

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

UNSTARRED QUESTION NO:585  
ANSWERED ON:26.11.2012  
EVALUATION OF BIDS FOR PROCUREMENT  
Deo Shri Kalikesh Narayan Singh

**Will the Minister of DEFENCE be pleased to state:**

- (a) the current method used for evaluation of bids for procurement of defence equipment;
- (b) whether the Government proposes to consider the use of Life Cycle Cost (LCC) along with capital cost as the basis for evaluation;
- (c) whether there is any database of Life Cycle Cost and if so, the details thereof;
- (d) whether the Government intends to bind a supplier under a fixed price contract for a period of 40 years for spare and quantify items like fuel and if so, the details thereof;
- (e) whether the Government is taking into account the cost of upgrades of equipment in the LCC and if so, the details thereof; and
- (f) the reasons for non-adherence of Defence Procurement Policy clause which calls for payments to be evaluated using the Net Present Value method?

**Answer**

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

- (a) As per the present provisions of the Defence Procurement Procedure, two separate bids, technical and commercial, are invited from the vendors except in certain types of cases e.g. repeat orders. Technical bids are evaluated by a Technical Evaluation Committee (TEC), and only the commercial bids of those vendors who meet the technical criteria are opened. The commercial bids are then evaluated by the Contract Negotiation Committee (CNC).
- (b) The Life Cycle Cost Approach is being adopted in certain cases involving procurement of Air Aviation platforms. The model adopted may differ from case to case depending upon technical life of the platform, spares and maintenance requirements, and other parameters.
- (c) As the Life Cycle Cost approach has been adopted only in few cases, the data base would get built up over a period of time.
- (d) It is difficult to bind a supplier for a fixed price contract for a long period, such as 40 years, as the price of spares, fuel etc. are subject to market variation and it may not always be desirable for the buyer as the prices can come down also.
- (e) Cost of upgrades is not taken into account.
- (f) Net Present Value method is used in evaluation of bids, where applicable.