

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

STARRED QUESTION NO:462

ANSWERED ON:29.04.2013

MODERNISATION OF DEFENCE PRODUCTION

Deo Shri Kalikesh Narayan Singh;M.Thambidurai Dr.

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government has taken measures to modernise and indigenise defence production in the country;
- (b) if so, the details thereof along with the funds allocated for the purpose during the current Five Year Plan;
- (c) whether certain defence equipment produced indigenously have been found to be defective in the recent past;
- (d) if so, the details thereof along with the ensuing loss to the exchequer due to such defects and the action taken / proposed to be taken against the defence production units responsible for such defective production; and
- (e) the steps taken / proposed to be taken by the Government to ensure high standard of quality in defence production?

Answer

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 462 FOR ANSWER ON 29.4.2013

Defence Production in the country is undertaken through 39 factories of Ordnance Factory Board (OFB), Public Sector Undertakings including Defence Public Sector Undertakings (DPSUs) and the Private Sector.

2. OFB has prepared a comprehensive modernisation plan for the 12th Five Year Plan period, with a total planned investment of Rs.15,764 crores. Generally, no Government funding, except project-related, is made to the Defence PSUs for their activities, including modernisation programmes. However, DPSUs have proposed to spend an amount of Rs.14,763 crores (approx.) on modernisation during the current 12th Five Year Plan Period.

3. Promotion of Private Sector is expected to further modernise and indigenise Defence Production in the country. Government has taken several steps to promote private sector participation in Defence Production. The steps taken include promulgation of Defence Production Policy 2011; opening of Defence Industry Sector since May 2001 up to 100% for Indian Private Sector Participation with Foreign Direct Investment (FDI) permissible upto 26%, both subject to licensing; promulgation of Make and Buy & Make (Indian) procedures to encourage indigenous production; provision of offset obligation in all capital acquisitions categorised as Buy (Global) and Buy & Make with Transfer of Technology (ToT) where the estimated cost of the acquisition is Rs.300 crores or more; Joint Venture Policy for DPSUs, etc.

4. Further, the Defence Acquisition Council (DAC) has recently approved several measures for fostering indigenous production and private sector participation. These steps include preference to indigenous production in procurement categorisation process, level playing field for Indian industry, etc. Further, there has been a thrust on indigenous manufacture of defence equipment through the collaborative efforts of Defence Research & Development Organisation (DRDO), DPSUs, OFB and Indian Private Sector. Further, most of the DPSUs and OFB have developed in-house R&D base.

5. Procedures do not allow induction of defective equipments. Every equipment goes through quality control process by the manufacturer, quality certification by an independent agency and, in some cases, trials by the armed forces before being inducted into service. In case, subsequently, an equipment is found to have a defect, an investigation is carried out and necessary corrective action is taken.

6. The Government has undertaken a number of measures to enhance Quality Standards. These include modernisation of Infrastructure / Facilities in the Ordnance Factories and Defence PSUs, Automation of Processes, Computerization, Process / Product Upgrades, establishment of Committees to analyse recurring defects and suggest improvement measures. Ministry of Defence has declared the year 2013-14 as 'Year of Quality Control' and the DPSUs and OFB have prepared action plans, which include addressing issues relating to R&D, modernisation, ToT absorption, emphasis on training and overall quality improvement in their functioning.

