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VICTORIA



# Partnerships Victoria Mobile Data Network Contract Extension

Project summary  
December 2019



**Working in conjunction  
with Communities,  
Government, Agencies  
and Business**

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Available on the *Partnerships Victoria* website at [www.partnerships.vic.gov.au](http://www.partnerships.vic.gov.au)

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# Foreword

This Project Summary provides information about the commercial and contractual aspects of the Mobile Data Network (MDN) Contract Extension Project (the Project) and is divided into two parts.

The first part is an overview of the Project, including the rationale for undertaking it, a summary of the procurement process and the value-for-money assessment. The second part details the key commercial features of the Project, including the main parties and their general obligations, and the new capabilities being introduced as part of the contract extension.

This Project involved negotiations with the incumbent data communications service owner and operator (Motorola) for an extension of the current Mobile Data Network Project Services Agreement (MDN PSA). In doing so, the State of Victoria (the State) has sought to maintain the terms of the existing contract, including the risk allocation, except for where the opportunity for improvements for the extension term were identified.

Partnerships Victoria forms part of the Victorian Government's strategy for providing better services to all Victorians by expanding and improving Victoria's public infrastructure and service delivery. The Partnerships Victoria framework applies to the provision of public infrastructure and related services using private sector expertise to design, finance, build, operate and maintain infrastructure projects. The framework consists of the National Public Private Partnerships Policy and Guidelines and Partnerships Victoria Requirements. Further information on the Partnerships Victoria framework is available at <http://www.dtf.vic.gov.au>.

This summary should not be relied upon to completely describe the rights and obligations in respect of the Project, which are governed by the Extension Contract and associated documents. The Extension Contract and associated documents are available online at [www.tenders.vic.gov.au](http://www.tenders.vic.gov.au).

# 1.0 Project overview

## 1.1 Mobile Data Network (MDN) Contract Extension Project

### The MDN service

The MDN PSA was executed on 25 June 2003 with Motorola Solutions Australia Pty Ltd (Motorola) as a Partnerships Victoria project. Motorola had, through a competitive process, been selected to design, build, finance and maintain a narrowband mobile data network (MDN), including the provision, installation and support of all MDN data terminals in vehicles for the initial MDN emergency service agencies, being the Metropolitan Ambulance Service, now Ambulance Victoria, and Victoria Police.

The MDN is a dedicated emergency services data network providing mission-critical dispatch capability to Ambulance Victoria across metropolitan Melbourne and nearby outer metropolitan areas. The Emergency Services Telecommunications Authority (ESTA) uses MDN to manage emergency dispatch capabilities to and from Ambulance Victoria. Until December 2019, MDN had also been used by Victoria Police, who have since transitioned to an alternate solution to meet their specific and evolving operational requirements.

The initial implementation of MDN placed Melbourne's emergency services at the leading edge of emergency communications and dispatch, providing its users with:

- dedicated and purpose-built narrowband data network with site redundancy, dedicated capacity and securely encrypted data communications
- improved emergency service response through improved timeliness and certainty of emergency event information and location
- improved overall safety of both emergency service staff and the community.

The Project has introduced further enhancements to the MDN network and services to greatly improve the operational capabilities of Ambulance Victoria as they evolve their operations through use of emerging technologies to better service the health and safety of the public.

The MDN provides an effective data communications platform that enables emergency service personnel to maintain and continue to evolve service delivery to the standard expected by the Victorian community from professional emergency services. The MDN service can also be made available to other emergency services where it meets their requirements.

In addition to MDN network support, Motorola supplies and maintains in excess of 600 vehicle based and computer tablet data terminals utilised by Ambulance Victoria on the MDN, through a mix of infield and depot-based service support and help desk facilities.

As the primary interface into the State's Computer Aided Dispatch (CAD) system used for the management of emergency incidents, MDN also provides the means through which the State's mission critical digital radio networks transmit certain data to the CAD system.

During previous contract terms, the MDN service evolved to utilise a public mobile broadband network as the primary means of data communications, with the dedicated network retained as redundancy. New technologies introduced as part of the current Project will allow for the legacy dedicated MDN network to be decommissioned through introduction of dual public mobile broadband network arrangements. This will provide much improved wide area coverage, data message transmission throughput speeds, latency and capacity, like for like network redundancy, and introduction of a vehicle-based private Wi-Fi hotspot to support mobile broadband data to meet Ambulance Victoria's evolving health service strategies.

## MDN Project Service Agreement Extension

The MDN PSA term was originally for five years from the date on which the State accepted the MDN build completion (which occurred in 2005), plus two by two-year options for the State to extend. In 2009 and again in 2013, the State and Motorola entered sole source negotiations, resulting in the extensions to the MDN PSA in 2010 to March 2014, and in 2014 to March 2019.

A market consultation exercise undertaken in mid-2016 as part of the EMOC Program, to investigate emerging public safety broadband communications including Mission Critical Push to Talk (MCPTT) technology, revealed that Land Mobile Radio networks (such as the Metropolitan Mobile Radio (MMR) network) will need to remain until at least 2025. This reflected a realistic timeframe within which the standards, technology and commercial carrier arrangements may have evolved sufficiently to consider future transition to public safety broadband communications for public safety use. This assessment also helped inform the likely duration for the MDN and direction for emerging technology requirements.

In early 2017, the Project was established by the Emergency Management Operational Communications (EMOC) Program within Emergency Management Victoria (EMV) to ensure continuity of the mission critical MDN service for Ambulance Victoria beyond March 2019, and to negotiate transition off arrangements for Victoria Police who at the time were developing a new system specific to their own evolving operational capabilities. The Project initially negotiated a short-term extension to December 2019 to facilitate Victoria Police's transition off and to allow time to determine the technical and service requirements to meet Ambulance Victoria's operational needs for the medium term. Victoria Police completed its transition off MDN on 20 December 2019, leaving Ambulance Victoria as the sole emergency service agency using MDN for infield operations at this time.

Informed by the 2016 market consultation conclusions, EMV conducted an options analysis through 2017/18 to determine the preferred service delivery and procurement approach to ensure continuity of MDN services for Ambulance Victoria. The analysis confirmed that the option likely to deliver the best value for money to the State was a sole source contract extension of the MDN PSA with Motorola. After consideration of a range of factors, including other interfaced systems to MDN and the State's CAD system, it was determined that an extension for approximately 6-8 years, until at least 2025, would be appropriate.

As such, negotiations with Motorola occurred during 2019, resulting in the MDN PSA being extended for a further six years (to 2025), with an option for one or more further extensions up to two years in total (Extension Contract). The Extension Contract provides for improved commercial arrangements, provision of new functionality, new services and related performance measures, ongoing network infrastructure lifecycle refresh, and a complete refresh of the data terminal fleet for Ambulance Victoria.

This document summarises the commercial terms and enhancements provided under the Extension Contract.

## Project objectives

The following objectives were established at the outset of the MDN PSA extension negotiation process:

- Ensure continuity of MDN services, with no degradation of the current service levels (including performance) within the current provision of funding.
- Ensuring that current performance standards are fit-for-purpose and reflect the service requirements and reflect value for money outcomes for the State.
- Explore and where appropriate capitalise on opportunities to improve the value-for-money outcome of the MDN PSA.
- Ensure that EMV's, the Department of Justice and Community Safety (DJCS) and Ambulance Victoria's strategic and value for money objectives are always considered during discussions.

- Ensure any capital investments required are within the current funding envelope, prioritised to (1) maintain contracted service standards and (2) account for growth in service demand and/or enhanced capability, on the condition that investment decisions:
  - are supported by sound quantitative and qualitative evidence
  - align with the EMOC Program roadmap
  - are within the Partnerships Victoria guidelines (or as agreed with the Department of Treasury and Finance (DTF)) for value for money asset utilisation.
- Facilitate the transition to a dual public mobile broadband network platform which enables the decommissioning of legacy narrowband 'High Performance Data' (HPD) Network infrastructure assets.
- Facilitate contractual arrangements that provide sufficient flexibility and commercial certainty to onboard new customers and/or expand the operational coverage of Ambulance Victoria to regional Victoria.
- Maintain the integrity and probity of the Project throughout discussions.
- Ensure that the Project's executive group is satisfied that the position reached through negotiations with Motorola meets the State's requirements, and that a suitable contract to extend the MDN PSA can be executed.
- On balancing these objectives, achieve an outcome that is affordable and represents value for money for the State over the negotiated extension term.

A key outcome of the negotiations was to achieve an optimum balance of these objectives, particularly as they relate to service and/or system enhancements versus financial implications and affordability, for a finite investment period until such time as an alternate service is available.

## 1.2 A Partnerships Victoria public private partnership

Since its inception in the early 2000s, the MDN service has been delivered as a Partnerships Victoria project, and has been contracted in accordance with the Victorian Government's guidelines at the time for public private partnership infrastructure projects.

The MDN PSA continues as a Partnerships Victoria project for the extension term.

The Partnerships Victoria framework seeks to achieve better value for money by capturing the expertise and efficiencies of the private sector in designing, financing, building and maintaining infrastructure projects and providing services on a whole-of-asset-life basis where appropriate.

The Partnerships Victoria framework required that projects comply with the:

- National Public Private Partnerships Policy and Guidelines that apply across all state, territory and Commonwealth arrangements
- requirements specific to Victoria as detailed in the Partnerships Victoria Requirements (November 2016).

Details of the National Public Private Partnerships Policy and Guidelines and the Partnerships Victoria Requirements are available at <https://infrastructure.gov.au/infrastructure/ngpd/index.aspx> and <http://www.dtf.vic.gov.au>, respectively.

## 1.3 Procurement process

### Procurement options analysis

In 2017/18 the State undertook an analysis of the possible service delivery models and consequential procurement options to determine the preferred means of procuring the continuity of the MDN services beyond 2018. These options were assessed to ensure that the best value for money outcome for the State could be achieved. The procurement options that were considered were a sole source negotiation with the incumbent provider, a sole source extension with an alternative provider, a swiss auction process, a targeted competitive process, or an open market competitive process.

### Key findings

The option for a sole source negotiation with Motorola as the incumbent MDN service provider was identified as the preferred procurement strategy because of the:

- proven experience and service performance of Motorola over the contract term
- likely timing of realisation of benefits and potential impacts on the broader EMOC program
- potential cost and complexity of transition to new providers, particularly given MDN was the primary interface into the State's CAD system and to its mission critical digital voice communications networks
- complexity and integration risks of introducing new and potentially multiple commercial arrangements
- anticipated complexity and timeframes of alternative procurement processes
- potential to achieve savings in the current contract by structured and transparent negotiation
- market's capacity and willingness to compete for a continued MDN service
- timing of potential future technology transition.

A sole source negotiation with Motorola was considered best able to achieve the Project's objectives for ongoing provision of MDN services.

### Negotiation Strategy, process and timeline

The State developed a detailed negotiation strategy to ensure that the extension negotiations achieved the State's objectives within approved negotiation parameters (Negotiation Strategy). The Negotiation Strategy outlined the governing principles and approach to the negotiation process and considered how best to optimise value-for-money outcomes.

Following execution of an initial short-term extension to December 2019, the Minister for Police and Emergency Services approved in early 2019:

- the State, through EMV, commencing contract extension negotiations with Motorola for potential continuation of the MDN PSA beyond December 2019
- the negotiations being conducted in accordance with the requirements to be contained in a Request For Proposal (RFP) to be issued to Motorola as part of the Project.

The Project was governed by a multi-agency working group, which was established to ensure active and frequent engagement with the MDN customers (MDN Working Group). EMV continued to consult with DTF and the Office of the Chief Procurement Officer within the DJCS regarding the procurement process, and also engaged external advisers to provide professional advice on legal, commercial, technical and probity matters. The Negotiation Strategy, term sheet requirements and the RFP were all developed through consultation with, and approval from, the MDN Working Group and DTF.

The RFP was provided to Motorola in May 2019. The response from Motorola was received in June 2019, with negotiations commencing in July 2019 following the State's consideration of Motorola's response.



Consistent with the Project’s objectives, the fundamental principles represented by the State’s RFP requirements included:

- ensuring continuity of, and no degradation to, the MDN services
- improvements in system functionality, where available, particularly in navigation and over the air updates (for maps, security patches, operating system updates and configuration changes) to avoid costly vehicle touches
- introduction of new capabilities, particularly the ability to use the MDN solution as a ‘vehicle hotspot’ to provide private and secure Wi-Fi connectivity to the dual public mobile broadband networks for devices and applications used by the MDN customer, thereby improving coverage and data throughput for such devices and applications
- improved network and data security aligned with the Victorian Protective Data Security Standard Framework (VPDSF), given the growing global concerns with cyber security risk and ensuring data protection

- introduction of dual public mobile broadband networks, with a view to decommissioning the legacy HPD network and further improving data message performance and certainty
- asset lifecycle investment, where required and justified.

The negotiation process sought to ensure the extension requirements and outcomes remained consistent with Partnerships Victoria requirements and the terms and conditions of the existing MDN PSA.

The response from Motorola was largely aligned with the State’s requirements, however, there were considerable technical matters that required negotiation and solution proving prior to finalising the negotiations.

Negotiations between the State and Motorola concluded in late 2019 with the deed of extension, amendment and restatement of the MDN PSA (Deed of Extension) being executed by the parties on 18 December 2019.

Table 1 sets out the key dates in the negotiation process.

Table 1: Negotiation timeline – key dates

Negotiation phase	Date
State issued RFP to Motorola	May 2019
Motorola’s response to RFP received	June 2019
State’s assessment of Motorola response (including clarifications)	July 2019
Detailed negotiation period	July to December 2019
Deed of Extension executed	18 December 2019
Extension Contract commencement	18 December 2019
End of term of MDN PSA	20 December 2025 (with optional extensions of up to two years (i.e. up to 20 December 2027))

## 1.4 Governance structure

The State established a formal governance structure to ensure transparency and oversight of the negotiations and to provide timely endorsement of Project phases and outcomes. Appropriately skilled and knowledgeable individuals were appointed as part of the State's negotiations team, the multi-agency MDN Working Group, and other governance forums.

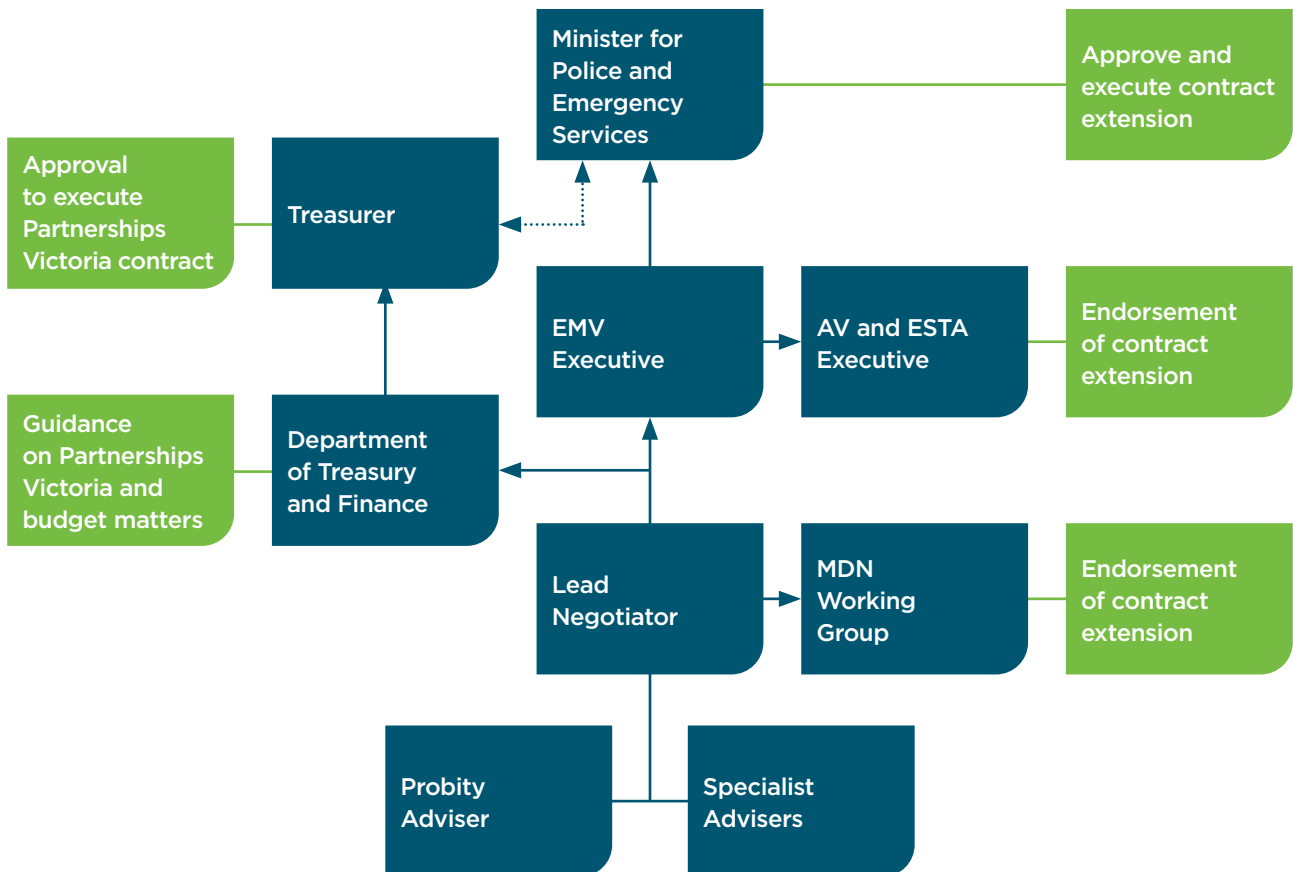
The State appointed an expert lead negotiator to represent the State in the negotiations with Motorola, supported by commercial, legal and technical advisers and ESTA representatives in the State's negotiation team.

In accordance with an agreed terms of reference, the MDN Working Group met on a fortnightly basis throughout the Project to oversee and guide the negotiations as they progressed. The group included representatives from each of the MDN customers, EMV and the State's negotiation team.

EMV, with the State's lead negotiator, maintained close liaison and support with DTF and other internal departmental business units throughout the Project.

The governance structure is represented in Figure 1, depicting the roles and responsibilities of the forums involved.

Figure 1: Project governance structure



## Probity

The negotiation process was undertaken within a robust probity framework which was endorsed by the Project's independent Probity Adviser and based on the following principles:

- fairness and impartiality
- consistency and transparency
- security and confidentiality
- identification and resolution of conflicts of interest
- value for money and public interest
- compliance with relevant government policies.

At the completion of the sole source negotiation process, the Probity Adviser confirmed that the process had been conducted in accordance with the applicable requirements.

## 1.5 Negotiated outcome and value for money assessment

### Negotiated Outcome

The negotiated outcome for extension of the MDN PSA achieved the State's objectives for the extension and represents value for money for the State. The negotiated arrangements are consistent with the State's EMOC Program of ensuring continuity of mission critical dispatch communications until alternative technologies are available for operational consideration.

The negotiations achieved:

- material savings to the operating costs payable by the State to Motorola for the base MDN services
- fully priced end to end service provision, supported through detailed and transparent open book process
- a fully priced and contracted asset lifecycle program for the MDN, including greater emphasis on asset management, over the extension term
- a complete 'end of life' replacement of the existing MDN terminal fleet for Ambulance Victoria
- certainty of contractual arrangements for up to a further eight years
- improved capability and functionality of the MDN and service as outlined in Table 2. Works required to implement this capability will be delivered via an extension works program that is to be completed progressively through 2020/21.

Table 2: Summary of new MDN capabilities

Capability	Description
Dual public mobile broadband networks	The dual public mobile broadband network architecture provides for improved message delivery performance and a robust and reliable mobile network architecture that can be readily extended to regional areas and other customers. It also allows for the decommissioning of the Metropolitan only narrowband HPD network, which will provide material cost savings to the State.
Vehicle based mobility platform	The introduction of a vehicle-based Wi-Fi hotspot together with a vehicle roof based multiple antenna solution provides connection to wide area mobile broadband with improved coverage, higher bandwidth and a more resilient connectivity for approved devices within the vicinity of the ambulance. The solution also supports Ambulance Victoria's evolving emergency and health service strategies, including meeting AV and DHHS security requirements to protect patient data through end to end encryption.
Vehicle Navigation	Enhancements to the navigation system will improve ambulance response times through navigation accessing actual traffic conditions and route modifiers like temporary road closures. In addition, 'over-the-air' map updates will substantially reduce the effort and time required to release a new version of the base map to all vehicles thereby ensuring more up-to-date and timely navigation information available to emergency personnel.
Customer introduced devices and applications	MDN customers will be able to bring their own devices and applications for use via the vehicle based mobility platform. An onboarding process has been developed with Motorola to facilitate and streamline the introduction of BYO devices and applications.
Over the air terminal programming	A new capability enabling remote secure reconfiguration of Motorola MDN terminals over the MDN network (including public mobile broadband carrier networks), thereby greatly reducing current MDN customer resource lost time and terminal unavailability otherwise associated with returning terminals to Motorola when terminal reprogramming is required.
Security	With growing global concerns with security and protection of data, an enhanced risk management approach has been introduced that is aligned with current security best practices. Motorola's management of data will now align and comply with the VPDSF (Victorian Protective Data Security Standard Framework) and the VPDS (Victorian Protective Data Security Standard).

## 1.6 Financial outcome and value for money assessment

### Financial Outcome

Table 3 summarises the total nominal and net present cost of the negotiated outcome for the six-year extension term (i.e. the period from 21 December 2019 to 20 December 2025).

Table 3: Disclosure of total nominal cashflows and net present cost (excl GST)

Sum of nominal cashflows over the 6-year Extension Contract (\$m)	Net present cost of the negotiated outcome as at FY2019/20 (\$m)	Discount rate used to arrive at net present cost (% nominal)
102.4	85.3	5.5

#### Notes:

- The negotiated outcome (both nominal and net present cost) includes all operating costs, asset maintenance, network enhancements and lifecycle costs (including the remaining amortisation of the costs associated with lifecycle investment agreed during the previous extension to the MDN PSA) over the six year extension term. It does not include costs that are discretionary or optional and where there is a level of uncertainty.
- The sum of nominal cashflows over the six-year extension term has been calculated by applying the forecast contracted indexation parameters to the applicable costs in the Extension Contract and includes expected contracted savings that will be generated as a result of the agreed program of works.
- The net present cost represents the cost of the Extension Contract to the State in FY2019/20 dollars, discounted at a nominal rate of 5.5 per cent, calculated in accordance with Partnerships Victoria Guidelines. This is accepted as the most financially robust and appropriate method of measuring costs of long-term projects.

## Value for money assessment

Given the procurement approach of conducting a sole-source negotiation, the State undertook a number of validation processes to ensure that the negotiated outcome (operational model, service levels, enhancements, risk allocation, commercial regimes and pricing) provided value for money and met the State's affordability criteria.

These included:

- an open book process whereby nominated State representatives (including commercial advisers) were given access by Motorola to information necessary to assess the reasonableness of pricing, including margins, costs, third party subcontracts, site leases, and underlying operational assumptions
- assessment and benchmarking of pricing parameters, including margins and costs
- progressive and conclusive legal assessment of the negotiated risk allocation compared with existing contractual arrangements, other similar contracts and the Partnerships Victoria framework
- utilisation of commercial and technical advisers to validate and assist negotiation of asset investment and service enhancement proposals, assumptions and pricing
- assessment of operational and commercial pricing assumptions against the State's own benchmark estimates, including an overall negotiation outcome estimate prepared prior to receiving Motorola's response to the State's extension requirements contained in the RFP.

Whilst Partnerships Victoria Guidelines refer to preparation of a Public Sector Comparator (PSC) to support the State's value for money assessment in a competitive procurement process, it was agreed with DTF that the nature of this Project, being a sole source negotiation for the provision of services such as those provided under the MDN PSA, would be best supported by the development of a 'negotiation outcome estimate'. This estimate was used by the State as a reference for affordability estimates during RFP development, during the negotiations to test the reasonableness of proposals, and where possible assist the final value for money assessment of the negotiated outcome.

The State's negotiation estimate was prepared by EMV, with assistance from the State's project commercial and technical advisers, in consultation with representatives from the MDN customers. It was prepared in advance of Motorola's response, received in June 2019 to the State's extension requirements set out in the RFP. This estimate was not shared with Motorola during the negotiations.

In preparing the negotiation estimate, pre-existing MDN PSA commercial arrangements were used as the baseline for adjustment. The estimate sought to reflect the State's extension requirements as reflected in the RFP, including the expected timing of possible cost savings to be generated by achievement of key investment objectives such as decommissioning of the legacy MDN network and replacement with a dual public mobile broadband network solution. The estimate also reflected the State's view of estimated costs that it could potentially incur for the negotiated outcome of such requirements (including enhancements), and was based on the reasonably known information available at the time of it being prepared.

It was acknowledged that some potential capital components could not be estimated without being further informed through discussions with Motorola, including receipt of their proposal. For instance, asset lifecycle investment only became known during the course of the negotiations and was validated through the open book process with the State's commercial and technical advisers.

With the nature of enhancements sought as part of the RFP, it became apparent during the negotiations that updating the State's estimate to reflect the proposals received and or negotiated with Motorola would not be a sufficiently rigorous value for money test. The State therefore relied on the open book evaluation and concurrent benchmarking processes to test the veracity, reasonableness and appropriateness of the value for money of the proposals received.

The State's focus was on achieving savings against the baseline existing MDN services to fund, maintain and minimise or offset the incremental cost of system and operational enhancements sought as part of the RFP process.

The negotiated outcome included all agreed system and operational enhancements below the baseline contracted service payment cost to the State. In addition it achieved a level of savings that may be used in the event that the State seeks to extend the contract for a further terms.

The table below compares the negotiated outcome for the six-year extension term with the baseline contracted cost that existed before the Extension Contract commenced, extrapolated over the same six year term.

Table 4: Comparison of the Net Present Cost of negotiated outcome to extrapolated pre-extension contract cost (FY2019/20)

Net Present Cost of negotiation outcome (\$m)	Net Present Cost of the pre-extension contract cost (\$m)	Net Present Value of estimated savings (\$m)	Discount Rate (%)
85.3	89.7	4.4	5.5

Notes:

- The Net Present Cost of negotiated outcome represents the value of the Extension Contract over the initial six-year period.
- The Net Present Cost of the pre-extension contract cost represents the baseline contract cost that applied prior to the Extension Contract, extrapolated over the same six-year period as the Extension Contract
- The Net Present Value of estimated savings represents the net savings to the State under the extension arrangements compared to the prior contract arrangements, noting that all new service and capital enhancements and lifecycle works have also been factored in.

The following benefits of the MDN PSA extension arrangements are highlighted from a value for money perspective:

- securing continuity and certainty of dispatch and data services for the State and MDN customers
- the material financial savings has enabled the re-investment in additional asset lifecycle works as well as providing for additional investment in opportunities for technology transition and enhancements in the services focused on mobility
- a favourable commercial risk allocation has also been achieved for the extension term, including asset lifecycle services and terminal support arrangements, that are considered to provide the State better value for money relative to the existing services
- an asset lifecycle and replacement program to ensure the MDN continues to perform at its high contracted standards over the extension term. Motorola bears the risk of scope, timing and cost of all such works and all asset performance, residual life and condition risk of the MDN throughout the extension term (subject to adjustment for any optional further extensions, which is discussed further below)
- transition to a dual public mobile broadband network solution providing for greatly improved message throughput performance and generating some of the material cost savings to the State, whilst mitigating the risk of technical obsolescence in the legacy HPD network and aligning the MDN service with the State's long-term strategic objectives
- improved mapping and navigation functionality, with over the air device configuration to improve timeliness of updates and security management of devices and related applications
- greatly enhanced vehicle-based capabilities, with the introduction of a Wi-Fi hub to provide improved coverage and data throughput for supported devices and applications
- the service performance measurement regime has been improved with the introduction of new measures for new services and the uplift of performance thresholds for existing measures
- the variation payment principles have been improved with greater emphasis on transparency of margins, costs, third party arrangements and supporting information
- the negotiated outcome is considered operationally and commercially sustainable for the extension term
- certainty of contractual service payments for provision of MDN services for up to eight years.

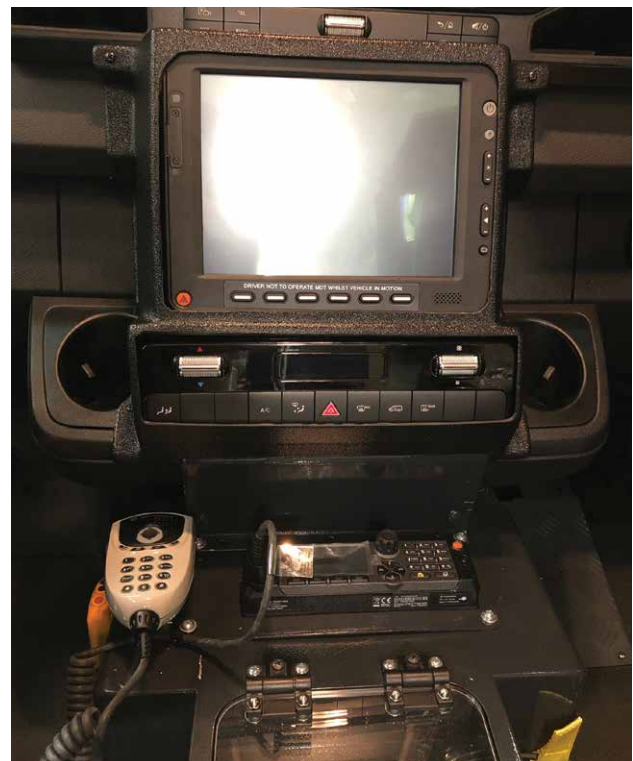


Photo courtesy of Ambulance Victoria



## 2.0 Key commercial features

### 2.1 Project documents

On 18 December 2019, the Minister for Police & Emergency Services, on behalf of the State, executed the Deed of Extension with Motorola and its parent company (Motorola Solutions Inc), which provides for an extension of the term over which Motorola is contracted to operate and maintain the MDN and provide services to the MDN customers. The Minister, Motorola and Motorola Solutions Inc also executed a new Parent Company Guarantee under which Motorola Solutions Inc guarantees the performance of Motorola under the MDN PSA.

In accordance with Victorian Government policy, the executed Deed of Extension and associated documents will be publicly disclosed and available at <http://www.tenders.vic.gov.au>.

### 2.2 Parties to the Extension Contract and associated documents

The relevant parties under the contractual arrangements are:

- The State is a signatory to the Deed of Extension. The Minister for Police & Emergency Services is the person empowered to execute this document on behalf of the State
- Motorola, as the contractor under the MDN PSA, is the counterparty to the Deed of Extension
- Motorola Solutions Inc, as Motorola's parent company, signed a new parent guarantee, and is also a party to the Deed of Extension in order to consent to the extension and amendment of the MDN PSA
- Motorola also contracts directly with eight key subcontractors for specific MDN services.

### 2.3 Risk transfer

In Partnerships Victoria projects, the State seeks to achieve the best value for money by allocating risks to the party best able to manage them. This process results in various risks being:

- retained by the State
- transferred to the private sector
- shared between the parties.

The risk allocation in the Extension Contract is consistent with the Partnerships Victoria framework. There has been no material change to the level of risk retained by the State under the Extension Contract, when compared to the level of risk retained by the State under the MDN PSA prior to the extension. The Extension Contract and associated documents establish the obligations of each party in managing these risks.

The table below provides a high-level outline of the risk allocation for the Project. Where a risk is allocated to both parties, the parties may not share that allocation equally. All risks are dealt with in the MDN PSA and associated documents.

Table 5: Risk summary – MDN contract extension

Risk category	Description or comment	State	Motorola
Site risks			
Procurement of and access to sites	Risk of procurement of sites required to deliver the MDN services, and ability to access those sites as required.		✓
Site conditions	Risk of contamination at sites used to deliver the MDN services or other matters affecting the site conditions.		✓
Site lease costs	Rent, power and any other costs payable under leases and licences of sites that are used to deliver the MDN services.		✓
Rates	Payment of rates and land taxes in respect of the sites (if applicable).		✓
Operational risks			
Performance standards	Services provided do not meet State's specified performance standards.		✓
Fitness for purpose	Risk that the MDN does not allow Motorola to perform the services as required.		✓
Operational costs	Risk that operational costs exceed Motorola's budgeted costs.		✓
Operational requirements	Risk that the requirements for MDN operations to meet the State's specification are different than anticipated (subject to the risks identified below).		✓
Industrial risk	Risk that industrial action prevents provision of the services.	✓ Only if caused by a State act or omission or constitutes a force majeure event and Motorola complies with its mitigation obligations).	✓
Lifecycle costs	Risks associated with the maintenance, replacement and refurbishment of the MDN.	✓ (Only in respect of increases in pricing by reason of agreed changes to the lifecycle management schedule).	✓

Risk category	Description or comment	State	Motorola
Utility price and volume risk	Risk of change in the price of the utilities required to operate the MDN, and energy demand risk.		✓
Damage to the assets	Risk of damage to and reinstatement of assets used to deliver the MDN.	✓ (Only if caused by the State, a customer or a force majeure event).	✓
Handback condition	Risk that, on expiry of the term, the premises and vehicles do not meet the required standard.		✓
Changes in law			
Changes in law (general)	Risk that a change in legislation (other than an MDN-specific change or a change in law anticipated at the Commencement Date and of which Motorola was informed by the Contract Manager) will affect the services.		✓
Changes in law (project specific)	Risk that a change in legislation applying specifically to the MDN Services will affect the services.	✓ (Any implications are to be agreed as a Variation).	
Tax risk	Risk of changes in income tax, GST or the law relating to taxes generally.	✓ (Only in respect of changes to GST payable).	✓
Force majeure			
Force majeure	Risk of a defined 'force majeure' event affecting the provision of the services.	✓ (Only to the extent that Motorola complies with its mitigation obligations and its obligations are suspended due to the force majeure event).	✓ (To the extent not borne by the State)
Insurance			
Insurance risk	Risk that insurance cannot be obtained or that premiums increase significantly.	✓ (Only in respect of additional insurance or increased coverage requested by the State).	✓

## 2.4 General obligations of the contractor

There has been no reduction in the general obligations of Motorola under the Extension Contract, when compared to its general obligations under the MDN PSA prior to the date of the Deed of Extension.

Motorola continues to be required to provide all the services necessary for or required in connection with the provision and operation of the MDN (including all ongoing maintenance and support facilities) as detailed in the MDN PSA, including for instance:

- ongoing maintenance and upgrade of the MDN (core system, sites and interfaces) to meet the required performance standards in the MDN PSA. This also includes asset lifecycle services to ensure assets are maintained throughout the term
- provision of MDN terminals and ongoing configuration management for the MDN customers
- ongoing support and maintenance of MDN terminals in the field and operated by the MDN customers
- provision and maintenance of interfaces into MDN from other State voice and data communication networks and CAD
- help desk services to support reported MDN and MDN terminal issues or requests lodged by the MDN customers
- logging of certain data information to support MDN customer information and archiving requirements
- regular reporting on MDN performance and MDN customer use of the MDN.

Motorola's incremental works and service obligations introduced under the Extension Contract include:

- delivering the agreed extension works (including implementation of dual third-party network capability and upgrade of AV's terminal fleet)
- supporting the onboarding of 'bring your own' devices and applications that the MDN customers seek to introduce to use on the MDN
- compliance with enhanced privacy and security obligations, including provision and updating of appropriate security plans and self-assessments
- annual provision of updated documentation in relation to the MDN services
- compliance with an enhanced Customer Specified Service Standards regime.

## 2.5 General obligations of the State

There has been no material change in the general obligations of the State under the Extension Contract, when compared to the general obligations of the State under the MDN PSA prior to the date of the Deed of Extension. New obligations on the State introduced by the Extension Contract are primarily obligations to provide specified MDN customer inputs or notifications to facilitate Motorola's conduct of the extension works or provision of the MDN services.

Under the Extension Contract, the State is obliged to pay the monthly service payment to Motorola, subject to reductions that may apply under the performance regime if services are not delivered to the required standard.

## 2.6 Payment mechanism and performance regime

The State pays Motorola a monthly service payment for the provision of services under the MDN PSA and a mix of lump sum and amortised payments for capital investment (including for instance, agreed extension works and terminal refresh costs).

The service payment is at risk of reduction as a result of certain failures to achieve the performance standards specified in the MDN PSA.

The previous MDN service payment regime was on a nominal basis, with cost exposure due to market indexation transferred to Motorola. An assumed level of risk exposure was therefore priced within the service payment.

To drive better value for money and minimise the State's exposure to risk pricing for costs Motorola is not best placed to manage, the Extension Contract includes minor amendments to the services payment mechanism, as follows:

- monthly services payments have been agreed for the extension term with annual adjustments for:
  - actual annual Consumer Price Index (CPI) and Labour Price Index (LPI)
  - a pre-agreed annual indexation rate reflective of average site lease indexation rates
- all capital costs associated with the agreed extension works (which are to be completed within approximately 18 months of execution of the Deed of Extension) are paid by either lump sum or amortised within the monthly services payments over the initial six year extension term. No annual indexation is applied to these costs
- asset lifecycle works and associated amortised services payments may be reviewed in accordance with agreed principles with reference to the State's notified extension period to apply beyond the initial six year extension term.

## 2.7 Default, termination and step-in regimes

### 2.7.1 Default

Default by Motorola under the Extension Contract will entitle the State to various remedies. The key remedy for which the Extension Contract provides is the requirement for Motorola to remedy the default in accordance with a cure plan within the specified applicable cure period (which, in certain circumstances, may be extended by the State on request by Motorola).

Exceptions to the cure plan requirement apply where the default is not capable of being remedied or cured (in which event the State may instead give Motorola reasonable directions in relation to the default).

Where Motorola:

- commits a material default or persistent non-material default that is not capable of remedy
- fails to remedy a material or persistent non-material default within the required period
- fails to comply with extended rectification obligations in respect of a non-material default

this will give rise to a right for the State to terminate the Extension Contract.

The State may also be entitled to other remedies in the event of default, under the Extension Contract or under the general law (such as the right to be awarded damages).

## 2.7.2 Step-in

The step-in rights of the State (that is, the rights for the State to assume control and management of the whole or any part of the MDN or services), as specified in the Extension Contract, can be triggered when:

- a material default has occurred which, in the reasonable opinion of the State, puts at risk the safety or welfare of the public
- any other event occurs in relation to the performance of the MDN services which, in the reasonable opinion of the State, puts at risk the safety or welfare of the public.

Motorola must reimburse the State for all expenses incurred by the State in exercising its step-in rights. Any such expenditure may be set off by the State against any Service Payments due to Motorola.

## 2.7.3 Termination

The Extension Contract may be terminated by the State as a result of the following:

- certain events of default that give rise to a termination right, as described in section 2.7.1 of this document
- a force majeure event which continues for a continuous period of 28 days following issue of a suspension notice under the force majeure regime
- an intellectual property infringement claim in respect of which Motorola is unable to replace, modify or obtain rights for the State to use the relevant material
- the State exercising its step-in rights for a period of more than 24 months
- a change in Victorian laws or government policy which has the effect of materially prejudicing the ability of the State to continue exercising its rights, and performing its obligations, under the MDN PSA (subject to certain limited exceptions).

Where the Extension Contract is terminated before its expiry (in other words, prior to 20 December 2025 or, where the State has exercised one or more options to further extend the MDN PSA, prior to that extended expiry date), the calculation of the transition payment payable to Motorola (as described in section 2.10 of this document) takes into account the nature of the termination event.

## 2.8 Process for government modification of services or network

The State may, at its sole discretion, request Motorola to implement variations (to the MDN or the services). This includes the ability to remove services from the scope of the MDN PSA. Under the variations regime, Motorola must provide an estimate of the financial impact (calculated in accordance with the variation payment principles) of any variation proposed by the State and any consequential impacts to the MDN or services.

The Extension Contract includes new variation payment principles that provide a greater ability for the State to be provided with transparency over the underlying cost and detailed pricing of variations.

## 2.9 Finance

Motorola financed the original design and build of the MDN without the need to introduce private financing into the contractual arrangements with the State. The original capital cost was then amortised over the contract term and included as part of the State's monthly services payments to Motorola.

The Extension Contract continues with this general approach. The extension works agreed as part of the MDN PSA extension, including the terminal refresh capital costs, are being financed by Motorola. These amounts are amortised over an agreed period of time from the achievement of agreed milestones and included in the State's monthly services payment to Motorola. There are, however, some lump sum payments being made by the State on completion of works to reduce the financing impact.

Motorola's financial commitments and contractual obligations as contained in the MDN PSA are backed by a parent company guarantee issued by its parent company, Motorola Solutions Inc, in the United States of America, in favour of the State of Victoria.

## 2.10 State's rights at expiry or termination of the Extension Contract

The Extension Contract requires Motorola to transfer ownership of MDN assets (which includes hardware, soft-ware licences, site leases and other contracts and records, but excludes certain excluded assets) to the State or its nominee at the expiry or termination of the term of the Extension Contract, except to the extent that the State directs Motorola not to transfer to it some or all of the assets. The hand-back provisions are described in the Extension Contract.

Detailed transition support obligations are set out in the Extension Contract, requiring Motorola to assist the State with transition to another service provider or alternative service at the end of term.

On expiry or termination, a transition payment may be calculated that is dependent on the nature of the event giving rise to the expiry or termination. The calculation of this payment takes into account a number of factors, including the agreed written down value of the assets as at the expiry or termination date, certain costs incurred by Motorola in discharging its transition out obligations, and certain amounts owing to or costs incurred by the State (including any amounts required to reinstate equipment to its required condition). In the event that the transition payment is a negative amount, Motorola must pay that amount to the State.

## 2.11 Audit and inspection rights of the State

The Extension Contract contains contractual rights for the State to be given access the necessary information to conduct audits of Motorola's performance under the MDN PSA.

The Extension Contract sets out the rights for the State and certain third parties (including the Victorian Auditor-General, the Emergency Management Commissioner and the Ombudsman) to audit Motorola's premises, books, records, documents, equipment and other property to the extent they are relevant to Motorola's performance of the agreement.

## 2.12 Other commercial terms within Extension Contract

Summarised below are some of the other new commercial terms that have been introduced into the Extension Contract, which seek to drive better value for money for the State through certainty of priced services and flexibility for the State and MDN customers over the extended term of the MDN PSA.

### 2.12.1 Lifecycle refresh approach

Historically, investment for lifecycle refresh of the assets used to deliver the MDN services has been undertaken at the point a refresh is required, either through a variation under the MDN PSA variations regime or as part of prior MDN PSA extension negotiations.

This exposed the State to uncertainty of costs resulting from such necessary investment to ensure continuity of MDN services at the contracted performance levels, or to obtain the benefits of new functionality.

The Extension Contract now includes a fully priced and contracted asset lifecycle and replacement program to ensure the MDN continues to perform at its high contracted standards over the extension term. Motorola bears the risk of scope, timing and cost of all such works and all asset performance and condition risk of the MDN throughout the extension term (subject to a right to revisit the scope, timing and costs for the purpose of aligning to the State's notified further extension term beyond the initial six year extension term, and to provide for agreed additional works).

The new regime ensures the risk allocation rests with the party best able to manage it, and means that Motorola can coordinate its new broader asset management obligations with its other maintenance and performance obligations under the MDN PSA.

This regime will also be supported by improved transparency and planning in relation to overall asset management.

### 2.12.2 Early transition of a customer off the MDN

The parties agreed to include the right for a customer to transition its operations off MDN to an alternative network or service at any time that there are at least two customers receiving the MDN services. The early transition regime includes obligations for Motorola to assist with the transition equivalent to those provided in relation to transition of all customers at the end of term. The implications of such a transition off would be managed via the variations regime in the MDN PSA.

This provides flexibility for emergency service agencies to migrate their operational communications to new and emerging technologies, if they become available during the MDN PSA term.

For these provisions to be applied, there must be at least two customers using the MDN. At the time of executing the Extension Contract, Ambulance Victoria remains the only agency using the MDN for its infield operations.

### 2.12.3 Early transfer of assets back to the State

The parties agreed to include the right for the State to require the transfer of legal ownership of the MDN assets to the State (or its nominee) during the MDN PSA term, as opposed to such a right being limited to the end of the contract term (as under the MDN PSA prior to its extension). This may facilitate the State also using the MDN assets for other purposes, if appropriate.

In the event of an early transfer of assets back to the State, Motorola would continue to bear the cost of, and be responsible for all maintenance and other obligations under the MDN PSA in relation to, the relevant MDN assets, unless any issues are caused by the State using the assets for another purpose where Motorola has advised the State of such risk (to the extent the risk could be reasonably known by Motorola and the State gave Motorola an opportunity to provide such information).

## 2.13 Current version

This document may be updated from time to time. Please refer to [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au) for the current edition.



# Appendix 1: Glossary

Term	Meaning
AV	Ambulance Victoria
Bring your own (BYO)	Associated with the ability for MDN customers to BYO devices and/or applications to use on the MDN solution
Deed of Extension	the deed of extension, amendment and restatement of the MDN PSA executed by the State, Motorola and Motorola Solutions Inc on 18 December 2019 as part of the Project
DTF	Department of Treasury and Finance
EMOC Program	the Emergency Management Operational Communications Program within EMV
EMV	Emergency Management Victoria
ESTA	Emergency Services Telecommunications Authority
Extension Contract	the MDN PSA, as amended and restated by way of the Deed of Extension
HPD	the purpose built and dedicated 'High Performance Data' network established under the MDN PSA
MDN	Mobile Data Network, the dedicated emergency services data network operated and maintained by Motorola under the MDN PSA
MDN customer	Ambulance Victoria and ESTA (and Victoria Police until 20 December 2019)
MDN Working Group	the working group established for the Project, as described in section 1.4 of this document
MDN PSA	the Mobile Data Network Project Services Agreement between the State and Motorola
Motorola	Motorola Solutions Australia Pty Ltd (ABN 16 004 742 312)
Project	the Mobile Data Network Sole Source Extension Negotiations Project
RFP	the Request For Proposal issued to Motorola in May 2019 as part of the Project
State	the State of Victoria

## Appendix 2: Useful references

Project documentation, including the Extension Contract, is available at:

<http://www.tenders.vic.gov.au>

Partnerships Victoria policy guidance and project information is available at:

<https://www.dtf.vic.gov.au/infrastructure-investment/public-private-partnerships>

Department of Justice and Community Safety website:

<http://www.justice.vic.gov.au>

Emergency Management Victoria website:

<http://www.emv.vic.gov.au>

EMV EMOC Program:

<https://files-em.em.vic.gov.au/public/EMV-web/EM-Operational-Communications-Program.pdf>

## Appendix 3: Key contact details

Department of Justice and Community Safety

Website: <http://www.justice.vic.gov.au>

121 Exhibition Street  
Melbourne VIC 3000  
Phone: (03) 8684 0000

Emergency Services Telecommunications Authority (ESTA)

Website: <http://www.esta.vic.gov.au>

33 Lakeside Drive  
East Burwood VIC 3151  
Phone: (03) 8656 1200

Emergency Management Victoria

Website: <http://www.emv.vic.gov.au>

121 Exhibition Street  
Melbourne VIC 3000  
Phone: (03) 8685 1355

Partnerships Victoria

Website: <http://www.dtf.vic.gov.au>

Department of Treasury and Finance  
1 Treasury Place  
East Melbourne VIC 3002  
Phone: (03) 9651 5111

