

SIXTY-FOURTH REPORT
ESTIMATES COMMITTEE
(1983-84)

(SEVENTH LOK SABHA)

MINISTRY OF DEFENCE
(DEPARTMENT OF DEFENCE PRODUCTION)
ORDNANCE FACTORIES

Action Taken by Government
on Fifty-Fourth Report



Presented to Lok Sabha on

LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA TO THE
SIXTY-FOURTH REPORT OF ESTIMATES COMMITTEE ON
ORDNANCE FACTORIES

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(1983-84)**

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INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Sixty-Fourth Report on action taken by Government on the recommendations contained in the Fifty-Fourth Report of the Estimates Committee (Seventh Lok Sabha) on the Ministry of Defence (Department of Defence Production)—Ordnance Factories.

2. The Fifty-Fourth Report was presented to Lok Sabha on 29 April, 1983. Government furnished their replies indicating action taken on the recommendations contained in that Report by 20 January, 1984. The replies were examined by Study Group of Estimates Committee on Action Taken Reports at their sitting held on 8 March, 1984. The draft Report was adopted by the Committee on 13 March, 1984.

3. The Report has been divided into following Chapters : -

- (i) Report
- (ii) Recommendations/Observations that have been accepted by Government.
- (iii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations/Observations in respect of which final replies of Government are still awaited.

4. An analysis of action taken by Government on the recommendations contained in Fifty-Fourth Report of Estimates Committee (Seventh Lok Sabha) is given in Appendix. It would be observed that out of 31 recommendations made in the Report, 26 recommendations *i.e.* about 84 per cent have been accepted by Government, and the Committee do not desire to pursue 1 recommendation *i.e.* about 3 per cent in

(viii)

view of Government's replies. Replies have not been accepted in respect of 3 recommendations *i.e.* about 10 per cent. Final reply of Government in respect of 1 recommendation, *i.e.* 3 per cent is still awaited.

NEW DELHI;

BANSI LAL,
Chairman,
Estimates Committee

March 24, 1984

Chattra 4, 1906 (Saka)

CHAPTER I

REPORT

This Report of the Estimates Committee deals with the action taken by Government (Department of Defence Production) on the recommendations contained in their Fifty-Fourth Report (Seventh Lok Sabha) on the Ministry of Defence (Department of Defence Production) Ordnance Factories which was presented to Lok Sabha on 29th April, 1981.

1.2 Action taken notes have been received from Government in respect of all the 31 recommendations contained in the Report.

1.3 Action taken notes on the recommendations of the Committee have been categorised as follows :—

- (i) Recommendations/observations that have been accepted by Government (Chapter II) Sl. Nos. 1, 4 to 13, 16, 17 and 19 to 1 ; Total—26.
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies (Chapter III) Sl. No. 3 ; Total—1.
- (iii) Recommendations/observations in respect of which Government's replies have not been accepted by the Committee (Chapter IV) Sl. Nos. 14, 15 & 18 ; Total—3.
- (iv) Recommendations/observations in respect of which final replies of Government are still awaited (Chapter V) Sl. No. 2 ; Total—1.

1.4 The Committee will now deal with action taken by Government on some of their recommendations.

Marketing Organisation for civil sales

Recommendation Sl. No. 14 (Paragraph No. 2.54)

1.5 In 54th Report (Original) of the Estimates Committee the Committee had observed that "even though the Government have ac-

cepted that one of the objectives of the Ordnance Factory Board is to 'maximise utilisation of installed capacity where necessary by diversification of production to meet the demands of the civil market and for this purpose build up an effective marketing organisation' no serious effort has been made to achieve this end. The value of sales by Ordnance Factories to civil sector has gone up from Rs. 16.35 crores in 1977-78 to Rs. 21.80 crores in 1980-81. There is scope for increasing this further and putting it on commercial basis". The Committee had recommended further that "the profit or loss on sales to civil sector should in future be brought out in the Annual Reports".

1.6 Government have in their Action Taken Reply furnished to the Committee stated that "The question of reflecting the Profit or Loss on sales to civil sector by the Ordnance Factories in the Annual Accounts was taken up with the Controller General of Defence Accounts, who has issued necessary instructions to the Controller of Accounts (Factories) that a statement relating to Profit/Loss on issues to civil sector by the Ordnance Factories is prepared and such a statement will be appended to the Annual Accounts of the Ordnance Factories from 1982-83 onwards".*

* The Report was adopted by the Action Taken Study Group on 8.3.1984 and by the Estimates Committee on 13.3.1984. On the 19th March, 1984, Ministry of Defence (Department of Defence Production) submitted the following reply of the Government to the recommendation of the Committee substituting their earlier reply.

"The Estimate Committee recommended that a marketing organisation may be set up for meeting the demands of the civil market by the Ordnance Factories. As mentioned by the Estimates Committee, one of the objectives before Ordnance Factory Board is to maximise the utilisation of installed capacities in the Ordnance Factories, where necessary by diversification of production to meet demands of the civil market and for this purpose build up an effective marketing organisation. The present level of civil trade by the Ordnance Factories is about Rs. 20 Cr. per annum. There is already a Civil Trade Cell at the Ordnance Factory Board H. Qrs. A separate marketing organisation will be considered as recommended by the Estimates Committee, if and when the workload of civil trade becomes viable and demands a full-fledged marketing organisation. In the meantime, all efforts are being made to utilise the spare capacities in OFs by meeting civil trade requirements which can be met without involving any additional investment. It may be mentioned that the Ordnance Factories are captive to the Army and the demand of civil market can be met only where spare capacities are available temporarily. With the present workload of civil trade, the Civil Trade Cell at OFB H. Qrs. is considered sufficient and can be augmented to meet the requirements, if necessary".

1.5 The Committee take an adverse view of the fact that in their action taken reply the Department of Defence Production have completely ignored their suggestion for the setting up of a Marketing Organisation for the disposal of the sizeable production in Ordnance factories for the civil market, resulting from the policy of maximising utilisation of capacity. As already pointed out, one of the objectives laid down for the Ordnance Factories is "to maximise the utilisation of the installed capacity where necessary by diversification of production to meet the demand of the civil market, and for this purpose build up an effective marketing organisation". Since the value of sales to the civil sector in 1980 81 had already reached the level of about Rs. 22 crores, the Committee had felt that there was scope and need for such a marketing organisation. The Committee would like the Department of Defence Production to give a serious consideration to the recommendation and inform the Committee of their decision in the matter.

Procurement of minor items from civil market

Recommendation Sl. No. 15 (Paragraph No. 2.55)

1.8 The Committee had expressed a feeling that minor items like Table Lamps, Wooden Almirah, Folding Table, etc. produced in the Ordnance Factories for internal use could easily be procured from the civil trade, and had recommended that a review may be conducted to identify items which could be procured from the Trade and the Ordnance factories relieved of the responsibility of manufacturing them thereby allowing them to concentrate on major items"

1.9 The Department of Defence Production have in their Action Taken Reply stated that "the recommendations made by the Estimates Committee have been noted. The Ordnance Factories generally do not manufacture components/items which are available and can be procured from the civil trade, according to the specifications and the required standards of quality and at competitive prices".*

* The Report was adopted by the Action Taken Study Group on 8.3.1984 and by the Estimate Committee on 13.3.1984. On the 19th March, 1984, Ministry of Defence (Department of Defence Production) submitted the following reply of the recommendation of the Committee substituting their early reply :

"The Estimate Committee have recommended that Ordnance Factories should be relieved of the responsibility for manufacturing minor items like Table Lamps, Folding Almirahs. We have already stated in our Action Taken Note that this recommendation of the Committee has been noted. The Ordnance Factories are manufacturing the minor items mentioned above on receipt of indents from Army. We are taking up the matter with the Army H. Qrs. and requesting them to obtain the above mentioned minor items from civil trade, as desired by the Estimates Committee and do not place further indents of these items on the Ordnance Factories."

1.10 The Committee are unable to agree to the view that the ordnance factories 'generally' do not manufacture items which can be procured from the civil trade according to the specifications and the required standards of quality and at competitive prices. The Committee have already mentioned names of a few items viz. Table Lamps, Wooden Almirah, Folding Tables, Basin-cum-stand, Tentage, Covers water proof, being manufactured in Ordnance factories which could have been procured from the civil sector. The Committee had in fact desired that a review might be conducted to identify such items. Little indication is available from the Government's reply that such a review has been made. The Committee would therefore, reiterate the recommendation that such a review should be carried out and the ordnance factories relieved of the responsibility of manufacturing such items as could be procured from civil trade.

Performance Audit (Recommendation Sl. No. 8 Para 2.70)

1.11 While the Committee noting that the performance of the ordnance factories was reviewed by the Comptroller General of Defence Accounts and the Auditor General they had desired the Ministry of Defence to examine the feasibility of introducing the system of comprehensive reviews of performance of the ordnance factories by an Audit Board associating expert as was being done in the case of selected public sector undertakings on yearly basis.

1.12 The Department of Defence Production stated in reply :

"In so far as Ordnance factories are concerned, an Audit Officer has exclusively been assigned for the audit of performance of the Ordnance Factories. This Officer is known as Director of Audit (Ordnance Factories) located at Calcutta. This officer functions under the control of the Comptroller and Auditor General of India. Besides, a Chief Internal Audit Officer has also been sanctioned for the Ordnance Factory Board, who does the internal audit of the functions of the various Ordnance Factories and submits reports to the Ordnance Factory Board for management decisions.

1.13 In view of the above specific external and internal audit officers assigned exclusively for the Ordnance factories, it is considered that there is no need for getting the performance of the Ordnance

Factories reviewed by an Audit Board.”*

1.14 The Committee would like the Department of Defence Production to re-examine whether, the existing arrangements for audit notwithstanding, a system of review of the performance of ordnance factories by an Audit Board associating experts as was being done in the case of selected public undertakings on yearly basis, would be of advantage.

1.15 The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, urge that Government should ensure expeditious implementation of the recommendations accepted by them. In case where it is not possible to implement the recommendation in letter and spirit for any reason the matter should be reported to the Committee in time with reasons for non-implementation.

1.16 The Committee desire that reply in respect of the recommendation contained in Chapter V of the Report may be finalised and final reply of the Government furnished to the Committee expeditiously.

* The Report was adopted by the Action Taken Study Group on 8.3.1984 and by the Estimates Committee on 13.3.1984. On the 19th March, 1984, Ministry of Defence (Department of Defence Production) submitted the following reply of the Government to the recommendation of the Committee substituting their reply :

“As already intimated in the Action Taken Note, adequate internal and external audit arrangements already exist in so far as the Ordnance Factories are concerned. The functions of the Chief Internal Audit Officer of OFB are being re-oriented to make it more effective so that the problems where the performance of the OFs is not satisfactory are thrown up and remedial measures are taken. It is expected that, with the above change in the functions of the Chief Internal Audit Officer and with more effective monitoring at Government level, through the High Level Committee under the Chairmanship of Secy. (DP) and with FA (DS) and Chairman, OFB as Members, the performance of the Ordnance Factories could be watched more closely. There appears to be no need to set up an Audit Board to review the performance of Ordnance Factories which are departmental undertakings, unlike the Public Sector Undertakings which are autonomous bodies.”

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 1, Para 1.18)

The Committee find that on the basis of a reorganisation of the structure of the Ordnance Factories administration the Ordnance Factory Board was set up in 1979. Besides Chairman, the Board has seven Members. Of these, three Members are directly responsible to oversee the functioning of as many as 33 Ordnance Factories, with a total turnover of Rs 536 crores. The Committee feel that the span control is too wide to be conducive of effective supervision, direction and control by the Functional Members of the Board. They accordingly recommend that the number of Functional Members of the Board may be suitably increased to ensure greater functional efficiency.

Action taken by the Government

The recommendation made by the Estimates Committee has been noted and it will be considered in the light of further expansion of the Ordnance Factories Organisation consequent upon the setting of certain new projects. The Estimates Committee will be suitably informed of the action taken in due course.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 4. Para 1.29)

In pursuance of a recommendation by the Rajadyaksha Committee powers of the Director General, Ordnance Factories were enhanced. A view has been expressed that this enhancement of power has had no impact on the working of the Ordnance Factories. Secretary, Defence Production, however, stated that they had delegated powers at all levels to ensure accountability down the line. He further stressed that in March, 79, the power structure was totally recast and that the new structure was again reviewed in Sept. 79, to see whether there was any impediment in the exercise of powers. He assured the Committee that the powers are enhanced from time to time on case to case basis, particularly during the period Feb-April, 82. The Committee stress that the

question of adequate delegation of powers should be kept under constant review to ensure operational efficiency at all levels.

Action taken by the Government

The above recommendation of the Committee has been noted. The delegation of enhanced powers to the Ordnance Factory Board and the General Managers of the Ordnance Factories is a continuous process in the light of experience and requirements from time to time.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 21.1.84)]

Recommendation (Sl. No. 5, Para 1.35)

The Committee find that during the last 4 years actual expenditure of Ordnance Factories was in excess of even the revised budget estimates to the extent of Rs. 34.17 Cr. in 1978-79, Rs. 40.58 Cr. in 1979-80, Rs. 68.24 Cr. in 80-81 and Rs. 42.20 Cr. in '1-82. According to the Secretary, Defence Production, excess expenditure over the revised estimates each year during the last four years does not speak of healthy budgeting. He, however, explained that the main factors which had resulted in excess expenditure during these years were higher production commitment and realisations, escalation in cost of materials etc. The Chairman, OFB agreed during evidence that these factors were well within the realm of being foreseen and forecast. The Committee suggest that the system of estimates of expenditure should be streamlines.

Action Taken by Government

The Ordnance Factory Board have already issued instructions, on the lines directed by the High Level Committee to all the General Managers, regarding formulation of budget estimates and control of expenditure involving systems improvement. Copies of the instructions No. 001/TS '83-84/F/B dated 11.8.83 and No. 001/G I/83-84/F/B dated 5th September, 83 issued by OFB are enclosed for information of the Estimates Committee. (not appended).

[Deptt. of Def. Produc. O.M. No. 15(29)/82 Projects - I dt. 20-1-84)]

Recommendation (Sl. No 6, Para 2.10)

At present the planning by the Army which in corporates modernisation schemes as also weapon induction programme covers a time span of five years. On the basis of this the services raise indents on Ordnance Factory Board 4 years in advance. Secretary, Defence Production agreed that "there is a need or 10-15 years perspective planning" and

also "for greater coordination the Service planning with production planning." The Committee desire that these views should be given practical shape and there should be no delay in evolving a ten-year plan, which has been taken up recently.

Action Taken by Government

It may be mentioned that Government had appointed an inter-Ministrial Group of Defence Planning, the recommendations of which were considered by the Committee for Defence Planning in April, 80 and approved their recommendations that a 15 year Perspective Plan for Defence should be prepared. The Committee for Defence Planning laid down a time frame for the activities forming part of the Defence Perspective Planning exercised. The work on the preparation of the Perspective Plan for the period 1985 onwards is already under way and initial activities have commenced. In accordance with the decision taken by the Committee for Defence Planning, all Organisations under the Ministry of Defence are required to prepare their Perspective Plans which will ultimately be coordinated and integrated in the Department of Defence and put up to the Committee for Defence Planning for approval. In this exercise, the inter-sectoral linkages between the various Organisational plans will be established and integrated into a single Defence Prospective Plan.

2. It may be mentioned here that the importance of ensuring suitable coordination between the Service plans and production plans has been realised all along in the Ministry of Defence. A Defence Coordination and Implementation Committee was constituted by Government in December, 1979 under the Chairmanship of Defence Secretary, with Secretary (DP), Scientific adviser to RM and FADS as its members. This Committee has been set up to ensure better and constant coordination from the stage of formation of the Defence Plan up to its implementations stage. The other functions of this Committee are—(i) to review the progress of formation, coordination and implementation of all Defence, Defence Production and Defence Research & Development Organisational plans, (ii) to provide the necessary linkages between the Defence and Defence Production plans on the one hand the R&D activities on the other ; (iii) to locate and identify critical items in use of the Armed Forces and ensure concentration of efforts to supply these either through indigenous development by R&D or through import of technology and indigenous production. (iv) to locate bottlenecks and

impediments in the speedy implementation of the Defence, Defence Production and Defence R&D Plans envisaging solutions for their removal. This Committee provides a suitable institutional arrangement to ensure proper and optimal coordination between the Defence Plans and the Production Plans.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No .7, Para 2.11)

It is imperative for the success of the schemes and programmes of modernisation and weapon induction and their productionisation that these are conceived, formulated and monitored by an Apex Body consisting of experienced and knowledgeable service officers, Scientists, Engineers and those who are well versed in defence production and planning processes. The Committee recommend that Government may give a serious thought to the setting up of such an Appex Body at the earliest.

Action Taken by Government

It may be mentioned for the information of the Estimates Committee that there already exists an Apex Body with constitution similar to the one recommended by the Committee. This Apex Body is called Committee on Defence Planning (CDP). It is headed by the Cabinet Secretary and has as its Members, Principal Secretary to Prime Minister, Defence Secretary, Secretary (Defence Production), Scientific Adviser to Raksha Mantri, Finance Secretary, Foreign Secretary and Secretary, Planning Commission. The three Chiefs of the Defence Services are also members of this Apex Body. This Committee has sufficient expertise to perform the functions envisaged by the Estimates Committee. It, therefore, does not appear to be necessary to set up a separate Apex Body.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 8, Para 2.17)

During the period 1977-78 to 1981-82 per centage of items where Ordnance Factories were able to achieve agreed targets of production of weapons was more than 80 in all the years except in 1979-80 when the percentage fell to 50 only. The Committee are, however, perturbed to find that during this period, the percentage of achievement of targets in

respect of 'Ammunition' ranged between 45.83 and 60 and between 3.33 and 66.66 (except in 1977-78 when it was 100) in respect of 'B' Vehicles. Such serious shortfalls should not persist. According to the Ministry of Defence slippages in achievement of targets of production were due to delay in supply of material by the Civil Sector, power interruptions and cuts, water shortage in some localities and procurement problems through DGISM, London. Corrective steps like augmentation of capacity in the Ordnance Factories, developing more sources from trade and placement of contracts on more than one party are being implemented. The Committee recommended that a watch on efficacy of these measures may be kept and if at a stage it becomes evident that slippages are traceable to faulty planning and/or lax production control, corrective steps should be taken without delay.

Action taken by Government

The above recommendations made by the Estimates Committee have been noted. One of the major constraints in the production of ammunition was shortage of shell forging capacity in the Ordnance Factories due to old and outdated Forging Presses. Government have already sanctioned replacement of Shell Forging capacities in Factories like Metal & Steel Factory, Ishapore, Ordnance Factory, Kanpur etc. The Forging Press at Ordnance Factory, Ambajhari has also been successfully commissioned. In view of the above steps, the major constraint in the production of Ammunition would be removed.

2. In other areas, augmentation of capacities are sanctioned, wherever necessary keeping in view the stabilised demand levels of the Armed Forces. With increasing involvement of civil trade in the production of defence components etc. it is expected that better results would be achieved by the Ordnance Factories in future. It may be added that the gross value of production in 82-83 in the Ordnance Factories was Rs. 869 Cr. and the target for 83-84 is Rs. 950 Crores.

[Deptt. of Def. Produc. O.M. No 15 (29)/8 (Projects-I, date 20.1.84)]

Recommendation (Sl. No. 9, Para 2.40)

The Ordnance Factories function as captive units of the Defence Services. Ministry of Defence have drawn attention of the Committee to the fact that in ordnance factories "the capacity utilisation fluctuates

due to obsolescence of weapons and ammunition, dictated by considerations of Defence strategy, and the need to induct better and fast changing Defence equipment." Nevertheless, the Committee cannot look with equanimity that over all capacity utilisation in ordnance factories is around 70 to 75 per cent only. Even though Ordnance Factories function as departmental undertakings, they should maximise the utilisation of capacities.

Action Taken by Government

Maximisation of the capacity utilisation in Ordnance Factories is always the objective before the Department of Defence Production, subject to availability of work-load and availability of raw materials/components etc. A special watch is kept on the Ordnance Factories where capacity utilisation is low, and such cases are reviewed at the High Level Committee for taking remedial measures.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, date 20.1.84)]

Recommendation (Sl. No. 10, Para 2.41)

In this connection, the Committee note with concern that even the defence sector should be suffering due to power shortages and trippings/loadshedding causing not only breakage to toolings in certain cases but also in loss of manhours and failure to achieve production targets. The Committee urge that this matter should be taken up with the State Governments at a high level for according priority in the matter of supply of power to Ordnance Factories and Units catering to their requirements. Wherever the shortages are found to be acute the Department of Defence Production should not hesitate in setting up captive power plants for ordnance factories.

Action Taken by Government

The Defence Sector has been accorded a high priority in regard to the availability of power to the Ordnance Factories by the respective State Governments. Whenever there is any power-cut or undue trippings/load shedding in any of the Factories, the matter is immediately taken up by the Department of Defence Production with the highest Authorities in the State Governments as well as the Ministry of Energy of the Government of India. Upon taking up these matters with the respective authorities, the situation is invariably remedied to the extent possible.

As regards the question of setting up captive power plant in the Ordnance Factories are concerned, it may be mentioned that on the basis of data compiled by the Central Electricity Authority and in view of the power situation scenario in the Eighties obtained from the Ministry of Energy, Planning Commission etc., it has been decided by the Ordnance Factory Board that it is not necessary to provide captive power plants. except in the Grey Iron Foundry, Jabalpur, which has got process furnaces where interruption in power supply would result in breaks in production. Government has sanctioned setting up of a captive power plant at Grey Iron Foundry, Jabalpur, which is nearing completion.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, date 20.1.84)]

Recommendation (Sl. No. 11, Para 2.42)

The Committee find that during the period from January, 1979 to September, 1982 out of 800 indents placed on DGISM, London by Ordnance Factories so far, 198 indents have not yet been covered or has been partly covered and out of 8223 items indented, it is yet to cover 1989 items. The value of order placed by Ordnance Factories during 1979-80 to 1982-83 on DGISM, London ranged between Rs. 57 crores and Rs. 80 crores. The Committee have been informed that Government are looking into the functioning of ISM London, with a view to improving its efficiency. One of the suggestions being considered in this connection is to transfer functional control of ISM London to the Ministry of Defence. The Committee do not appreciate the existing position wherein the Ministry of External Affairs has control over the ISM, London which is mostly catering to the needs of Ministry of Defence. In their view, it would be more appropriate to transfer control over this organisation to Ministry of Defence which is the main user of the facility of the organisation. The Committee would urge an early decision in this matter.

Action Taken by Government

It has already been decided by the Government that the Supply Wing in London would work under the local administrative control of the High Commission but will functionally be answerable to the Ministry of Defence. The specific ways and means by the functional control over the Supply Wing will be effectively exercised by the Ministry of Defence are being devised in consultation with the Services Headquarters and

other Concerns. The Estimates Committee would be informed of these functional control mechanism on Supply Wing London in due course.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, date 20.1.84)]

Recommendation (Sl. No. 12, Para 2.43)

Lack of demand from the services due to changed pattern of demand or war reserves having reached a saturation point is among the reasons responsible for emergence of spare capacities in ordnance factories. The Committee recommend that efforts should be made to utilise the spare capacities by diversification, of products of *inter alia* cater for exports especially to under-developed and developing countries within the parameters of our foreign policies or internal civil market.

Action Taken by Government

In order to boost up export of Defence stores, Government have already set up an Export Promotion Board with Secretary (DP) as Chairman. The capacities in the Ordnance Factories where capacity utilisation is low due to the lack of demand from the Services has been deversified to manufacture items for civil use.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, dt. 20-1-84)]

Recommendations (Sl. No. 13, Para 2.44)

The Committee understand further that there is scope for production of certain items like those in sophisticated areas of electronics and radars. We could look for export markets for such products in developed countries as the technologies in use in ordnance factories in such areas is stated to be comparable to that in use in these countries. The Committee are of the view that we should not hesitate in creating capacities in these areas not only for earning foreign exchange but also to provide us with a cushion to resort to in times of war when we could divert these capacities for internal use.

Action Taken by Government

The electronics and radars are produced in the Bharat Electronics Ltd. a Public Sector Undertaking of Ministry of Defence, and not in

the Ordnance Factories. A copy of the above recommendation of the Estimates Committee has been sent to Bharat Electronics Ltd. for necessary action.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I,
dt. 20-1-84)]

Recommendation (Sl. No. 16, Para 2.58)

It is surprising that DGOF has no specific programme to develop ancillary units in and around ordnance factories. It is only at Jabalpur Factory that some work is stated to have been done. The Committee are of the view that Ordnance Factories should concentrate on basic and sophisticated items only and have small and sundry jobs done through ancillary industries. After all Ordnance Factories too have social responsibilities to encourage and develop ancillary industries under their umbrella. It is needless to point out that this would be in keeping with the Government's general policy of encouraging the small scale sector.

Action Taken by Government

The above recommendation made by the Estimates Committee has been noted. It may be pointed that for the new factories which are proposed to be set up, a regular programme of ancillarisation is being drawn with the assistance of the concerned State Governments. DGOF has been instructed by the Ministry to explore the possibilities of setting up ancillary industries adjacent to other Factories, as has been done in the case of the Jabalpur Factory.

[Deptt. of Def. Produc. O.M. No. 5(29)/82 (Projects-I,
dt. 20-1-84)]

Recommendation (Sl. No. 17, Para 2.65)

The Committee are shocked to observe sizeable shortfalls in production of certain weapons and equipments as against the original targets which in a couple of cases brought to the notice of the Committee, were as much as 33 per cent and 66 per cent. This must have effected adversely the plans and programmes of our Defence Forces and consequently the state of our defence preparedness. In the case of vehicles the outstandings and the new demand placed in May 1980 taken together are admitted to be "beyond their (Ordnance Factory's) capacity".

With this being the position in peace time, the Committee wonder how the Ordnance Factories would be able to handle the war time situation, when the demands on them would be exacting. The Committee regard this as a very serious matter and would recommend a review by a High Powered Body, of the past performance of the Ordnance Factories *vis-a-vis* the requirements of the Defence Forces to determine the factors responsible for failure on the part of the Ordnance Factories in meeting fully the projected Defence requirements and making suggestions to streamlining their functioning and generally gearing them up to meet the Defence needs. The Committee would like to be informed of the follow up action taken in this regard within six months.

Action Taken by Government

The Government had appointed in 1975 a Committee under the Chairmanship of Shri V.J. Rajadhyksha, the then Member, Planning Commission, to investigate into the causes for slippages in production in the Ordnance Factories and to make suitable recommendations. The Committee submitted its report in 1979-80. The recommendations of this Committee have already been accepted by Government and major recommendations have already been implemented. The management structure of the DGOF Headquarters has been changed and the Ordnance Factory Board has been set up. The Finance and Accounts have also been functionally integrated with the management of the Ordnance Factories. With these steps, Ordnance Factories have made considerable improvements. During the last 4 years, the gross value of production in the Ordnance Factories has recorded an increase of 45% from Rs. 600 Crores in 1980 to Rs. 869 crores in 1982-83.

2. The annual production targets for various items are laid down in consultation with the users and wherever any shortfall anticipated, the targets are scaled down in consultation with the users. As regards the specific case of vehicles pointed out by the Estimates Committee in their above recommendations, it may be mentioned that Government has already sanctioned augmentation of the capacities of Vehicle Factory from the present achievable level of 8,000 vehicles per annum to 9 000-10,000 vehicles per annum. It is expected that with the augmented capacity of 9,000-10,000 vehicles per annum, the stabilised annual vehicle requirements of the Services could be met by the Vehicle Factory. It may be relevant to point out that the Services are currently evaluating, futuristic vehicles in the pay load of $\frac{1}{2}$ ton, $2\frac{1}{2}$ tons, and 5 tons,

against the present production in the configuration of 1/4 ton, 1 ton and 3 tons. The question of meeting the requirements of the Services of the futuristic vehicles is actively under consideration of Government.

3. The performance of the Ordnance Factories is periodically reviewed at the highest level in the Department of Defence Production at the Production Review Meetings and the High Level Committee Meetings and the Defence Minister's (Production & Supply) Committee Meetings. The Government does not consider it necessary at present to appoint another high-power body to review the functioning of the Ordnance Factories. However, the recommendation of the Estimates Committee has been noted.

[Déptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I dt 20-1-84.)]

Recommendation (Sl. No. 19, Para 3.8)

The Committee find that in the cost of production at current prices in Ordnance Factories the cost of direct material is 68.80 per cent cost of Factory overheads is 24.02 per cent cost of direct labour is 6.45% and administrative overheads are 0.73%. A view has been expressed that the production costs of DGOF are comparatively higher than these of the trade, as for example, in the case of Blankets, Boots Ankles, Socks DG and Jersey. The Secretary, Defence Production pleaded during evidence that items produced in Ordnance Factories were subject to stringent quality control stipulations. He, however, conceded that when sometimes General Managers of Ordnance Factories buy material direct from the market instead of through DGS&D, they had to pay higher price which pushed up the cost of final product. The Committee recommend that as cost of material constitutes more than 68 per cent of the total cost of production in Ordnance Factories, a strict watch should be kept on prices at which materials are purchased. Further there is need to control factory overheads especially by maximising the capacity utilisation.

Action Taken by Government

One of the objectives before the Ordnance Factories is to minimise costs, not only based on maximum utilisation of installed capacity, but work to tight norms in areas such as material, overheads, materials management, labour, capital expenditure and working capital. Instruc-

tions have been issued to the Ordnance Factory Board/all the Ordnance Factories to keep a strict watch on the prices at which materials are purchased and the factory overheads. A copy of the instructions issued is enclosed. (not appended)

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 20, Para 3.20)

The Committee find that total inventory holding of Ordnance Factories has gone up from Rs. 351.00 crores as on 31.3.1979 to Rs. 525.77 crores as on 31.3.1981. The average holding in terms of months' consumption works out to 10.29 months in 1979 and 11.2 months in 1980-81. This by any standards appears to be unduly high. Further it transpired during evidence that out of 23 ordnance factories there are 8 or 9 factories where inventory levels are relatively higher. Special Task Forces have been set up in the Ordnance Factories to identify distortions in the inventory holdings. The Committee desire that norms for inventory holding should be spelt out and the inventory control improved. The Committee hope that it would be possible in the course of an year or two to bring down the level of inventory holdings to a reasonable level.

Action Taken by Government

Ordnance Factory Board would make all efforts to bring down the level of inventory holdings to a reasonable level in the course of next year or two and all necessary steps in this regard have been initiated. Instructions have been issued by Ordnance Factory Board to all the Factories, copies of which are enclosed.

[Deptt. of Def. Produc, O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 21, Para 3.21)

Surplus/obsolete materials valuing nearly Rs. 30 crores which are no longer needed by the Army are lying with DGOF. The Committee would like the DGOF to unburden itself of this stock at the earliest.

Action Taken by Government

The recommendations of the Estimates Committee has been noted. The obsolete/waste/surplus stores of the value of Rs. 31 Crores at the end of 1981-82 have been reduced to Rs. 25 Crores at the end of 1982-

83. Ordnance Factory Board is taking all necessary steps to unburden itself of the obsolete/waste surplus stock.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 22, Para 3.23)

The Committee are unable to accept the plea of the Secretary, Department of Defence Production that as Ordnance Factories have not been set up for purely commercial purposes an elaborate system of monitoring man hour and machine hour utilisation in these factors is not needed. He pointed out that maintenance of records of manpower utilisation and machine hour utilisation would be 'very enormous and costly'. He felt that 'indirect devices' being followed by Ordnance factories are adequate for management control. The Committee feel that to enhance productivity of all the factors of production in the Ordnance Factories and control costs it is necessary to apply modern management techniques in the factories which include a systematic study of man-hour and machine-hour utilisation. Ordnance Factories would therefore do well to evolve and introduce some such system at the earliest.

Action Taken by Government

One of the objectives before Ordnance Factories is to maximise utilisation of installed capacities and to minimise cost, not only based on maximum utilisation of the installed capacity, but work to tight norms in areas such as man hour and machine-hour utilisation, material wastage, overheads, materials management, capital expenditure and working capital. The modern management techniques are already being applied in the Ordnance Factories. At present the labour productivity is measured by piece-work profit percentage. The piece work rates are fixed periodically on the basis of time and motion study and standard rates for doing a specific job are laid down. The productivity is measured with reference to these standards which are reviewed periodically. Similarly, the manhour utilisation in the Ordnance Factories is closely monitored and it is ensured that the Plant & Equipment is optimally utilised, subject to availability of work-load from time to time.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No 23, Para 3.26)

The Committee are concerned to note the delay in completion of 2 out of 7 important projects costing more than Rs. 5 crores each taken up for completion during the last 5 years. The project for setting up of new propellant factory was delayed by six months while the Project for augmentation of Brass Melting and Strip Making capacity in Ordnance Factories has been delayed by about 10 months.

Delay in execution of Projects push up the cost of project. Secretary, Defence Production assured the Committee in evidence that Government was "very much concerned" over such time over-run in major projects and that a Member of the Ordnance Factory Board had been assigned specific responsibility to keep an eye on the on-going projects. He also indicated that it was proposed to induct into the Ordnance Factory Board an Engineer from MES to ensure better coordination and monitoring of projects. The Committee would urge that the proposed arrangement may be put though without any delay.

Action Taken by Government

The above recommendation of the Estimates Committee has been noted. Necessary proposal for setting up an Engineering Cell at OFB Headquarters to monitor the progress of civil works in Ordnance Factories has been initiated. Pending the sanction of specific posts for OFB Headquarters Engineering Cell, the Engineer-in-Chief, Army Headquarters have posted an additional Chief Engineer at OFB Headquarters as a temporary measure, to monitor the progress of the project. This temporary arrangement will be made permanent as soon as the posts for the Engineering Cell are sanctioned by the Competent Authority.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, date 20.1.84)]

Recommendation (Sl. No. 24, Para 4.9)

It is accepted on all hands that transfer of stage and interstage inspection responsibility to the DGOF will bring about quality consciousness in the Ordnance Factories. Rajadhyaksha Committee was also in favour of it. The Committee cannot but deplore delay of 17 years in implementing this recommendation. Now that the decision has been taken in principle by Ministry of Defence for transfer of stage and interstage inspection responsibility to Ordnance Factories and in new factories

(established after 1965) this responsibility has already been laid on the Factories, the Committee desire that modalities regarding adjustment of personnel between DGI and DGOF consequential to the transfer of this responsibility in respect of old Factories should now be thrashed out without any further delay.

Action Taken by Government

Stage/inter-stage inspection in respect of the new Ordnance Factories is already vested with Ordnance Factories. It has already been accepted in principle that the stage/inspection in respect of the units will also be transferred from DGI to Ordnance Factories. It is expected that the above transfer will be effected with effect from 1.4.1984, as the modalities regarding adjustment of personnel between DGI and the Ordnance Factories consequent to the transfer of the above functions would be thrashed out by that time.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, dated 20.1.84)]

Recommendations (Sl. No. 25, Para 4.16)

Though the Department has furnished to the Committee an elaborate note indicating the efforts made to rectify the defects in the equipment and ammunition, the fact remains that in certain cases the equipment and ammunition turned out by the Ordnance Factories was found defective. This by itself paints a dismal picture and calls for a more rigorous quality control by the Ordnance Factories and the DGF over the finished products of the Ordnance Factories.

Action Taken by Government

The observations made by the Estimates Committee have been noted. Ordnance Factories are supplying a large number of Defence stores covering a wide spectrum, running into thousands of items. The cases pointed out by the Estimates Committee appear to be isolated instances and do not reflect the generally high level of quality maintained and ensured in respect of stores delivered to the Services.

2. It may be mentioned for information of the Estimates Committee that during the course of manufacture of any item, every component thereof has to go through a rigorous quality control, taking into account the configuration of the components, raw material used, its

performance etc. Only those components which fully conform to the quality standards laid down are taken for assembly into final product after vigorous inspection at all levels. The sub-assemblies/assemblies are subjected to specified static and dynamic tests as per the governing specifications. Only those final stores which pass the quality parameters are cleared for issue to the Services. The quality of production of defence stores is in-built in the process of manufacture.

3. For all items produced in the Ordnance Factories for the first time quality control plan is devised. If any particular defect arises in such stores during use by the users, the same is investigated and corrective controls introduced in the manufacturing processes so that defects which arose in actual use due to design defects or otherwise, so that such defects do not recur.

4. Notwithstanding the above, Technical Development Cells have been created in major Ordnance Factories to keep a close watch on the manufacturing processes, initiate additional controls to improve the reliability of the products. With the transfer of stage/inter-stage inspection responsibilities to the producing Factories (which is being done separately), and coupled with the above steps, it is expected that the incidence of defects would be reduced to an infinitesimal level, if not altogether eliminated, which will continue to be the objective of the Ordnance Factories.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, dated 20.1.84)]

Recommendation (Sl. No. 26, Para 4.17)

The Committee do not approve of the system of issue of ammunition on 'Red Card' without trial. The Committee desire that the practice of issue of lots under 'red card' should be discouraged and if issue of a lot without proof has to be resorted to under exceptional circumstances every efforts should be made to have it proved at the earliest possible opportunity.

Action Taken by Government

Ammunition on 'Red Card' means ammunition held in stock by the Director of Ordnance Services, Army, Hqrs, on behalf of the Ordnance Factories, which is not cleared either due to non-issue of Inspection Notes or in certain cases due to pending proof clearance. In either

case, holding of ammunition in bond in depots is a facility extended by the D.O.S. to Ordnance factories for the following reasons :—

(1) Due to limited stocking capacity for explosive filled ammunition (With most of OFs, the filled ammunition is despatched to Depots). The 'p' Vouchers (inspection Notes) are sent separately to depots on clearance of the proof. This saves considerable time which would otherwise be wasted if the stores are despatched by the Factory only after their clearance at proof or issue of 'P' vouchers by the Factories. It is also important that sometimes rolling stock is not available readily with Depots and considerable time would be wasted if the Ammunition is despatched to Depots after issue of 'P' vouchers.

2. All efforts are made by the Directorate General of Inspection to accord proof clearance of stores on highest priority and it has been committed that bonding of ammunition for want of proof clearance can be limited to six months within which time all the proof would be cleared.

[Deptt. of Def. Produc. O.M. No. 15 (29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 27, Para 5.8)

The Committee are happy to note the assurance given by Secretary, Defence Production during evidence that "if there was overstaffing five years ago, there is no overstaffing in Ordnance Factories now". Not only that, according to him it has been decided that in future no new post would be created in ordnance factories except for specific needs of new projects.

Action Taken by Government

It may be stated that new posts in the field Factories are created for new projects/schemes only. Any new posts at Ordnance Factory Board HQrs even if required for a new project or any additional non operational posts in the field Factories for the on-going projects, required on account of increase in the production levels etc., can be created only after the matching savings have been identified on posts are surrendered in lieu.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 28, Para 5.8)

The Committee are constrained to observe that medical facilities for the workers of the Ordnance Factories are far short of the requirements. Although there are 23 hospitals and 68 clinics the number of doctors available to man these hospitals/clinics is not adequate. Secretary, Defence production attributed the shortage of doctors to two facts: First, the scales offered to Doctors by Ordnance Factories were not adequate to attract them; Secondly, doctors are reluctant to posting where factories are located. The Committee recommend that suitable incentives should be evolved to attract doctors.

Action Taken by Government

The above recommendation of the Estimates Committee has been noted. The Deptt. of Defence Production have already initiated a paper for the Cadre Review of the Ordnance Factories Health Service. Upon this review being completed, adequate number of posts in the various grades would be provided, which will give suitable incentive to attract qualified doctors to the Ordnance Factories. This will provide the necessary medical cover to the workers to the Ordnance Factories.

[Deptt. of Def. produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 29, Para 5.9)

The Committee understand that even though Government orders stipulate that 50% of the Single shift strength of the industrial workers in Factories may be provided with accommodation in the factory estate, this order has not been followed by Ordnance Factories. This had resulted in shortage of accommodation in some factory estates. In adequate water supply is also reported. The Committee would like these matters to be examined and measures taken to provide accommodation at least as per the norms laid down and adequate water supply in accordance with a time-bound programme.

Action Taken by Government

The above recommendation of the Estimates Committee has been noted. Government has been granting increasing funds to the Ordnance Factories for construction of residential units in various Ordnance Fac-

tories as would be seen from the following data :—

1974-79	:	Rs. 5 crores
1980-85	:	Rs. 50 crores
1985-90	:	Rs. 115 crores (Projected by O.F. Board).

It will be seen from the above that Government is alive to the problem of residential accommodation for the industrial workers in the Ordnance Factories.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects I, dt. 20.1.84)]

Recommendation (Sl. No. 30, Para 5.13)

The Committee note that each Ordnance Factory has a joint Consultative Machinery, while such a machinery may be useful to regulate the conditions of service of the workers satisfactorily, the Committee feel that a system should be worked out whereby the workers are associated with the endeavours of the management for improving Production and Productivity both in quantitative and qualitative terms. The Committee would await the steps proposed to be taken in this regard.

Action Taken by Government

The Apex Productivity Council has been formed in the Ordnance Factory Board with Chairman, Ordnance Factory Board as the Chairman and staff side Members of the J.C.M. and representative of both the Federations as its members. Instructions have also been issued to all the Factories for formation of local Productivity Councils with General Managers of the Ordnance Factories as Chairman and staff side members of the JCM and one representative each of the recognised associations as members. Through these productivity Councils, effective participation of the workers towards improvement of production and productivity both in quantitative and qualitative terms, is expected to be achieved.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Recommendation (Sl. No. 31, Para 5.16)

The Committee are gratified to learn that industrial relations in Ordnance Factories have been by and large 'harmonious'. The Committee however, note that two important demands of the Ordnance Factory employees are awaiting decision regarding which there was token strike on 13.12.1980 resulting in loss of production to the tune of

Rs. 181 lakhs during 1980. One of these demands related to payment of Bonus to all Defence Employees.

Action Taken by Government

The legitimate demands of the employees are looked into sympathetically and sorted out within the existing frame-work of Govt. rules and regulations. As regards the specific demand of Bonus, Government have already sanctioned grant of Bonus to all the Defence and Civilian employees.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURCHASE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation (Sl. No 3, Para 1.20)

From the data furnished to the Committee it is seen that the Chairman and Members of the OFB (which is located at Calcutta) have to frequently shuttle between Calcutta and Delhi to confer and coordinate with the Ministry of Defence and Service Headquarters which are located in Delhi. During the last 3 years the Chairman, OFB had to visit Delhi 54 days per year as an average. Visits by other Members ranged between 15 to 53 days in an year. The Committee feel that this arrangement is not only time consuming and costly but also detracts Chairman and Members of the OFB from paying close attention to the operational problems of the Factories. The Committee therefore, see a distinct advantage in shifting the Headquarters of OFB to Delhi and would like Government to consider the matter in all its aspects without delay.

Action Taken by Government

It may be mentioned for information of the Estimates Committee that prior to Second World War, the Headquarters of the Ordnance Factories Organisation were at Simla. The Headquarters were shifted to Calcutta just prior to World War II and since then, the Ordnance Factories Headquarters Organisation has been functioning from Calcutta. The question of shifting the DGOF Headquarters from Calcutta has been considered by the Government on a number of occasions in the past and every time the conclusion reached was to retain it at Calcutta. There are certain basic advantages in retaining the DGOF Office at Calcutta. After considering all the pros and cons, Government decided to construct a separate office building for DGOF Headquarters, which has since been completed and is likely to be occupied soon.

2. The need for decentralisation of the Headquarters Organisation of the Ordnance Factories, with a view to having a more effective control over the field Factories is recognised. In pursuance of the above

objective, the Addl. DGOF looking after the Ordnance Equipment Group of Factories which are located in and around Kanpur, was shifted from Calcutta to Kanpur in 1967. It may be mentioned that Regional Directors had been appointed to look after the group of factories on a regional basis. However, this experiment did not bring about the desired results and was given up. With the formation of the Ordnance Factory Board, the Finance and Accounts have been integrated and the shifting of the OFB Headquarters from Calcutta, would also entail shifting of Controller of Accounts (Factories) which employ about 1,000 persons. Shifting of about 3,000 officers and employees from Calcutta will pose unsumaccountable physical problems.

3. In the light of the above position, it is considered advisable not to shift the Headquarters of the Ordnance Factories out of Calcutta.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No 14, Para 2.54)

The Committee note that even though the Government have accepted that one of the objectives of the Ordnance Factory Board is to 'maximise utilisation of installed capacity where necessary by diversification of production to meet the demands of the civil market and for this purpose build up an effective marketing organisation' no serious effort has been made to achieve this end. The value of sales by Ordnance Factories to civil sector has gone up from Rs. 16.35 crores in 1977-78 to Rs. 21.80 crores in 1980-81. There is scope for increasing this further and putting it on commercial basis. The Committee recommended that a marketing organisation should be set up soon. The Profit or Loss on sales to civil sector should in future be brought out in the Annual Reports.

Action Taken by Government

The question of reflecting the Profit or Loss on sales to civil sector by the Ordnance Factories in the Annual Accounts was taken up with the Controller General of Defence Accounts, who has issued necessary instructions to the Controller of Accounts (Factories) that a statement relating to Profit/Loss on issues to civil sector by the Ordnance Factories is prepared and such a statement will be appended to the Annual Accounts of the Ordnance Factories from 1982-83 onwards.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Comments of the Committee

(Please see Chapter I, Para 1.7)

Recommendation (Sl. No. 15, Para 2-55)

Incidentally the Committee feel that such minor items like Table Lamps, Wooden Almirah; Folding Table, etc. produced in the Ordnance Factories for internal use could easily be procured from the civil trade. The Committee recommended that a review may be conducted to identi-

fy items which can be procured from the Trade and the Ordnance Factories relieved of the responsibility of manufacturing them there by allowing them to concentrate on major items.

Action Taken by Government

The recommendations made by the Estimates Committee have been noted. The Ordnance Factories generally do not manufacture components/items which are available and can be procured from the civil trade, according to the specifications and the required standards of quality and at competitive prices.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt.20.1.84)]

Comments of the Committee

(Please see Chapter I, Para 1.10)

Recommendation (SI. No. 18, Para 2.70)

While the Committee note that the performance of the Ordnance Factories is reviewed by the Comptroller General of Defence Accounts and the Auditor General they would like Ministry of Defence to examine the feasibility of introducing the system of comprehensive reviews of performance the Ordnance Factories by an Audit Board associating experts as is being done in the case of selected public sector undertakings on yearly basis.

Action Taken by Government

In so far as Ordnance Factories are concerned, an Audit Officer has exclusively been assigned for the audit of performance of the Ordnance Factories. This Officer is known as Director of Audit (Ordnance Factories) located at Calcutta. This Officer functions under the control of the Comptroller and Auditor General of India. Besides, a Chief Internal Audit Officer has also been sanctioned for the Ordnance Factory Board, who does the internal audit of the functions of the various Ordnance Factories and submits reports to the Ordnance Factory Board for management decisions.

In view of the above specific external and internal Audit officers assigned exclusively for the Ordnance Factories, it is considered that there is no need for getting the performance of the Ordnance Factories reviewed by an Audit Board.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

Comments of the Committee

(Please see Chapter I, Para 1.14)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE AWAITED

Recommendation (Sl. No. 2, Para 1.19)

It surprises the Committee that Ordnance Factory Board constituted as it is today does not have a single representative of the Armed Forces which are the largest indentors of arms and ammunition. In fact Rajadhyaksha Committee had recommended that MGO should be ex-office Member of the Board. The Secretary, Defence Production pleaded in evidence that his suggestion would not be acceptable to Army authorities as MGO had 'Total responsibility' in Army Headquarters itself. The Secretary however, indicated that Rajadhyaksha Committee's recommendation was still under consideration of Government. The Committee feel that if MGO cannot be spared by Army Headquarters to serve as a Member of Ordnance Factory Board, it should not be too difficult to nominate some other service officer of appropriate rank to be a Part time Member of the Board. Such an arrangement, the Committee feel, would make for the better coordination with, and greater involvement of the Armed Forces in the production planning and processes of the Ordnance Factories.

Action Taken by Government

The recommendation made by the Estimates Committee has been noted and is being considered. The final decision in the matter will be communicated in due course.

[Deptt. of Def. Produc. O.M. No. 15(29)/82 (Projects-I, dt. 20.1.84)]

NEW DELHI;
March, 24 1984
Chaitra 4, 1906 (S).

BANSI LAL
Chairman,
Estimates Committee

APPENDIX

(Vide Introduction of the Report)

Analysis of Action Taken by Government on the 52nd Report of Estimates Committee (Seventh Lok Sabha)

I. Total number of Recommendations	31
II. Recommendations/Observations that have been accepted by Government. Nos. 1, 4 to 13, 16, 17 and 19 to 31.	
Total	26
Percentage	84 %
III. Recommendations/Observations which the Committee do not desire to pursue in view of Government replies.	
Sl. No. 3	
Total	1
Percentage	3%
IV. Recommendations/Observations in respect of which Government replies have not been accepted by the Committee. (Sl. Nos. 14,15, & 18)	
Total	3
Percentage	10%
V. Recommendations/Observations in respect of which final replies of Government are still awaited. (S. No. 2)	
Total	1
Percentage	3%