

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:4475
ANSWERED ON:08.08.2014
PROCUREMENT OF DEFENCE EQUIPMENT
Singh Deo Shri Kalikesh Narayan

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 at the basis of 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 quantity 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 ARUN JAITLEY)

(a) to (d): Total Cost of Acquisition (TCA) model based on the Life Cycle Cost (LCC) approach is used for capital acquisition on case to case basis as approved by Competent Authority.

The method used for evaluation of commercial bids is laid down in the Request for Proposal (RFP).

Air Headquarter has a database on Serviceability and maintainability of equipment that are operated by Indian Air Force.

No contracts are signed to bind a supplier under fixed price contract for spares and fuel for a period of 40 years.

(e) to (f): The TCA model on LCC approach does not take into account cost of upgrade of equipment.

Net Present Value clause is included in RFP as per provisions of Defence Procurement Procedure and with the approval of competent authority.