

## **Summary of Proposed CCN050**

### **Purpose of this Document**

As a response to an imperative from Peter Neyroud, Northrop Grumman was asked in November 2007 to provide a proposal for up to 2,500 Lantern Units for a 3 year period of performance. This proposal was received in the form of Change Control Note 050 ("CCN050") on 12 February 2008.

The purpose of this document is to summarise the terms of CCN050 and to recommend a way forward for clarification.

## **1 The Covering Letter**

The scope of services is for up to 2,500 units for a 3 year period that would be deployed in England and Wales.

The proposal is valid for 60 days with [REDACTED] and [REDACTED] authorised to negotiate its terms.

It is based on 11 assumptions and conditions.

***The recommendation is that these assumptions and conditions are ratified.***

## **2 Attachment B1 Description**

The proposal describes:

- Additional MFRs from SAGEM
- Spares
- Warranty service
- Customised software
- Expansion of central facilities
- Details design, development, integration, implementation and support
- Additional capacity
- High level architecture
- Approach
- Implementation
- Computer based training

***The recommendation is that a far more detailed functional description is ratified.***

## **3 Attachment B2 Schedule**

The schedule states that the units could be deployed to forces in approximately 12 months.

#### 4 Attachment B3 Pricing Model

The description says that the pricing model is divided into fixed and variable costs.

The fixed costs take into account project activities such as technical engineering, development and programme as well as non-re-occurring activates associated with expanded deployment.

The variable costs include the MFRs themselves as well as the infrastructure for correspondingly higher numbers of searches and labour for deployment.

The cost per unit on higher numbers is said to be the result of economies of scale, greater amortisation of fixed costs and discounts from sub-contractors.

| Total Units   | 500               | 1000              | 1500               | 2000               | 2500               |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| Service expansion   | £926,064          | £926,064          | £926,064           | £926,064           | £926,064           |
| MFR Service Increments  | £3,984,332        | £7,306,585        | £10,519,164        | £13,442,550        | £16,065,471        |
| Variable  | £624,678          | £694,086          | £771,207           | £856,896           | £952,107           |
| <b>Total cost</b>   | <b>£5,535,074</b> | <b>£8,926,735</b> | <b>£12,216,435</b> | <b>£15,225,510</b> | <b>£17,943,642</b> |
| Service price (3 years)<br>total cost divided by total<br>units | £11,070           | £8,927            | £8,144             | £7,613             | £7,177             |
| Service price per annum   | £3,690            | £2,976            | £2,715             | £2,538             | £2,391             |
| Reduction on total cost<br>for quantity                         |                   | 19%               | 26%                | 31%                | 35%                |

***The recommendation is that far more transparent pricing is obtained and negotiated. Northrop Grumman must accept that this is the only way forward if it is to demonstrate that it offers the optimum value for money.***

#### 5 Draft Changes to Schedule C: Definitions

Page 14 includes a new definition of “Lantern Service Expansion”.

#### 6 Draft Changes to Schedule E: Pricing

Annex E-14 is added to incorporate the new baseline charges.

***The recommendation is that the schedule should reflect more transparent pricing.***

**7 Draft Changes to Schedule H: Acceptance Procedures**

Significant changes are made to Clause 5.4, Deliverable Documentation, whereby the current clauses would not apply and would be replaced by an obligation on the Authority to notify Northrop Grumman if the Documents were not “Fit for Purpose” within 10 Working Days. This follows the precedent set for the Lantern Pilot Phase 2.

An addition is made to give the Lantern Service Expansion its own set of Milestones, Acceptance Events and Evidence.

***The recommendation is that these are reviewed for reasonableness.***

**8 Draft Changes to Schedule O**

Appendix O-3 states the Document Deliverables for the Lantern Service Expansion.

***The recommendation is that these are reviewed for reasonableness.***

**9 Draft Changes to Schedule S: Software, IPR and Third Party Contract**

Under Clause 4, Contractor Software and Contractor Material after the Effective Date, these additions are made:

|                                     |                       |
|-------------------------------------|-----------------------|
| Description                         | Third Party Software  |
| MFRs, Matcher Software and Licences | SAGEM                 |
| Software                            | Time sync 2.0         |
| Software                            | Concord System Agents |

***The recommendation is that the Authority has visibility of Northrop Grumman’s contracts with its sub contractors.***

## **10 Draft Changes to Schedule V: Authority's Responsibilities**

Clause 5 allocates to the Authority responsibility for all CFE/CFI requirements including:

- All C&W SRAS deliverables, including approved SRAS software,
- Provision of all C&W Certificate Authority capability for Lantern,
- Liaison with the Police Forces, and
- All Force GPRS hardware and software for GPRS connectivity.

***The recommendation is that these are reviewed for reasonableness.***