Army Battle Casualties Welfare Fund

7.11 The Committee note from the information available to them that a large number of philanthropic organizations and individuals have been approaching in a benevolent gesture to assist next of kins of battle causalities with monetary assistance. A surge of such requests come about post the Siachen avalanche where the Indian Army lost 10 brave soldiers.

Post detailed deliberations, it was decided that donations/contributions would be accepted from such organizations and individuals through a separate and centralized fund focused for such a purpose. This would be in addition to the various existing schemes for the welfare of next of kins and children of battle casualties. The expenditure out of this fund towards welfare of families of the deceased soldiers will be undertaken as per approved procedures and laid down guidelines.

Accordingly. Indian Army has opened a new bank account for welfare of bereaved families of Battle Casualties named "Army Welfare Fund Battle Casualties". Organizations and individuals desirous of donating to the cause may transfer the contribution directly in the account of "Army Welfare Fund Battle Casualties" . The contribution to the fund is purely voluntary in nature and the fund shall be exclusively used for the welfare of Next of Kins of Battle Casualties.

During oral evidence, the issue of exemption from income tax to those persons who have contributed in this fund. The Secretary, Ex Servicemen Welfare apprised the Committee as under:

> "We have written to the Ministry of Finance for income tax exemption. They are processing it. This Committee may also help us in this matter."

CHAPTER VIII

DEFENCE PENSION

The details of Budget projected at BE 2018-19 and the ceiling conveyed by Ministry of Finance for BE 2018-19 in respect of Defence Pensions are summarized below: -

(Rs. in crore)

BE 2018-19 (Projected)	**BE 2018-19 (Ceiling conveyed by MoF 2018-19)**
105610.00	108853.30

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

One Rank One Pension(OROP)

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

Government of India had taken a historic decision to implement OROP in November 2015 and issued orders on 07.11.2015 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 03.02.2016.

. 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.

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

8.4 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 to the Government. An Internal Committee has been constituted 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.

8.5 A sum of Rs. 10,739.09 crore has been disbursed up to 30.09.2017 (compiled till 31.12.2017) to Defence Pensioners/Family pensioners on account of implementation of OROP and the instalment-wise bifurcation is as under:

No. of cases paid (1st instalment and lump sum payments)	Amount disbursed (Rs. in Crores)	No. of cases paid (2nd instalments)	Amount disbursed (Rs. in Crores)	No. of cases paid (3rd instalments)	Amount disbursed (Rs. in Crores)	No. of cases paid (4th instalments)	Amount disbursed (Rs. in Crores)
2043354	4161.45	1594063	2397.22	1571744	2320.7	1328313	1859.72

8.6 The Committee wanted to be apprised about the kind of problems come up in the system resulting in not providing One Rank One Pension to all the ESM. The Secretary, Welfare of Ex-Servicemen apprised the Committee as under:

"Some anomalies are being brought to our notice. We are interacting with our ex-servicemen on a regular basis. In fact, last week itself, we had a meeting of all the associations of ex-servicemen and the hon. RRM chaired that meeting. The issues that they bring up are where there is a slight anomaly or where they find that a certain category has been left out. We are taking up these issues. One-man Judicial Commission was also appointed to look into the anomalies and the report

> of the Committee has been received. The implementation of that report has been entrusted to a committee of three officers."

8.7 The Secretary, ESM has later apprised that the matter is still under consideration so final picture cannot be given.

8.8 The issue permanent *dharna* at Jantar Mantar with regard to OROP grievances was also came up. The Secretary, ESM explained the Committee as under:

> "That is the issue which I was just mentioning. ….there are certain issues which have been entrusted to the one-man judicial commission. The report of that commission has been received and it is under examination. The issues which they have been raising are part of that report……it is difficult to give a time frame, but the matter is under active consideration."

CHAPTER IX

EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (ECHS)

The Projection, Budget Estimate, Revised Estimate, Modified Appropriation and Actual expenditure details with respect to ECHS for the Financial Year from 2011-12 to current Financial Year are appended below:

(Rs in crore)

FY	Projection	BE	RE	MA	Actual Expdr
(Revenue)					
2011-12	1600.00	991.14	1109.95	1225.95	1224.22
2012-13	1860.00	1400.00	1473.86	1450.98	1430.78
2013-14	2391.71	1476.46	1570.68	1789.46	1781.38
2014-15	2489.21	1420.58	2470.58	2260.58	2236.17
2015-16	3532.12	2639.00	2609.00	2562.86	2547.95
2016-17	3600.00	2363.54	2943.14	2896.51	2905.82
2017-18	4487.12	2911.50	3916.86	-	2283.09#
2018-19	4686.00	3223.76	-	-	-
(Capital)					
2011-12	37.00	37.00	7.00	3.00	2.95
2012-13	39.00	37.00	6.50	5.43	2.67
2013-14	50.00	30.00	14.00	12.45	10.90
2014-15	50.00	20.41	5.91	5.11	6.61
2015-16	50.00	30.00	13.00	9.65	5.93
2016-17	50.00	30.00	35.00	11.97	9.10
2017-18	60.00	7.20	-	-	3.22
2018-19	-	28.42	-	-	-

As on 31 January, 2018

9.2 ECHS Polyclinics are categorized on the basis of number of Ex-Servicemen (ESM) residing in the area concerned. There are five type of Polyclinics authorised under the Scheme, with the capacity of each defined based on the number of ESM dependent on them:

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

A total of 426 Polyclinics have been sanctioned under the Scheme out of which 424 are presently operationalised. Total dependency on the 424 operational Polyclinics as on date is 52 lakh approx. In Polyclinics where concentration of ESM have grown over the years, the Polyclinics have experienced dependency more than their designed capacity.

9.3 During presentation before the Committee, Managing Director, ECHS informed the Committee as under:

> "As far as the Budget is concerned, for this financial year, we have got very less Budget but in fact in the month of November we ran out of total funds to be provided to the hospitals for treatment. In the BE, we were given Rs. 1,005 crore, now we are in a position to manage our liabilities. However, as hon. Member has brought out, it is very valid. Our requirement now is in in the range of Rs. 4,000 to Rs. 5,000 crore. For the next year, BE is merely Rs. 2,300 crore. Unless the BE is revised to Rs. 5,000 crore, the available Budget will be used by September, 2018 and we will be in a serious crisis. So, we need to have an enhanced allocation of approximately Rs. 5,000 crore, at the BE stage. If it is split, it should be managed at the BE stage and RE stage in a manner that there is smooth flow of fund availability.
>
> As far as the medicine availability is concerned, that was a problem existing till today but now we have been given a mechanism of empanelment of chemists from August this year by the Government. We are now empanelling chemists all over the country. By March this year, in bulk of the country chemists would be empanelled. So, when a person goes to a polyclinic and does not get medicine, immediately orders are placed and medicines are made available within 24 hours. We would be informing him about the availability also so that he does not have to go there again and again.

As far as the availability of doctors and support staff is concerned, the Government has given authorisation but there are certain areas especially where there is currently major migration from rural to urban areas and metros where on the one hand there is extra availability of doctors in metro cities and urban areas but there is no availability of doctors in rural areas. The government has enhanced the age criteria so that people up to 68 years in the medical category and up to 70 years in specialised domains are available. So, structurally, Government has created the enabling environment. There are some practical realities which are affecting every segment of health services in the rural belt and they are being addressed."

9.4 During the deliberations, Members raised the issue of providing medical services to emergency Commissioned Officers and Short Service Commissioned Officers who were released during the period of emergency between 1962 to 1968 with a discharge certificate which said that their services were no longer required. Managing Director, ECHS clarified as under:

"As brought out by the hon. Member, initially the World War-II veterans, war veterans of 1962, 1965 and 1971 were being provided medical aid by the Armed Forces Medical Services in the stations where the military hospitals were located. Subsequently, there was a court case in AFT, Chandigarh wherein they ordered that the facility should be extended. However, the AFMS with the approval of the Ministry of Defence went to the Supreme Court and the Supreme Court has given the stay order on the facility being extended by the Armed Forces Medical Services to these people. So, on one hand, that support has been withdrawn from them. Secondly, ECHS is currently mandated to provide support to only those ESMs who have been drawing pension from the Defence budget. Because of not meeting the criteria, they are not getting this support from us as well. However, we are concerned with this need being very genuine and we have taken up the case with the Ministry for allowing and giving this waiver of pensionary criteria so that these people can be provided ECHS benefit. The case is currently under examination with the Department and we are hopeful that in the days ahead, we should be looking forward to the issue getting resolved."

PART II

OBSERVATIONS/RECOMMENDATIONS

GENERAL DEFENCE BUDGET

Defence Budget - Trend

1. 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.

2. 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.

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

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.

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

4. 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.

<u>Projections made by the three Services</u>

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.

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.

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.

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.

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.

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.

Declining trend in Revenue-Capital Ratio

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.

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.

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.

Shortage of manpower in the forces

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.

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.

Defence Preparedness

16. On the issue of defence preparedness, the Committee note the information furnished by the Ministry of Defence, which states : '*Government is fully seized of the security needs of the country and it regularly review the threat perception to secure our borders and protect national interest. Appropriate measures are taken*

through development of infrastructure as well as accretion and modernization and deployment of defence forces to safeguard the sovereignty, territorial integrity and security of India. Military capacity enhancement and modernization of armed forces including armament and ammunition is a dynamic and continuous process and is done in consonance with our threat perception. In order to meet the requirement of arms and other equipment required by armed forces in order to have desired level of defence preparedness. The necessary armaments, aircraft, missiles, ships, tanks and other equipment etc. are procured as per Defence Procurement Procedure (DPP) and Defence Procurement Manual (DPM) applicable for Capital and Revenue Procurements, respectively'.

The Committee find this to be too routine in nature and does not in any way, convey the requirements of the Forces. It also leaves an impression that the Forces are satisfied with the equipment and weapon systems that they possess. The Committee find that despite having the DPP and DPM since long, items of critical importance i.e. Bullet Proof Jackets, tanks, missiles, ships, vessels, aircraft, helicopters and replacement of large scale "vintage" equipment etc. has not been carried out. Therefore, the Committee desire that with a view to making the Forces get readied into a 'two front war ready mode', procurement of items, as desired for by the Forces should be given priority, and equipment/ammunition etc. need to be procured by adopting fast track methods.

<u>Chief of Defence Staff</u>

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 Raksha Mantri writing to the leaders of various political parties, to obtain their views on the creation of the post of CDS.

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.

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.

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.

BORDER ROADS ORGANISATION

Budget Grants for Border Roads Organisation

21. Border Roads Organization has given details regarding allocation of budget to the organisation 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 crore 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 roads, and the allocation from the other Ministries concerned remains pending.

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 Grants, 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 Grants2017-18. From the information furnished, it is not clear whether these amounts have been provided or not to the organisation.

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 Organization 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.

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.

Compromises likely to be made due to reduced budgetary allocation

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 of enhanced delegation of powers right upto the level of Chief Engineer and Task Force Commander is to bring transformational changes in the organization in order to improve the pace of execution of works to meet the requirement of the Armed Forces and to avoid delays on account of references between the Chief Engineer and HQ DGBR and also between HQ DGBR and MoD.**
- **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.'**

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 border 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.

Status of roads in difficult areas in Uttrakhand and North East region

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.

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 Balipada to Tawang, for which the alignment work 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 other roads in Uttarakhand and the NE region. The Committee may be kept apprised of the initiatives taken and progress made in this direction.

Construction of roads in Jammu and Kashmir

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 Jansker;**
ii. **Road between Nimo, Padam and Darcha;**
iii. **Connecting road from Nairak, Jansker 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.

Handing over of roads constructed by BRO to PWD

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.

Difficulties faced by the Organization in maintenance of existing road

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.

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.

<u>Shortage of manpower</u>

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

of 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.

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.

INDIAN COAST GUARD

Declining budget of Coast Guard

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 per cent less than the projected amount. Similarly, under the Revenue Head, while the BE projection was Rs.2408.41crore, 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 Rs.4791.42 crore, which approximately amounts to 65 percent of the projected requirement.

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 operations in 4.6 million sq. km. area. Besides, the Indian Coast Guard has to

perform duties and functions related to security of off shore installations, provide assistance in collection of scientific 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, aircraft etc. As per the admission made by the representatives 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 Schemes would affect acquisition of the much required Capital assets to protect our coast lines 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.

<u>Required and existing force level</u>

37. The Committee note that during Coast Guard Development Plan [12th plan (2012-17)], Indian Coast Guard envisaged 214 ships, Air Cushion Vehicles (ACVs) and interceptor boats 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.

Monitoring system to track boats

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.

MILITARY ENGINEERING SERVICES

Budgetary Provisions

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.

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.7970.68crore 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.

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.

Pending cases in the Ministry of Defence

42. The issue of 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.

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.

DIRECTORATE GENERAL DEFENCE ESTATES

Grants in Aid to Cantonment Boards

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 Cantonments 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.

Building laws

45. The Committee note 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 23rd 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 desire that the Ministry should instruct the rest of the Cantonment Boards to send the drafts and introduce amended Building Byelaws at the earliest.

Encroachment of Defence Lands

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 unauthorized occupation by State Government authorities/undertakings; 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.

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.

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 taking legal recourse for retrieval of defence land.

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 utilised for defence purposes.

Inconvenience to Civilian population and their representatives

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 of 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.

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/practices are held on unit roads which are normally not used by civilian public.

52. The Committee find from the experiences 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 desire 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.

Dilapidated Condition of Schools

53. Taking into consideration the issue of dilapidated condition of schools and urgency of their repairing work, 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 Govts. in Cantonments or in their vicinity. Lack of funds affected the maintenance of school buildings in some cases. Efforts are being made to enhance the allocation of Grant-in-Aid (General). For construction of new school buildings, the allotment of funds are also being made under the newly created budget head 'Grants for Creation of Capital Assets'.

54. The Committee are not satisfied with the routine nature of reply 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.

DEFENCE PUBLIC SECTOR UNDERTAKINGS

Financial Performance

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 DPSU	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 years2012-13 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.

Order Book Challenges

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 foolproof 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.

Cost and time slippages

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 deliveries. 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 factors 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, time 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.

Modernization of DPSUs

58 The Committee note that DPSUs have taken up modernization in a big way. Not only are they 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 3Jan. 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.

Expenditure on R&D by DPSUs

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

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 percent of the Value of Production on its R&D, while GSL is spending just about 0.57 percent. 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.

Defence exports by DPSUs

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.

WELFARE OF EX-SERVICEMEN

Resettlement Opportunities

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 :

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 computerised 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.

Army Battle Casualties Welfare Fund

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

causalities 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.

DEFENCE PENSION

Budgetary Provisions

64. The Committee are happy to note that the ceiling conveyed by Ministry of Finance for BE 2018-19 in respect of Defence Pensions 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. 4,04,364.71 crore. 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.

One Rank One Pension(OROP)

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.

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 in 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.

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.

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, Rakshya Rajya Mantri (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.

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.

EX-SERVICEMEN CONTRIBUTORY HEALTH SCHEME (ECHS)

Lower allocation to Ex-servicemen Contributory Health Scheme (ECHS)

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.4487.12crore but only Rs. 2911.50crore 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.

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.5,000 crore, the available Budget would be used up by September, 2018 and Ex-Servicemen Contributory Health Scheme would be in a serious crisis. During the year 2017-18 also, Ex-Servicemen Contributory Health Scheme was provided with less Budget as a consequence of which, it ran out of funds for providing to the hospitals for the purpose of treatment.

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.**

Non availability of medicines and doctors at ECHS Polyclinics

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, feel 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 welcome the assurance given by MD, ECHS that ECHS would be empanelling chemists all over the country and hope that this initiative would be operationalized at the earliest.**

ECHS facility to World War-II veterans, Emergency Commissioned Officers and Short Service Commissioned Officers

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.

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.

New Delhi
12 March, 2018
21 Phalguna, 1939 (Saka)

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

STANDING COMMITTEE ON DEFENCE (2017-18)

MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

The Committee sat on Thursday, the 15th February, 2018 from 1100 hrs. to 1520 hrs. in Committee Room No. 53, Parliament House, New Delhi.

PRESENT

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

MEMBERS

LOK SABHA

2. Col Sonaram Choudhary(Retd)
3. Shri Thupstan Chhewang
4. Shri H D Devegowda
5. Shri Sher Singh Ghubaya
6. Dr Mriganka Mahato
7. Shri Kalraj Mishra
8. Shri Partha Pratim Ray
9. Shri A P Jithender Reddy
10. Smt Pratyusha Rajeshwari Singh

RAJYA SABHA

11 Shri Harivansh
12 Shri Basawaraj Patil
13 Smt Ambika Soni

SECRETARIAT

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

LIST OF WITNESSESS

MINISTRY OF DEFENCE

SNO	NAME OF OFFICER	DESIGNATION
1.	Shri Sanjay Mitra	Defence Secretary
2.	Dr Ajay Kumar	Secretary (DP)
3.	Dr S Christopher	Secretary DR&D
4.	Lt Gen Sarath Chand	VCOAS
5.	Lt Gen SK Dua	CISC
6.	Shri SK Kohli	FA(DS)
7.	Shri Apurva Chandra	DG(Acq)
8.	Shri Jiwesh Nandan	Additional Secretary
9.	Shri Sanjiv Mittal	FA (Acq)
10.	Lt Gen RR Nimbhorkar	MGO
11.	Lt Gen Sanjay Verma	DG WE
12.	Lt Gen PN Rao	DG FP
13.	Lt Gen SK Patyal	DCOAS
14.	Lt Gen BS Sehrawat	DGNCC
15.	Vadm AK Jain	DCIDS (PP&FD)
16.	Vice Admiral G Ashok Kumar	DCNS
17.	Dr Zakwan Ahmed	DG(R&M)
18.	Sh AN Das	Addl FA & JS
19.	Shri Subir Mallick	Addl FA & JS
20.	Shri Rajib Kumar Sen	Economic Adviser
21.	Shri R K Karna	Addl FA & JS
22.	Shri Ashwini Kumar	Addl FA & JS
23.	Rear Admiral Sanjay Vatsayan	ACNS (P&P)
24.	Ms Dhartiri Panda	Addl FA & JS
25.	Shri V Anandarajan	Joint Secretary
26.	Shri Rajeev Singh Thakur	JS (Army)
27.	Smt Nidhi Chibber	Joint Secretary
28.	Maj Gen KJS Dhillon	ADG PP ‘A’
29.	Maj Gen Shantanu Dayal	ADG Proc
30.	Maj Gen HS Shanbhag	Technical Manager (LS)
31.	Maj Gen Sanjay Thapa	ADG FP
32.	RAdm KM Dhir	ACIDS
33.	IG VD Chafekar	DDG (P&P)
34.	Maj Gen Pankaj Saxena	ACIDS (FP)
35.	Rear Adm B Dasgupta	ADG (A)
36.	Brig Deepak Obhrai	DDG P&M Cell
37.	Brig Dhiraj Seth	DDG PP (Plans)
38.	DIG Alankar Singh	PD(SA)
39.	Cmde G Rambabu	Inspecting Officer SSC
40.	Cmde Vineet McCarty	PDNP
41.	Captain Prakash Gopalan	DNP

42.	Mrs Maulishree Pande	Director (Fin/Budget)
43.	Col Rajeev Kapoor	Offg DACIDS (Budget)
44.	Shri TD Diwivedi	Dir (Air-II)
45.	Smt Vibha Sood	PD P&F
46.	Brig Shivender Singh	DDG (Lgs)
47.	Col SK Vohra	Dir Lgs(A)
48.	Col Chetan Gurbax	Dir Coord
49.	Col Sudhanshu Arya	Inspecting Officer SSC
50.	Col Puneet Aggarwal	Dir PP(Lgs)
51.	Col PG Sankpal	Dy MA to VCOAS
52.	Sh Vipul Gupta	Addl Dir DPA
53.	Smt Poornima Rajendran	DS(Trg) & Hony Secy (SSC)

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

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

4. The Committee were informed about delegation of powers to Coast Guard, NCC, BRO, Services Headquarters for post contract management and perimeter security aspects. Thereafter, A power Point Presentation on General Defence Budget was made before the Committee. This was followed by detailed deliberations on the following issues:

(i) Issue relating to non procurement of Bullet Proof Jackets.

(ii) Procurement of Ammunition and Weapon System.

(iii) Low Allocation to Army.

(iv) Escalation in the cost of equipment nullifying the increase in the budget.

(v) Non availability of adequate Capital Budget.

(vi) Continuous reduction of Defence Budget in terms of percentage of GDP of the Country.

(vii) Making capital budget as 'Roll on and Non-Lapsable'.

(viii) Measures for adequately equipping being taken for the Forces.

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

(i) Steps taken to achieve timely, effective and efficient procurement.

(ii) Impact analysis of newly-formulated Defence Procurement Procedure (DPP 2016).

(iii) Strategic Partnership with Private Sector.

(iv) Impact of 'Make in India' policy on existing production policy.

(v) Issues relating to huge committed liabilities and non availability of budget for new schemes owing to ceiling from the Ministry of Finance.

(vi) Support to Medium, small and Micro Enterprises (MSME) in area of Defence production.

The Committee took break for lunch and resumed the Sitting at 1400 hrs.

6. Thereafter, the Chairperson invited the representatives of Army. The representatives of the Army commenced their briefing through a Power Point presentation. This was followed by detailed deliberations on following issues:

(i) Status of present operational preparedness of Army;

(ii) Issues relating to deficiencies of weapons, stores and ammunition;

(iii) Non availability of capital budget for Committed Liabilities and New Schemes;

(iv) Break up of utilisation of Army Budget i.e. 63 per cent for salaries, maintenance; operational requirement; 20 per cent for modernisation, 14 per cent for other matters etc.

7. Thereafter, the Chairperson invited the representatives of NCC. The representatives of the NCC commenced their briefing through a Power Point presentation. This was followed by discussion on following issues:

(i) Issues relating to Introduction of NCC in more schools;

(ii) Need for creating infrastructure and improving quality of training with the increase in strength of cadets.

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

(i) Opening of more Sainik Schools in the States;

(ii) Making Sainik Schools co-educational/separate Sainik Schools for girls; and

(iii) Measures taken to improve standard of training in Sainik Schools so as to increase the intake of cadets of Sainik Schools in NDA.

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

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

The Committee then adjourned.

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STANDING COMMITTEE ON DEFENCE (2017-18)

MINUTES OF THE SIXTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

The Committee sat on Friday, the 16th February, 2018 from 1100 hrs. to 1550 hrs. in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

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

MEMBERS

LOK SABHA

2. Shri Dipak Adhikari (Dev)
3. Col Sonaram Choudhary(Retd)
4. Shri Thupstan Chhewang
5. Shri Dharambir Singh
6. Dr Mriganka Mahato
7. Shri Kalraj Mishra
8. Shri Partha Pratim Ray
9. Smt Mala Rajya Lakshmi Shah
10. Smt Pratyusha Rajeshwari Singh

RAJYA SABHA

11 Shri Harivansh
12 Shri Madhusudan Mistry
13 Shri Basawaraj Patil
14 Smt Ambika Soni

SECRETARIAT

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

LIST OF WITNESSESS

SNO	NAME OF OFFICER	DESIGNATION
1.	Shri Sanjay Mitra	Defence Secretary
2.	Dr. S. Christopher	Secretary DR&D
3.	Lt Gen Sarath Chand	VCOAS
4.	Air Mshl SB Deo	VCAS
5.	Vice Admiral Ajit Kumar P	VCNS
6.	Shri Jojneswar Sharma	Director General (Secy. Rank)
7.	Lt Gen SK Dua	CISC
8.	Shri S.K. Kohli	FA(DS)
9.	Shri Jiwesh Nandan	Additional Secretary
10.	Shri Sanjiv Mittal	FA (Acq)
11.	Air Mshl R Nambiar	DCAS
12.	Lt Gen Suresh Sharma	Engineer-in-Chief
13.	Vadm AK Jain	DCIDS (PP &FD)
14.	Lt Gen Ashok Ambre	QMG
15.	Lt Gen. PS Rajeshwar	DG PP (AS Level)
16.	Lt Gen Sanjay Verma	DGWE
17.	Lt. Gen Anil Chauhan	DGMO
18.	Lt. Gen SK Shrivastava	DGBR
19.	Lt Gen PN Rao	DG FP
20.	Lt Gen SK Patyal	DCOAS
21.	Shri Rajendra Singh	DGICG
22.	Dr Zakwan Ahmed	DG(R&M)
23.	Shri A. Bhaskar Reddy	Sr. Addl Director General(AS level)
24.	Shri Jayant Sinha	Joint Secretary (Works)
25.	Sh. A.N. Das	Addl.FA & JS
26.	Shri Subir Mallick	Addl FA & JS
27.	Sh. R.K. Karna	Addl. FA & JS
28.	Ms. Dharitri Panda	Addl. FA(D)
29.	Sh. Ashwani Kumar	Addl. FA & JS
30.	Shri Bharat Khera	JS (Air/BR)
31.	Shri Sanjai Singh	JS & AM (Air)
32.	Maj Gen Pankaj Saxena	ACIDS(FP)
33.	Maj Gen Sanjeev Jain	DG MAP

34.	Maj Gen Dig Vijay Setia	
35.	Maj Gen SPS Kohli	Offg DG Works
36.	Maj Gen Sanjay Thapa	ADB FP
37.	Maj Gen KJS Dhillon	ADG PP 'A'
38.	Air Vice Mshl MSG Menon	ACAS (AF Works)
39.	Maj Gen Shantanu Dayal	ADG Proc
40.	AVM BR Krishna	ACAS (Plans)
41.	AVM J Chalapati	ACAS (Proj)
42.	AVM P Subhash Babu	ACAS(Fin P)
43.	IG VD Chafekar	DDG (P&P)
44.	Rear Admiral Sanjay Vatsayan	ACNS (P&P)
45.	Shri P Daniel	Addl Director General (JS level)
46.	Shri Rakesh Mittal	Addl Director General(JS level)
47.	Sh. Ajay Singh	Chief Executive CW&E
48.	Shri BK Jain	CE Jt DG
49.	Brig KC Panchanathan	DDG Mo(C)
50.	Brig. AK Das	DDG (TP)
51.	Brig Anurag Bhasin	DDG 'B'
52.	Cmde Vineet McCarty	PDNP
53.	Mrs. Maulishree Pande	Director (Fin/Budget)
54.	Brig Deepak Obhrai	DDG P&M Cell
55.	Brig Dhiraj Seth	DDG PP (Plans)
56.	Shri T.D. Dwivedi	Director (Air-II)
57.	Col RS Rawal	TS to DG MAP
58.	Col Vivek Pathak	Dir E2W(PPC)
59.	Shri Alok Negi	Dir (Plans)
60.	Captain Sathish Vasudev	DNP(PP)
61.	Captain Prakash Gopalan	DNP
62.	Col Puneet Aggarwal	Dir PP(Lgs)
63.	Col PG Sankpal	Dy MA to VCOAS
64.	Shri Harish Kumar	Director
65.	Smt Sharmistha Maitra	DDG (Adm & Coord) (Dir level)

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

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

4. The representatives of the Ministry of Defence commenced their briefing through a PowerPoint presentation on Air Force. This was followed by detailed deliberations on following issues:

(i) Allocation of funds and expenditure,
(ii) Requirement of additional funds to meet emergency procurements and war situation,
(iii) Efforts towards 'Make in India',
(iv) Depletion in squadron strength,
(v) shortage of manpower and cockpit to pilot ratio,
(vi) shortfall in trainer aircraft,
(vi) modernization of military air fields, etc.

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

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

6. Thereafter, a presentation on Coast Guard Organization was made before the Committee. This was followed by queries from Members on various issues which included the ones shown hereunder:

(i) shortfall in provision of funds,

(ii) state of coastal security, etc.

(iii) issues relating to GST and customs duty.

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

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

(i) Blocking of roads used by ordinary citizens by DGDE,

(ii) Encroachment of Defence Lands by civilians and removal of the same with the help of State Governments,

(iii) Digitisation of records in DGDE,

(iv) Financial problems of Cantonment boards,

(v) issues relating to building bye-laws in cantonment

(vi) Inviting public representatives, MPs and MLAs of that area to the Sitting.

8. The Ministry gave presentation on Military Engineer Services. This was followed by detailed discussions on the subjects and Members asked questions on the following issues:

(i) Delay in completion of projects,

(ii) Prioritisation of available resources,

(iii) Adoption of state-of-the-art technology,

(iv) Pending cases in the Ministry of Defence.

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

(i) Satisfaction level of the forces,

(ii) Early completion of phase-II and phase-III of MAP,

(iii) Amendments in MAP works procedure,

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

(i) Status of Border connectivity,

(ii) Delegation of financial powers in BRO,

(iii) Handing over of roads from BRO to PWD and *vice-versa*

(iii) Long Term Roll on Works Plan,

(iv) Fund for Sela pass project, etc.

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

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

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2017-18)

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

The Committee sat on Monday, the 19th February, 2018 from 1100 hrs. to 1515 hrs. in Committee Room No. 53, Parliament House, New Delhi.

PRESENT

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

MEMBERS

LOK SABHA

2. Shri Shrirang Appa Barne
3. Col Sonaram Choudhary(Retd)
4. Shri Thupstan Chhewang
5. Shri Dharambir Singh
6. Shri A P Jithender Reddy
7. Smt Pratyusha Rajeshwari Singh

RAJYA SABHA

8 Shri Basawaraj Patil
9 Shri Sanjay Raut
10 Smt Ambika Soni

SECRETARIAT

5. Smt Kalpana Sharma - Joint Secretary
6. Smt Jyochnamayi Sinha - Additional Director
7. Shri Rahul Singh - Under Secretary

LIST OF WITNESSESS

MINISTRY OF DEFENCE

SNO	NAME OF OFFICER	DESIGNATION
1.	Shri Sanjay Mitra	Defence Secretary
2.	Dr. Ajay Kumar	Secretary (DP)
3.	Smt Sanjeevanee Kutty	Secretary DESW
4.	Dr. S. Christopher	Secretary Defence R&D
5.	Lt Gen Sarath Chand	VCOAS
6.	Shri S.K. Chourasia	DGOF & Chairman/OFB
7.	Shri S.K. Kohli	FA(DS)
8.	Shri Jiwesh Nandan	Additional Secretary
9.	Shri Sanjiv Mittal	FA (Acq)
10.	Lt Gen Ashwani Kumar	Adjutant General
11.	Lt Gen RP Singh	DG(DC&W)
12.	Lt Gen SK Patyal	DCOAS
13.	Lt Gen PS Rajeshwar	DGPP
14.	Lt. Gen Shamsher Singh	DGQA
15.	Lt Gen PN Rao	DG FP
16.	Lt Gen Sanjay Verma	DG WE
17.	Dr. G Satheesh Reddy	DG (MSS) (Special Secretary level)
18.	Dr. CP Ramanarayanan	DG(Aero) (AS level)
19.	Dr Samir V Kamat	DG (NS &M)
20.	Ms. J. Manjula	DG (ECS)
21.	Dr. G Athithan	DG (MED & CoS)
22.	Dr. Shashi Bala Singh	DG (LS)
23.	Shri. Pravin K Mehta	DG (ACE)
24.	Dr Zakwan Ahmed	DG (R&M)
25.	Sr. S. Guru Prasad	DG(PC&SI)
26.	Dr. Hina A Gokhale	DG(HR)
27.	Dr. Chitra Rajagopal	DG (SAM)
28.	Shri Sudhir Mishra	DG (BrahMos)
29.	Shri Sudhir Gupta	DGTM
30.	Shri AK Bhateja Director	BF&MM
31.	Ms. Nabanita R Krishnan	Director P&C
32.	Sh. A.N. Das	Addl. FA & JS
33.	Shri Subir Mallick	Addl FA & JS
34.	Sh. Pudi Hari Prasad	Joint Secretary DESW
35.	Ms. Santosh	Joint Secretary Res-II DESW
36.	Maj Gen Jagatbir Singh	DGR
37.	Maj Gen Ashok Kumar	MD (ECHS)
38.	Maj Gen Shantanu Dayal	ADG Proc
39.	Maj Gen KJS Dhillon	ADG PP 'A'
40.	Maj Gen GJS Grewal	ADGQA (PP&T)

41.	Maj Gen Sanjay Thapa	ADB FP
42.	Shri Vijayendra	JS(NS)
43.	Shri Chandraker Bharti	JS (Aero)
44.	Dr Amit Sahai	JS(P&C)
45.	Shri Rajib Kumar Sen	EA
46.	Shri Sanjay Prasad	JS(LS)
47.	Shri V Udaya Bhaskar	CMD
48.	Shri T. Suvarna Raju	CMD
49.	Shri M. V Gowtama	CMD
50.	RAdm (Retd) L V Sarat Babu	CMD HSL
51.	Shri D.K. Hota	CMD
52.	RAdm (Retd) Shekhar Mital	CMD
53.	RADM V K Saxena	CMD
54.	Cmde Rakesh Anand (Retd).	CMD
55.	Shri Sanjay Chawla	ADGAQA
56.	Smt. S Gupta	ADG (Adm)
57.	Rear Adm SP Pal	ADGQA (WP)
58.	Brig Avtar Narayan	DDG AFMS(stdn)
59.	Brig Mrigendra Kumar	Secretary(KSB) DESW
60.	Cmde Gangesh Kumar	Principal Director DGR
61.	Shri Sanjeev Singhal	Director (Fin)
62.	Shri RK Sharma	Director DPA
63.	Shri Ravin Kulshrestha	Dir(P&C)
64.	Shri S.R Agrawal	Dir(Aero)
65.	Shri Shekhar Prasad	Dir(HR)
66.	Shri V Gurudatta Prasad	Dir(Prod)
67.	Shri M.M Joshi	ED
68.	Brig Deepak Obhrai	DDG P&M Cell
69.	Brig Dhiraj Seth	DDG PP
70.	Brig MK Vashist	DDG QA(PP&T)
71.	Gp Capt Sumit Dutta	Dir AFMS(Stdn)
72.	Gp Capt Hari Srinivas	Dir (P&FC)
73.	Gp Capt R K Padhi	Jt Dir (P&FC)
74.	Col Gurbir Singh	Offg Dir PP(Lgs)
75.	Col Puneet Aggarwal	
76.	Col PG Sankpal	Dy MA to VCOAS
77.	Shri V.M Chamola	Director(HR)
78.	Shri D.K. Venkatesh	Director (Engg R&D)

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

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

4. The representatives of the Ministry of Defence commenced their briefing through a Power Point presentation on Defence Public Sector Undertakings and Ordnance Factories Board (OFB). This was followed by extensive discussion on the matters which included the following:

i) Outsourcing and vendor development by the PSUs and OFBs;

ii) Steps taken to promote 'Make in India' in Defence Sector;

iii) Setting up of a Defence Investor Cell for Micro-Small and Medium Enterprises(*MSMEs)* and other industries to resolve difficulties in investment in Defence production;

iv) Promotion of export by private industry and DPSUs and OFs;

v) Modernization/upgradation of the facilities of DPSUs, Ordnance Factories and encouragement to private industry to meet the requirements of the Armed Forces;

vi) Upgradation of old guns;

vii) SU30 MKI of HAL;

viii) Timely delivery of LCA;

ix) Difficulties faced by HAL in production of Tejas;

x) Issues related to development and production of Bullet Proof Jackets;

xi) Order book challenges faced and steps taken by DPSUs and the Ordnance Factories;

xii) Reduction of allocations in respect of OFs;

xiii) Development of two defence industrial production corridors in the country;

xiv) Status of production of Assault Rifles;

xv) Upgradation of guns produced by Ordnance Factories;

xvi) Cost Cutting of Ordnance Factory Products;

xvii) Quality Check in Ordnance Factories; and

xviii) Issues related to R&D by Ordnance Factories.

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

i) Broad-basing of disability element extended w.e.f 01.01.2016 to other than invalidated cases;

ii) Mechanism to resolve the complaints of Ex-Servicemen;

iii) Appointment of one-man Judicial Commission to look into the pension anomalies of ESM in respect of OROP;

iv) Exemption in income tax for contributors to the Army Battle Casualties Fund;

v) Providing ECHS Facility for war veterans of 1962, 1965 and 1971;

vi) Shortage of medical officers, other staff and medicines in polyclinics of ECHS; and

vii) Opening of ECHS Polyclinics in more parts of the country.

The Committee took break for lunch and resumed the Sitting at 1400 hrs.

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

i) Changes in the role of DGQA

ii) Mechanism to check supply of low quality products and resolving complaints from the users.

iii) Quality check by DGQA.

7. Thereafter, the Chairperson welcomed the representatives of DRDO. The representatives of the DRDO commenced their briefing through a Power Point presentation on Defence Research and Development. This was followed by detailed deliberations on following issues:

i) Allocation of funds and expenditure;

ii) Requirement of additional funds;

iii) Decreasing budget of DRDO;

iv) Products developed by DRDO in the fields of Chemical, Biological and Nuclear Warfare;

v) Bullet proof jackets;

vi) Efforts towards 'Make in India'; and

vii) Export of DRDO developed equipment.

8. The Chairperson directed the representatives of the Ministry of Defence to furnish written replies to the queries raised by the Members at the earliest.

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

The Committee then adjourned.

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STANDING COMMITTEE ON DEFENCE

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)

The Committee sat on Friday, 12 March, 2018 from 1000 hrs. to 1030 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

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

Lok Sabha

2. Shri Suresh C Angadi
3. Shri Shrirang Appa Barne
4. Col Sonaram Choudhary(Retd)
5. Shri Dharambir Singh
6. Shri Gaurav Gogoi
7. Smt Mala Rajya Lakshmi Shah
8. Smt Pratyusha Rajeshwari Singh

Rajya Sabha

9. Shri Harivansh
10. Shri Sanjay Raut

SECRETARIAT

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

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

i) Thirty-Seventh Report on 'Action Taken by the Government on the Observations/Recommendations contained in the Twenty Eighth Report (16th Lok Sabha) on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Canteen Stores Department, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme'.

ii) Thirty-Eighth Report on 'Action Taken by the Government on the Observations/Recommendations contained in the Thirtieth Report (16th Lok Sabha) on Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance and National Cadet Corps'.

iii) Thirty-Ninth Report on 'Action Taken by the Government on the Observations/Recommendations contained in Thirty Fourth Report (16th Lok Sabha) on Provision of Medical Services to Armed Forces including Dental Services'.

iv) Fortieth Report of the Standing Committee on Defence (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 and Ex-Servicemen Contributory Health Scheme (Demand No. 19 & 22)'.

v) Forty-First Report of the Standing Committee on Defence (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)'.

vi) Forty-Second Report of the Standing Committee on Defence(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)'.

vii) Forty-Third Report of the Standing Committee on Defence(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 deliberations, the Committee adopted the above mentioned reports with slight modifications.

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

The Committee then adjourned.

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