

### **Delayed conclusion of contract for Interceptor Boats**

An Interceptor Boat (IB) is a smaller size vessel used to carry out day night coastal patrol and surveillance including high speed interception in anti-terrorist / anti-smuggling / light intensity combat operations scenarios. The Indian Coast Guard has 19 IBs as of December 2010 against the projected requirement of 30 IBs in the Perspective Plan of 1985-2000. To meet these shortages, in December 2001, the Indian Coast Guard initiated a proposal for acquisition of seven IBs. This was followed six months later (July 2002) by another proposal for acquisition of two more IBs. Protracted deliberations led to the competent authority (Raksha Mantri) giving its Approval from the Necessity angle for only the seven IBs after more than a year in February 2003. The second proposal for two IBs was accorded the AON by the competent authority (Defence Secretary) in May 2003. At this stage, it was also decided to club both the proposals.

There was considerable indecision on whether the above acquisition should be on single tender basis or a more broad-based open tender. Initially, it was decided to opt for a single vendor with the order to be placed on a public sector shipyard, i.e. Goa Shipyard Limited (GSL) as they were supposed to have requisite experience but, subsequently, it was found that GSL had never constructed this kind of boat. Incidentally, this was known to the Ministry of Defence as previous two IBs, ordered in 1999, were constructed by M/s ABG, Shipyard Surat. Hence, a more competitive process was adopted. The procurement process was progressed further with the issue of a Request for Proposal (RFP) to 13 shipyards, six months later in December 2003 for nine IBs. This was followed by the vetting of the techno-commercial offers and technical evaluation of the bids of eight shipyards who responded.

However, even while the TEC report for acquisition of nine IBs along with CNC composition was being approved by the Additional Secretary (Acquisition) in November 2004, the AON for two more IBs was given by Defence Secretary in October 2004. In January 2005, RM approved the proposal of clubbing the acquisition of these two IBs with the earlier proposal for nine IBs. Thereafter, revised commercial offers had to be invited from the shipyards which were found technically qualified in response to the RFP issued for nine IBs. Accordingly, the revised commercial quotations from the shipyards were received in February 2005. Thus, indecision about the exact requirement of IBs led to initiation of three separate proposals being mooted piece-meal. Each proposal took its own time from initiation at CGHQ to its finalisation at Ministry of Defence.

Finally, M/s ABG emerged as the lowest bidder out of the three shipyards, namely Mazgon Dock Limited, Hindustan Shipyard Limited and ABG, who were technically qualified for commercial negotiations. However, at this point,

ABG informed ICG about a change in the engine offered at the time of final negotiation. This development also resulted in delay of another one year as the other two vendors had to be given opportunity to come with proposals with changed engines. Ultimately in March 2006, Government accorded sanction for acquisition of 11 IBs from M/s ABG Shipyard, Surat at a cost of ₹ 212.96 crore (including cost of OBS and B&D spares). The contract was concluded on 30 March 2006 with deliveries between September 2007 and March 2010.

Even though the Defence Procurement Procedure 2006 was not in force at the time of this procurement, a broad framework is given in this document for the time to be taken at each stage of acquisition. A rough comparison of the time taken in this case with these time-lines would highlight the problems in this acquisition.

**Comparison of time taken in acquisition of Interceptor Boats with broad time frame for procurement activities (DPP 2006)**

Sl. No.	Activity	TIME TO BE TAKEN		TIME ACTUALLY TAKEN	
		Time (months)	Cumulative Time (months)	Time (months)	Cumulative Time (months)
1.	Acceptance of Necessity (AoN)	1	1	15	15
2.	Request for Proposals (RFP)				
	(a) Simultaneous vetting by Acquisition Manager, Finance Manager and Technical Manager.	½	1 ½		
	(b) Approval of RFP by DG (Acq)	½	2	15	30
	(c) Receipt of responses	3	5		
3.	Technical Evaluation Committee (TEC)				
	(a) Evaluation of proposals and preparation of TEC report	3	8	6	36
	(b) Vetting of report by Technical Manager and acceptance by	1	9		

	DG(Acq)				
4.	<b>Commercial Negotiation Committee (CNC)</b>				
	(a) Opening of bids and determination of L1	1	10		
	(b) CNC Negotiations	-	10		
	(c) Finalisation of CNC report	½	10/ ½	16	52
	(d) Approval of CFA-MoD/MoF/CCS	1-4	14 ½		
	(e) Contract Signing	½	15		
	<b>TOTAL TIME</b>		<b>15<sup>1</sup> MONTHS</b>		<b>52</b>

<sup>1</sup> Excluding field trials, staff evaluation and TOC as not required in this case

**Statement showing squadrons/flights with aircraft in variance of Government approved UE**

Unit	Type of Aircraft	Government approved UE	Year wise DG ICG approved UE				
			05-06	06-07	07-08	08-09	09-10
744 Sqn	Dornier	6	4	4	4	4	3
745 Sqn	Dornier	3	2	2	2	2	2
747 Sqn	Dornier	Nil	2	2	2	2	2
750 Sqn	Dornier	3	6	5	5	5	3
800 Sqn	Chetak	3	2	2	2	2	2
841 Sqn	Chetak	3	2	2	2	2	2
842 Sqn	Chetak	3	2	2	2	2	2
848 Sqn	Chetak	3	3	2	2	2	2
PB CTK Flt	Chetak	Nil	1	1	1	1	1
Veera/Kochi Flt	Chetak	Nil	1	1	1	1	1
ICG EFU/850 Sqn	ALH	2	2	2	2	Nil	2
Vajra Flt	Chetak	Nil	1	1	1	1	Nil
PBR Dornier	Dornier	Nil	Nil	Nil	Nil	Nil	1

## Annexe 3

## Refit cycle of AOPVs/OPVs and FPVs/IPVs/SDBs

The refit cycle of AOPVs/OPVs and FPVs/IPVs/SDBs is indicated below:

(i)	AOPV/OPV:	3(SR) $62 \times 3 = 186$ weeks	1(NR) 4 1/2 years $235 + 17 = 252$ weeks	3(SR) $62 \times 3 = 186$ weeks	1(MR) 9 years $468 + 32 = 500$ weeks
(ii)	FPV/IPV/SDB:	2(SR) $55 \times 2 = 110$ weeks	1(NR) 40 months + 2M $= 174 + 9 = 183$ weeks	2(SR) $55 \times 2 = 110$ weeks	1(MR) 9 years $= 355 + 18$ $= 373$ weeks

**(a) Short Refits (SR):**

Under water shell plates are visually inspected. Underwater structures graded critical during the preceding refit are ultrasonically examined and repaired/renewed as necessary. Any specific defects noticed on the Hull plating are also rectified. The thickness of the Self Polishing Paint coatings and the Cathodic Protection System is also checked and recoated/renewed as necessary.

**(b) Normal Refits (NR):**

Ultrasonic Survey is conducted for fifty *per cent* of the underwater hull. The remaining fifty *per cent* under water hull is visually examined. If ultrasonic survey is not conducted due to lack of facility or equipment, drill test survey is conducted after obtaining CGHQ approval. Specific defects are then rectified. The thickness of Self Polishing paint coat is checked and recoated as necessary. Upper decks are abrasive blasted and repainted. The Cathodic Protection System is checked and renewed as necessary.

**(c) Medium Refits (MR):**

Ultrasonic Survey is conducted for the full underwater hull. Survey report is verified by qualified constructor officer from Navy or a Classification Society surveyor. The remaining structural members are also visually surveyed. Structures for which the percentage reduction in scantling exceeds following values are renewed:

- (i) 40 *per cent* and over for minor partitions, superstructure and intermediate decks (non-strength decks).

- (ii) 25 *per cent* and above for shall plates, strength deck plates, main bulk heads, machinery and main engine bearers and tank tops.
- (iii) 30 *per cent* and above for internal structural like frames, longitudinal, beam frames and girders.

Upper decks and underwater hull is abrasive blasted and fresh paint applied. Cathodic Protection System is checked and repaired/renewed as required. Shafts are withdrawn for trueness and fitted back after retrieving all bearing clearances to the commissioning readings or as per limit laid down in BR 3000. The complete shaft is realigned.