

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:1825

ANSWERED ON:30.11.2000

OVER PRICING OF WOOLLEN SOCKS BY ORDNANCE FACTORIES.

DADICHILUKA VEERA GOURI SANKARA RAO;KINJARAPU YERRANNAIDU

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government are losing Rs. 1200 crores annually on account of procurement of woollen socks, jerseys and blankets etc. purchased for soldiers from ordnance factories;

(b) if so, the reasons for overpricing when private Ludhiana manufacturers are offering at more less price with better quality; and

(c) the action taken for causing such a heavy loss on this score? ANSWER

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) to (c): A statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA UNSTARRED QUESTION NO. 1825 FOR 30.11.2000

(a) It is factually not correct that Government are losing Rs. 1200 crores annually on account of procurement of woollen socks, jerseys and blankets etc purchased for soldiers from Ordnance Factories. The annual value of the clothing and general stores items purchased for soldiers from Ordnance Factories is around Rs. 475 crores (average of last four years) only, out of which the annual average value of woollen socks, jerseys and blankets is less than Rs. 35 crores. The question of incurring loss of Rs. 1200 crores annually against annual procurements worth Rs. 35 crores only, therefore, does not arise.

(b) It has been found that there is differential in the cost of items purchased from Ordnance Factory as against those from private Ludhiana manufacturers and others. Ordnance Factory Board have a scientific system of cost compilation based on cost input data. Any cost reduction due to technology upgradation is passed on to the Army. However, as a model employer, the Ordnance Factory Board is required to pay wages to workers in accordance to the scales fixed by the government, which is often not the case with the civil sector. Capacities in Ordnance Factories have been created to cater to the demand from the services and mainly the Army. Fluctuating demand and non-utilization of full capacity adds up to the cost of the product. Moreover, the provision to meet sudden increase in demands is also a contributing factor for higher cost. The stringent quality control norms set by the Director General Quality Assurance, who is the common authority for inspecting and certifying the clothing and general stores, supplied to the Army are applicable to the supplies made by Ordnance Factories and private manufacturers alike.

(c) Constant endeavours are made by Ordnance Factories to reduce the unit cost of production by updating technologies. The average price of clothing and general stores items during 2000-01 has been reduced by 3.75 % compared to average price of 1999-2000.