

EIGHTH REPORT

STANDING COMMITTEE ON DEFENCE

(1999-2000)

(THIRTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action taken on the Recommendations contained in the 3rd report of the Committee (Twelfth Lok Sabha) on Upgradation and Modernisation of Naval Fleet]

*Presented to Lok Sabha on 18 December, 2000
Laid in Rajya Sabha on 18 December, 2000*



LOK SABHA SECRETARIAT
NEW DELHI

December, 2000/Agrahayana, 1922 (Saka)

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**COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE
(1999-2000)**

Dr. Laxminarayan Pandey — *Chairman*

MEMBERS

Lok Sabha

2. Shri S. Ajaya Kumar
3. Shri Raj Babbar
4. Shri S. Bangarappa
5. Col. (Retd.) Sona Ram Choudhaiy
6. Smt. Sangeeta Kumari Singh Deo
7. Shri Jarborn Gamlin
8. Shri Indrajit Gupta
9. Shri Raghuvir Singh Kaushal
10. Shri Mansoor Ali Khan
11. Shri Chandrakant Khaire
12. Shri Vinod Khanna
13. Shri K.E. Krishnamurthy
14. Shri A. Krishnaswami
15. Shri Ashok N. Mohol
16. Shri Hannan MoHah
17. Shri Sultan Salahuddin Owaisi
18. Shri Gajendra Singh Rajukhedi
19. Shri Rajendrasinh Rana
20. Prof. Rasa Singh Rawat
21. Shri A.P. Jithender Reddy
22. Shri Madhavrao Scindia
23. Dr. Col. (Retd.) Dhani Ram Shandil
24. Shri Ramjiwan Singh
25. Shri C. Sreenivasan
26. Shri Vaiko
27. Dr. Jaswant Singh Yadav
28. Dr. (Smt.) Sudha Yadav
29. Shri Vijayendra Pal Singh Badnore
30. Smt. Ranee Narah

Rajya Sabha

31. Shri Suresh Kalmadi
32. Shri Kapil Sibal
33. Shri Adhik Shirodkar
34. Dr. Raja Ramaima
35. Shri S. Peter Alphonse
36. Shri Shanker Roy Chowdhury
37. Dr. Y. Lakshmi Prasad
38. Sardar Gurcharan Singh Tohra

39. Shri T.N. Chaturvedi
40. Smt. Ambika Soni
41. Shri Nilotpai Basu
42. Shri Janeshwar Misra
43. Shri Kripal Parmar

SECRETARIAT

- | | | |
|-----------------------|---|----------------------|
| 1. Dr. A.K. Pandey | — | Additional Secretary |
| 2. Shri P.D.T. Achary | — | Joint Secretary |
| 3. Shri Ram Autar Ram | — | Director |
| 4. Shri K.D. Muley | — | Assistant Director |

INTRODUCTION

I, the Chairman, Standing Committee on Defence (1999-2000) having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on Action Taken by Government on the recommendations contained in the Third Report of the Committee (Twelfth Lok Sabha) on the subject 'Upgradation and Modernisation of Naval Fleet'.

2. The Third Report was presented to Lok Sabha and laid on the Table of Rajya Sabha on 21 December, 1998. The Government furnished their replies indicating action taken on the recommendations contained in the Report on 25 June, 1999. The Ministry of Defence forwarded the updated replies to the same on 16 October, 2000. The Draft Report was considered and adopted by the Standing Committee on Defence (1999-2000) at their sitting held on 8 December, 2000.

3. An analysis of action taken by Government on recommendations contained in the Third Report of the Standing Committee on Defence (Twelfth Lok Sabha) is given in Appendix.

4. For facility of reference and convenience, the observations/recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
December 8, 2000
Agrahayana 17, 1922 (Saka)

DR. LAXMINARAYAN PANDEY,
Chairman,
Standing Committee on Defence.

CHAPTER I REPORT

This Report of the Committee deals with the action taken by Government on the recommendations/observations contained in their Third Report (Twelfth Lok Sabha) on Upgradation & Modernisation of Naval Fleet which was presented to Lok Sabha on 21st December, 1998.

2. In the Third Report (12th Lok Sabha), the Committee made 8 observations/recommendations on the following subjects:

Sl.No.	Para No.	Subject
1.	19	Decision making apparatus in Ministry of Defence.
2.	20	Lull in Defence Planning.
3.	21	Approved and pending projects.
4.	22	Aircraft Carriers.
5.	23	Support Aircraft.
6.	24	Nuclear Submarines.
7.	25	Induction of Advanced Technology.
8.	26	Defence Expenditure.

3. Action taken Notes have been received from the Government in respect of all the 8 recommendations/observations contained in the Report. These have been categorised as follows :—

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

SI.Nos. 3, 4, 5, 6 & 7.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies :
—Nil—

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:
SI. Nos. 1, 2 & 8.

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited :
Nil

4. The Committee will now deal with the action taken by the Government on some of their recommendations as contained in Chapter-1 of this report.

Decision making apparatus in MoD

Recommendation (SI. No. 1, Para No. 19)

5. The Committee had recommended to the Government to urgently restructure the current defence decision making apparatus so that a single integrated Board of Defence Approvals with two modules, one module headed by the Defence Secretary aided by officers in the MoD top servicemen and technocrats from DRDO & outside, if necessary) and the other module comprising a Cabinet Committee aided by the Cabinet Secretary is constituted.

6. The Ministry of Defence have replied that at present the decision making apparatus in respect of the Department of Defence consists of two modules, one module is headed by RM/FM and the other module consists of Cabinet Committee on security headed by Prime Minister. The proposals pertaining to the Indian Navy are approved within these modules. The Defence Secretary, Additional Secretaries and Joint Secretaries have been delegated financial powers for approving proposals within the overall delegation of financial powers of Raksha Mantri/Vitta Mantri.

7. The Ministry of Defence have also stated that for the procurement of Revenue items. Naval Logistic Committee (NLCs) have been set up in the Naval Headquarters. All the cases of procurement of Revenue items are processed by the NLCs.

8. The Ministry have further informed that with a view to carry out an indepth examination of various issues relating to Defence Procurement Procedures so as to appropriately modify them keeping in view the twin objectives of accountability as well as speedier acquisition, a Committee headed by the Vice Chief of Army Staff was constituted on 28th March, 2000. The representatives from MOD, MOD(F), and three Service Headquarters were included as members of this Committee. This Committee has since submitted its report which is under examination.

9. Further on 17th April, 2000, the Government constituted a Group of Ministers to review the national security system in its entirety and to consider the recommendations of the Kargil Review Committee and formulate specific proposals for implementation of the recommendations in particular. With the approval of the Group of Ministers, four Task Forces were constituted to look into the specific issues. One of the Task Forces is entrusted with the responsibility of Review of the Management of Defence. This Task Force is headed by Shri Arun Singh, the then Minister of State for Defence (1984-85) and also the then Chairman, Committee on Defence Expenditure having representatives from the MOD, MOD (F) and the three Service Headquarters. The Terms of Reference of this Task Force inter-alia cover examination of existing organisations and structures for improving the management of country's defence, examining the apex decision making structure and the interface between the Ministry of Defence and the Armed Forces Headquarters and recommend appropriate measures for redressing such deficiencies as may be identified including organisational and other changes to bring about improvement in the procurement processes etc.

10. It is also stated that the Ministry of Finance have a constituted a task force *vide* Ministry of Finance, Department of Expenditure O.M.NO.I(36)/E-11(A)/98 dated 16th November, 1998 to examine the existing financial powers of the Ministry of Defence and Headquarters Organisations of the Armed Forces and to examine the extent to which these could be enhanced. The Task Force would also suggest appropriate measures made for simplifying and streamlining the existing procedures for formulation, evolving, sanction, procurement and expenditure management in the Defence Ministry and the Armed Forces and securing greater accountability.

11. The Ministry of Defence have stated that the recommendations of the Task Forces are to be considered by the Group of Ministers. The recommendations made by the Group of Ministers will then form the basis for modifying the procurement procedures to the required extent. The question of framing of Parliamentary law under the Article 53 of the Constitution will also be considered in the context of the recommendations made by the Group of Ministers.

12. The Committee note that with a view to carrying out an in-depth examination of various issues relating to Defence procurement procedures so as to appropriately modify them keeping in view the twin objectives of accountability and speedier acquisition, a Committee headed by the Vice Chief of Army Staff was constituted on 28 March, 2000 which also includes representatives of MOD, MOD (F) and three Service Headquarters. The Committee has since submitted its report which is under examination. The Committee also note that another Task Force under Shri Arun Singh with representatives of MOD, MOD (F) and three service Headquarters has been formed to cover examination of existing organisations and structures and interface between the Ministry of Defence and Armed Forces Headquarters and recommended appropriate measures for redressing such deficiencies as may be identified including organisational and other changes to bring about improvement in procurement process. Another GOM has been formed to review the national security system in its entirety. A Task Force has also been constituted by Ministry of Finance to examine the existing financial powers of Ministry of Defence and Headquarters organisations of the Armed Forces and the extent to which these could be enhanced.

The Committee appreciates the efforts made by the MOD and MOF to study the possibilities of streamlining the procedures for procurement of Defence equipments by forming various task forces and Committees. The Committee recommend that recommendations of the aforesaid Committee and task forces should be gone through and implemented expeditiously to streamline the procurement procedure.

Lull in Defence Planning

Recommendation (SI. No. 2, Para No. 20)

13. The Committee expressed their displeasure over the Government's admission that no major naval acquisitions were made during the period 1984 to 1996. The Committee had recommended to the government to convincingly explain this inertia in

Naval development and the Government should take all necessary steps to obviate the recurrence of such ominous decline in national security efforts.

14. The Ministry of Defence have explained that inertia in naval defence planning for almost a decade since 1986 was due to non-sanctioning of major force level ship building projects and because of lack of required funding support during the 7th and 8th five year plans. The Navy had made a projection of Rs. 36112 crores, the allocation made was only to the tune of Rs.26966 crores resulting in shortfall in the funding of the Navy to the extent of Rs-9146 crores. They have also stated that steps have been taken to arrest the force level decline by sanctioning some major projects commencing 1996 which include :

- (a) Construction of two submarines at MDL.
- (b) Indigenous construction of three frigates at MDL.
- (c) Acquisition of two EKM submarines from abroad.
- (d) Acquisition of three frigates from abroad.
- (e) Indigenous construction of ADS (Aircraft Carrier)
- (f) Acquisition of four KA-31 'Airborne Early Warning' (AEW) Helicopters.

15. In addition, the proposal for acquisition of force multipliers like Unmanned Aerial Vehicles (UAVs) and Barak Anti Missile Defence Systems is in advanced stage. Mid-Life Update (MLU) of IL-38 aircraft is also being processed. An inter Governmental Agreement has been signed with the Government of the Russian Federation on 04/10/2000 for the acquisition of Aircraft Carrier 'Admiral Gorshkov'. These measures would substantially increase the strength of the Indian Navy in the near future.

16. The Committee feel that the Navy has been ignored for many years. This has resulted in considerable slackness in the development of the Indian Navy both in terms of fleet strength and technological advancement. To improve the situation, the Committee recommend that adequate fund should be allocated in the coming years to the Navy to improve the fleet strength and bring technological competence to Navy to reach the standards of our neighbouring countries and also acquire an edge over them. All projects as specified above by the Ministry should be completed without further loss of time.

Aircraft Carriers

Recommendation (SI. No. 4, Para No. 22)

17. The Committee had noted with concern the delay in modernising INS Viraat which should have been completed well before the decommission of INS Vikrant in January, 1997. The Committee had further expressed the desire that the air defence ship project should be commenced without delay and also that the Government should urgently complete the process of acquiring one more aircraft carrier.

18. The Ministry of Defence in their reply have stated that the proposal for indigenous construction of air defence ship project had been approved by the Government. The ship would be built at Cochin Shipyard Limited at an estimated cost of Rs.1700 crores spread over a period of nine years.

19. As regards the acquisition of another aircraft carrier Government of Russian Federation have offered to gift 'Admiral Gorshkov' an aircraft carrier to India. The ship however, needs to be repaired, modified and modernised at the cost of Government of India before its induction into service. The ship after modernisation, would be able to provide a mix of aircraft and will provide required integral air power to the carrier task force at Sea for an estimated period of 20 years. An Inter Governmental Agreement (IGA) has already been signed on 4 October, 2000 with the Government of the Russian Federation for the acquisition of the aircraft carrier 'Admiral Gorshkov', its refit and modernisation etc. This agreement *inter-alia* provides for lease of four TU22M3E Long Range Maritime Reconnaissance Aircraft with the option to purchase.

20. The Committee recommend that indigenous construction of the Air Defence Ship should be given top priority with a fixed date of its completion as delay in its execution would result in time and cost overruns as has been seen in other projects.

21. A feasibility report on the repair, modification and modernisation of the gifted Russian Ship 'Admiral Gorshkov' should be prepared in advance considering financial and technical aspects before any work is undertaken on the same. The Committee should also be apprised of the details of this report. The Ministry may also clarify the type of aircraft to be used in this aircraft carrier.

Support Aircraft

Recommendation (SI. No. 5, Para No. 23)

22. The Committee had recommended that the proposals for modernisation of old support aircraft, induction of advanced MR ASW aircraft and deployment of indigenous avionics on commercial aircraft be urgently finalised, so that the Indian Navy is not handicapped for want of support aircraft especially at a juncture when it is exposed to the serious threat from P3C orions of Pakistan.

23. The Ministry of Defence have replied that Naval Headquarters have been examining the various options for replacement of existing IL-38 aircraft inducted in 1977, which have nearly completed their life span. The possibilities of replacement of existing IL-38 aircraft were examined and no viable alternative could be found. It has thus been found appropriate to extend the life span of existing aircraft to tide over the immediate problem. Price negotiations for refurbishment and modernisation of five IL-38 aircraft have already been concluded. The proposal is being processed for appropriate approvals. The refurbishment and modernisation of these aircraft is to be completed in a phased manner in a span of three years.

24. Regarding Airborne Early Warning Helicopters, the Government have already accorded approval for acquisition of four KA-31 Helicopters and the contract for the acquisition was concluded in August, 1999. Naval Headquarters have proposed for the acquisition of additional five KA-31 AEW Helicopters which is under process. These helicopters would provide the requisite AEW capabilities at sea.

25. The Committee recommend that in the present scenario, threat from Pakistan's P3C Orions" the Navy's support aircraft fleet should be urgently augmented. Acquisitions of new aircraft and upgradation of existing aircraft should be carried out as per a set time schedule so that the country is in a position to effectively meet any future conflict from across the borders.

Defence Expenditure/Naval Expenditure

Recommendation (SI. No. 8, Para No. 26)

26. The Committee had recommended that the Government should explore the possibilities of reducing establishment charges by adopting some techniques like down sizing the work force if necessary and reprioritising the works in hand and in the pipeline so that adequate funds are mobilised in addition to increased allocations as per the recommendations of the Government Committee on Defence Expenditure. The Committee had strongly urged the Government to heed to the recommendation of the Tenth Finance Commission to increase the Navy's share of the Defence Budget in two stages.

27. The Ministry of Defence in their reply have stated that review of infrastructure establishment charges, manpower etc. is carried out on a continuing basis. In addition, reprioritising of work in hand and in pipeline is done regularly keeping in view the changing threat perception and technological advancements made in the respective areas. Navy is a capital intensive service with a capital revenue ratio of 50:50. Adequate attention is paid by the Government to allocate required budgetary resources to the Navy to ensure the timely implementation of the modernisation and replacement schemes of priority nature.

28. The borne strength of officers, sailors and civilians in the Navy is below the Government sanctioned complement by 13.56% and further reduction is not envisaged or desirable due to the planned induction of major platforms and creation of infrastructure to bolster Naval capability in the IX and X Plan periods.

29. While making the projections for IX Plan, the Navy had calculated the availability of funds on the premise of allocation as 15% of defence budget and that defence budget would be 2.8% of GDP, which itself would grow at 6-7 per cent per annum. Government's approval for Navy's budget was, however, Rs. 27,889 crores against projected requirement of Rs. 40,700 crores. It has not been possible to accede to the recommendation of the Tenth Finance Commission for increasing the Navy's share of defence budget to 30% in view of overall resource constraint and concomitant requirements of Air Force and Army.

30. Regarding the Doctrine of Deterrence, the Ministry of Defence has stated that the country has already assumed the status of a 'Declared Nuclear Capable State' consequent upon nuclear explosion at Pokhran in May, 1988. Subsequent trials in the Integrated Guided Missile Development Programme (IGMDP) of series of missiles, have amply demonstrated India's vector capability should the need ever arise.

31. The Committee note that as against a requirement of Rs. 40,700 crores, the Government had given an approval to only Rs. 27,889 crores during 7th and 8th Plan period. There was, therefore, a substantial shortfall in the funds made available to the Navy. The Committee feel that, though it may not be possible to allot 30% of the Defence Budget to the Navy but sufficient funds may be made available for completing all the modernisation and upgradation projects in hand with the Navy.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (SI. No. 3, Para No. 21)

Approved and pending projects

The Committee, after being informed of the status of projects approved and projects pending clearance, recommend to the Government to urgently translate the approved projects into reality and to urgently hold the sittings of appropriate bodies for clearing the projects that have been kept pending. All projects from proposal to execution stages should be concurrently subjected to periodic achievement audits to obviate delay. The Committee note with pain the monumental wastage of national resources blocked in shipyards which are not adequately loaded with orders. The Committee feel that due to the lethargic and snail-paced response of the Government, the construction programmes of frigates/ships/submarines have been severely affected thus starving the Indian Navy of its planned strength. The Committee while deploring the tardy progress made by the Government in this regard, recommend the constitution of a Special Task Force to monitor the indigenous construction of frigates/submarines/ships in our shipyards as well as to monitor the acquisition of these from other countries on priority basis.

Reply of the Government

All possible efforts are made to adhere to the time schedule for completion of projects of acquisition/indigenous construction of warships, aircraft etc. A Warship Overseeing Team (WOT) headed by a Commodore and comprising specialist officers monitors progress of project work besides overseeing the work. At NHQ, the Controller of Warship Production & Acquisition (CWP&A) and Director General Naval Design (DGND) monitor the progress periodically. The progress of projects is also monitored through quarterly progress review meetings chaired by CWP&A/DGND with representatives of Ministry of Defence, inspections/quality assurance agencies and Controller of Defence Accounts (Navy). In addition to the above, monthly meetings are also held with the shipyard at Joint Director/Deputy Director level of Navy.

2. For timely commissioning of projects, levying of liquidated damages in case of delays, awarding contract on fixed price basis for repeat orders etc. have been introduced.
3. Appropriate action is being taken by the Government to clear pending projects keeping in view the availability of resources and Strategic Defence needs of Navy.

[Ministry of Defence O.M. No. F. 15(90)/98/D(N-1) dated 13.10.2000]

Recommendation (SI. No. 4, Para No. 22)

Aircraft Carriers

The Committee note with concern the inappropriate time schedule being adhered to for modernizing INS Viraat. The Committee feel that the modernization of INS Viraat should have been completed well before the decommissioning of INS Vikrant in January 1997 especially when they had abandoned the Sea Control Ship programme and they were yet to commence the production of Air Defence Ship. Due to this bad planning, with a short time, the Indian Navy will be shorn of its Aircraft Carrier and this situation will continue until INS Viraat, after modernization, joins Navy. The Committee deplore the Government for failing to assess the magnitude of threat perceptions to the country in the North Arabian Sea which have the potential of disrupting oil flow, communications and other essential supplies. The Committee also deplore the Government for failing to realize that such threat perceptions can be countered only by possessing a floating airfield hundreds of miles into the sea in the form of aircraft carrier with necessary support, since an aircraft carrier is the only maritime hardware that will tilt the balance against our adversaries to keep the flag of Indian Navy high, the Committee strongly urge upon the Government to clear and commence production of the Air Defence Ship Project without any further delay, the Committee further urges the Government to urgently complete the process for acquiring at least one more Aircraft Carrier.

Reply of the Government

The proposal for indigenous construction of Air Defence Ship Project has been approved by the Government. The Air Defence Ship would be built at Cochin Shipyard Ltd. at an estimated cost of Rs. 1700 crores approximately and the expenditure would be spread over a period of nine years.

2. As regards acquisition of another Aircraft Carrier, Government of Russian Federation have offered to gift 'Admiral Gorshkov', an aircraft carrier to India. The ship will however need to be repaired, modified and modernized at the cost of the Government of India before it is inducted into service. The ship after modernization will be able to provide a mix of aircraft and will provide required integral air power to the carrier task force at sea for an estimated period of 20 years. An Inter Governmental Agreement (IGA) has already been signed on 4th October, 2000 with the Government of the Russian Federation for the acquisition of the aircraft carrier "Admiral Gorshkov", its refit and modernization etc. This agreement *inter-alia* provides for lease of four TU22M3E Long Range Maritime Reconnaissance Air Craft with option to purchase. With the acquisition of these platforms, the strength of the Navy will get substantially enhanced in the near future.

[Ministry of Defence, OM. No. 15(90)/98D(N-1) dated 13.10.2000]

Comments of the Committee

(Please *see* paras 20 & 21 of Chapter I of the Report)

Recommendation (SI. No. 5, Para No. 23)

Support Aircraft

The Committee were informed that the options of (i) modernization of old support aircraft, (ii) induction of advanced MR ASW aircraft and (iii) deployment of indigenous avionics on commercial aircraft, were being explored. The Committee were also informed that acquisition of AEW Helicopters was also in an advanced stage of clearance. The Committee feel that extraordinary urgency should be exhibited in finalizing these, so that the Indian Navy is not handicapped for want of support aircraft especially at a juncture when it is exposed to the serious threat from P3C Orions of Pakistan and when in modern warfare, a navy's punch is dependent upon air support in combat as well as reconnaissance areas.

Reply of the Government

Maritime Reconnaissance Aircraft

NHQ have been examining various available options for replacement of IL-38 aircraft inducted in 1977 which have nearly completed their life span. The possibilities of replacement of existing IL-38 aircraft were examined but no viable alternative could be found. Under these circumstances, it was found appropriate to extend the life span of the existing aircraft to tide over the immediate problem. Price negotiations for refurbishment and modernization of five IL-38 aircraft have already been concluded. The proposal is being processed for appropriate approvals. The refurbishment and modernization of these aircrafts is to be completed in a phased manner in a span of three years.

Airborne Early Warning Helicopters

The Government have already accorded approval for acquisition of four KA-31 helicopters and the contract for the acquisition was concluded in August 1999. NHQ have proposed for the acquisition of additional five KA-31 AEW Helicopters which is under process. These helicopters would provide the requisite AEW capabilities at sea.

[Ministry of Defence, OM No.F.15(90)/98/D(N-1) dated 13.10.2000]

Comments of the Committee

(Please *see* para 25 of Chapter I of the Report)

Recommendation (SI. No. 6, Para No. 24)

Nuclear submarines

In the face of the presence of sub-surface nuclear submarines and sub-surface ballistic nuclear submarines of China and the United States in the Indian Ocean in which India has a vital stake, the Committee recommend to the Government to review and accelerate its Nuclear Policy for fabricating or for acquiring nuclear submarines to add to the deterrent potential of the Indian Navy.

Reply of the Government

The recommendation made by the Committee has been noted by the Government.

[Ministry of Defence, OM No.F.15(90)/98/D(N-1) dated 13.10.2000]

Recommendation (SI. No. 7, Para No. 25)

Induction of advanced technology

The Committee after noting the fast technological advances made by India in satellite communication, recommend to the Government to harness appropriately the energies available in this area and to tap the potential of the scientists and technocrats of DRDO and other agencies to insulate the Indian Navy's movements, operations and other secrets from the eyes and ears of military satellites of other nations by developing suitable jamming techniques. The Committee notes that the satellites, missiles, communication systems and informatics envelope of India give her an edge over other nations in the Indian Ocean Region and recommend to the Government to take all steps to resolutely promote this technology environment. The steps may also include involvement of private entrepreneurs, domestic and from abroad, wherever possible, to meet all defence needs requiring advanced design and manufacture capabilities so as to employ joint technological combat power against focused elements of the critical vulnerability of adversaries.

Reply of the Government

In the 60s and 70s, computation/automation in the service was generally based on electro-mechanical devices. Since then, the Navy has moved on to completely digital and computerized systems based on software. Presently, a number of projects for the navy are under development within the country with self-reliance having been achieved in both system engineering and design of hardware and software areas. Amongst these are the Computer Aided Action Information Systems on board frigate class of ships. Missile Control Systems, Gun Fire Control Systems, Electronic Warfare Systems, Echo Sounders, Logs, Launchers etc. Many other projects are on the anvil and are being progressed expeditiously. A number of projects in these fields for specific Naval applications are in the process of development with the active involvement of Naval

Headquarters, Defence Research and Development Laboratories, Defence Public Sector Undertakings and industry, both in the large and small scale sectors. Some of the major PSUs and industries involved are HAL, BEL, BHEL, Keltron, Modi Industries, Tebma Engineering, Allan Reinforced Plastics Pvt. Ltd., Engineering Projects India Ltd. etc.

2. The Navy is fully conscious of the Revolution in Military Affairs and its fallout in the fields of Information Technology, Electronic Warfare and Advanced technologies in integration systems. The Government is keen on modernizing the Navy with state-of-the-art systems so that capability of combat platforms is not found wanting.

3. The recommendations made by the Standing Committee have been noted by the Government.

[Ministry of Defence, OM No. F.15(90)/98/D(N-1) dated 13.10.2000]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

-NIL-

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (SI. No. I, Para No. 19)

The Committee, therefore, recommend to the Government to urgently restructure the current defence decision making apparatus so that a single integrated Board of defence Approvals with two modules, one module headed by the Defence Secretary aided by officers in the Ministry of Defence, the top servicemen and Technocrats from DRDO and outside, if necessary, and the other module comprising a Cabinet Committee aided by the Cabinet Secretary, is constituted. The time schedule for each process of decision making, the procedure for making decisions, the grant of functional and financial autonomy to the proposed decision making apparatus with a view to insulating it from frivolous allegations, shall have to be firmed up in the form of a Parliamentary law under Article 53 of the Constitution; the law may replace the current executive notifications/circulars as these are tremendously flexible.

Reply of the Government

1. At present the decision making apparatus in respect of procurement by the Department of Defence consists of two modules, one headed by RM/FM and the other in the form of Cabinet Committee on Security headed by Prime Minister. The proposals pertaining to the Indian Navy are approved within these modules. The Defence Secretary, Additional Secretaries and Joint Secretaries have been delegated financial powers for approving proposals within the overall delegation of financial powers of Raksha Mantri/Vitta Mantri.
2. For the procurement of revenue items. Naval Logistic Committees (NLCs) have been set up in the Naval Headquarters. All the cases of procurement of Revenue items are processed by the NLCs.
3. With a view to carry out an indepth examination of various issues relating to Defence Procurement Procedures so as to appropriately modify them keeping in view the twin objectives of accountability as well as speedier acquisition, a Committee headed by the Vice Chief of Army Staff was constituted on 28th March, 2000. The representatives from MoD, MoD(F), and three Service Headquarters were included as members of this Committee. This Committee has since submitted its report which is under examination.
4. On 17th April, 2000, the Government have constituted a Group of Ministers to review the national security system in its entirety and, in particular, to consider the recommendations of the Kargil Review Committee and formulate specific proposals for implementation of the recommendations. With the approval of the Group of Ministers,

four Task Forces were constituted to look into the specific issues. One of the Task Forces is entrusted with the responsibility of Review of the Management of Defence. This Task Force is headed by Shri Arun Singh having representatives from the MoD, MoD(F) and the three Service Headquarters. The Terms of Reference of this Task Force *inter-alia* cover examination of existing organizations and structures for improving the management of country's defence, examining the apex decision making structure and the interface between the Ministry of Defence and the Armed Forces Headquarters and recommended appropriate measures for redressing such deficiencies as may be identified including organisational and other changes to bring about improvement in the procurement processes etc.

5. Separately, Ministry of Finance have also constituted a Task Force on 16th November, 1998 to examine the adequacy of the existing financial powers of the MoD and the Service Headquarters and to examine the extent to which these could be enhanced. The Task Force is also required to suggest appropriate measures made at simplifying and streamlining the existing procedures for formulation, evolving, sanction, procurement and expenditure management in the Defence Ministry and the Armed Forces and securing greater accountability.

6. The recommendations of the Task Forces are to be considered by the Group of Ministers. The recommendations made by the Group of Ministers will then form the basis for modifying the procurement procedures to the required extent. The question of framing of Parliamentary law under the Article 53 of the Constitution will also be considered in the context of the recommendations made by the Group of Ministers.

[Ministry of Defence, OM No. 15(90)/98/D(N-1) dated 13.10.2000]

Comments of the Committee

(Please *see* Para 12 of Chapter I of the Report)

Recommendation (SI. No. 2, Para No. 20)

Lull in Defence Planning

The Committee are unhappy over the Government's admission that no major naval acquisitions were made during the period 1984 to 1996. The Committee reminisce that the period referred was a period of upheavals in India. The period not only saw the assassinations of one Prime Minister and one ex-Prime Minister, but witnessed widespread incidents of serious internal disturbances sponsored by a neighboring country. While the Indian economy opened up as a positive phenomenon, on the negative side, key defence programmes including the second series of nuclear tests got postponed. The lull in naval development for more than a decade between 1984 and 1996 is in this context intriguing. The Committee would, therefore, like to recommend to the Government to convincingly explain this inertia in naval development. The Government

should take all necessary steps to obviate the recurrence of such ominous decline in national security efforts.

Reply of the Government

The inertia in naval defence planning for almost a decade since 1986 was due to non-sanctioning of major force level ship building projects primarily for want of adequate funding support during the 7th and 8th Five Year Plans. During the 7th Plan (1985-1990), two years of plan holiday, (1990-91 and 1991-92) and the 8th Plan (1992-1997) Navy had projected the requirement of Rs. 36112 crores. However, allocation was only Rs. 26966 crores. Thus, there was a shortfall in funding to the extent of Rs. 9146 crores during this period. The funds available for capital projects during this period were just sufficient to cater for the then on going contractual liabilities of the Navy and therefore, no new destroyers/frigates could be sanctioned. However, steps have been taken to arrest the force level decline by sanctioning the following major projects commencing 1996:—

- (a) Construction of two submarines at MDL.
- (b) Indigenous construction of three frigates at MDL.
- (c) Acquisition of two EKM submarines from abroad.
- (d) Acquisition of three frigates from abroad.
- (e) Indigenous construction of ADS (Aircraft Carrier).
- (f) Acquisition of four KA-31 'Airborne Early Warning' (AEW) Helicopters.

In addition, the proposal for acquisition of force multipliers like Unmanned Aerial Vehicles (UAVs) and Barak Anti Missile Defence Systems are in advanced stage. Mid Life Update (MLU) of IL-38 aircraft is also being processed. An Inter Governmental Agreement has been signed with the Government of the Russian Federation on 04/10/2000 for the acquisition of Aircraft Carrier "Admiral Gorshkov". These measures would substantially increase the strength of the Indian Navy in the near future.

[Ministry of Defence, OM No. 15(90)/98/D(N-1) dated 13.10.2000]

Comments of the Committee

(Please *see* Para 16 of Chapter I of the Report)

Recommendation (SI. No. 8, Para No. 26)

Defence Expenditure

As regards the heavy demands of funds for Navy's urgent special requirements, the Committee appreciate the difficulties involved in Budget making and also the need for augmenting the Union Government's resource base for supporting the heavy capital intensive budget of the Navy. In order to provide continued fund support to major naval projects, the Committee recommend to the Government:—

- (i) to explore the possibilities of reducing establishment charges by adopting some quick techniques including downsizing of the workforce, if necessary; and
- (ii) re-prioritizing the works in hand and in pipeline, so that adequate funds are mobilized in addition to increased allocations as per the recommendations of the Government Committee on Defence Expenditure. Besides, the Committee would strongly urge upon the Government to heed to the recommendations of the Tenth Finance Commission for increasing the Navy's share of the defence budget to 30% in two stages.

Doctrine of deterrence

Keeping in view the effectiveness of the doctrine of deterrence in the defence of the country and keeping in view the deleterious damage though temporary, that may be caused by any adversary if he chooses to indulge in a "First Strike" against the nation in case he underestimates the robustness of our preparedness, the Committee would counsel the Government to move away from the conservative concept of keeping everything behind the veil of secrecy and actively disseminate information on our preparedness to send the message to all on appropriate occasions, in appropriate form and fora within the framework of good inter-country relations.

Reply of the Government

Review of infrastructure, establishment charges, manpower etc. is carried out on a continuing basis. In addition, re-prioritizing of work in hand and in pipeline is done regularly keeping in view the changing threat perception and technological advancements made in the respective areas. Navy is a capital intensive service with a capital revenue ratio of 50:50. Adequate attention is paid by the Government to allocate required budgetary resources to the Navy to ensure that timely implementation of the modernization and replacement schemes of priority nature.

2. The borne strength of officers, sailors and civilians in the Navy is below the Government sanctioned complement by 13.56% and further reduction is not envisaged or desirable due to the planned induction of major platforms and creation of infrastructure to bolster Naval capability in the IX and X Plan periods.

3. While making the projections for IX Plan, the Navy had calculated the availability of funds on the premise of allocation as 15% of defence budget and that defence budget would be 2.8% of GDP, which itself would grow at 6-7 percent per annum. Government's approval for Navy's budget was, however, Rs. 27,889 crores against projected requirement of Rs. 40,700 crores. It has not been possible to accede to the recommendation of the Tenth Finance Commission for increasing the Navy's share of defence budget to 30% in view of overall resource constraint and concomitant requirements of Air Force and Army.

Doctrine of Deterrence

In so far as the Doctrine of Deterrence is concerned, the country has already assumed the status of a "Declared Nuclear Capable State" consequent upon nuclear explosion at Pokhran in May 1998. Subsequent trials in the Integrated Guided Missile Development Programme (IGMDP) of series of missiles, have amply demonstrated India's vector capability should the need ever arise.

[Ministry of Defence, OM No. 15(90)/98/D(N-1) dated 13.10.2000]

Comments of the Committee

(Please *see* Para 31 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

NEW DELHI;
Decembers 8, 2000
Agrahayana 17, 1922 (Saka)

DR. LAXMINARAYAN PANDEY,
Chairman
Standing Committee on Defence

MINUTES OF THE FIFTEENTH SITTING OF THE STANDING
COMMITTEE ON DEFENCE (1999-2000)

The Committee sat on Friday, the 8th December, 2000 from 1500 *his.* to 1630 hrs.

PRESENT

Dr. Laxminarayan Pandey — *Chairman*

MEMBERS

Lok Sabha

2. Col. (Retd.) Sona Ram Choudhary
3. Smt. Sangeeta Kumari Singh Deo
4. Shri Jarborn Gamlin
5. Shri Mansoor aU Khan
6. Shri A. Krishnaswami
7. Shri Hanna MoUah
8. Shri Gajendra Singh Rajukhedi
9. Prof. Rasa Singh Rawat
10. Shri A.P. Jithender Reddy
11. Shri Madhavrao Scindia
12. Dr. Col. (Retd.) Dhani Ram Shandil
13. Shri C. Sreenivasan
14. Dr. Jaswant Singh Yadav
15. Dr. (Smt.) Sudha Yadav
16. Shri Vijayendra Pal Singh Badnore
17. Smt. Raneer Narah

Rajya Sabha

18. Shri Suresh Kalmadi
19. Dr. Y Lakshmi Prasad
20. Shri Kripal Parmar

SECRETARIAT

1. Dr. A.K. Pandey — *Additional Secretary*
2. Shri P.D.T. Achary — *Joint Secretary*
3. Shri Ram Autar Ram — *Director*
4. Shri K.D. Muley — *Assistant Director*

APPENDIX

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRD REPORT OF THE STANDING COMMITTEE ON DEFENCE (TWELFTH LOK SABHA) ON THE 'UPGRADATION AND MODERNISATION OF NAVAL FLEET'

		Percentage of Total	
(i)	Total number of recommendations	8	
(ii)	Recommendations/Observations which have been accepted by Government (vide recommendations at Sl. No. 3, 4, 5, 6 &7)	5	62.5%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view Of Government's replies	NIL	NIL
(iv)	Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee (vide recommendations at Sl. No. 1, 2 & 8)	3	37.5%
(v)	Recommendations/Observations in respect of which final replies of Government are still awaited	NIL	NIL