

ALL INDIA DEFENCE EMPLOYEES' FEDERATION
INDIAN NATIONAL DEFENCE WORKERS' FEDERATION
BHARTIYA PRATIRAKSHA MAZDOOR SANGH
(RECOGNIZED FEDERATIONS OF DEFENCE CIVILIAN EMPLOYEES)

Joint Circular No. : 47/2020

Date : 26.08.2020

To,

All the affiliated Unions of
AIDEF, INDWF, BPMS

Joint Memorandum submitted to the Parliamentary Standing Committee on Defence against Corporatisation of Ordnance Factories

As decided in the Joint meeting of the Federations held on 10/08/2020, a detailed Joint Memorandum was today submitted to the Parliamentary Standing Committee on Defence against Corporatisation of Ordnance Factories. In our Memorandum, we have brought out all the Arguments in favour of our strike demands. We have request the Parliamentary Standing Committee to intervene in the matter and advise the Government to withdraw its decision in the interest of national security, Defence preparedness and the 80,000 employees working in these Factories. A copy of the memorandum addressed to Shru. Jual Oram, Chairman/Parliamentary Standing Committee on Defence date 26/08/2020 with copy endorsed to all the Members of the Parliamentary Standing Committee is enclosed as **Annexure-I** of this Joint Circular.

Forwarding of Press Release for publication in the media.

We are forwarding herewith a press release for publication in the Print & Electronic Media as **Annexure-II** of this Joint Circular. You may kindly release to the local and national print medias and ensure its publication.



(C. SRIKUMAR)
GENERAL SECRETARY
AIDEF
09444080885
defempfed@gmail.com



(R. SRINIVASAN)
GENERAL SECRETARY
INDWF
09444125799
indwfrsrinivasan@gmail.com



(MUKESH SINGH)
GENERAL SECRETARY
BPMS
09335621629
gensecbpms@yahoo.co.in

Copy also to :

The General Secretaries
CDRA, NPDEF, AIBDEF,
DGOH HQ. Employees Associations & IOFSA

For your kind information please

ALL INDIA DEFENCE EMPLOYEES' FEDERATION
INDIAN NATIONAL DEFENCE WORKERS' FEDERATION
BHARTIYA PRATIRAKSHA MAZDOOR SANGH
(RECOGNIZED FEDERATIONS OF DEFENCE CIVILIAN EMPLOYEES)

Ref. No. : 31/AIDEF/INDWF/BPMS/20

Date : 26.08.2020

To,

Shri. Jual Oram Ji,

Honourable Chairman.

Parliamentary Standing Committee on Defence

Parliament Annex, New Delhi.

**SUBJECT : MEMORANDUM REQUESTING FOR INTERVENTION OF THE
 PARLIAMENTARY COMMITTEE ON THE DECISION TAKEN
 BY THE MINISTRY OF DEFENCE FOR CONVERTING THE
 219 YEARS OLD DEPARTMENTALLY RUN INDIAN
 ORDNANCE FACTORIES IN TO A CORPORATION / PSU.**

Sir,

Most respectfully we the 3 Recognized Federations of the Trade Unions of Defence Civilian Employees wish to submit this memorandum to your honour being the last bastion of our hope as the guardian and custodian of the Indian Ordnance Factories.

INTRODUCTION :

The AIDEF, INDWF & BPMS are the 3 major recognized Federations of Trade Unions of the 4 lakh Defence Civilian Employees including the 80,000 Defence Civilian Employees of 41 Ordnance Factories. We are forced to approach the Honourable Parliament Standing Committee, since the Ministry of Defence has not considered the innumerable representations submitted by us appealing the Government to not Corporatize the 219 years old 41 Ordnance Factories with reasonable points. The Parliamentary Standing Committee assess and review the functioning of the Ordnance Factories and the Committee has always appreciated the National and Historical role being played by the Ordnance Factories as the fourth force of the Defence of our Country. Whatever short comings pointed out by the Committee was taken seriously and remedial action are always taken. The Ordnance Factories are the integrated base of indigenous production of all types of Defence equipments in its 41 Factories spread all over the Country. The product profile includes the technologies which cover a wide spectrum of Engineering, Metallurgy, Chemical, Electronics, Clothing, Leather,

Parachute, Textile, Electronics and optical technology etc., The primary objective of the Ordnance Factories are to meet the mission of our country i.e., Self Reliance in Defence Production. The Ordnance Factories produce a wide range of Arms, Ammunition, Weapon, Guns, Small Arms, Tanks, vehicles, Strategic Battle field dress, extreme climate protective clothing, Parachutes, Tents, Boots and optical instruments etc.,

Ordnance Factories are the only organization in the world which makes the entire range of ammunition from 5.56mm to 155 mm and weapons from the 5.56mm INSAS rifle to 155mm X45 calibre 'Dhanush' artillery gun system. At another level, Metal and Steel Factory at Ishapore is the world's largest manufacturer of weapons grade steel from secondary sources.

The record of Ordnance Factories for indigenization is far better than the DPSU's. Ordnance Factories are supplying the engines for T-72 and T-90 Tanks with 100% indigenous content to the Indian Army. OFB has consistently displayed an exceptional record in absorbing manufacturing technologies received through foreign OEM's. **Ordnance Factory products have an indigenous content of 90% of the turnover, highest when compared to any DPSU's.** With indigenization level of over 97% in ammunition items, Ordnance Factories have almost nil dependence on foreign countries. **Ordnance Factories are a true example of "Atma – Nirbhar Bharat".**

Ordnance Factories have always stood by the Indian Armed Forces during its times of need. For its contribution during Kargil War, OFB won accolades from the then Chief of Army Staff and the Parliamentary Standing Committee. OFB stretched its capacity in all the critical items as per the demand even to the extent of 200% of pre-Kargil supplies. In the foreword to 'Arming the Indian Arsenal', former COAS Gen VP Malik has stated, *"Indian Ordnance Factories, which could produce ammunition and some equipment for which they had the necessary technology, rose to the occasion. But we faced considerable problems in procuring items that had to be imported at short notice."* Ordnance Factories supplies did not suffer the post – Pokhra-II sanctions and it contributed its mite during Operations Vijay in 1999.

It is also a matter of fact that the Ordnance Factories publishes a commercial account, profit and loss statement and balance sheet as per the Guidelines of GFR 2017. Ordnance Factories does not directly draw major part of budget from the Government, rather it earns its revenue by selling its products to its customers. During the COVID-19 pandemic crisis, when the Nation was facing an acute shortage of PPE's required for the Medical and Health fraternity, it was the Ordnance Factories and its employees who came to the rescue of the Country by working day and night and produced all PPE's required for the Country. This was appreciated by the Honourable RM himself.

Government's decision to Corporatize the 41 Ordnance Factories.

On 16-05-2020, Finance Minister Nirmala Sitharaman said that the long-pending Corporatization of OFB had been approved and while the entity would not be privatised, the Government would look at listing the entity to enhance the transparency in its operations. Why Finance Minister had to add in the same breath that the move is for Corporatization and not privatisation is patently because privatisation is on the back of mind of the Government and it is its ultimate goal.

The three putative benefits on which MoD is marketing the Corporatization of OFB are Autonomy, Accountability and Efficiency. Autonomy is more to do with Ministry of Defence, delegating powers than it is in the court of OFB. Being a Government Department, OFB is accountable to the people of the country through Parliament and also to the CAG. OFB is subjected to periodical review by the Honourable RM and by the Parliamentary Standing Committee also. OFB's efficiency can be seen from the fact that it exports and wins contract against open bidding with the private sector pitted against it. Compared to any other Government Department, the workforce of the Ordnance Factories are more efficient and more than 60% of the employees earn their wages only through their output, since they are on a piece work system.

In the name of level playing field the Government have already started providing all facilities to the private sector for Defence manufacturing. On this pretext the Government has withdrawn excise duty exemption, Countervailing Duty (CVD), Special Addl. Duty (SAD) and withdrawing Customs Duty Exemption on Direct Import in 2016-17 from the Ordnance Factories. However discrimination towards Ordnance Factories by the Government can be seen from the following:

- 275 products being manufactured in the Ordnance Factories are declared as Non-Core and Government have decided to handover all these products to the private sector.
- The order for Private Parties for ammunition contemplated is for 10 years; but for OFB, it is Roll on plan against which targets keep varying, and are not constant even for a year.
- GOI allows PESO Regulations for Ammunition plants of private sector, but CFEES regulations for OFB.
- GOI has not assured any funding for Make Category DPP items for OFB, but it is for Industry.
- GOI has put an embargo on any further investment in OFB and DPSU's; there is no such barrier for Private Industry.
- GOI decides to make trials of various items like Multi Mode Grenade and Pinaka in the Ordnance Factories and then gives order to the Private companies.
- The DRDO make use of the face lift of OFB for product development but finally the Govt. directs the DRDO to handover the technology to private players.

Impact of Corporatization of Ordnance Factories on the National Security and Defence Preparedness.

The commercial principle and fundamentals to the running of a Public Sector will not work for OFB to deliver for Make in India. Commercial viability is questionable due to large fluctuations in orders, orders after long gap, Uneconomical Order Quantity and Life Cycle support required for 30-40 years after the induction of the equipment, which no private sector entity can commit.

The consequences of Corporatisation will be disastrous, as the ability of OFB to invest in ongoing Capital investment will be retarded, since it will depend on funding from internal accruals, as it is happening in case of many DPSU's. The ability of OFB to invest in R&D will be severely constrained, as it will be constrained to take every decision for maintaining a good cash flow and defer such investment to a later date like a business entity, adversely affecting 'Make in India' programme.

With our vast experience in the field of Defence Production we would like to record here that Corporatization will kill OFB much faster. And there will be a big loss to the nation, as the exit of a long standing player from the field will migrate the market towards oligopoly, even to monopoly to the extent of dependence on players from abroad, defeating the very objective of Self Reliance. May be the nation has to go with a begging bowl to the unscrupulous foreign sources as has been seen recently.

Converting Ordnance Factory Board into a Public Sector entity will not be in National interest and maintaining Defence capability in term of surge capacity, providing lifetime support for spares, supplying fluctuating volume of demand and uneconomic order quantity, not feasible with commercial orientation.

The Government as a policy has already decided to privatise almost all the PSU's by retaining only 4 PSU's in the Strategic sector. There are already 9 PSU's under the DDP. If OFB also becomes a PSU, then what, it may meet the same fate as would be meted out to all, but the 4 blessed DPSU's. **It is a known fact that Corporatization is the first step towards privatisation.**

The country has seen many scams in the past in Defence deals through private sector and foreign agencies. The country can no longer afford such types of scams. The 219 years old pioneer Defence Industry of our country which is a most valuable national asset, cannot be handed over to private Corporates, whose motive will be only to earn profit and not to serve the nation.

We thus summarize that Conversion of OFB into a PSU without considering the concomitant risks associated with it would bring untold miseries and unmitigated risks to the Armed Forces, resulting in serious impact on the security of our country. The proposal of the Government also suffers from proportionality since the proposed change in structure and benefits are in no way interrelated and the remedy suggested to address the issue is more dangerous than the problem it purports to solve. **The alternatives suggested by the 3 recognised Defence Federations for further improving the performance and innovation capability of the OFB in the present setup itself have not been discussed and debated by the MoD.**

Here we would like to draw your kind attention that when the late Manohar Parrikar was the Defence Minister, he gave a task to the Ordnance Factories that within 5 years the Ordnance Factories should reach the Production target from 11,000 Crores to 20,000 Crores. Accordingly he was kind enough to place the indent on the Ordnance Factories and during the year 2016-17, the Ordnance Factories value of issue was Rs.14.82 Crores and in 17-18 it was Rs.14,127 Crores. However after he left the MoD, the target was reduced to Rs. 13,757 Crores during 2018 -19 and the value of issue was raised to Rs.12,766 Crores. This was excluding all the Taxes. In the meeting held under the Chairmanship of Secretary(DP) during our previous strike negotiations during 2019, we accepted the challenge that in the present setup itself the Ordnance Factories can achieve a target of Rs.30,000 Crores within the next 5 years, if sufficient load is provided to the Factories. Secretary(DP) agreed to consider our request. However this request of ours for watching the performance of the Ordnance Factories for 5 years after providing sufficient workload was also not considered by the DDP/MoD. Rather they have arbitrarily taken the route of Corporatisation and Privatisation.

Views of the Parliamentary Standing committee on Ordnance Factories.

Parliament Standing committee, 14th Lok Sabha (2005-06) analyzed the merits and demerits of OFB. When they asked MoD on the same, MoD replied.

“Ordnance Factories function as a Government Department and are accordingly governed by the applicable rules and regulations. As an established National Policy, **Ordnance Factories are also required to maintain idle capacities to take care of surge demand in emergent war situation. In a purely commercial term, maintaining idle capacity would be detrimental to the business interest of the company (PSU) and would appear to be a reason for low performance in terms of turnover and profits. In turn, it would also place such DPSU’s in disadvantageous position in a competitive environment”.**

Extract from the 8th Report of the Standing Committee on Defence, 17th Lok Sabha, 2019-20 is given below for your kind ready reference.

1.2 to summarises the role of Ordnance Factory Board include to provide a dedicated manufacturing base for Military hardware, indigenisation and Transfer of Technology (ToT) absorption, maintenance of 'War Reserve' capacity and 'life Cycle' support to arms and ammunition supplied etc.

1.3 Ordnance Factories have been continuously upgrading their infrastructure, with induction of State-of-art technologies to meet futuristic requirements of users.

1.16 On the issue of total value of products supplied to the three services, Ministry in its written replies stated:

"Supplies made to the three services during the last three years are appended below:

Value in Crore (excluding taxes)

Year	2016 – 17	2017 – 18	2018-19*
Army	11,867.45	11,412.48	9,478.39
Navy	294.34	241.20	397.57
Air Force	528.20	619.83	664.36
Total :	12,689.99	12,273.51	10,540.32

- **Reduction due to budgetary constraints and resultant ceiling imposed by Indian Army.**

1.17 The written information supplied by Ministry shows that approximately 100% targets are achieved.

Assurances given in the past by the 4 previous Defence Ministers and also in the Parliament with regard to Corporatisation of Ordnance Factories.

The proposal of Corporatising the Ordnance Factories was considered by the Government several times during the past 20 years., based on the recommendations of Nair Committee, Kelkar Committee and Raman Puri Committee. However the previous Defence Ministers after considering its impact on the Defence preparedness and national security, have rejected the proposals and have given written assurances to the recognised Federations as follows:-

- | | | | |
|-------|-----------------------|---|---------------|
| (i) | Shri George Fernandes | - | on 22.04.2002 |
| (ii) | Dr.Pranab Mukherjee | - | on 18.09.2006 |
| (iii) | Shri A.K. Antony | - | on 26.06.2007 |
| (iv) | Shri Manohar Parrikar | - | on 15.04.2015 |

In the Parliament also Government have assured that there is no proposal to corporatize the Ordnance Factories (Rajyasabha unstarred Question No. 833 answered on 3/3/2015). All the above assurances are being violated by the Ministry of Defence.

Impact of Corporatization of Ordnance Factories on its 80,000 employees.

The proposed change in structure is not only in violation of Articles 14 and 16 of the Constitution, it is also against national interest. From HR angle, the employees are in panic, counting their days before they are thrown to the teetering boat of Corporatisation with their right of drawing salary from the Consolidated Fund of India taken away in violation of the Fundamental Rules of Service conditions.

There should not be a situation, where all 80,000 employees decide to stay as Government employees considering the fiasco of BSNL experiment, with the OFB Corporation searching for talent in Market, which they will be finding difficult to scout and which will affect the capability of the proposed Corporation to deliver.

If state of affairs of OFB is bad then any accountability is fixed till date

It is also brought to your kind notice that the Ordnance Factory Board headed by the Chairman and Members works in tandem with the instructions and guidelines issued by DDP headed by Secretary/DP, which means they are together responsible for the performance or lack of it by the Ordnance Factory Board. This being so, it is not understood that how DDP has now found out that the performance of OFB is bad and they lack accountability, responsibility and credibility. If the performance of OFB has reached such a bad state of affairs, as is being brought out now, what action has been taken by the Government against these erring custodians of O.F Board who were responsible for its functioning in all these years? Instead of fixing them for their responsibility, they all have been rewarded with promotion/elevation and allowed to retire gracefully. We fail to understand that how the employees of Ordnance Factories, who works day and night with full devotion and commitment to produce the best quality arms, armaments, equipments including Troop Comfort items for the armed forces all these years, are responsible for the so called poor performance of the Management headed by Secretary(DP) at DDP and DGOF & Chairman/OFB. The bureaucrats posted in the Ministry of Defence always talk on a different footing, while showing their supremacy of control over Ordnance Factories. Unaware of the ground realities as existing on the shop floor, they would always talk about overheads and high cost of production. After this tussle of 2 to 3 years, the officials at the apex level either get retired or posted to some other Ministry, leaving behind burning issues unresolved. **Hence, we beseech the Hon'ble committee that the workmen of OFB should not be punished for the poor performance of the Management headed by Secretary/DP, who decides even posting of the General Manager's in each Unit under OFB.**

The Ordnance Factory perform their work with zero tolerance and by following the highest quality standards. Even due to the commitment and hard work of the workers the issue price of many products are reduced and the Army has expressed their happiness on this achievement. It is unfortunate such officers who do not have any in-depth knowledge of Ordnance Factories are entrusted with the responsibility of Corporatisation of Ordnance Factories. A major portion of the Defence budget is for procurement and the Private Corporates are always having an eagle's eye on their share of the Defence budget. To help these private Corporates vested interested officials in the Government have misguided the Government and got the approval of the Cabinet for Corporatising the Ordnance Factories, so that the Organisation worth one lakh Crore assets and 62 thousand Acre of land can easily handed over to private Sector through Corporatisation route.

Settlement reached in our previous strike

The three Federations during the year 2019, when the Government included the point of Corporatisation of OFB in its 100 days Agenda, we opposed the same and gave a strike notice for one month commencing from 20th of Aug. 2019. However in the midst of the Strike the CLC intervened and after the 5th day of strike based on the assurance given by the then Secretary(DP), the strike was deferred. When the entire process is pending with the Government, all of a sudden the Government took a decision to Corporatise the Ordnance Factories and since all our innumerable representations have not been addressed/attended by the DDP, we are forced to take a decision for an Indefinite Strike and accordingly we have issued a strike notice on 04/08/2020 based on the mandate given by the employees through a strike ballot. The proposed strike will commence from 12/10/2020 and we have given almost 9 weeks to the Government with a hope that the Govt. will withdraw its decision.

Our prayer before the Committee on behalf of 80,000 employees of Ordnance Factories.

Our prayer is to withdraw the proposed move of the Government to convert the Departmentally run Ordnance Factories into a Corporation / PSU, as the said move has not been supported by sufficient materials to substantiate not only the so-called lack of accountability, autonomy and efficiency in Ordnance Factories, but also violating the commitments given by the Government and Defence Ministers in the past in the various forums and also in the meeting held with Secretary (DP) on 23.08.2019.

Converting Ordnance Factory Board into a Public Sector entity will not be in national interest and maintaining Defence capability in term of surge capacity, providing lifetime support for spares, supplying fluctuating volume of demand and uneconomic order quantity, not feasible with commercial orientation.

The Government as a policy has already decided to privatise almost all the PSU's by retaining only 4 PSU's in the Strategic sector. There are already 9 PSU's under the DDP. If OFB also becomes a PSU, then what, it may meet the same fate as would be meted out to all but the 4 blessed DPSU's . **It is a known fact that Corporatisation is the first step towards privatisation.** The country has seen many scams in the past in Defence deals through private sector and foreign agencies. The country can no longer afford such types of scams. The 219 years old pioneer Defence Industry of our country which is a most valuable national asset cannot be handed over to private corporate whose motive will be only to earn profit and not to serve the Nation.

Conclusion

With lot of hope and expectations we are approaching your honour and the Honourable Committee that the Committee will render justice to the Ordnance Factories and its employees by intervening in the matter and advise the Defence Ministry to withdraw its decision to Corporatize the Ordnance Factories, which is neither in the interest of National Security, Defence preparedness nor the 80,000 employees of the 219 years old pioneer Defence Industry of our Country. We also request a personal hearing before the committee to explain our view points in person. If agreed, two representatives from each of the three Federations may be allowed to appear before the Committee.

Awaiting for your favourable response please.

With kindest regards,

Yours Sincerely,



(C. SRIKUMAR)

GENERAL SECRETARY

AIDEF

09444080885

defempfed@gmail.com



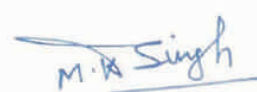
(R. SRINIVASAN)

GENERAL SECRETARY

INDWF

09444125799

indwfrsrinivasan@gmail.com



(MUKESH SINGH)

GENERAL SECRETARY

BPMS

09335621629

gensecbpms@yahoo.co.in

Copy to

All the Hon'ble Members of Parliamentary Standing Committee On Defence

Copy also To:

- 1) **The Defence Secretary**
Ministry of Defence,
South Block, New Delhi.
- 2) **Secretary (DP)**
South Block. New Delhi.
- 3) **The MGO,**
MGO Branch, New Delhi.
- 4) **The DGOF & Chairman**
Ordnance Factory Board,
Kolkatta, 700 001.

For your kind information and favourable action please.

ALL INDIA DEFENCE EMPLOYEES' FEDERATION
INDIAN NATIONAL DEFENCE WORKERS' FEDERATION
BHARTIYA PRATIRAKSHA MAZDOOR SANGH
 (RECOGNIZED FEDERATIONS OF DEFENCE CIVILIAN EMPLOYEES)

Date : 26th of August, 2020

PRESS RELEASE
FOR FAVOUR OF PUBLICATION

To,

The Editor

DEFENCE EMPLOYEES FEDERATIONS KNOCKS THE DOOR OF THE
PARLIAMENTARY STANDING COMMITTEE ON DEFENCE AGAINST
CORPORATISATION OF ORDNANCE FACTORIES

The innumerable representations so far being submitted by the Federations to the Government of India demanding for withdrawal of the decision taken to Corporatise the 41 Ordnance Factories, the Trade Unions of the Defence Employees are now preparing seriously for the Indefinite strike commencing from 12/10/2020. The Federations have today submitted a detailed Memorandum to Shri.Jual Oram, chairman of the Parliamentary Standing Committee on Defence and also to all the Members of the Parliamentary Standing Committee, requesting the Committee to intervene in the matter and to advise the Government to withdraw its decision.

In the Memorandum submitted to the Parliamentary Standing Committee, the Federations have brought various facts to the notice of the Committee. Some of the points raised in the memorandum is given below:-

“With our vast experience in the field of Defence Production we would like to record here that Corporatization will kill OFB much faster. And there will be a big loss to the nation, as the exit of a long standing player from the field will migrate the market towards oligopoly, even to monopoly to the extent of dependence on players from abroad, defeating the very objective of Self Reliance. May be the nation has to go with a begging bowl to the unscrupulous foreign sources as has been seen recently”.

In our memorandum we have also stated that the Ordnance Factory Board headed by the Chairman and Members works in tandem with the instructions and guidelines issued by DDP headed by Secretary/DP, which means they are together responsible for the performance or lack of it by the Ordnance Factory Board. This being so, it is not understood that how DDP has now found out that the performance of OFB is bad and they lack accountability, responsibility and credibility. If the performance of OFB has reached such a bad state of affairs, as is being brought out now, what action has been taken by the Government against these erring custodians of O.F Board who were responsible for its functioning in all these years? Instead of fixing them for their responsibility, they all have been rewarded with promotion/elevation and allowed to retire gracefully.

In conclusion the Federations have requested the Parliamentary Standing Committee that the 219 years old Ordnance Factories with 1 lakh Crore worth of assets and 62000 acres of land should not be handed over to private Corporates through Corporatisation route and hence the Committee may intervene and advise the Government to withdraw its decision to Corporatise the Ordnance Factories, which is neither in the interest of national Security, defence preparedness nor the 80,000 employees of the pioneer defence industry of our country. The Federations also have demanded for a personal hearing with the Committee.



(S.N.PATHAK)
President / AIDF

Yours Sincerely,
S/d
(ASHOK SINGH)
President/INDWF

S/d
(G.THIRUKUMAR)
President/BPMS



(C. SRIKUMAR)
General Secretary/AIDF
09444080885
defempfed@gmail.com



(R. SRINIVASAN)
General Secretary/ INDWF
09444125799
indwfrsrinivasan@gmail.com



(MUKESH SINGH)
General Secretary/ BPMS
09335621629
gensecbpms@yahoo.co.in