

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:941
ANSWERED ON:04.03.2013
UPGRADATION OF AIRCRAFT
Deo Shri Kalikesh Narayan Singh

Will the Minister of DEFENCE be pleased to state:

- (a) whether the cost of upgrades is included in the Life Cycle cost method of evaluation;
- (b) whether there is a mechanism in place to ensure that the vendor does not arbitrarily quote a huge amount at the time of upgrade and if so, the details thereof and if not, the reasons therefor; and
- (c) the details of percentage of initial acquisition cost at which the contract for the Mirage Upgrade Programme was signed?

Answer

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

(a) & (b):The need to upgrade is driven by the changes in the operational requirements, changes in technology and will apply equally to all vendors. The Total Acquisition Cost model being followed by Ministry of Defence does not include upgrade costs as these are not predictable, quantifiable and verifiable at the time of making the procurement decision. In any case, major upgrade decisions are taken in a competitive environment and suitably negotiated, as and when the requirement arises.

(c) The last contracted price for each Mirage-2000 aircraft in the year 2000 was `133 crore. The contract for the upgrade was signed in 2011, wherein, the cost of upgrading one aircraft was `167 crore. Applying an escalation of 3.5% per annum as per the Pricing Policy Review Committee (PPRC), to the contracted cost of the year 2000, it works out to be `195 crore at 2011 levels. Thus, the upgrade has been undertaken at 85% of the escalated cost of the aircraft. However, this upgrade programme also includes fitment of advanced multimode-multi-target radar, reconfigured glass cockpit and advance avionics, state-of-the-art Electronic Warfare system and capability to launch advanced missiles.