

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:2543
ANSWERED ON:26.08.2013
DEFENCE CONTRACTS
Joshi Shri Pralhad Venkatesh

Will the Minister of DEFENCE be pleased to state:

- (a) whether in defence deals, vendors are contractually bound to firm and fixed values quoted by them to determine Life Cycle Cost (LCC);
- (b) whether evaluation through the LCC method is an internationally accepted norm;
- (c) if so, the list of the countries that are adopting the LCC method;
- (d) whether in the said countries, the LCC method of evaluation is used uniformly for all tenders or whether they are selectively used and if so, the details thereof;
- (e) whether in these countries, vendors are bound to contractual obligations to supply spares at fixed values and if so, the details thereof; and
- (f) whether that present value is applied to all future cash flows (including cost of spares, repairs and fuel) or selectively applied in only some items?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF DEFENCE (SHRI A.K. ANTONY)

- (a) Yes, Madam. In the one contract concluded so far on the basis of Life Cycle Cost (LCC) approach, the vendor is bound to the firm and fixed costs quoted by him during the period of the contract. Further, certain aspects of the Total cost of Acquisition model under LCC approach followed by this Ministry have been referred to the Ministry of Finance for their advice.
- (b) to (f) Information available from open sources indicates that countries like USA, Germany, Austria, Iceland, Netherlands, Switzerland and Australia appear to follow the LCC method. However, Information on specific details of modalities of using the LCC models in these countries is not maintained by the Ministry of Defence.