

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

Ref. No. 07/AIDF/INDWF/BPMS/19

Date : 26.07.2019

To,

Shri. Rajnath Singhji
Hon'ble Defence Minister
Government of India,
South Block, New Delhi – 110 001.

Subject : Serious discontentment prevailing amongst Defence Civilian Employees and their families against the proposed decision of the Government to Corporatize the Ordnance Factories in violation of the previous assurances / agreements with the recognized Federations.

Reference : 1) Joint representation of the 3 Federations dated 13.07.2019 addressed to the Hon'ble RM.
2) Joint notice of agitation of the 3 Federations dated 16.07.2019 addressed to the Defence Secretary.
3) Joint Letter of the 3 Federations dated 20.07.2019 informing the Hon'ble RM about the decision for Indefinite Strike.

Respected Sir,

Your kind attention is invited to the above mentioned correspondence of the three Federations on our protest against corporatization of Ordnance Factories. It is most unfortunate that we have not received any response from the Government on the subject matter and it is now understood that the Cabinet Note for corporatizing the Ordnance Factories with your approval have already gone to the PMO / Cabinet Secretariat. If it is a fact then it is a clear violation of the assurances given to the Federations and the agreement reached in the past on different occasions when the proposal of converting the Ordnance Factories into a Corporation / PSU was considered by the Government based on the recommendations of Nair Committee, Kelkar Committee and Raman Puri Committee etc. The details of the assurances given by the Government in the past to the three Federations that Ordnance Factories would not be corporatized is given below for your kind information :-

- 1) In a meeting held with the Defence Secretary on 19.04.2002 the following written assurance were given to the three Federations.

"10) Regarding Government's policy on private participation in Defence Production, corporatization of the Ordnance Factories, downsizing of the Government Machinery, Defence Secretary clarified that the reports of the Nair Committee on Corporatization and Jafa Committee on reorganization of DGOA and MES had been received. The recommendations contained therein were to be studied and before any decision was taken, the issues would be discussed with the Staff Side."

- 2) In the meeting held on 22.04.2002 with the three Federations chaired by the then Defence Minister late Shri. George Fernandes to discuss about the demands given in the Strike Notice the Hon'ble RM has given the following written assurance.

"i) There was no proposal for privatization / corporatization of the Ordnance Factories or any other Defence Establishment at present. In fact, the Government would encourage growth of Ordnance Factories."

- 3) In another meeting held on 18.09.2006 with the three Federations chaired by the then Hon'ble RM Shri. Pranab Mukherjee to discuss the recommendations of "Kelkar Committee Report" on establishing RURs and corporatization of Ordnance Factories, the Hon'ble RM gave the following written assurance.

"2) At the outset, Hon'ble RM welcomed all the participants. He observed that the Federations have expressed certain concerns and apprehensions regarding two recommendations contained in Kelkar Committee Report. One of the recommendations is that Ordnance Factories should be corporatized. Hon'ble RM stated that the Government has not decided to corporatize Ordnance Factories and that there is no intention to implement this recommendation. Thus there is no cause of action for the Federations to begin an agitation on this issue."

- 4) In another meeting held under the Chairmanship of Secretary (DP) on 31.08.2006 with the three Federations the Secretary (DP) has given the following written assurance.

"2) Secretary (DP) stated that except recommendation relating to corporatization of Ordnance Factories, no other recommendations of the Kelkar Committee affected the OFB. He informed the representatives of the Federations that no decision has been taken on the recommendation relating to corporatization of Ordnance Factories and assured them that all stake-holders including the Federations would be consulted by the Government before taking a decision on this issue."

- 5) In the meeting held with the three Federations on 26th June, 2007 under the Chairmanship of the then Defence Minister Shri. A.K.Antony the following assurance were given in writing.

" 2) RM further observed that as the Federations were opposed to corporatization of OFs, his predecessor had categorically assured them that there was no intention to implement the recommendation of the Kelkar Committee relating to corporatization of Ordnance Factories. He said that the present policy is the same."

- 6) In a DO Letter dated 18th June, 2007 the then Defence Minister Shri. A.K.Antony has given the following assurance to the General Secretary of AIDEF.

" As already assured, the Government does not, at present, intend to corporatize the Ordnance Factories. We do not intend to breach the agreement between the Ministry of Defence and its employees by indirectly converting the Ordnance Factories into a corporation module, as apprehended."

However, to strengthen the OFB, further a monitoring mechanism is proposed to be put in place where by the health of the Ordnance Factory Board can be monitored periodically with reference to clearly defined parameters like customer satisfaction, quality, capacity utilization, e-procurement / application (which is a mandate of CVC & MOF) & inventory Management."

- 7) In the meeting of the Standing Committee of the National Council (JCM) held under the Chairmanship of Secretary / DOP&T the following decision was taken with regard the recommendations of Kelkar Committee to corporatize the Ordnance Factories.

" 6 (iv) to take final decision on the Kelkar Committee Recommendations of the Ministry of Defence after consultations were made with the Staff Side."

- 8) Subsequent to our meeting with the then Hon'ble Defence Minister Shri. Manohar Parrikar on 12.01.2015 wherein he has assured that there is no proposal to corporatize the Ordnance Factories and thereafter to our representation addressed to him dated 07.02.2015 the Ministry of Defence vide its Letter dated 15th April, 2015 have responded that at present there is no proposal to corporatize the Ordnance Factories.

- 9) To an Unstarred Question No. 833 raised in the Rajya Sabha by the then Member of Parliament Shri. Tapan Kumar Sen the then Minister of State for Defence has given the following reply.

"RAJYA SABHA
UNSTARRED QUESTION NO. 833
TO BE ANSWERED ON 03.03.2015

CORPORATIZATION OF ORDNANCE FACTORY BOARD

8.33 SHRI. TAPAN KUMAR SEN

Will the Minister of DEFENCE be pleased to state :

- (a) whether Government is considering any proposal to convert the Ordnance Factory Board, a Department Organization under Ministry of Defence consisting of 41 Ordnance Factories into a Corporation, if so, the details thereof;
- (b) whether all the stake-holders including the Federations of Defence Civilian Employees are taken into confidence; and
- (c) whether, in the past, assurances were given by Government to the Employees Federations that Ordnance Factories would not be converted into a Corporation ?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF DEFENCE
(RAO INDERJIT SINGH)

- (a) No, sir, There is no proposal at present to corporatize the Ordnance Factories
- (b) Does not arise.
- (c) Yes, Sir.

Therefore, in the Parliament also the Government has stated that in the past assurances were given by Government to the employees Federations that Ordnance Factories would not be converted into a Corporation.

Violation of assurances and breach of trust

- 1) On 10.07.2019 the Cabinet Secretary have issued a DO Letter to Secretary (DP) in which it has been stated that based on the recommendations of the Sectoral Group of Secretaries and further consideration by the Group of Ministers (GoM), it has been decided to implement 167 transformative ideas as the 100 days programme of the Government. So far as DDP is concerned the following two transformative ideas have been given for implementation in 100 days.
 - i) Corporatization of Ordnance Factories.
 - ii) Defence Testing Infrastructure Scheme (DTIS)

Accordingly, the Secretary (DP) has directed the concerned Joint Secretaries to prepare the Cabinet Note by 15.07.2019. Secretary (DP) in turn has directed the Joint Secretaries under him to prepare the Cabinet Note for corporatizing the Ordnance Factories.

- 2) Chairman / OFB was called to MoD on 18.07.2019 and in a meeting held in the presence of Defence Secretary, Secretary (DP) and Secretary (Finance) and Hon'ble Defence Minister the issue of corporatization of Ordnance Factories was discussed and the Hon'ble RM has given the go ahead for finalizing the Cabinet Note for corporatizing the Ordnance Factories. Accordingly, it is now understood the Cabinet Note has been prepared and it has been forwarded to different Ministries for inter-ministerial consultation before forwarding the Cabinet Note to PMO / Cabinet Secretariat.

The above act on the part of MoD is a clear violation of the repeated assurances given by the Ministry of Defence to the three Federations in writing and also the assurance given in the Parliament. The Ministry of Defence have violated its own assurances "that all stake-holders including the Federations would be consulted by the Government before taking a decision on this issue"

Why the Federations oppose corporatization of Ordnance Factories ?

- 1) For the past 218 years the Ordnance Factories have been kept as a Departmental Organization due to the reason that considering the special nature of Defence Industry like volatility, non uniform demand from Armed Forces and Para Military Forces, uneconomic quantities to be produced to meet strategic needs etc. which a public sector / corporation will not be able to manage.
- 2) OFB are the forth force of the Defence of our Country and to be treated as "War Reserve" at par with the Armed Forces to maintain idle capacities to take care of surge demand in emergent war situation.
- 3) In a purely commercial term, maintaining idle capacity would be detrimental to the business interest of the Corporation / PSU. Therefore, Ordnance Factories should continue as a Departmental Organization.
- 4) Converting the Ordnance Factories into a PSU / Corporation is not a commercially viable option due to :
 - i) Fluctuations in Orders.
 - ii) Orders after Long Gap.
 - iii) Uneconomical Order Quantity.
 - iv) Life Cycle support required for 30-40 Years after introduction of equipment.
- 5) Risk to national security in case of growth of private players in the event of possible failure of the proposed OFB Corporation resulting in disinvestment, closure etc.
- 6) The so called private vendors are not able to supply even raw materials, spares and components in time to the Ordnance Factories, which affects the timely manufacturing of the allotted workload. Therefore, their ability to supply to the Armed Forces after the Ordnance Factories Corporation becomes sick due to withdrawal of placement of indent through nomination system.
- 7) The experience of BSNL even though it is a revenue earning service PSU which is struggling even to disburse the monthly salaries to their own employees, what will be the fate of the Ordnance Factories which totally depends on the orders from the Armed Forces and the Government.

- 8) Market principles cannot be applied in the case of Ordnance Factories since the Defence Industry represents a genuine domain based on Government Orders as to what to produce, what resource to use, what price to charge and even to whom to sell and to whom not to sell.
- 9) Interference and expectations from Political / Bureaucracy would increase.
- 10) The experience for the past two decades is corporatization / PSU is a route to privatization against the service conditions of the employees who are basically recruited as Central Government Employees / Defence Civilian Employees.

Why OFB should continue in the present structure with more empowerment ?

- 1) OFB has played a major role in achieving self reliance in Defence. With regard to import dependency, OFBs performance is far better when compared to the Defence PSUs. The following figures will prove the same.

| Company | Import Dependency of Sales (%) |
|---------|--------------------------------|
| HAL | 46 |
| BEL | 30 |
| BDL | 15 |
| BEML | 17 |
| MDL | 96 |
| GRSE | 5 |
| GSL | 45 |
| HSL | 27 |
| OFB | 11 |

- 2) OFB has always stood by the Indian Armed Forces during its times of need in all the wars the Country has faced after Independence. For the contribution of OFB during the Kargil crisis, OFB was appreciated by the then President of India in the Parliament, the then Chief of Army Staff and Parliamentary Standing Committee. Since, OFB was having spare capacity it stretched its capacity in manufacturing all the critical items required for the Indian Army. The former Chief of Army Staff General V.P.Malik has stated the following in his foreword to "Arming the Indian Arsenal" "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" .
- 3) The then MGO while deposing before the Nair Committee in December, 2000 has stated the following :-

"I congratulate OFs for their commendable performance during and after the Kargil crisis. Supplies from overseas suppliers are unreliable during operations and OFs are the backbone of the efficiency of the Indian Armed Forces". In August, 2000, DCOAS (P&S) stated : "Existence of OFB is essential for Defence preparedness". Thus, existence and growth of OFB is needed for ensuring Defence preparedness.

- 4) After the Kargil crisis the CAG Report stated that out of 129 contracts worth Rs. 2175.40 crore placed on other than Government Industries only 81% suppliers could materialize and that to 6 months after the Kargil War.
- 5) Ordnance Factories at present is having the following strength :-
 - i) Multi Technology / discipline infrastructure.
 - ii) Highly trained and skilled manpower.
 - iii) Leader in land systems.
 - iv) Stretch during war times.
 - v) Ability to restart production lines even after long gaps.
 - vi) Supporting Operational capability of Army by supply of large number of spares to increase the life time of the equipments.
 - vii) Overhauling capacity for major platforms like Tanks.
 - viii) Unique facility for manufacturing Strategic Battle Dress, Artillery Guns, Ammunition, Vehicles, Small Arms, Armored Vehicles, Parachutes, Tents and Optical Instruments etc.
 - ix) Training thousands of unemployed youths as Apprentices as part of the "Skill India" Mission.
 - x) Fulfilling the requirements of Para Military Forces and State Police Forces.
 - xi) Steps taken recently to strengthen in house R&D, resulting in successful launch of new products including Bullet Proof vest and Jackets.
 - xii) Already started large scale export.
 - xiii) All Factories are ISO 9000 Certified and all Labs are NABL accredited.
 - xiv) Supporting and encouraging Ancillary Industries / MSME's etc.
 - xv) Welfare practices as a modal employer with Integrated Residential Colonies, Schools and Hospitals.
 - xvi) Some Factories are located in remote localities and they are playing a crucial role to the local development.
 - xvii) An Organization with more than 200 years experience in taking care of all the requirements of Army.
- 6) In view of the facts mentioned above as agreed by the Ministry of Defence in the Strike negotiations held on 17.12.2018 and 11.01.2019 with the three Federations the salary expenditure of the Ordnance Factories may be separately allotted so that it need not be added to the cost of the products manufactured in the Ordnance Factories and the Army will be able to purchase its requirement from the Ordnance Factories in an affordable price.
- 7) It is also pertinent to mention here the OFB of its own has developed many new / modern equipments required for the Armed Forces which includes Dhanush Gun, Assault Rifles, Bullet Proof Vest and Jackets and many other items.

APPEAL TO THE HON'BLE RM

We appeal to your honour considering all the above aspects and also the fact that the future life of more than 82000 employees and their family members will be ruined in case Ordnance Factories become a Corporation / PSU. Out of the 82000 employees more than 44000 are recruited after 01.01.2004 and at the age group of 25 to 40 years. They have all joined the Ordnance Factories with lot of aspiration and expectations. Their Pension right is already taken away since they are governed under the no guarantee NPS Pension Scheme. They have planned their life requirement based on the present income which they are getting as wages from the Ordnance Factories. All these will be completely disturbed and destroyed for no fault of theirs. All of them including the young talented Officers and Workers are worried about their future which has now become uncertain. Therefore, in the interest of national security and achieving self reliance in Defence the decision of corporatization of OFB may be withdrawn.

CONCLUSION

In view of all the above justifications given by us, the three Federations unanimously have come to the conclusion that corporatization of OFB is not going to help either the Armed Forces or the employees and hence to outright reject the same and we propose that the Ordnance Factories should continue to remain in its present structure and if the Government wants further improvement in the functioning of the Ordnance Factories we are open for a discussion and a negotiated settlement in this regard.

We are confident that the Hon'ble RM will appreciate the concern expressed by us and do the needful by withdrawing the proposed decision of corporatizing the Ordnance Factories.

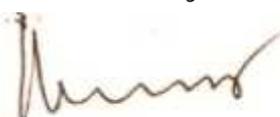
It is also pertinent to mention here that considering the un helpful nature of the Government so far on the subject matter the three Federations have now decided to observe one month (30 days) 20/08/2019 to 19/09/2019 strike by the employees of Ordnance Factories and DGQA Units attached with Ordnance Factories demanding to withdraw the decision of the Government to Corporatize the Ordnance Factories

Awaiting for your earlier and favourable response please.

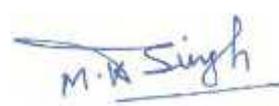
Yours Sincerely,



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