

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:5501

ANSWERED ON:29.04.2013

MAINTENANCE CONTRACTS

Deo Shri Kalikesh Narayan Singh;Paswan Shri Kamlesh

Will the Minister of DEFENCE be pleased to state:

- (a) the current mechanism used by the Government while signing contracts for spares, maintenance, overhauls and upgrades under the Life Cycle Costing (LCC) method;
- (b) whether contracts are signed with the Original Equipment Manufactures (OEMs) on single source basis or competitive basis from various vendors; and
- (c) the details of the percentage of such successive contracts by value that is with the OEMs on a single source basis?

Answer

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

- (a) In the Total Cost Acquisition (TCA) model under the Life Cycle Cost (LCC) approach, the main contract signed with the vendor covers the requirement of spares and maintenance and overhauls for the initial specified period. Requirement of spares, maintenance and overhauls for subsequent years are met through separate Follow-on contracts through the revenue procurement channel and are to be based on the costs and escalation formula provided in the original contract. Whenever the requirement of upgrade arises, the case is usually initiated on multi-vendor basis and the upgrade contract is mostly finalized through the capital acquisition process.
- (b) The subsequent contracts for spares and maintenance are to be signed with the Original Equipment Manufacturer (OEM) on single source basis where alternate sources of supply are not available.
- (c) No such successive contracts have so far been signed under the LCC approach.