

**CONTROLLER GENERAL OF DEFENCE ACCOUNTS,
ULAAN BATAAR ROAD, PALAM, DELHI CANTT – 110010.
(IFA wing)**

Ph No. 011 – 25665569 - 572, FAX No. 011- 25674779.

Circular No. 06 of 2012

No. IFA/142

Dated :- 03 --05—2012.

To

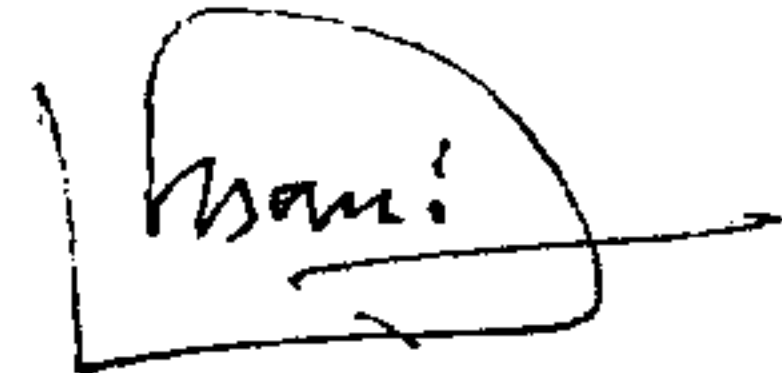
All PIFA/IFAs
(Dedicated & Nominated).

Sub :- Outsourcing of goods and services in Defence Sector – regarding.

A copy of Gol, MoD letter No. 10 (4)/2007/D (Mov) Dt 13.04.2012 on outsourcing of goods and services in Defence Sector alongwith its enclosures is forwarded herewith for guidance and further necessary action at your end please.

2. It is advised that the proposals of outsourcing of goods and services may be regulated as per instructions contained in above mentioned Govt of India letter.

Encl:- 43 pages


(V Mani)
Sr AO (IFA wing)

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No.10(4)/2007/D(Mov)
Government of India
Ministry of Defence
Sena Bhawan, New Delhi.

V. Jant
may be studied carefully
and put up.
19/4/12
19/4/12

Dated, the 13th April, 2012

To

- The Chief of the Army Staff
- The Chief of the Naval Staff
- The Chief of the Air Staff
- The Secretary (Dept. of Defence Production)
- ✓ The Controller General of Defence Accounts

ACGDA
AOCIA

Subject: Outsourcing of goods and services in Defence Sector – regarding.

Sir,

I am directed to say that vide office order of even number dated 7th June 2007 (Annexure-I), a Committee was constituted in Ministry of Defence, under the chairmanship of the then Special Secretary, comprising members from Department of Defence, Department of Defence Production, Defence Finance and tri-Services to identify and recommend the products and services which could be outsourced in Defence Sector and to work out the outsourcing methodology including a detailed Standard Operating Procedure (SOP) for outsourcing mechanism. The Committee was also mandated to evolve a review mechanism so that expenditure is minimized and quality of service ensured.

2. The recommendations of the Committee as contained in its Report "Outsourcing in Defence Sector" (Annexure-II), have been accepted by the Raksha Mantri. As per directions of Raksha Mantri the outsourcing of activities has to be done in a phased manner as indicated in Annexure-III. The Report of the Committee was circulated to all concerned vide this office ID Note of even number dated 1.12.2009 (Annexure-IV) for further necessary action at their end. While forwarding the Report, alongwith list of activities to be outsourced in a phased manner, it was suggested that Guidelines for outsourcing could be formulated by respective organisations in consultation with CGDA's Office after keeping in view the methodology recommended and SOP (Standard Operating Procedure) suggested by the Committee in its Report, and in conformity with provisions contained in GFRs, DPM and guidelines issued from time to time by Ministry of Finance.

3. However, keeping in view the demand from various stakeholders including tri Services, that the instruction to implement the recommendations of the Committee on 'Outsourcing in Defence Sector' may be issued in the form of a Government Letter, this letter is hereby issued with the approval of the Competent Authority.

4. In accordance with the above, kindly find enclosed herein a copy of the Report of the Committee on Outsourcing in Defence Sector, along with Annexures, and list of activities to be outsourced by tri-Services in a phased manner. The recommendations of the Committee may be implemented in the light of the following paragraphs.

335/274 (AT-I)
19/04/2012

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Outsourcing in Defence Sector

5. Outsourcing refers to utilizing resources, on payment basis, of another organisation to secure services and products, for which one would otherwise employ one's own resources, including manpower. Outsourcing is entirely different from hiring against deficiencies/leave vacancies and should not be taken up under Budget head allocated to pay and allowances because outsourcing is of services, not that of staff/posts.

Aim of Outsourcing

6. Outsourcing aims to optimize defence expenditure both on manpower and logistics, at the same time enhancing the operational preparedness without compromising security. It results in entrusting functions to specialists and efficient service providers. In Defence, it can be conveniently adopted in non-critical activities/non-field formations/units and static establishments. Outsourcing is to be resorted to in public interest and with accountability, efficiency, cost effectiveness and transparency. It also provides for equitable treatment of suppliers and promotion of competition.

Benefits of Outsourcing

7. The benefits which can be derived out of the outsourcing and how these benefits can be achieved have been described in Part-II, Para 2.4 of the Report of the Committee.

Categorization of Outsourcing

8. Outsourcing activities required to be undertaken in Phase-I are as under :-

A. System Specific

- (i) Repair of vehicles for non field force (NFF) units.
- (ii) Repair of Computer and networking Hardware and outsourcing of IT applications.
- (iii) ILMS Network Management of Indian Navy.

B. Services

- (i) Security services in Non Field Force (NFF) Area
- (ii) Conservancy services including cleaning hangers, dispersal, tarmac, technical area.
- (iii) Housekeeping, Laundry services.
- (iv) Cafeterias, Messes and kitchens, victuals and catering.
- (v) Cargo handling (Loading and offloading at Sea/Air Ports, etc.,)
- (vi) Office/Secretarial assistance

C. Logistic Management

- (i) Outsourcing of procurement, distribution of rations and catering services of selected static institutions in peace areas such as category 'A' establishments like NDA, OTA and IMA.

Different Means of Outsourcing

9. Outsourcing may be undertaken through various types of contracts, including Rate Contract, Price Agreement, etc. as per the existing laws and procedures.

9.1 Examples for outsourcing different kinds of goods and services under Capital and Revenue Head, and the basic rules governing Outsourcing and Procurement of Services, as

enshrined in General Financial Rules, have been mentioned in Part-II of the Report of the Committee.

9.2 Certain activities which are being outsourced presently have been mentioned in Part-III, Para-3 of the Report of the Committee.

Areas which could be outsourced in Defence Sector

10. The respective Organizations/Departments/Services in the Ministry of Defence will initiate action for outsourcing in the areas as recommended by the Committee and listed in Part-IV of its Report in a phased manner. Further, as directed by Raksha Mantri, the list of areas prioritized by the Services for outsourcing in a phased manner is appended as Annexure-III. In view of the fact that the said Annexure-III does not cover task undertaken by the units under Headquarters IDS, including ANC, said list of areas shall also apply to outsourcing activities undertaken by Headquarters IDS and all units under its Command.

11. Further, whenever it is felt by any Organization / Department / Services under Ministry of Defence that outsourcing is warranted in any area other than that as mentioned in Part-IV of the Report and in Annexure-III of this letter, such area can be decided for outsourcing by the respective Administrative Wing of the Ministry with the approval of the Raksha Mantri. **However, it may be ensured that outsourcing is confined only to "Non-Core" areas.**

12. Substantial number of activities are being outsourced by the Defence Services as well as Defence PSUs. However, it has been observed that there is no uniformity in this regard amongst Services, Deptt. of Defence Production (DDP), and within various establishments within a single Service. As such, it is impressed upon all concerned that activities in respect of which outsourcing is being done successfully by some Units and where procedures have been stabilized, to the extent possible, be replicated by all other Units within the same Service or by all the Services/DDP.

Interaction with Industry for identifying the existing solution providers

13. Interaction of the Committee with the representatives of different service industries and trade and industry associations revealed that outsourcing shall have to be resorted to gradually and not in haste. All concerned Organizations in Ministry of Defence can make use of the expertise available in service industries and may consult Trade and Industry Associations as suggested by the Committee in Para 6.2 of its Report.

Recommendations on Outsourcing Methodology

14. The outsourcing solutions may be evolved through the process of Situation analysis, Formulation of outsourcing plan, Evolving outsourcing options, Annual action plan, Search for outsourcing partner/service provider, Contracts & agreements, Monitoring and Maintenance of record as described in Part-VII of the Report of the Committee in Para 7.1.

Essentials of Outsourcing Contract Agreement

15. The general contracts for all set of activities to be outsourced should include all the points which have been specified in Part-VII, of the Report of the Committee. Further, all organizations seeking outsourcing must ensure that the contract management is effected in such a manner as to eliminate a situation of vendor lock-in or technology lock-in. Moreover, the contract agreement as well as post-contract management should ensure that, if the need arises

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on account of default by the contractor, the concerned authorities should be in a position to forthwith terminate the contract and seamlessly enter into a new contract with a new vendor.

Working out a detailed SOP for Outsourcing mechanism

16. A copy of the Standard Operating Procedure (SOP) suggested by the Committee is enclosed at Annexure-II to the Committee's Report, and is recommended as a broad template for formulating different SOPs for different Activities/Services as mentioned in Para 8 of this letter.

General guidelines on Outsourcing in Defence Sector

17. Based on the methodology recommended and SOP suggested by the Committee on "Outsourcing in Defence Sector" in its Report, detailed SOPs may be formulated by the respective Services/Organizations/Departments in Ministry of Defence for each service/activity to be outsourced by them as per the details given in Para 8 of this letter, in consultation with CGDA and ratification by the concerned administrative and financial wing of MoD and MoD(Fin.) respectively. It should be ensured that the SOPs so formulated are in conformity with the provisions as contained in GFRs, DPM and the guidelines of Ministry of Finance in this regard as issued/amended from time to time.

18. It may also be ensured that necessary safeguards are taken by all concerned with regard to security aspects involved in outsourcing the activities. HQ IDS will formulate guidelines in respect of security of core areas for three services and other organizations in Ministry of Defence to safeguard that those services/goods that are 'core' in nature and have security, strategic implications are not open to outsourcing. Police verification shall be got done by the vendor in respect of the personnel involved / employed for activity outsourced. Organisations owned/run by Ex-servicemen may also be considered for outsourcing activities as far as possible.

19. It may also be ensured by all concerned that the remuneration required to be paid to outsourced personnel by way of monthly payments is in conformity with the minimum wages prescribed by Ministry of Labour from time to time.

20. It may be ensured that outsourcing is done from the budget provisions made for this purpose during a particular financial year as no extra funds over the allocated budget will be provided for outsourcing. Necessary separate Code Heads will be got allocated from MoD(Fin.)/Budget. The MoD(Fin.)/Budget would allocate separate budget heads for the activities included at para-8 above.

CFA / IFA for outsourcing

21. All outsourcing proposals should invariably be done after financial concurrence of the respective IFAs and proper delegation of powers, as duly notified by the Ministry from time to time. To begin with, for the first year, outsourcing proposals should be approved by CFAs at Service Headquarters.

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Monitoring of Outsourcing activities

22. In order to assess the gains to Government from this initiative, yearly report, during the last quarter of the financial year, shall be submitted by all three Services to this office through Headquarters IDS on the outsourcing initiated by them. The report should indicate, formation-wise, each activity alongwith cost, which has been outsourced. The same shall be submitted to the Raksha Mantri for his consideration.

23. The nodal agency in this regard on behalf of the three Services shall continue to be Headquarters IDS.

24. This issues in concurrence with MoD (Fin) vide their ID Note No.3(1)/2011-Fin(QA) dated 8th Feb ,2012

Encl. As stated above.


(Pradeep Kumar)
Under Secretary to the Govt. of India

Copy for similar necessary action :

1. Chairman, COSC
2. Secretary (Defence Finance)
3. Controller General of Defence Accounts
4. All Joint Secretaries in MoD

1. Copy for information:

PS to RM/PS to RRM/SO to Defence Secretary/SO to AS(M)/SO to Adv to RM/PS to JS(O/N)/
JS & Addl. FA(A).

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Annexure-I

10(4)/2007/ D(Mov.)
Ministry Of Defence
D(Mov.)

Dated 7.6.2007

OFFICE ORDER

Outsourcing has been identified as not only cost effective tool but also an efficient service provider. There is vast scope of realizing the potential of this coveted tool in Defence Sector. It is possible to outsource many non core activities of Defence Sector in a cost efficient manner while enhancing the serviceability. In order to examine the scope of outsourcing in Defence Sector and finalise the modalities, a committee consisting of following officers is hereby constituted:-

Constitution of the Committee

SS(J)	- Chairman
JS(O/N)	- Member
Addl FA(M)	- Member
Rep of DCOAS (P&S)	- Member
Rep of ASDP	- Member
Director (Q)	- Member Secretary
MGO	- Co-opted Member
AOM	- Co-opted Member
COM	- Co-opted Member

Terms of Reference for the Committee:

1. To identify areas which could be outsourced in Defence Sector,
2. To recommend areas which could be outsourced during the current financial year,
3. To work out Outsourcing methodology,
4. To interact with Industry and identify the existing solution providers,
5. To work out a detailed SCP for outsourcing mechanism,

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6. To arrange the legal vetting of the same,
7. To evolve a review mechanism so that expenditure is minimized and
8. To ensure quality of service.

The committee shall submit its report within a timeframe of three months. This is issued with the approval of Special Secretary (J).

Sd/-
Director(Q)
Member Secretary

To all concerned

DCOAS (P&S) and ASDP are requested to nominate their representative in the committee.

Copy to

PPS to SS(J)

OUTSOURCING IN DEFENCE SECTOR

1. Introduction

Outsourcing is contracting out of a department's non core, non revenue production and service activities to specialists. Outsourcing is a strategic management tool that involves restructuring of an organization's activities around what it the best i.e does, it is core competency. It is resorted to for strategic management, financial and organizational reasons. It facilitates delegation of ownership, administration and operation of a business process to an External Service Provider (ESP). The ESP administers and manages the selected processes in compliance with measurable performance indicators. It leverages process driven efficiencies in terms of organizational excellence, financial efficiency and customer satisfaction. In the present day context of globalization, India has emerged as outsourcing hub for IT, Business Processes, Knowledge Processes and even Legal Processes.

1.1. An attempt was made to explore the potential areas for outsourcing possibilities in Defence services with a view to optimize Defence expenditure on manpower and logistics. The ultimate objective has to be to shed all non core areas with a view to reduce teeth to tail ratio. Improvement in supply chain management, performance based logistics and improvement in levels of readiness and preparedness without compromising security and quality while enhancing the serviceability are the hall mark of this exercise. It was desired to identify areas which could be outsourced during the financial year as also to evince a review mechanism so that the recommendations lead to expenditure minimization without impinging on areas having operational/core activity implications.

1.2. A Committee was tasked to identify the areas which could be outsourced in Defence Sector and make recommendations in a timeframe of 3 months. The constitution of the committee is as under:

- | | |
|--------------------|--------------------|
| SS(J) | - Chairman |
| JS(O/N) | - Member |
| Addl FA(M) | - Member |
| Rep of DCOAS (P&S) | - Member |
| Rep of ASDP | - Member |
| Director (Q) | - Member Secretary |
| MGO | - Co-opted Member |
| AOM | - Co-opted Member |
| COM | - Co-opted Member |

1.3. The following tasks were assigned to the committee:

- a. To identify areas, which could be outsourced in Defence Sector,
- b. To recommend areas which could be outsourced during the current financial year,
- c. To work out Outsourcing methodology,
- d. To interact with Industry and identify the existing solution providers,
- e. To work out a detailed SOP for outsourcing mechanism,
- f. To arrange the legal vetting of the same,
- g. To evolve a review mechanism so that expenditure is minimized and
- h. To ensure quality of service.

A copy of order is at **Annexure-I** to the report.

1.4. Modalities followed

The Committee met a number of times and held discussion on several issues such as areas presently being outsourced by Services, OFB and DPSUs, areas proposed to be out sourced in future. Based on the discussions certain areas were identified for outsourcing during the current financial year. A Sub Committee

headed by Addl.FA(D) was also set up to work out a Standard Operating Procedure (SOP) so that expenditure optimization on manpower and logistics alongwith review mechanism of expenditure is put in place. An interactive session was organized on 8.10.2007 with representatives of Industry/ESPs and vendors after due consultation with CII/FICCI and ASSOCHAM.

PART - II

2. Outsourcing in Defence Sector

2.1 Out Sourcing refers to utilizing resources, on payment basis, of another organization to secure services and products, for which one would otherwise employ ones own resources, including manpower. Outsourcing is entirely different from hiring against deficiencies/leave vacancies and should not be taken up under Budget head allocated to pay and allowances because outsourcing is of services/jobs but not that of staff/posts. The term includes purchase of equipment, stores, spares, goods etc and activities including packing, unpacking, preservation, transportation, insurance, delivery, special services, leasing, technical assessment, consultancy, training, civil works, management, projects, yard services, system study, software, literature, maintenance, updates, conservancy, inspection and design studies etc. Procurement of stores etc. both under Capital and Revenue head, would continue to be governed by DPP/DPM, 06.

2.2 Outsourcing aims to optimize defence expenditure both on manpower and logistics, at the same time enhancing the operational preparedness and without compromising security. It results in entrusting functions to specialists and efficient service providers as also permits restructuring of an organization around its primary/core functions. In Defence, it can be conveniently adopted in low security sensitive areas of activities/locations.

Outsourcing should be resorted to in public interest and with accountability, to bring in efficiency, economy transparency providing for equitable treatment of suppliers and promotion of competition.

2.3. There is a vast scope of outsourcing of various services in the Defence Sector in the non core areas. Recently Government has agreed in principle to allow outsourcing of some services in the three Services on a case to case basis for which the Services would have to satisfy themselves with regard to security aspects vide MOD letter No. PC-15973/ Outsourcing/ MP-4 (Civ.) (b)/ 1523/ D(Apptts.) dated 31 Jan 2007. Already a number of activities have been outsourced in the three Services. However, certain factors do pose a challenge. These limitations are as follows:-

- (a) Strategic/Critical/Core activities in Defence sector not feasible to be outsourced.
- (b) Large scale staff attrition may not be acceptable.
- (c) Lack of availability of facilities meeting quality standards in private sector.
- (d) Limited Private sector participation.
- (e) Lack of detailed guidelines.
- (f) Lack of assured system and procedures to ensure information security wherever required.
- (g) Efficient quality assurance mechanism.
- (h) Poor performance by Contractors/Sub-contractors leading to delays.

2.4. **Benefits of Outsourcing:** The benefits derived out of the outsourcing are as under:-

- (a) Focus on Indigenization.
- (b) Increased awareness
- (c) Availability of high end technology.

- (d) Availability of substitutes/competitors.
- (e) Quantifiable reduction and saving in costs.
- (f) Improved efficiencies, lower overheads
- (g) Freeing capital, fewer capital investment.
- (h) Accelerate growth, increased cash flow.
- (i) Get latest technology and expertise.
- (j) Gain access to resources that are not available internally
- (k) Give competitive edge.
- (l) Gain access to world class capabilities.
- (m) Free internal resources for other purposes.
- (n) Share risks in case of public- private participation.
- (o) Increased customer satisfaction.

These benefits are attained through property work flow system, process re-engineering skills, innovative staffing, world class technology, flexibility to respond to changes and relocation of business processes.

2.5. Outsourcing may be categorized into (a) System specific, for maintenance and repair of equipment by the OEMs or other service providers (b) Services, by the service providers on tenure based contracts, (c) Contingency, to meet the requirements that arise without specified periodicity and (d) Competitive, where the in-house agency bids against outside ones with the objective of economy and efficiency.

2.6 Outsourcing may be undertaken through various types of contracts, including Rate Contract, Price Agreement and Memorandum of Understanding (MOU) between the purchaser (outsourcer) and the supplier as per existing laws and procedures. Outsourcing may be resorted to from Capital and Revenue funds. The contractual modalities under expenditure of capital nature may

(3)

be in the form of Turnkey projects, Build, Operate and Transfer (BOT) model, construction work contracts awarded to outsiders. The revenue outsourcing is for items and services including replacement of functionally similar items/services to maintain and operate already sanctioned assets in the service, the necessity of which have been established and accepted by the competent authority. It covers Annual Maintenance Contracts, O&M contracts, and other contracts on annual basis and Government owned-Company operated (GOCO) as well as Company owned- Company operated (COCO) models of supplies, Rate Contracts to supply the item/service at specified prices during the period covered by the contract. Foreign outsourcing may be resorted to for such defence equipment and assets, which are of foreign origin, items and services required to maintain and operate those equipments also may need to be obtained from suppliers abroad.

2.7. Basic Rules of Outsourcing and procurement of services are contained in General Financial Rules (GFRs Rule 163-185). Rule 164 of GFRs enjoin that detailed instructions may be issued by the Ministries without contravening the aforementioned Rules which lays down the fundamental principles. Therefore, while the orders and instructions in various wings of the MoD and the Services, wherein different outsourcing procedures are followed over a period of time may be continued, the same should be reviewed and modified in a period of 2 years, to be in conformity with GFR provisions as aforesaid and the instructions hereunder, in order to achieve uniformity in approach also.

Part-III

3. Activities presently being outsourced

Certain percentage of following activities are being presently outsourced in Defence Sector. Areas which are already being

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outsourced partially by the agencies in Defence Sector are as under

3.1. Services:-

Repair & overhaul of aircraft/ engines/ accessories, refueling operations, conservancy and area maintenance services, hiring of civil transport/ponies/ marine vehicles for bulk stores movement, pilotage, dredging of channels, ferry service, garbage collection, advanced health & hygiene services, specialist services, AMC for simulators & IT assets, MES contracts, automation and development of application software, development of prototype systems/hardware, training in select courses, repair of B Vehicle of NFF units, security of logistic installation in non sensitive areas, repair, maintenance & refits of ship/boats in ship yard, Rate Repair Contracts (RRC) for low end repetitive jobs .

3.2. Department of Defence Production- The Ordnance factories and Defence PSUs are outsourcing their requirements of raw materials, components assemblies, sub-assemblies etc. for their own production besides transportation, conservancy & security, upkeep/ maintenance of machine, office equipment, IT related services through the service providers to improve cost effectiveness and for better utilization of their manpower and resources with a focus on their core competency areas. During the year 2006-07, the extent of production based outsourcing and services by the Ordnance factories to the private sector including SSI sector was 68% while it was in the range of 20-25 % in the case of DPSUs.

3.2.1. The details of the services presently being outsourced by the Defence PSUs include hull unit/hull blocks armour modules/ structure fabrication, electrical/ electronic equipment installation, tests and trials, casting, forging, welding, annealing, laser cutting, radiographic testing, painting, cabling, paneling, grinding, machining works, hiring of cranes, a/c ventilation and refrigeration

works, civil construction, application software development & integration, digitization of drawings, security, conservancy, AMCs, shipping & custom clearance, transport, house keeping, loading/unloading, machining of components.

Part -IV

4. Areas which could be outsourced in Defence Sector.

4.1. ARMY

- **ASC-** kerb side FOL pumps in select Peace stations, procurement and distribution of rations, catering services
- **AOC-** Holding of spares at depot level by OEMs warehousing functions including packaging, handling, dispatch of non critical inventory items.
- **EME-** Repair of B vehicles in NFF units, overhaul of engines by OEMs, computer hardware and hi-tech low population equipment by OEMs.
- **AMC-** Hospital support services as disposal of bio-medical waste, bio-medical engineering services, laundry and catering services, Hospital reception and station health care services (Anti-Malaria Drugs Spray), technical medical services i.e. occupational therapist, physiologist, dietician etc.
- **Training-** Training of elementary trades as welder/carpenter/painter/ computer, training of clerical staff and drivers, accounting of pay/allowances and maintenance of data of PBORs, recording of ongoing court cases with JAG Branch.
- **MES-** Maintenance/ upkeep of married /OTM accommodation, design consultancy.
- Security of logistic installation in non sensitive areas, house keeping and conservancy services, AMCs and automation

4.2 Indian Navy

(a) Supply- Chain/ Logistics Related Process

The processes include inventory control & management, warehousing and packing, supply chain, servicing (laundry, messing, housekeeping in shore units / establishments), cafeterias, messes and kitchens, project feasibility study for financial implications and risk management, victuals and catering, ILMS network management

(b) Transportation covering Transport fleet management , operation of motor pools/ bus services

(c) Infrastructure Related projects include Building maintenance of the yards and establishments, yard services such as crane operations, electric & water supplies etc.

(d) Core Operations & Manufacturing Process

Manufacturing of engineering goods for which drawings / samples are available, fabrication of certain engg. components, CAD designing, processing and testing, technical publications

(e) Design Production & Testing Process

Material testing, chemical analysis, raw material inspection, metallurgical & engineering research, production of project documentation, hardware manufacturing based on designs and prototypes generated in house.

(f) Industrial Shops & Services Relating to

Machinery, carpentry, moulding, electrical plumbing, painting, industrial gas production & recharging, fire protection & prevention services

(g) Maintenance, Overhaul, Repair & Testing and Installation Maintenance and repairs of systems in

good population by OEMs as rotables e.g communication systems, motors, valves, solenoids etc

- (h) Outsourcing of services using existing facilities in repair yards.
- (k) Maintenance and running of Reference libraries
- (l) Inspection and Quality Assurance checks
- (m) Housekeeping services for offices
- (n) Arboriculture
- (r) Preservation and de-preservation of weapon equipment
- (s) Maintenance of family accommodation

4.3 In **AIR FORCE**, security services in domestic areas, catering in mess, hospital waste management, limited civil hired transport, material & cargo handling in Air Force stations, refuelling of MT vehicles, conservancy services including cleaning of hangars and dispersals, logistics supply management (door to door delivery) etc. may be considered for outsourcing.

4.4 Department of Defence Production

The recommendation of the committee would serve only as guideline for Defence PSUs in their methodology for outsourcing whereas other organizations Ordnance factories, DGQA may adhere to the recommendations.

- **GSL-** Fabrication and erection of entire hull with minimum outfitting works, some other sub-activities in ship building.
- **Mazagon Dock Ltd.-** Maintenance of telephone services, assets, fire fighting on ships, repair of furniture/fittings, housekeeping, canteen services, pump operation, hiring of compressors, tyre mounted cranes etc.
- **BEML-** Design, after sales services, marketing, material handling, inventory management, computer system operation and management, HR activities as recruitment, maintenance of records etc.

- **BEL-** Vendor development for prototyping and subcontractor relationship.
- **HAL-** Machining, sheet metal forming, manufacturing of ground handling and support equipment, testers and packing cases, CAD/CAM software services, tooling, fabrication, structural assembly tools, heat treatment operations for aluminum and steel alloys, FRP moulding etc.

Part-V

5. Areas which could be outsourced during the next one year

Substantial numbers of activities are being outsourced by the Defence services as well as Defence PSUs. It is observed that there is no uniformity in this regard either amongst services, DDP or even within various establishments in a single service. It is, therefore, recommended activities in respect of which outsourcing is being successfully done by some units and where procedures have been stabilized, may to the extent possible be replicated by all other units within the same service and/or by all the services/DDP in coming one year. Some such services are conservancy, mess support, catering, security of non strategic establishments, housekeeping, cargo handling, medical hospital support services as waste management, health care services, laundry services, training, transportation, logistics support, repair of B vehicles, software development & integration, AMCs for equipment and Repair Rate Contract (RRC).

Part-VI

6. To interact with Industry and identify the existing solution providers

6.1 An interactive session with industry was held on 8.10.2007 at Institute of Defence Studies and Analysis wherein the following issues emerged. The participants included external service

providers and the representatives from service Industries i.e. security services, housekeeping, conservancy services, hospital related services, software development and IT related services, catering, logistics and transportation, fuel and oil facility providers, consultancy, vehicle repairs and maintenance, computer and office equipment maintenance. The representatives of FICCI, CII and ASSOCHAM also attended the meeting besides the officers from planning commission and Defence services.

6.2 Rep of CII proposed that outsourcing shall have to resorted to gradually and not in haste. The expertise is available in the industry. CII may help MOD in getting policy formulation with necessary feedback from industry, identify expertise and provide a platform for interaction for a specific sector. CII also has regional offices so the requirement may be catered for through the regional offices and offices located in state capitals. MOD may make use of their help.

6.3. ASSOCHAM identified certain potential service sectors that can be outsourced. These are supply of non-lethal capital goods as medical, communication equipment, management of IT processes, Defence supplies and storage distribution network, lease of unutilized land, defence personnel recruitment for NCOs, Research and Development etc. In their presentation they informed that they have a very active committee on Defence including members like TATA, L&T, Mahindra, Textron etc. which may assist MOD in its outsourcing endeavors.

6.4 The following concerns were expressed by the industry representatives

6.4.1 Defence Sector has to guard against inflow of foreign companies in security sector as Private Security Agencies (Regulation) Act, 2005 does not provide sufficient safeguards. With adequate decentralization within 2-3 years, the outsourcing may be undertaken by the Defence Sector.

6.4.2. Software industry may be associated in administration of network besides mapping. It may not only provide AMC but also management and provisioning of services including digitization, mapping etc.

6.4.3. MOD may adopt rural technologies available and get the benefits in terms of sanitation, hygiene and housekeeping, bio-fertilizers, water recharging etc.

6.4.4. Mobile water treatment plant, Mobile toilets, mobile kitchens, mobile laundry, mobile communication facilities, mobile medical systems, mobile diesel dispensers may be facilitated besides training for drivers/ servicing and maintenance.

6.4.5. It was suggested to evolve e-procurement system, quality control systems, e-payments, security vetting of vendors etc. More investment in systems upfront was pleaded so that robust systems should mitigate operational problems automatically.

6.4.6. It was informed that the user has low level of confidence in the capability of the industry. There has to be sense of commitment on the part of industry. The contractual capacities need to be assessed. The penalty clauses for non deliverance/ failures have to be strict for enforcing compliance.

6.4.7. The logistic support can be extended to MOD for door to door deliveries if the requirements, frequencies routes, quantities, (Weight/Volumes) are specified and shared with industry.

6.4.8. It was decided that more sector specific details may be worked out after due consultation with CII, ASSOCHAM at local levels. The long term relation and commitment with Industry would facilitate trust and reliability. MOD needs to take care the requirements in war as well as peace time so that the surge in services at the time of war may be catered to with ease.

Part-VII

7. Recommendations on Outsourcing Methodology

7.1 The outsourcing solutions may be evolved through the following process:

- **Situation analysis** - Analyze the department's requirements and identify the "outsourcable" components. Decide the set of activities to be outsourced. The performance standards need to be clearly spelt out.
- **Formulation of outsourcing plan** -Preparation of outsourcing plan of action defining the activity, area, period, formation level and budget allocations at sub-area level in NFF.
- **Evolving outsourcing options** - Analyzing various options ranging from sub-contracting to co-option and planning outsourcing model which is most appropriate and economical in the circumstances for each set of identified activity and finalize Annual action plan for outsourcing.
- **Approval of annual action plan** - Approval of plan of action is necessary at the next higher level as per delegation of financial powers in consonance with DPM-2006/GFR.
- **Search for outsourcing partner/service provider**- Floating open tender enquiry as per Standard operating procedure and defined performance standards and tender evaluation as per provisions of DPM2006/GFR, finalization of outsourcing contracts,
- **Contracts & agreements** -Drafting of outsourcing contracts and agreements, legal vetting of the same, execution.

- **Monitoring** - Yearly review of action plan to ensure that that cost effective solutions are resorted to and expenditure is minimized while ensuring the quality services. CGDA may be requested to allot 6 digit unit of control code as prevalent in Ordnance Factorles so that at the time of monthly compilation of accounts, the amount spent on outsourcing would automatically be isolated and reflected. The expenditure and the resultant savings accruing may be deciphered and monitored accordingly.
- **Maintenance of record-** Develop data base for service providers and sharing of information within defence units as per requirement.

7.2 Essentials of Outsourcing Contract Agreement- The general contracts for all set of activities may include the following.

- Duties and obligations of outsourcer
- Duties and obligations of service provider
- Define deliverables in clear terms
- Applicable law to Outsourcing agreements
- Terms of agreement
- Penal provisions for non deliverance
- Dispute resolution mechanism
- Time limits
- Location of Arbitrators
- Interim measures/ provisional remedies
- Privacy agreements
- Confidentiality agreements
- Appeal and enforcements Local peculiarities
- Survival after termination of agreement
- Security and confidentiality
- Legal compliance
- Fees and payment terms

- Auditing/ Inspection, Joint monitoring mechanism.

However, the location specific and service specific standard contracts may be evolved for effective contract management.

Part-VIII

8. To work out a detailed SOP for Outsourcing mechanism

8.1 A sub-committee was assigned the task of recommending the Standard Operating procedure (SOP) under Chairmanship of Addl. FA (D). The process has to conform to the following yardsticks

- Specifications of deliverables to be clearly spelt out i.e., Quantity, quality, type, period of service, performance standards etc
- Quantity to be based on realistic assessment of requirement
- How outsourcing decision was arrived at, the considerations which weighed with it to be recorded at each stage,
- Offers to be invited following a fair and transparent procedure
- CFA should be satisfied with the capability of selected vendor
- Procuring agency should be satisfied with the price reasonableness and consistency with the quality required

8.2 A suggested SOP for outsourcing is enclosed as **Annexure-II.**

Part -IX

General Recommendations

9.1. Outsourcing may not be feasible in core, critical and strategic defence sector activities. It can be resorted to in non critical activities

9.2 Outsourcing should be done in phased manner beginning with non field formations/units and static establishments.

9.3 The areas as mentioned in para 5 may be considered for outsourcing.

9.4 For the present, in next one year outsourcing may be replicated in activities which are being successfully implemented by some units in all other units of a service or even by other services/ production units.

9.5 Outsourcing should be through 100% Indian firms.

9.6 Specific systems and procedures for outsourcing have to be evolved for each category of activities proposed to be outsourced for which separate groups may be set up. In general the enclosed SOP and the principles/procedures mentioned in Part- VII and VIII above may act as guide and the detailed SOPs for specific activity/service may conform to the generic SOP/guidelines.

9.7 Standard RFP, contract documents clearly indicating the performance and quality standards be drafted for each category of activity proposed to be outsourced, legally vetted and approved by the competent finance and administrative authorities. These documents should be followed by all authorities outsourcing the services/activities. Any variation from the standard condition should be got approved by the Competent authority.

9.8 The annual action plan (AAP) for the activities likely to be outsourced should be formulated by each service/organization indicating the financial implications. The annual action plan needs to be approved by the competent authority as per delegation of financial powers in consonance with DPM-2006/GFR.

9.9 The monitoring of expenditure on outsourcing activities needs to be ensured. It will help in optimization of expenditure

while deciphering the savings accruing on account of outsourcing.

9.10 It is recommended to enforce annual review mechanism through assessment of physical and financial achievements (in percentage terms) vis-a-vis approved plan of action for outsourcing and budget allocation so that the expenditure is minimized. The review of last year is necessary while formulating the next year's outsourcing plan.

9.11 Depending upon the level at which outsourcing is resorted to, all India/ regional/ station specific vendor base needs to be maintained and updated regularly by the outsourcing agency through formal and informal enquiries from other ministries, departments, industry representatives including CII, FICCI, ASSOCHAM, scrutiny of yellow pages and trade journals, web sites etc..

9.12 It is recommended to introduce e-procurement, e-payment, effective e-performance monitoring and control mechanisms.

9.13 The delegation of financial powers wherever required with adequate justification is recommended so that the activity may be decentralized at appropriate levels.

9.14 The procedure for outsourcing may be incorporated in DPM.

Daslog
Director (Q)
Member Secretary

Land
Rep of DCOAS (P&S)
Member

[Signature]
Rep of ASDP
Member

[Signature]
JS(O/N)
Member

[Signature]
Addl. FA(D)
Member

MGO
Co-opted Member

[Signature]
AOM
Co-opted Member

COM
Co-opted Member

SS(J)
Chairman

18

Annexure-1

10(4)/2007/ D(Mov.)
Ministry Of Defence
D(Mov.)

Dated 7.6.2007

OFFICE ORDER

Outsourcing has been identified as not only cost effective tool but also an efficient service provider. There is vast scope of realizing the potential of this coveted tool in Defence Sector. It is possible to outsource many non core activities of Defence Sector in a cost efficient manner while enhancing the serviceability. In order to examine the scope of outsourcing in Defence Sector and finalise the modalities, a committee consisting of following officers is hereby constituted:-

Constitution of the Committee

SS(J)	- Chairman
JS(O/N)	- Member
Addl FA(M)	- Member
Rep of DCOAS (P&S)	- Member
Rep of ASDP	- Member
Director (Q)	- Member Secretary
MGO	- Co-opted Member
AOM	- Co-opted Member
COM	- Co-opted Member

Terms of Reference for the Committee:

1. To identify areas which could be outsourced in Defence Sector,
2. To recommend areas which could be outsourced during the current financial year,
3. To work out Outsourcing methodology,
4. To interact with Industry and identify the existing solution providers,
5. To work out a detailed SCP for outsourcing mechanism,

(17)

- 6.To arrange the legal vetting of the same,
- 7.To evolve a review mechanism so that expenditure is minimized and
8. To ensure quality of service.

The committee shall submit its report within a timeframe of three months. This is issued with the approval of Special Secretary (J).

Sd/-
Director(Q)
Member Secretary

To all concerned
DCOAS (P&S) and ASDP are requested to nominate their representative in the committee.

Copy to
PPS to SS(J)

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Annexure



सत्यमेव जयते

**Ministry of Defence
Government of India**



**Standard Operating Procedure
on Outsourcing of services**

2007

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Standard Operating Procedure on Outsourcing of Services

1. General

1. 1. Out Sourcing refers to utilizing resources, on payment basis, of another organization to secure services and products, for which one would otherwise employ ones own resources, including manpower.

Principles of outsourcing

2.1 Outsourcing aims to optimize defence expenditure both on manpower and logistics, at the same time enhancing the operational preparedness and without compromising security. It results in entrusting functions to specialists and efficient service providers as also permits restructuring of an organization around its primary/core functions. In Defence, it can be conveniently adopted in low security sensitive areas of activities/locations.

2.2 Outsourcing should be resorted to in public interest and with accountability, to bring in efficiency, economy transparency providing for equitable treatment of suppliers and promotion of competition.

3. CATEGORIES OF OUTSOURCING

3. Outsourcing may be categorized into (a) System specific, for maintenance and repair of equipment by the OEMs or other service providers (b) Services, by the service providers on tenure based contracts, (c) Contingency, to meet the requirements that arise without specified periodicity and (d) Competitive, where the in-house agency bids against outside ones with the objective e of economy and efficiency.

4. GFR Provisions

4.1 Rules of Outsourcing and procurement of services are contained in General Financial Rules (GFRs Rule 163-185). Rule 164 of GFRS enjoin that detailed instructions may be issued by the Ministries without contravening the aforementioned Rules which lays down the fundamental principles. Therefore, while the orders and instructions in various wings of the MoD and the Services, wherein different outsourcing procedures are followed over a period of time may be continued, the same should be reviewed and modified in a period of 2 years, to be in conformity with GFR provisions as aforesaid and the instructions hereunder, in order to achieve uniformity.

5. Outsourcing Decision and the process:

5.1 Outsourcing decisions are to be taken by the CFAs as per delegated financial powers in respective Services on the basis of indents/requirements resulting from the planned annual reviews, maintenances requirements and other opportunities. Such requirements, approved by the competent authority, act as requisition for one or more items/ services placed by the Purchaser to outsource and it serves as the authority for initiating outsourcing action.

5.2 Contracts for outsourcing are preceded by the stages of Acceptance of necessity, issue of RFP, opening of quotes, technical and commercial negotiations, expenditure angle approval, vetting and signing of contracts.

5.3 Outsourcing may be undertaken through various types of contracts, including Rate Contract, Price Agreement and Memorandum of Understanding (MOU) between the purchaser (outsourcer) and the supplier as per existing laws and procedures.

5.4. In all cases of Defence outsourcing on behalf of the Central Government, the purchaser (outsourcer) is the President of

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India acting through the authority given to the subordinates to enter into such agreements/orders. Supplier is the party, which enters into agreements/contracts for the supply of services/goods and the term includes his employees, agents, sub-contractors, successors, authorized dealers, stockists and distributors.

6. **Acceptance of Necessity (AON)**

6.1 AON in this regard is to be accorded by the competent authority in MOD/Service HQs/Field units in consultation with the IFA / FAs and keeping with the objectives of achieving economy, efficiency and transparency.

6.2 Financial powers of CFAs would be as provided in respective Service's delegation of powers, as amended from time to time.

6.3 Without authorization from Service HQrs, no field formation would enter into a contract for outsourcing unless as a matter of policy, outsourcing of such an item/service is permissible.

7. **Indenting**

7.1 All necessary details of the service/activity to be outsourced, including period, quantity, denomination, estimated price, specification, scope of supply, date required by, inspection authority etc are to be indicated in the indent to enable proper outsourcing.

7.2 Outsourcing decisions normally cover the entire requirement of the service for the duration of the review period and specify the authority empowered to carry out that outsourcing activity.

7.3 Specifications in respect of an item/service to be outsourced may be performance standards, PAC, Joint service specifications, Milspecs or industrial.

8. **Issue of RFP**

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8.1 Ordinarily, two bid system would be followed except where it is decided otherwise depending on past practices, user requirements for which verifiable performance parameters are laid down and contractors known/registered. Wherever two bid system is followed, Technical Evaluation Committee should be constituted with reps from user Deptts/ Dtes, Inspection agency, CFA and Finance, with the approval of the CFA.

8.2 Outsourcing may be on the basis of (a) Single tender enquiry (b) Limited tender enquiry (c) open tender enquiry including global tender enquiry or (d) proprietary article certificate, as the circumstances may warrant in each case.

8.3 Tendering process to be followed is as under. Technical and commercial evaluation would be, mutatis mutandis, on the steps indicated in the case of procurement of stores as per para 4.6 to 4.10.1 and para 4.12.5-4.15 of DPM,06.

8.4 Utmost care should be taken by the user and purchaser while deciding the mode of tendering, particularly in the case of PAC & STE outsourcing as in the case of procurement of stores following PAC / STE methods.

8.5 The procedure to be followed in outsourcing must also conform to the following yardsticks:-

(i) The specifications in terms of quality, type etc. as also quantity, period of services/goods to be obtained should be clearly spelt out keeping in view the specific needs of the user.

(ii) The specifications so worked out should meet the basic needs of the user without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid obtaining goods and services in excess of requirement.

(iii) Detailed qualitative requirements of the item/service being outsourced would be laid down by the user specifying expected end result, indicating all performance parameters, methodology to

(11)

determine satisfactory performance testing & verification processes to be followed, in consultation with the inspection authority.

(iv) Offers should be invited following a fair, transparent and reasonable procedure;

(v) The CFA should be satisfied that the selected offer adequately meets the requirement in all respects;

9. **Inspection**

9.1. CFA may authorize any authority/agency for inspection in the Service HQ or any other agency for inspection of specified category of items and general services procured by the services.

9.2 The inspection authority is to promulgate the methodology for specific contracts based on type of items/services. The Inspection Agency and officers need not necessarily be from the organization of the Inspection authority.

10 **Commercial aspects**

10.1 The procuring authority and the user should satisfy themselves that the price of the selected offer is reasonable and consistent with the quality required;

10.2 Apart from the chairman, the CNC would comprise representative of Finance, rep of the User, rep of inspection and maintenance agencies and any other agency deemed as suitable by the CFA.

10.3 Price reasonableness is to be established by the CNC taking into account the cost already being incurred in respect of the same activity and the opportunity/saving being provided by the proposal.

10.4 Commercial negotiation with L1 bidder is mandatory in all categories/cases of first time outsourcing contracts to ensure that there are no loose ends and the objectives of economy, efficiency, security etc are fully met.

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10.5 At each stage of outsourcing the concerned outsourcing authority must place on record, in precise terms, the considerations which weighed with it while taking the outsourcing decision.

10.6 Outsourcing contracts are also prepared incorporating conditions/clauses in a procurement contract as per Appendix F of DPM 2006.

10.7 Appropriate LD provisions need to be incorporated in such outsourcing contracts and care should be taken to ensure that the stand by arrangements are available in case the vendor abruptly disrupts the ongoing service arrangements for any reason.

11. Repeat Order

11.1 Ordinarily, repeat orders for outsourcing are to be avoided because of the possibility of newer contractors emerging in the rapidly changing markets. Where CFA keeping in view the nature and urgency of the activity is of the opinion that repeat order may issue, such a decision should clearly record the reasons and also the satisfaction of stipulations contained in para 5.11 of DPM 06.

12. Vendor Registration

12.1 While registering service providers, the procedures for registration of vendors prescribed by the DGQA/AHSP would be kept in view or specific canons be prescribed from respective service. Before registering, the authority would satisfy itself regarding the technical and financial capabilities and background of the service provider.

12.2 It would be responsibility of the central outsourcing agencies, if any, in the Service HQ to identify and periodically update service specific suppliers/service providers to meet its

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requirements of services and provide a pool to draw up from for such activities that are outsourced by the services, in general.

12.3 There would be no bar for a service hqrs to draw up on the service providers to other services.

13. **Post contract management** i.e, the implementation of outsourcing contracts, particularly of long term services, necessitate constant and periodical check on the performance parameters being adequately met by the contractor and the same is to be ensured.

14. **SOP for Service specific Activities**

SOP for Service specific activities in the categories referred to in para 3 above would be laid down by respective services duly vetted by the IFA and for other general activities by the nodal Service Hqrs concerned, in consultation with PIFA. Instructions governing outsourcing would be subject to periodical review.

15. **Activity reservation, price and purchase preferences**

Ministry of Defence may, from time to time, issue instructions specifying areas/activities where in Defence PSUs, OFBs, ex-servicemen outfits etc. could be accorded preferences and the criteria governing the award of such contracts and agreements.

16. The **terms** (a) Contracts (b) Stores (c) Financial Powers (d) Competent Financial Authority and (e) Next Higher Competent Financial Authority defined in DPP/DPM, 06 have the same intent, applicability and meaning for the purposes of the above. The terms and expressions not defined herein shall have the meaning assigned to them if any in the Indian Sale of Goods Act, 1930, or the Indian Contract act 1872, or the General Clauses Act 1897, or the other Govt Instructions, as amended from time to time. Any

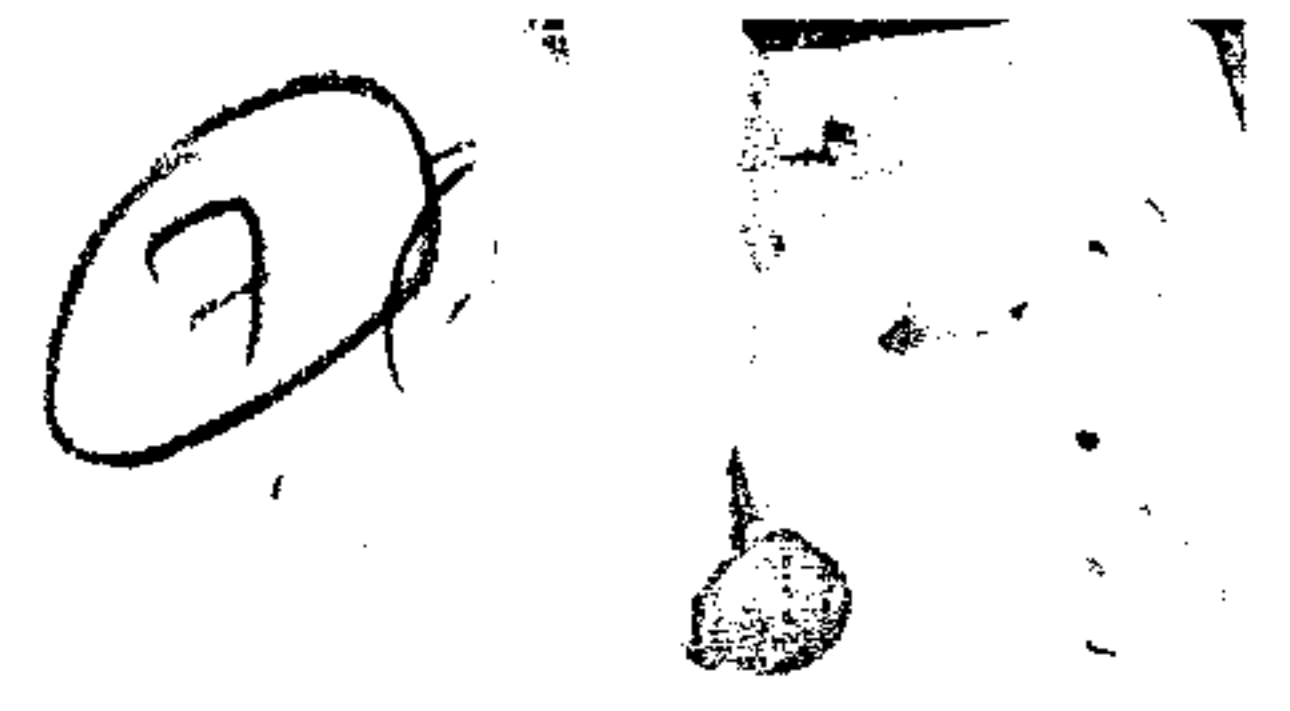
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other term/word or phrase used may be properly defined in the text of the contract for outsourcing.

17. **Outsourcing (Capital):** As per Rule 90 of GFR-2005 "Expenditure of a capital nature shall be an expenditure with the object of increasing assets of material and procurement characters. It should bear charges for first construction and equipment of a project as well as charges for immediate maintenance of the work while not yet open for service, Outsourcing of such items may be in the form of Build, Operate and Transfer (BOT) as also construction work contracts awarded to outsiders.

18. **Outsourcing (Revenue):** As per Rule 91 of GFR-2005, revenue should bear all subsequent charges for maintenance and all working expenses, these include all expenditure on working and upkeep of the project and also on such renewals and replacement and such additions, improvement or extensions, as under the rules made by the Govt. are debitable to revenue account. The revenue outsourcing, therefore, is for items and services including replacement of functionally similar items/services to maintain and operate already sanctioned assets in the service, the necessity of which have been established and accepted by the Competent authority. RFP format available in DPM-2006 can with accompanying changes, be adopted for purposes of tender enquiries for outsourcing. Subsequent to RFP stage, internal technical consultations would be carried out to facilitate confirmation that the technical parameters of bids received meet the requirements stipulated as essential in the RFP. Recommendation of the TEC is to be approved by the CFA.

19. **Indigenous Outsourcing:** Outsourcing from indigenous sources is called indigenous outsourcing. Proper loading



criteria for all taxes (including service tax, VAT), duties and other expenses involved in the procurement of an item/service need to be applied to provide level playing field to the indigenous sources.

20. **Foreign outsourcing (Import)**: For such defence equipment and assets, which are of foreign origin, items and services required to maintain and operate those equipments also may need to be obtained from suppliers abroad, following international trade practices which outsourcing officers need to be aware of.

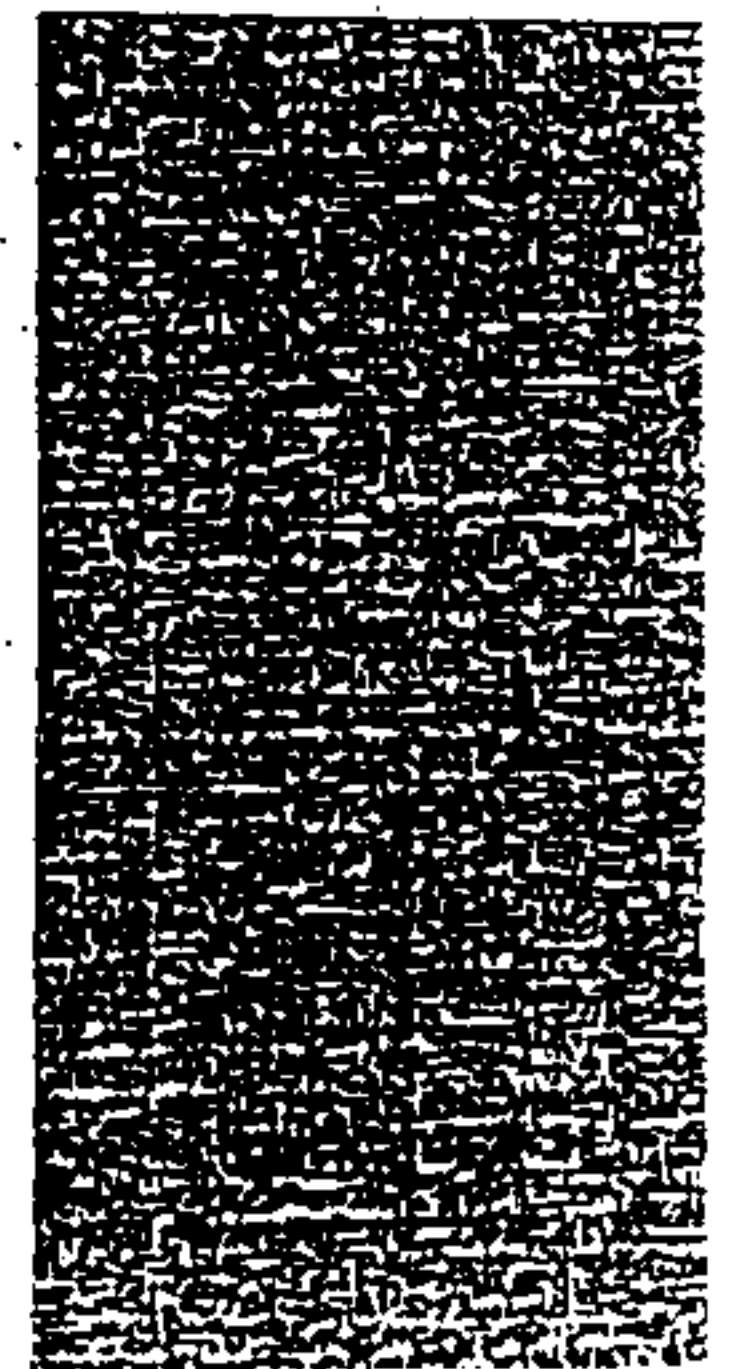
21. **Rate Contract** is an agreement between the outsourcer and the supplier to supply the item/service at specified prices during the period covered by the contract. Rate contract is in the nature of a standing offer from the supplier and no minimum order quantity need be guaranteed. A specific contract to supply comes into being only when a formal order is placed on the vendor.

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Views of Service Headquarters and DO DP on activities to be outsourced in phased manner

Recommendations	Views of Army HQ	Views of Air Force HQ	Views of Naval HQ	Views of DDP
<p>Areas listed for outsourcing the report are:- maintenance of vehicles, FOL pumps, distribution of rations, warehousing of spares, training of tradesman, clerks, messing, catering, handling/maintenance of yards, material testing, project documentation, hardware manufacturing based on design, inventory management, vendor</p>	<p>ASC: 75-80% of the retail functions of ASC are already outsourced. Phase-I-Outsourcing of procurement, distribution of rations and catering services of selected static institutions in peace areas such as category establishments like NDA, OTA and IMA during FY 2010-11 & 2011-12. Phase-II: Procurement distribution of rations and catering services of selected category B establishments during FY 2012-13. Phase-III: Procurement distribution of rations and catering services in balance A & B category establishments and units on PE during FY 2013-14. EME: Implementation of outsourcing of "B" Vehicles as pilot project is already being</p>	<p>Air Force have recommended outsourcing in three phases which are as under: Phase-I (within one year): The following activities are planned to be outsourced: (a) Conservancy services including cleaning hangers, dispersal, tarmac and tech areas, (b) Housekeeping; (c) Security in domestic areas, (d) Cargo handling (loading and off loading).</p>	<p>Naval HQ have recommended outsourcing in the following phases which are as under:- Phase-I - Servicing/Laundry /Messing/ Housekeeping) in shore establishments, (b) Cafeterias; (c) Messes & Kitchens; (d) Victuals & Catering; (e) IIMS Network Management. (Note:- Activities referred above have already been outsourced partially by NHQ except, item at (e) which has been outsourced fully)</p>	<p>The DoDP have stated that outsourcing is being done by the Defence PSUs to the extent of 25% of their production of which around 16 from the private sector. However, they have not given any road map for the outsourcing efforts which are</p>

NAVY ENCLURE - III



development for prototyping etc.	done in Central, Southern and South Western Commands.	<p>(d) Catering; (e) Victualling (collection of rations from ASC Depots to AF ration stands and further door to door delivery of rations).</p> <p>Phase III (beyond two years) : The following services are planned:-</p> <p>(a) Domestic fire (Fire protection and prevention services);</p> <p>(b) Arboriculture;</p> <p>(c) Health Care Services and Medical/Hospital support services.</p>	<p>(a) Warehousing and packing;</p> <p>(b) Project / Feasibility studies regarding finance risk management; Chain management;</p> <p>(d) Inventory control & Management</p>	<p>being contemplated by the Department and its PSUs.</p>
	<p>Phase-I: (2011-2013) Outsourcing repair of B Vehicles for non field force (NFF) units to be tried at Lucknow, Agra, Bareilly, Pune and Jaipur.</p> <p>Repairs of IT and computer hardware</p> <p>Phase-I: Repair and maintenance of PCs computer peripherals, switches, network components, maintenance of EANS and Xerox through AMC has already been implemented.</p> <p>Phase-II: Outsourcing of additional stations in all commands to be implemented by 2011-12 based on status of availability of repair infrastructure and funds.</p> <p>Phase-III: Outsourcing of repair maintenance of TAC</p>		<p>Apart from the above details, the following have been earmarked for outsourcing. However, the time frame has not been indicated.</p> <p>(f) Logistic chain management (in all non-core competency sectors);</p> <p>(g) Industrial Shops and Services like civil maintenance, plant maintenance and yard utilities</p>	

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	C31 system through OEM/ex-trade to be implemented by 2012.		etc. (h) Cabling & Connectorisation; (i) Preparation of Paper Particulars (j) Transportation; (k) Reverse Engineering of PCBs/Modules; (l) Manufacture and re-chemical cleaning of waveguide & associated components (m) Core Operation & Manufacturing process; (hiring of product development specialists, working under the cover guidance of DOI & Manufacturing/Fabrication/Machining of Engg. items on approved drawings	
Corps of ORD.	Areas identified for outsourcing include (a) stocking of spares for repair and maintenance of B Vehicles. (b) Warehousing functions including packaging, handling and dispatch of non-critical inventory items. (c) Overhaul of B Vehicles engines.			
Phase-I : Outsourcing of B Vehicles engines to OEM be tried out in three commands covering all commercially used vehicles such as TATA 2.5 ton and ALS vehicles of all types for one year	Phase-II: If found successful could be extended to cover all types of vehicles within three commands for one year.			
Phase-III: After consolidation and streamlining outsourcing will be carried out in all the commands				

<p>The three phases will be implemented during FY 2010-2011 to 2012-2013.</p> <p>Army Medical Corps</p> <p>Phase-I Outsourcing of security services, conservancy and laundry at MH Jalandhar and Amritsar. Outsourcing of security services at MH Lucknow.</p>		<p>can be offloaded); (n) Digitization of drawings; (o) Preparation of SOTRs recommended for outsourcing to classification societies like IRS, RS, ABS, DNV etc. (p) Design Appraisal; (q) Design production and Testing Process</p>	
<p>Phase-II: Once the above mentioned pilot projects are successful, outsourcing of the above services will be implemented in all commands E-IN C's Branch</p> <p>Areas for outsourcing which have been identified are maintenance and up keep of married/OTM accommodation/Consultancy of MES works/Security and housekeeping/AMCs and office automation/vehicle requirement for MES projects.</p> <p>Phase-I- Detailed situational analysis, formulation of</p>		<p>(r) Material testing, chemical analysis, material inspection can be outsourced. (s) Installation of weapons & sensors; (t) Maintenance, overhaul, repair, testing and installation; (u) AMC for test equipment; (v) Rate repair for contract</p>	

<p>outsourcing plan and preparation of outline contract to be completed in FY 2009-2010.</p>		<p>PCBs/Modules (w) Quality Assurance & Inspection (recommended to be outsourced to one of Classification societies like DNV, GL, IRS and ABS); <input checked="" type="checkbox"/> Inspection and Quality Assurance Checks;</p>	
<p>Phase-II- Implementation and integration of outsourcing plan with the existing system to be implemented during the FY 2010-2011.</p> <p>Outsourcing of training of elementary trades, DVRS and Clerks.</p>		<p><input checked="" type="checkbox"/> Preservation and de-preservation of weapons equipment (Activity at Y above is <u>NOT</u> RECOMMENDED at this stage)</p>	
<p>The four trades with the line directorates are: (a) Chef (community) ASC (b) Welder-EMF (c) Carpenter-Engrs. (d) Tailor- Ordnance. Apart from above, except for training of minor SD clerks and driving of special vehicles for drivers, bulk of the training can be outsourced.</p>			

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IMMEDIATE

**Ministry of Defence
O Division**

Subject: Outsourcing in Defence Sector.

A committee headed by the then Special Secretary (J) Submitted a report captioned "Outsourcing in Defence Sector". The report had been circulated to all the three services, the Department of Defence Production and Unions for seeking their comments. After considering the comments of the various stakeholders namely the three services, Department of Defence Production and the unions, RM has approved the report. The outsourcing has to be implemented in a phased manner as indicated by three services.

A copy of the report with suggested SOP for outsourcing is enclosed for further implementation of its recommendations at your end. Based on the recommended methodology and the suggested SOP, the guidelines for outsourcing could be formulated in consultation with the CGDA. The guidelines should be in conformity with the provisions contained in GFRs, DPM and the guidelines of the Ministry of Finance in this regard as issued/amended from time to time.

[Handwritten Signature]

(Anil Bahuguna)
Director (Q)

ACAS copy

Completed by - part 4

File copy

As per

reply

Encl: as stated above.

Chairman COSC / Secretary (DP)/Secretary (Defence Finance)/VCOAS/VCAS/VCNS/CGDA.

MoD ID No. 10(4)/07-D (Move) dated 1st December, 2009.

Copy for information to:

PS to RM/SO to Defence Secretary/PS to Secretary(Def fin)/SO to AS (M)/PS to JS (O/N)/JS&Addl. FA(A).

Office of DG Adm (W & C)
Dy No... UCL/2928...
Date/Time... 2.3.12/09

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12/12/09*

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ACAS (copy & cov)

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✓ DC (W & C)
ACAS (Depts)*

AOA'S OFFICE
Dy No. *MUL/5772*
Date *22 Dec 09*

Office of DG Adm
Dy No *UCL/2533*
Date *09-Dec-09*

2/12/09