

No PL/0601/Policy/NHQ/2536/D (N-IV)/2010
Government of India
Ministry of Defence
New Delhi - 110 011

Dated 10 August 2010

To

The Chief of the Naval Staff

The Director General, Indian Coast Guard

Subject: **DISPOSAL POLICY FOR SHIPS AND SUBMARINES OF
THE INDIAN NAVY AND THE INDIAN COAST GUARD**

Sir,

1. I am directed to convey the sanction of the President for promulgation of the '**Policy on disposal of Ships and Submarines of the Indian Navy and the Indian Coast Guard**', as contained in this letter.

2. **Need for Decommissioning.** Ships and submarines become due for decommissioning from Naval and Coast Guard Service after certain duration in service. The requirement to decommission mainly arises out of deterioration or obsolescence. Initially obsolescence is most discernible in the installed shipboard equipment (communication, radar, sonar, fire control, weaponry etc.), but it ultimately reaches to the basic hull and machinery. At a certain stage, the ship/submarine can no longer be economically refurbished or repaired for operational deployments.

3. **Constraints due to Decommissioned Units.** The maintenance and berthing of decommissioned ships/submarines requires Navy and the Coast Guard to continuously expend public funds, while stretching the highly trained manpower meant for operational ships/submarines,

for safeguarding such vessels. Such vessels also occupy premium berthing space meant for operational ships/ submarines. Timely disposal of such vessels would obviate the need for services and material necessary to maintain them, permit release of berthing space and allow the Navy and the Coast Guard to transfer the operational equipment and spare parts from these units to the operational ships/ submarines. Thus, it would be in the best interests of the Service to dispose off such ships and submarines as expeditiously as practicable.

4. **Types of Disposal.** Once decommissioned, attempts are to be made to dispose off the ships and submarines expeditiously, so as to ensure maximum gain to the State. The disposal of decommissioned ships/submarines is to be under the following two categories:-

- (i) Disposal of decommissioned ships/submarines as "Scrap".
- (ii) Disposal of decommissioned ships/submarines as "Other than Scrap" (i.e. as Target, Maritime Museum, War Relic etc).

Process for Disposal

5. The procedures to be followed for disposal of decommissioned ships/submarines under categories 'Scrap' and 'Other than Scrap' are enumerated at **Appendices 'A'** and **'B'**, respectively. Important issues are highlighted below for compliance

6. Once the IHQ MoD (Navy)/CGHQ decides that a ship/submarine has reached the end of its service life, and needs to be decommissioned, competent authorities within the IN/CG are to convene necessary boards, to assess the material state, the time frame for decommissioning, recommended mode of disposal and the reserve price of the ship/submarine. Suitable representative of the local IFA reps are to be co-opted as a member while ascertaining the reserve price. The case would be thereafter processed for approval of MoD.

7. **Calculation of Reserve Price.** The Boards convened by Competent Authority are to indicate in the proceedings, the reserve price for the ship/submarine to be disposed off. The methodology for calculating Reserve Price of decommissioned ships/submarines is placed at **Appendix 'C'**. This Reserve Price is to be indicated by the IHQ MoD (Navy)/CGHQ to MoD, while recommending the mode of disposal. The price thus considered should have the approval of the appropriate Competent Authority in terms of "NI 1/S/2006" or "Bharat Sarkar Raksha Mantralaya MoD letter PF/0104/CGHQ/115/DO(T)/D(N-II) dated 19 Jan 04 (DFPR of Coast Guard)", as amended from time to time. The Board is to also prepare and maintain Appendix Form GFR 17 and 18, placed at **Appendix 'D'**.

8. A flowchart depicting the procedure from the commencement of decommissioning proceedings till disposal of the decommissioned ship/submarine is placed at **Appendix 'E'**.

9. The procedure for decommissioning and disposal of ships and submarines will be governed by existing orders and instructions, as amended from time to time, and instructions /guidelines contained in the Appendices. However, where SOPs conflict with the Government Financial Regulations/Instructions, the latter will prevail. Special cases other than those covered under these directives will be referred for sanction of the Ministry of Defence on case to case basis.

10. For the purpose of uniformity and standardization, the percentage of sanctioned complement of the ships/submarines to be retained as ship keepers post-decommissioning and till final disposal of the vessel is as follows:-

(a) **Sailors.**

(i) Destroyers and above - 15 -20%

(ii) Frigates/Leanders/Offshore Patrol Vessel /Advanced Offshore Patrol Vessel/Survey Vessel/Pollution Control Vessels - 25-30%

(iii) Tankers - 30-35%

(iv) Landing Ship Tank - 20-25%

(v) Minor War Vessels including Fast Patrol Vessel/Inshore Patrol Vessel/Intercept Boat/Air Cushion Vessel - 35-40%

(vi) Submarine - 20-25%

(b) **Officers.** The officer complement should be 10 percent of sanctioned strength. However, Minor war Vessels may retain one officer.

11. The procedure for disposal of ships and submarines is contained in the Appendices and will take effect from the date of issue of this letter.

12. These issues with the concurrence of the Ministry of Defence (Fin/Navy) vide their I.D. No. 576/Fin/NC dated 09 Aug 2010.

Sd/xxx

(K Sudhakaran)

Under Secretary to the Government of India

Encl:

1. Appendix A - Procedure for Disposal of Ships/Submarines as Scrap.
2. Appendix B - Procedure for Disposal of Ships/Submarines Other than Scrap.
3. Appendix C - Guidelines for Calculation of Reserve Price.
4. Appendix D - GFR 17 and 18.
5. Appendix E - Flowchart depicting the procedure from decommissioning till disposal.

Copy to:-

PS to JS (Navy)

PS to JS & Addl FA (A)

The Principal Controller General of Defence Accounts, New Delhi

The Controller of Defence Accounts (Navy), Mumbai (with a copy signed in ink)

The Principle Integrated Financial Advisor (Navy)

IHQ MoD (Navy)/DNP/DPRO/D (N-IV)/MoD Fin (NC)

The Integrated Financial Advisor (Coast Guard)

ICGHQ/PD(P&P)/PD(FM)

Appendix A
(Refers to Para 5)

DISPOSAL OF DECOMMISSIONED SHIPS/SUBMARINES
AS SCRAP

1. The decommissioned ships planned for disposal as scrap should be disposed off by :-
 - (a) Public auction through e-auction (Annexure 1) ; or
 - (b) Obtaining bids through advertised tender (Annexure 2).
2. The disposal option (e-auction or advertised tender) would be as determined by the Competent Authority, keeping in view the necessity to avoid accumulation of such scrap and consequential blockage of premium berthing space in Naval Harbours, Coast Guard Harbours/Jetties and also, depreciation in value of ships to be disposed off.
3. If the ship is not disposed off as scrap within 12-18 months from the date of decommissioning, depending upon the material /hull state the ship is to be utilized as target with the approval of MOD.

Annexure 1

(Refers to Para 1 (a) of Appendix A)

**DISPOSAL OF DECOMMISSIONED SHIPS/SUBMARINES AS
SCRAP THROUGH E-AUCTION**

1. The auction of decommissioned ship/submarine would be undertaken by Competent Authority for disposal, directly through 'e' auction.
2. The basic principles to be followed here are similar to those applicable for disposal through advertised tender so as to ensure transparency, competition, fairness and elimination of discretion. The auction plan including details of the decommissioned ship to be auctioned and their location, applicable terms and conditions of the sale etc, should be given wide publicity in the same manner as is done in case of advertised tender as per terms and conditions laid down by the auctioneer as per the provisions of GFR 2005 .
3. The bid offer should have the approval of CFA in accordance with existing regulations.
4. The Sale Supervisory Board would be appointed by the Material Superintendent in the case of Indian Navy/Respective Operational Authority of the Coast Guard Ships.

Annexure 2

(Refers to Para 1(b) of Appendix A)

**DISPOSAL OF DECOMMISSIONED SHIPS/SUBMARINES
AS SCRAP THROUGH ADVERTISED TENDER**

1. The following procedural guidelines are to be adopted while disposing of decommissioned ships/submarines through advertised tender:-.

- (a) Preparation of bidding documents.
- (b) Invitation of tender enquiry for the decommissioned ship/submarine to be sold in accordance with laid down procedure/guidelines in GFR 2005. The format is placed at end of this Annexure.
- (c) Opening of bids by Tender Opening Committee (TOC).
- (d) Analysis and evaluation of bids received by TOC.
- (e) Selection of highest bidder.
- (f) Approval of highest bidder (H1 bidder) by the Competent Financial Authority.
- (g) Collection of sale value from the selected bidder.
- (h) Issue of sale release order to the selected bidder.
- (j) Return of bid security to the unsuccessful bidders.

2. The appropriate NLC, as defined in Para 6 of NI 1/S/2006 / Coast Guard Administrative Authority would exercise the powers of CFA for accepting the tender bids. Procurement Member would however be substituted by the Disposal Member in the Committee. These committees would have the IFA or his representatives as a member.

INVITATION TENDER BID (ITB)

INVITATION OF QUOTATIONS FOR AUCTION OF
(DECOMMISSIONED INDIAN NAVAL SHIP/SUBMARINE AND
INDIAN COAST GUARD SHIPS)
INDIAN FIRMS

1. Quotations in sealed cover are invited for auction of IN Ship/Submarine/CG Ships_____.
2. General information about the tender :-
 - (a) Tender bid reference No. _____
 - (b) Last date and time for receipt of tender bids _____
 - (c) Time and date for opening of tender bids _____
 - (d) Place of opening of tender bids _____
 - (e) Address for Communication _____

3. Quotation shall remain valid till _____

Submission /Opening of Tender Bids

4. PLEASE SUPERSCRIBE REF NO. AND DATE OF TENDER BID OPENING ON SEALED COVER. FAILURE TO DO SO WILL RENDER YOUR OFFER INVALID.
5. Sealed tender bids addressed to _____ should be dropped in tender bid box marked as :

| | |
|---------------------|---|
| "TENDER BID BOX NO: | " |
|---------------------|---|

and kept near the reception office at _____ or to be sent by registered post so as to reach this office by due date and time. No responsibility will be taken for postal delay or non-delivery/non-receipt of ITB documents.

| |
|--|
| <p><u>PLEASE NOTE, IF THE SEALED OFFERS ARE DROPPED IN THE WRONG BOX, THEY WILL BE RENDERED INVALID</u></p> |
|--|

6. Sealed tender bids will be opened by a Tender Opening Committee (TOC) on due date and time. Your authorised representative from the Company can attend the ITB opening. If due to any exigency the due date for opening of tender bids is declared as closed holiday, in such cases the tenders will be opened on next working day at the same time or any other day/time as intimated by the Buyer.

7. Your sealed tender bids should reach this office latest by (Time) hrs on (date). The date, time and place of opening of ITB is on _____ at _____ at _____.

8. Tender bids sent by FAX will not be considered. Tender bids found in sealed box will only be considered. **To avoid any complications with regard to Late Receipt/Non Receipt of Tender bids, it may please be noted that responsibility rests with the tenderer to ensure that tenders reach this HQ before due date. Late tender bids will be rejected outright.**

9. In case your firm is not willing to participate in the ITB due to any reasons, your regret should be faxed well before the due date failing which your firm can be de-listed from vendor list.

10. The commercial offer must be firm and valid for 180 days from the date of submission of offer.

11. The Commercial Offer will be opened by a Committee and if the firm desires, it may depute their representative, duly authorised in writing, to be present at the time of opening of tender bids.

Removal of Vessels

12. The auctioned vessel is to be removed from the site within 30 days of issue of delivery order. This period may be changed based on state of the vessel being auctioned, urgency and the quantum of items requiring removal by the Navy/Coast Guard from the vessel being auctioned.

13. Contract can be cancelled unilaterally by the seller in case buyer does not fulfill all the contractual obligations within the stipulated period. Extension of contracted delivery period will be at the sole discretion of the Seller, with applicability of demurrage clause.

14. **Demurrage**. The bidders should remove the vessel from the site within the time period prescribed at Para 12. In case of any default by the buyer within the prescribed free time limit, the vessel may be lifted within 14 (fourteen) days from the due date subject to a payment of Ground Rent (Berthing charges) @ 2 % per day by the buyer for the period of delay to be calculated on the value of the unlifted material. Post completion of this period the bidder will forfeit all rights to the auctioned vessel.

Commercial Aspects

15. The bidder is to furnish "Pre-bid Deposit/Security Deposit" along with the bids. The amount of Pre-bid Deposit/Security Deposit will be 10% of the assessed Reserve price of the decommissioned ship/submarine. The 'Pre-bid Deposit' shall be adjusted towards Earnest Money Deposit (EMD) amount of the successful highest bidder (H 1 bidder). 'Pre-bid Deposit' will be returned to the unsuccessful bidders. 'Pre-bid Deposit' may be adjusted against the residual payment of the successful bidder.

16. The bid of the highest acceptable responsive bidder (H1 bidder) would normally be acceptable. Negotiations may be held with that bidder *only*.

17. The H1 bidder shall deposit Earnest Money Deposit (EMD) @ 20% of the bid amount in favour of PCDA(N) by way of Demand Draft/Postal Order or Bank Guarantee from any Nationalised Bank with the auctioneer, within the banking hours of the next working day.

18. Full payment, ie the balance 80 % of the bid amount, the residual amount, after adjusting EMD/security deposit, is to be deposited by the successful bidder within 10 calendar days from the date of issue of the Sale Order/Acceptance Letter in favour of PCDA(Navy) in one Lump Sum. Buyer shall also pay VAT/Sales Tax as per local Sales Tax Act/Rules/Tariffs. The decommissioned ship/ submarine will be released within the stipulated time as per laid down terms and conditions by the auctioneer, after issue of delivery order, on receipt of full amount.

19. In case the decommissioned ship to be disposed off cannot be taken up by the highest acceptable bidder (H1 Bidder), a counter offer to the next highest bidder(s) at the price offered by the H1 bidder may be given.

Evaluation Criteria

20. The broad guidelines for evaluation of offers will be as follows: -

(a) Only those offers shall be evaluated which are found to be fulfilling all the eligibility and qualifying requirements of the ITB.

(b) The Highest 'Acceptable' tender shall be considered further for signing of Contract after complete clarification and price negotiations as applicable.

(c) In determining the H1 bidder the seller may have regard to national defence and security considerations.

21. **Placement of Order.** The sale order will be placed on successful conclusion of negotiations on H1 firm.

22. This ITB is being issued with no financial commitment and seller reserves the right to change or vary any part thereof at any stage. Seller also reserves the right to withdraw the ITB should it be so necessary at any stage.

23. The H1 bidder is to obtain "Tow-worthiness Certificate' of the classified authority i.e. Lloyd Register of Shipping/Indian Register of Shipping for towing the ship to ship breaking yard.

24. A maximum of 3 (three) persons of each party will be allowed to enter in the Naval/Coast Guard Premises/Dockyard to inspect the ship/submarine being disposed.

25. The bidder is required to undertake that the ship will not be exported outside the country/India.

26. Please acknowledge receipt.

Thanking you,

Yours faithfully,

Appendix B
(Refers to Para 5)

DISPOSAL OF DECOMMISSIONED SHIPS/SUBMARINES
OTHER THAN SCRAP

There would be instances when the convened Boards, through Administrative Authorities, might recommend the disposal of the decommissioned ship/submarine as target, maritime museum, training ships, underwater habitats, war relics etc., for training value or for establishing a national monument of historical value. Under such circumstances the boards are to specify the reasons for such disposal in the recommendations of the Board Proceedings. The procedure for disposal of ships/submarine as Targets, War Relics and Training units are enumerated at Annexure 1 and 2.

Annexure 1

(Refers to Para 1 of Appendix B)

**DISPOSAL OF DECOMMISSIONED SHIPS/
SUBMARINES AS TARGETS**

1. The availability of simulators provides a realistic assessment for effectiveness of the newly inducted weapons and technologies. Notwithstanding, important lessons can be learnt from firing of live ammunition on decommissioned ships/submarines as it provides realistic parameters for firing. Decommissioned ships could be used as targets at sea for assessing the combat readiness of weapon systems and training of personnel. This also aids in preparing new policies and doctrines for avoiding Battle Damage to ships and rationally assessing the dangers from incoming missiles/torpedoes at sea during a hostile environment. But since sinking ships as targets remains a requirement of the Armed Forces, especially the Navy, **only a requisite number of ships/submarines are to be recommended for disposal as targets after due deliberations. However, decommissioned ship should be accorded priority to be used as target. While taking up the proposal for decommissioning CG Ships, the requirement of using these ships as target by the IN is to be ascertained to firm up the way ahead for disposal. As mentioned in Appendix A, if the decommissioned ship could not be disposed as scrap within stimulated time frame, the ship should be used as target. IHQ MoD (Navy)/CGHQ, may recommend the disposal of the decommissioned ships/submarines as targets for the following :-**

- (a) To test new technologies introduced in the services.
- (b) To periodically assess the lethality of weapons and their effect on warships/submarines/CG ships.
- (c) To study Battle Damage Assessment (BDA) of the target post firings for future design of ships/combat systems.

2. The IHQ MoD (Navy)/CGHQ, when recommending disposal of decommissioned ships/submarines as targets, is to ensure through the administrative authorities, that the ships being designated as targets are carefully prepared for sinking. The authority, utilizing ships as target are to ensure that the ship/submarine meets the current stringent environmental protection standards, which require that the vessel will not cause any environmental harm. The administrative authority utilizing the ship as a target, is to ensure that all environmentally hazardous materials are removed as per existing norms. Clearing the vessel prior sinking should include the removal of any material that may float and cause pollution or navigation hazards if the ship breaks up.

3. Authorities using ships as a target are to ensure that the vessel would not cause any environmental pollution.

Annexure 2

(Refers to Para 1 of Appendix B)

**DISPOSAL OF DECOMMISSIONED SHIPS/SUBMARINES
AS WAR RELIC/MUSEUMS**

1. The sale or gifting a decommissioned ship/submarine as museum has significant benefits. When properly managed the vessel serves as a very effective Navy/Coast Guard promotion and recruitment tool and a memorial to personnel who served onboard.
2. The disposal of decommissioned ships/submarines as War Relics would be done on recommendations of state governments/government agencies for establishing a national monument of historical value and providing an opportunity to the local public for visiting a ship/submarine. The IHQ MoD (Navy)/CGHQ at PSO level, would approve the disposal of the decommissioned ship/submarine as War Relics/Museums. These transfers would be effected on "as is where is" basis. As far as possible subsequent liability towards establishing a museum would rest with the Central/State Government (as applicable). Details of costs for establishing a museum are to be worked out thereafter and put up for approval.
3. In specific cases, proposals from private sector may be accepted, in which case the endeavour would be to recover the reserve price prior transfer affected on "as is where is" basis. Cases where private sector are accepting the ship as a goodwill gesture, and establishing a suitable memorial to further national interests on non profit basis the recovery of reserve price could be waived off on the merits of the case by MOD. Every other liability however towards disposal would be that of the private agency.

Appendix C
(Refers to Para 7)

**CALCULATION OF RESERVE PRICE FOR
DECOMMISSIONED SHIP/SUBMARINE**

1. Following guidelines are to be followed by the board members to arrive at the Reserve Price for decommissioned ships/submarines:-

(a) **Light Displacement Tonnage.** Light Displacement Tonnage (LDT) is calculated based upon removal of all consumables/manpower. Items such as manpower, personal belongings, liquid cargo (fuel, oil, lubricants, water etc), ammunition etc are removed from the Gross Registered Tonnage (Full Load). As a thumb rule, LDT is to be taken as about 75% of the Gross Registered Tonnage (Full-Load) of the ship/submarine.

(b) **State of Hull/Material State.** The overall state of the hull as assessed by the Naval Dockyard/refitting agency during the ship/submarine's last refit is to be considered. A visual survey is also to be done by the board of officers to ascertain the condition of hull.

(c) Amount of steel scrap from the decommissioned ship is normally of the order of 35%-65% of LDT depending on the type of ship. The indicative quantity of scrap, as a percentage of quantity of steel for various types of ships is as follows:-

(i) Aircraft Carrier, LPDs, and Destroyers: 40-45% of LDT.

(ii) Frigates/ AOPVs/OPVs/PCV/ Corvettes: 37-42%.

(iii) Landing Ships: 45-50%.

(iv) Tankers: 60-65%.

(v) FACs, Missile Boats, FPV/IPV/IB/Auxiliary Ships
/Craft : 35-40%.

(e) At the time of disposal, the amount of Non-ferrous scrap (inclusive of systems pipes, valves and cables etc) is normally of the order of 2%-5% of Light Displacement Tonnage (LDT).

(f) All operational equipment which are expected to be cannibalised for other similar class of ships is not to be taken into account.

(g) Latest scrap rates both for ferrous and non-ferrous material must be obtained from M/s MSTC or nominated agency through respective Material Organisations.

(h) The vessel scrap value should be calculated after removing all machinery, associated systems for propulsion, nav aids, weapons, sensors and radio equipments.

(j) The board should also take into cognizance the sale Price of the vessel of similar type if any, that has been earlier auctioned.

Appendix D
(Refers to Para 7)

FORM GFR 17

[See Clause (iii) of Government of India's Decision (1) under Rule 124]

Report of Surplus, Obsolete and Unserviceable Stores for Disposal

| Item No. | Particulars of Stores | Quantity/Weight | Book Value/Original purchase price | Condition and year of purchase | Mode of disposal (sale, public auction or otherwise) | Remarks |
|----------|-----------------------|-----------------|------------------------------------|--------------------------------|--|---------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | | | | | |

Signature
Designation
Date

306
SWAMY'S - GENERAL FINANCIAL RULES

FORM GFR 18

[See Clause (iv) of Government of India's Decision (1) under Rule 124]

Sale Account

| Item No. | Particulars of Stores | Quantity/Weight | Name and full address of purchaser | Highest bid accepted | Highest bid rejected | Earnest money realized on the spot | Date on which the complete amount is realized and credited into treasury | Whether the articles were actually handed over on the spot. If not, the actual date of handing over of the articles with quantities | Auctioneer's Commission and acknowledgement for its payment |
|----------|-----------------------|-----------------|------------------------------------|----------------------|----------------------|------------------------------------|--|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | | | | | | | | | |

Signature
Designation
Date

FORMS

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BM
-16

Appendix E
(Refers to Para 8)

DECOMMISSIONING AND DISPOSAL PROCEDURE FOR IN SHIPS AND SUBMARINES/ICG SHIPS

