

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

Ref. No. : 19/AIDDEF/INDWF/BPMS/20

Date :22.07.2020

To,

- 1) **The Hon'ble President of India,**
Rastrapati Bhawan,
New Delhi.
- 2) **The Hon'ble Prime Minister,**
Government of India,
South Block, New Delhi.
- 3) **The Hon'ble Defence Minister**
Government of India.
South Block, New Delhi.

**SUBJECT : GROSS IRREGULARITIES REPORTED IN THE PRESS
IN THE EOI cum RFP FOR SELECTION OF
CONSULTANT FOR PROCESSING THE
CORPORATIZATION OF ORDNANCE FACTORY BOARD.**

Respected Sir,

We are very much shocked to see the reports published in the online edition of Times of India and The Hindu Business Line news papers about the gross irregularities being pointed out in a complaint which has been filed with the CVC, enclosed as (Annexure A & B). The 3 Federations have already rejected the move of the Government to Corporatize the Ordnance Factories and also to appoint a consultant for processing the Corporatization of the Ordnance Factories as these are not in the interest of the Nation. The move of the Government is also against the past written assurances given by the four former Defence Ministers. It is unfortunate that our 11 Joint representations to the Government against the move to Corporatize the Ordnance Factories has not been addressed by the Government. In this situation in a very hasty manner, when the entire matter is pending before the Chief Labour Commissioner, the Government has invited EOI cum RFP from India based consulting agencies on 6-7-2020 to assist the Ministry of Defence in the process of Corporatization of the Ordnance Factories. However, we are astonished to note that in this EOI cum RFP, the following irregularities are pointed out through a complaint filed with CVC as per the above press reports.

- 1) It is reported that in violation of CVC norms for pre qualification, DPM Guidelines for minimum time required for publication of tender, the MoD is generous about making payment to the vendor as fast as possible so that MoD and consultant will be out of picture, let whatever happens to OFB.
- 2) It is reported that it is found that in the prequalification criteria of the consultant, the DDP has failed to ask/assess the research capabilities of the consultant, which is crucial for success of the project.
- 3) It is reported that there is no clause to disqualify the consultant, who has demonstrated incapability/lack of ability and resources to execute projects which are assigned to them.
- 4) It is reported that for an estimated value of contract ranging from Rs. 1.0 crore to Rs. 2.5 crores, the turnover of the consultant demanded is Rs. 50 Crore . This has been done with a clear eye to favour some consultant while eliminating others.
- 5) It is reported that the EOI expected that the firm should have completed atleast 3 valuations in the last 5 years of assets of similar nature of value of Rs. 1,000 crore or more in each case, the complaint reads **"The Value of assets of OFB is not less than Rs. 1 lakh crore with more than 60,000 acres of land , 41 production units. Will the consultant who has done evaluation of Rs. 1000 crore, will be able to do an evaluation of Rs. 1 lakh crore clearly something is fussy.**
- 6) It is reported that the EOI cum RFP says that for a presentation to be made before the DDP for which 25 marks will be awarded, the complainant alleged that this has been promised without indicating what will be assessed and how this mark will be awarded.
- 7) It is further reported that it seems that there might have been a pre-selection of the consultant by awarding high marks through this component, the complainant alleged that "The GFR (General Financial Regulations) 2017 in Rule 182 gives guidelines about norms for estimating reasonable expenditure. The document - EOI cum RFP vide No. 18(4)/2014/restructuring of OFB / Director (P&C) / DDP dated 6-7-2020 shows that it was prepared in 2014. It seems that in all probability, an old document has been used without doing due diligence" .
- 8) It is reported that the GFR Rule 185 on preparation of Terms Of Reference (TOR) mandates that the Ministry or Department must explicitly state the support or inputs going to be provided by them to facilitate the consultancy. However, in this case the MoD is silent on the support to be given by the consultant. Consultancy is not a one way study, with the consultant taking all the responsibilities. Absence of MoD / OFB's commitment and support is shocking and stunning.

From the above surprising revelations, it is observed that though the DDP says that Ordnance Factories are being corporatized to achieve autonomy, efficiency and accountability, we fail to understand what is the Accountability? Where is the Accountability of the DDP in the design of consulting contract for corporatization of the Ordnance Factories. **If the allegations made in the complaint to the CVC is true, then the officials of DDP have not done due diligence for use of public money and they have not adhered to Rule 21 of GFR 2017. Such officials have been entrusted with the responsibility of Corporatization of the Ordnance Factories. We are afraid that if this proceeds in this direction it will have serious implications about the future of the Ordnance Factories and the Defence preparedness of our Country.** We have our strong feeling that the entire process of Corporatization of the Ordnance Factories is to privatise and handover the National Assets to the private corporate for their benefit and for which, all these ground work through consultant etc., is taking place. We invite your kind attention to the recommendations of the Parliamentary Standing Committee of the 14th Lok Sabha (2005-06) regarding merits and demerits of OFB as PSU.

"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 DPSUs in disadvantageous position in a competitive environment."

The Federations once again appeal to the honourable President of India, Prime Minister and Defence Minister who are the Guardians of the Indian Ordnance Factories to protect this great organisation and ensure that the pioneer Defence Industry of our country is not destroyed and mutilated. ***Our special appeal to the hon'ble President is that since your honour is the supreme Commander of the 3 Forces, the Forth Force of Defence of our country i.e. the Ordnance Factories should also be under your control and the same cannot be handed to private corporate through the Corporatisation route. At present the Ordnance Factories are Accountable to the parliament and subjected to CAG Audit. A major portion of the Defence Budget is for Procurement and the private Corporates are always having an eye on the Defence Budget. It is also pertinent to mention here about the past history where so many complaints about corruption in Defence Procurements from private Sector and Foreign***

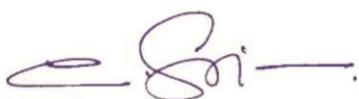
Military Industries has taken place and shaken the country. The country cannot afford once again to land in to any Defence scams.

Therefore as recommended by the Parliamentary Standing Committee the OFB should continue to remain as a Departmental organisation and as Stake holders we are prepared to sit with the DDP and find out ways and means to further improve, strengthen the functioning of Ordnance Factories to develop it as a State of the Art Defence manufacturing complex to achieve the ultimate aim of self reliance and Defence preparedness of the country. Hope this letter of ours will not be ignored like our previous 11 representations on the subject matter.

We may also mention that the revelations made in the complaint to CVC has once again proven that the stand of the Federations on Corporatisation of Ordnance Factory Board is not only just and correct, but also in the interest of Nation, its Security and also to safeguard the hope and aspiration of all its stakeholders.

Thanking you,

Yours Sincerely,



(C. SRIKUMAR)

GENERAL SECRETARY

AIDEF

09444080885

defempfed@gmail.com



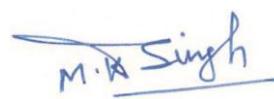
(R. SRINIVASAN)

GENERAL SECRETARY

INDWF

09444125799

indwfrsrinivasan@gmail.com



(MUKESH SINGH)

GENERAL SECRETARY

BPMS

09335621629

gensecbpms@yahoo.co.in

Copy to :

- 1) **The Defence Secretary**
Ministry of Defence,
South Block, New Delhi.
- 2) **The Secretary (DP)**
Department of Defence Production,
South Block, New Delhi.
- 3) **The DGOF & Chairman,**
Ordnance Factory Board,
10-A, S.K.Bose Road,
Kolkata – 700 001.

For kind information and favourable action please.