

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:4421
ANSWERED ON:08.08.2014
EQUIPMENT PURCHASED UNDER LCC METHOD
Singh Deo Shri Kalikesh Narayan

Will the Minister of DEFENCE be pleased to state:

- (a) the list of defence equipment bought / purchased under Life Cycle Cost (LCC) method along with the details of methodology to calculate LCC;
- (b) whether the methodology has been approved by the competent authority and if so, the details thereof and if not, the reasons therefor;
- (c) whether LCC is being used in any other department as a basis of evaluation and if so, the details thereof;
- (d) whether Net present Value (NPV) is used for all future cash flows including cost of spares, repairs and fuels in all evaluations where the LCC method is used and if so, the details thereof; and
- (e) whether consumption of fuel is assumed on the basis of historic, actual and planned deployment of platforms or on a national arbitrary figure and if so, the details of national arbitrary figures of hourly deployment compared with actual planned hourly deployment?

Answer

MINISTER OF DEFENCE (SHRI ARUN JAITLEY)

(a) to (d): So far only one contract has been concluded i.e. supply of Basic Trainer Aircraft of Indian Air Force, using the Total Cost of Acquisition (TCA) model on the Life Cycle Cost (LCC) approach. The elements of TCA model applicable to the procurement are stated in the Request For Proposal (RFP).

The TCA Model has been approved by the Defence Acquisition Council.

Acquisition Wing of Ministry of Defence uses TCA model for capital acquisition on case to case basis as approved by Competent Authority.

Net Present Value (NPV) is used as per the methodology stipulated in the Request For Proposal (RFP).

(e) The fuel consumption is measured in a standardized flight profile stated upfront in the RFP.

No notional arbitrary fuel figures are used to compute the total fuel consumption.