

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

Joint Circular No. : 54/2020

Date : 08.09.2020

To,

**All the affiliated Unions of
AIDEF, INDWF, BPMS**

**Joint letter issued by the Federations to the Chief Labour Commissioner(C),
Ministry of Labour**

The Chief Labour Commissioner (C) Ministry of Labour and Employment, vide letter dated 07/09/2020 have informed the Federations that the CLC(C) has decided to intervene in our strike matter and therefore proposed to hold a joint discussion on 15/09/2020 at 11.30 AM through Vide Conference. In response to the above letter of the CLC(C), the Federations have issued a letter to the CLC(C), informing him about the settlement reached in the presence of the CLC(C) on 21/08/2019 followed by the settlement reached in the meeting held under the Chairmanship of the then Secretary(DP) on 23/08/2019. We have further stated that the arbitrary decision taken by the Government on 16/05/2020 to Corporatise the Ordnance Factories is arbitrary, illegal and amounts to unfair labour practise, since the previous settlement itself is not implemented properly. We have requested the CLC(C), to advise/direct the Ministry of Defence to withdraw the decision of corporatisation of OFB and to accept the proposal given by the Federations to the DDP. A copy of the Joint Letter dated 08/09/2020 addressed to the Chief Labour Commissioner(C) is enclosed as **Annexure-I** of this Joint Circular.

**Joint Strike Notice for one day strike on 19/10/2020 by the employees of
other Directorates issued to the Government**

A Joint Strike Notice for One Day Strike on 19/10/2020 by the employees of other Directorates was issued to the Ministry of Defence and concerned directorates by the three Federations on 07/09/2020.

**OFB passes Resolution on conversion of OFB in to one or more than 100%
Government owned corporate entities.**

You are aware that the Federations were repeatedly representing to the OFB that in the Board Meeting of the OFB a Resolution should be passed against Corporatisation

of OFB. Even though the OFB was very reluctant to discuss this subject in the Board Meeting, however due to our persistent efforts ultimately on the day of retirement of the previous Chairman a special Board Meeting was held on 31/08/2020 to discuss about this Agenda. Even though OFB has not passed a Resolution against Corporatisation of OFB, however OFB has expressed the various problems OFB will be facing after its conversion into a PSU. It is also stated that, since most of the employees are not in favour of conversion of OFB in to a new entity, steering the change process in such conditions would be extremely difficult and may bring significant challenges in the operation of OFB. A copy of the minutes of the 04th Board meeting held on 31/08/2020 is enclosed as **Annexure-II** of this Joint circular.



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Copy also to :

The General Secretaries

CDRA, NPDEF, AIBDEF,

DGOF HQ. Employees Associations & IOFSOA

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. : 36/AIDEF/INDWF/BPMS/20

Date : 08.09.2020

To,

The Chief Labour Commissioner (C)
 Office of Chief Labour Commissioner (C)
 Shram Shakthi Bhawan,
 New Delhi.

(Kind Attn: Shri.K.S.Guru, Dy.CLC(C)HQ(IR))

SUBJECT : JOINT NOTICE FOR COMMENCING INDEFINITE STRIKE
FROM 12-10-2020.

REFERENCE : CLC LETTER NO. 21(33)/2019-IR DATED 7-9-2020.

Sir,

With reference to the above meeting notice, we wish to submit the following facts for your favourable consideration please.

During the month of August 2019, the 3 Federations commenced One Month Strike against the then proposed move of the Government to Corporatize the Ordnance Factories. In the midst of the Strike the CLC (C) invited the representatives of the Recognised Federations (AIDEF, INDWF & BPMS) and the Senior Officials of Ministry of Defence for a discussion on the strike demand on 21/8/2019. Based on the agreement reached in the presence of the CLC, the then Secretary (DP) Dr. Ajay Kumar invited the Federations for a discussion on the strike demands on 23/08/2020. In the meeting the Secretary (DP) assured that the Government has not taken any decision to convert the departmentally run Ordnance Factories into a Corporation / PSU and that a High Level Official Committee would be constituted to study the proposals and the concerns of the Federations. Accordingly the Federations deferred the Strike after 5 days. When the entire matter of the previous Strike negotiation is pending with the MoD, the Honourable Finance Minister on 16/5/2020 announced the arbitrary decision of the Government to convert the Ordnance Factories into a Corporation and to list out the same in the Share Market. This act on the part of the Government is nothing but unfair labour practice and also going back from its commitments given to the Federations as above.

Being shocked with the above arbitrary and illegal announcement made by the Finance Minister the Federations immediately submitted a detailed representation on 17-5-2020 to the Defence Minister protesting against the Government decision. Thereafter innumerable representations were submitted to the Honourable President of India, Prime Minister, Defence Minister, Chief of Defence Staff, National Security Advisor and the Chairman of the Parliamentary Standing Committee on Defence requesting for withdrawal of the Govt. decision for corporatizing the Ordnance Factories. We are enclosing the copies of the following letters along with this letter for your kind ready reference.

- 1) Joint letter addressed to the Defence Minister dated 17/05/2020
- 2) Joint letter addressed to the Hon'ble President of India, Hon'ble Prime Minister and Defence Minister dated 22/07/2020
- 3) Joint letter addressed to the National Security Advisor and Chief of the Defence staff dated 20/08/2020
- 4) Joint letter addressed to the Chairman Parliamentary Standing Committee on Defence dated 25/08/2020

We request you to kindly go through the above correspondence of ours and kindly advice /direct the Defence Ministry to withdraw its decision to Corporatize the Ordnance Factories when the previous strike negotiations based on the agreement reached with the Federations and the MoD is still pending as unresolved. The CLC may also advice the MoD to implement the proposal already forwarded to the Government by the Federations which is also one of the demand of the Strike Notice dated 4/8/2020, i.e. the Government may allot workload to the OFB, so as to achieve Rs. 30,000 Crore in the next 5 years in the existing setup itself. For this purpose the Federations have also proposed appointment of an Expert Committee by the MoD.

Hope the CLC will consider the above proposal of the Federations and advice / direct the MoD accordingly, so as to avoid the indefinite strike as well as to save the 41 Ordnance Factories from Corporatisation and Privatisation.

Yours Sincerely,



(C. SRIKUMAR)

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ORDNANCE FACTORY BOARD

MINUTES OF THE 04TH (2020) BOARD MEETING

HELD ON 31.08.2020



AT

ORDNANCE FACTORY BOARD

KOLKATA-700 001



ORDNANCE FACTORY BOARD

RESTRICTED

MINUTES OF THE 04th (2020) BOARD MEETING HELD ON 31-08-2020

The following were present:-

PERMANENT INVITEES

1. Shri Hari Mohan : DGOF & Chairman
2. Shri C S Vishwakarma : Member/AV
3. " A K Jain : Member/E&M
4. " R K Arora : Member/Finance
5. " Umesh Singh : Officiating Secretary/OFB

Lt.Gen. S.K. Upadhya, AVSM, SM, VSM, MGO, Permanent Invitee, Shri Puneet Agarwal, JS/LS, Permanent Invitee and Shri Ashwini Kumar, Addl.FA(AK) & JS, Permanent Invitee did not attend the meeting.

The explanatory statements and deliberations are enclosed as **Annexure - I**.

On superannuation of present DGOF & Chairman/OFB, Board Meeting of Ordnance Factory Board will not be held after 31st Aug 2020, due to lack of formation of quorum. Hence, DGOF & Chairman/OFB felt the necessity and urgency to discuss the following agenda in the Board Meeting and decided to hold 4th (2020) Board Meeting on 31.08.2020 at OFB at a short notice.

Item No.27/IV/2020 Confirmation of the Minutes of the 03rd (2020) Board Meeting held on 25.08.2020

Minutes of the 3rd (2020) Board Meeting held on 25.08.2020 circulated vide Note No. MEETING/III/2020/BS dated 26.08.2020 was confirmed.

Item No.28/IV/2020 To deliberate decision of Government of India for conversion of OFB into one or more than one 100% Government owned corporate entities

Originating Division : BSG

Resolution: The Board noted the decision of the Government of India to convert OFB into one or more than one 100% Government owned corporate entities. On the above, the Board resolved to forward its views to MoD on the following anticipated challenges to be addressed by all the stakeholders.



The anticipated challenges are given as under:

1. Integrated Set-up:

OFB maintains a manufacturing set-up with strong backward integration. This backward integration is considered necessary in view of complexities and peculiarities of defence technologies and the need to maintain defence manufacturing set-up at all times without commercial/profit considerations. Also, peculiarities of defence market like wide demand fluctuations, uneconomical quantities etc. do not facilitate committed vendor base/supply chain. Any attempt to break these backward integration linkages will weaken the indigenous defence manufacturing set-up, which in turn can adversely affect the complete supply chain and the defence capabilities maintained by OFB. As such, it would be essential to consider complex supply chain interdependence within ordnance factories.

2. Commercial Viability of OFB:

- a. **Dedicated manufacturing infrastructure:** The manufacturing infrastructure/production lines at OFs are specific to particular products and there is limited scope for alternate utilization of the manufacturing infrastructure for business diversification. Therefore, it will be a challenge to sustain the operations of factories in case of non-availability/less-availability of work load.
- b. **Wide fluctuation in work load:** It is observed that there is wide fluctuation in the work load of various weapons and ammunition items. Pattern of work load of last 25 years reveals prolonged 'No Load' situation of major platforms and demand as low as 10-25% as compared to peak requirements or capacity. This puts extraordinary burden on the manufacturer as production planning and maintaining supply chain management is a challenge in such conditions. There are instances where orders of major products have been placed even after gap of 10-15 years (after no order situation) and OFs were asked to revive the production lines. In such situations the operations of the manufacturing entity on commercial lines would be very difficult.
- c. **Monopsony Market and Shrinking budget:** Defence market is a monopsony market where the government is the sole customer. It is seen that in the last few years the increase in defence budget is barely sufficient to compensate for the inflation. Moreover, the share of 'Stores & Capital Procurement' is on the decrease (From 36% in 2013-14 to 26% in 2019-20). This has resulted in shrinking budget of Indian Army for OFB products. Shrinking budget of the Services combined with huge dependence of OFB on Services for work load make the operations of OFB, commercially a challenge.



- d. **Locational disadvantages:** Many OFs were established at places like Varangaon(Maharashtra), Chandrapur (Maharashtra), Bolangir (Odisha), Medak (Telangana), Nalanda (Bihar) and Korwa (UP) not on strong commercial considerations but based on socio-economic and welfare considerations for development of these regions. Location of these factories is commercially disadvantageous due to non-availability of industrial infrastructure in the vicinity and logistic related problems.
- e. **Export Limitation** - Export is one of the possible areas for expanding OFB's customer profile. However, international defence market is greatly influenced by the brand value of the organization. OFB is relatively a new entrant in this area and is yet to create a brand for itself. Moreover, many items in the product range of OFB are based on ToT from foreign OEMs having export related. Restrictions and therefore, these cannot be exported, despite having an export market.

3. HR Issues-

- a. **Morale of employees:** Most of the employees are not in the favour of conversion of OFB into a new entity as informed by federations & associations through their memoranda and views expressed during meeting with OFB. Steering the change process in such conditions would be extremely difficult and may bring significant challenges in the operations of OFB in short and medium term.
- b. **Service conditions and career progression:** Conversion of OFB from a government department to a new entity is likely to change the service conditions of the employees of OFB which may adversely affect their career progression and aspirations. Change in service conditions by the employees, may lead to large number of litigations. A suitable mechanism may have to be developed to deal with such situations.
- c. **Pay regulation and Pension liabilities, current and future:** This will remain the major concern of employees. Since the employees have doubts on the commercial viability of the organization, they would like their pay and pension to be protected by the government. From the Cabinet decision it is clear that the government would take necessary actions to protect the pay and pensions of employees but the details of the same need to be shared at the earliest to instill confidence among employees. Further, it is also important to safeguard the interests of two category of employees, one belonging to Old Pension Scheme and the other belonging to the New Pension Scheme.
- d. **Medical facilities, in service and post retirement:** At present medical facilities are extended to all the employees through the dedicated hospitals of the factories. It is noted from the Cabinet decision that future of IOFHS is also one of the terms of reference of EGoM. Hence the employees will have apprehension about continued uninterrupted



medical facility while in service and after retirement. Further, at present all the employees at present are covered under CGHS/CSMA.

- e. **Retention of government quarters:** At present OFB employees are entitled to government quarter from general pool. Sudden change in their entitlement may create difficulties.

4. Dealing with existing orders -

- a. **Servicing of indents:** There are large number of indents (number running in thousands) placed on OFB under capital and revenue head including spares. There will be large number of orders with outstanding quantities on the date of conversion into a new entity. At present, in case of indents, prices to be charged are decided on year to year basis and there is no requirement to mention a firm price in the indent. However, in case of OFB becoming new entity, Services will need a firm price/ price variation mechanism against the outstanding quantity and terms of all these indents would have to be renegotiated for price and delivery schedule. A mechanism is to be formulated for conversion of Indents into contracts. This will entail a huge exercise. The issue need to be decided sufficiently in advance so that there is no confusion in this regard on conversion of OFB into a new entity and therefore, MGO is required to be on board with this process.
- b. **Payment Methodology:** Presently, the payment against the supplies made by OFB is done through book debit. For a new entity, the payment mechanism for such a large number of indents/ orders will have to be decided.
- c. **Placement of orders by Services on new entity:** The present system of indent placement is relatively easy for Services and less time consuming. On the other hand, in the new entity, placement of orders will require a formal tender enquiry and quotation for processing the indent.
- d. **Utilization of inventory, created for existing orders:** There are a large number of stores where due to revised requirement of Services, the indents were short closed or the supplies were put on hold. However, against these indents, the procurement of material was done as per government approved procurement procedure. The inventory lying in the factories due to the above reason cannot be carried forward by the new entity and hence disposal of the same will have to be decided upfront.
- e. **Advance payment:** As per the practice followed for capital acquisition, advance payment and stage payment is made to DPSUs by Services. A decision would be required to be taken in this regard also.

5. Finance and Accounts Function:



At present, Accounts, Audit and Finance functions in OFs are regulated and performed by CGDA officers and their staff. These functions in OFB, as a new entity, would be different from that of OFB as a Govt department. As a new entity, OFB will have to create its own setup to carry out Accounts, Audit & Finance functions. Further, switching over to new accounting, audit & finance systems and procedures would have to be addressed along with legacy transfer and transition to the new system. For complexities related to existing manpower (dealing with finance and accounts in fys as well as headquarters, audit etc.) and MIS reports, CGDA would be required to be taken on board.

6. Quality Function:


In the proposed new entity, role of DGQA/DGAQA/DGNAI will require re-framing limited to FAI and PDI. OFB would require full autonomy for new product development, evaluation and improvement activities. Role of OFs in the new entity in respect of Quality function envisaged most of proof activities, presently being carried out at proof range, will become direct and internal responsibility of OFB. OFB will require integrated proof facilities under its full control, to perform efficiently.

7. Addressing these issues in a time bound manner will be very critical for hassle free transition of OFB from the existing system to the new system.

GENERAL

This being the last Board Meeting of Shri Hari Mohan, DGOF & Chairman/OFB, Members of the Board placed on record his valuable contributions in different assignments during his association with Ordnance Factories and wished him peaceful, happy, healthy and contented retired life.

Encl: Annexure I


(UMESH SINGH)
Offg. Secretary/OFB

ALL MEMBERS/OFB
ALL INVITEES

NOTE NO: MEETING/IV/2020/BS DATED 31.08.2020

Copy to: **PPS TO CHAIRMAN/OFB**