

Kelkar Committee submits report on defence acquisition

The Kelkar Committee set up by the Government to examine and recommend changes in the acquisition procedures and enabling a greater participation of private sector in defence production submitted the first part of its report to Defence Minister here today. The report was handed over by the Chairman of the Committee Dr. Vijay L Kelkar to the Defence Minister Shri Pranab Mukherjee.

Receiving the report, Shri Mukherjee thanked Dr. Kelkar and other members of the Committee for successfully completing the arduous job.

The thrust of Part I of the Report of the Committee is "Towards strengthening self-reliance in Defence Preparedness". This Report takes into account increased capabilities of Indian Industry and growing globalization of Defence industry. The Committee's proposals focus on encouraging involvement of country's best firms in Defence Capability Building, pursuing Offsets policy to bring in Technology and investment, exploring synergies amongst private sector Defence Public Sector Undertakings (DPSUs), Ordnance Factories (OFs) and Defence Research and Development Organisation (DRDO) to promote high technology capabilities and creating an environment for quantum jump in export of defence equipment and services.

The Committee has adopted a long-term approach to prepare a policy regime that would encourage India's best firms to enter in the field of defence production. To promote innovation, efficiency and cost cutting, the Committee has adopted a strategic perspective in formulating proposals towards acquisition policy reforms. The main recommendations of the Committee are:-

1. Preparation of a 15-year long-term plan forming the basis for acquisition program
2. Information sharing of requirement of Armed Forces with the Industry.
3. Identification of entry points for the private sector in the acquisition process.
4. Accreditation and fostering of Raksha Udyog Ratna /Champion.
5. Evolve policy framework to promote participation of Small and Medium Enterprises in defence production.
6. Setting up a new professional agency for defence acquisition.
7. Provide Defence Research and Development opportunities both with DRDO and industry.
8. To promote transparency in decision making.
9. To encourage optimum utilization of existing capacity.
10. To work out Request For Proposals (RFP) to include an Offset Clause for contracts valued at Rs. 300 crores and above.

11. To re-examine the concept of Negative List for Defence exports and setting up of an Export Marketing Organisation.

The Committee has also suggested a strategy for implementation of its recommendations, along with a time schedule. The Committee has also carried out an impact analysis of the recommendations made in Part I of its Report. This analysis indicates that besides providing strategic depth for Defence preparedness, the implementation of the recommendations of the Committee would also result in substantial economic benefits to the country. The measures outlined in the Report when implemented would lead to a high degree of indigenous production, resulting in increased growth in the GDP, greater employment opportunities and substantial savings. There would be greater self-reliance in Defence Production, benefits in terms of R&D, technology spin offs, higher industrial growth, higher exports, increased competition and more employment opportunities, besides cost savings.

The terms of reference of the Committee which initiated work in July 2004 were :

- (i) to examine the current procedures and recommend changes required in order to modify acquisition process on an approach based on a "product strategy" for items which need development internally or through the Transfer of Technology route.
- (ii) to examine and recommend modalities of integration of the User, the Defence Ministry and the Indian Industry including both private and public in the acquisition process of products required by the Armed Forces and being procured through the "product strategy" approach.
- (iii) to examine and recommend changes so as to increase defence exports and incorporation of offsets in defence acquisition. This included examination of the approaches to be adopted for seeking credit lines at beneficial/differential rates, facilitating export of Defence goods to countries which are not economically strong.
- (iv) The committee was also asked to set up a sub-group/sub-committees of members of the main Group to examine and make recommendations for appropriate changes in the areas as indicated to facilitate DPSUs and OFs to assume the role of designer and integrator, enabling them to build consortium of industries around them for product development and production.

Other members of the Committee included the three Vice Chiefs of Armed Forces, distinguished scientists and experts, representatives of Integrated Defence Staff, Department of Defence, Department of Defence Production, DRDO, Ministry of Finance and Defence (Finance). Two major Industry Associations viz. FICCI & CII were also adequately represented on the Committee.

The Part I of the Report covers the first three Terms of References. The Part II of the Report, relating to its 4th Terms of Reference would be submitted by the Committee separately. The Government would have the Report examined and implement its proposals expeditiously.

The other members of the Kelkar Committee were Shri Jagdish Khattar, CMD, Maruti Udyog Limited, Shri N.R. Mohanty, ex-Chairman, Hindustan Aeronautics Ltd., Shri Prabir Sengupta, Ex-Secretary, Govt. of India- presently Director IIFT, Lt. Genl. Satish Nambiar, Director, United Service Institute, Dr. K Santhanam, Director, Institute of Defence Studies & Analysis. Shri M.V. Kotwal, Executive President, Larsen & Toubro, Shri Rahul Chaudhary, CEO, Strategic Electronics Div., Tata Power Co.Ltd, Shri Atul Kirloskar, Chairman, CII National Committee on Defence, Shri Ashok Kanodia, MD, Precision Electronics Ltd., NOIDA, Dr. Amit Mitra, Secretary-General, FICCI, Cmdr. A Ghosh, Joint President & CEO, VXL Technologies Ltd, Shri Ranjit Issar, Addl Secretary, Ministry of Defence (MoD), Shri S Banerjee, Addl Secretary (Defence Production), MoD, Ms Dipali Khanna, Addl Financial Adviser, MoD, Dr. D Banerjee, Chief Controller Research and Development, DRDO, MoD, Shri Anurag Goel, Addl. Secy (Exp.) Ministry of Finance, Lt Gen BS Thakur, Vice Chief of Army Staff, Air Marshal SK

Malik, Vice Chief of Air Staff, Vice Admiral Yashwant Prasad, Vice Chief of Naval Staff, Vice Admiral Raman Puri, Chief of Integrated Staff Committee (CISC), Shri Tapan Ray, Joint Secretary (Export), MoD and Shri Alok Perti, Joint Secretary (Supply) were the member Secretaries of the Committee.