

Small Business Subcontracting Plan

NORTHROP GRUMMAN CORPORATION
INTEGRATED SYSTEMS AIRBORNE GROUND SURVEILLANCE AND BATTLE
MANAGEMENT SYSTEMS
MASTER SUBCONTRACTING PLAN
FOR
SMALL BUSINESS, SMALL DISADVANTAGED BUSINESS,
WOMEN OWNED SMALL BUSINESS, VETERAN, SERVICE DISABLED VETERAN,
HUB ZONE SMALL BUSINESS CONCERNS, AND
HISTORICALLY BLACK COLLEGES AND UNIVERSITIES/
MINORITY INSTITUTIONS

PERIOD COVERED: 1 FEBRUARY 2003 -31 JANUARY 2006

REVIEWED BY:

/s/

Barbara Gaines
Assistant Director of Small Business DCMA
Orlando

February 6, 2003

APPROVED BY:

NORTHROP GRUMMAN CORPORATION
INTEGRATED SYSTEMS SECTOR



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February 6, 2003



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**MASTER SUBCONTRACTING PLAN
1 FEBRUARY 2003 – 31 FEBRUARY 2006**

INTRODUCTION

Northrop Grumman fully endorses the Federal Government's laws and initiatives which are designed to enhance and increase participation of Small Business (SB), Small Disadvantaged Business (SDB), Women Owned Small Business (WOSB), Veteran Owned (V), Service Disabled Veteran Owned (SDVB), Historically Black Colleges and Universities (HBCU) and Minority Institutions (MI's) and HUBZone (HZ) Small Business Concerns in the Government contracting process.

It is Northrop Grumman's policy to actively support this effort by giving small businesses the maximum practicable opportunity to participate in Northrop Grumman's Procurement process and to exert special efforts to bring SDB's, WOSB's, V's, SDVB's, HBCU's/MI's and HZSB's into the mainstream of business as viable suppliers in support of the intent of Public Law 95-507.

All Northrop Grumman personnel involved in the procurement process will be indoctrinated to be sensitive to our obligations and to be alert for subcontracting opportunities to such concerns. Additionally, Northrop Grumman will participate in training workshops, Federal and private sector procurement conferences, seminars and trade fairs in furtherance of the Government's Small Business requirements.

The responsibility for implementation of these programs is borne by Northrop Grumman Corporate and Sector Officers, Program Vice Presidents, Department Directors, and all those in supervisory positions.

SUMMARY

This policy reflects Northrop Grumman's commitment to ensure compliance with the intent of the appropriate Public Laws as implemented by FAR 52.219-9 and the incentive program for subcontracting with Small Business (SB), Small Disadvantaged Business (SDB), Women Owned Small Business, (WOSB), Veteran Owned Business (V), Service Disabled Veteran Owned Business (SDVB), Historically Black Colleges and Universities (HBCU)/ Minority Institutions (MI's) and HUBZone Small Business concerns. Northrop Grumman's policy requires adherence to DOD's objective of placing a 5% goal with SDB, HBCU/MI's and WOSB as prescribed in DFARS 252.219-201 and a 23% goal for Small Business pursuant to Public Law 105-135 and the NASA mandated goal of 8% of contract award to SDB, HBCU and MI's pursuant to Public Law 101-144. In addition, Northrop Grumman ISS AGS/BMS will put forth best efforts for compliance with HUBZone business goals of 3.0% in 2003 and beyond, and Service Disabled Veteran Business goals of 3.0% in 2003 and beyond.

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This Master Subcontracting Plan will be updated as necessary to reflect any changes implemented by Federal Requisition Regulations in accordance with FAR 19.704(b).

SUBCONTRACTING PLAN DETAILS

This Master Subcontracting Plan is established under FAR 52.219-9(d) and is fully compliant to FAR 52.219-9.

NOTE: Certain entities within Northrop Grumman Corporation may elect to submit other approved Subcontracting Plans in support of specific proposal activities.

The following address FAR 52.219-9(d) in paragraph order:

- (1) **PERCENT GOALS**
Percent goals for each individual contract action, as required, are shown on its "Individual Subcontracting Plan" addendum.

- (2) **STATEMENT OF PLANNED SUBCONTRACTING DOLLARS**
Dollars planned to be subcontracted to LB, SB, SDB, WOSB, HZSB, V, SDVB, and Total are shown on the "Individual Subcontracting Plan" addendum.

- (3) **PRINCIPAL TYPES OF SUPPLIES AND SERVICES**
Potential principal product areas to be subcontracted in support of our products include, but are not limited to:

Machined Parts
Raw Materials
Castings
Forgings
Fixed Assets and Capital Equipment
Technical Services and Publications
Maintenance, Repair and Operating Supplies
Aircraft Hardware
Avionics
Airborne Mechanical Equipment
Structures
Subsystems
Major Systems

- (4) **METHOD USED TO DEVELOP GOALS**

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Compliance with the intent of Public Laws 95-507, 99-661, 100-180, 101-144 and 100-656, require goals to be established for the maximum practicable opportunities based on the potential that may exist for SB, SDB, WOSB, HZ, V, and SDVB small business concerns.

This is accomplished in the following manner:

- 1) Review past history of similar buys and identify whether the award went to SB, LB, SDB, WOSB, V, SDVB and/or HZSB.
- 2) Buys identified to large business are reviewed to determine whether they fall within the potential of known SB, SDB, WOSB or HZSB, V, SDVB and goals established accordingly.
- 3) High dollar list for each proposal, not previously procured will be reviewed by the business area SBLO and knowledgeable purchasing personnel to identify whether there is potential for utilization of SB, SDB, WOSB and HZSB, V, and SDVB.
- 4) Material items not on the high dollar list, Northrop Grumman will apply percentage figures for SB, SDB and WOSB, HZSB, V, and SDVB which have been statistically derived from previous activity.

In establishing goals, Northrop Grumman will review potential awards to SB, SDB, WOSB and HZSB, V, and SDVB not utilized in the past, and goals will reflect this endeavor wherever possible.

Indirect SB/SDB/WOSB/HZSB/LB/V/SDVB will be included in goals and further addressed in Paragraph (6), Indirect Costs. HBCU's and MI's, where applicable to individual Subcontracting Plans, will be reflected and included in the SDB goals.

(5) IDENTIFICATION OF POTENTIAL SOURCES

Northrop Grumman has established extensive libraries and/or databases of potential SB, SDB, WOSB, HZSB, V, and SDVB sources. These include, but are not limited to:

- 1) A file and computer record of each potential SB, SDB, WOSB, V, SDVB and HZSB concern that has submitted information for consideration. Included in this file, is the appropriate Procurement Manager's written review of the potential or immediate need.
- 2) Commercial and Government source directories utilized in establishing potential bidders lists.
- 3) "TRY US," National Minority Business Directory
- 4) New York/New Jersey, Southern California, Dallas/Fort Worth, TX, Florida and other Minority Purchasing Council supplier directories.
- 5) All DCMA and SBA referrals receive consideration and are established in our file and computer records.

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- 6) Northrop Grumman representatives attend Federal and local procurement conferences, seminars, trade fairs, and other functions to seek out qualifiable SB/SDB/WOSB/HBCU/MI/HZSB/V/ and SDVB concerns.
- 7) SBA's PRO-Net internet database of small business concerns.
- 8) NAFFEO and MOLIS websites for HBCU/MI information.

(6) INDIRECT COSTS

Programming has been developed to identify overhead and indirect procurement associated in support of direct material. The intent is to allocate those overhead and indirect procurements to direct material dollars. The indirect allocation methodology is addressed below and will be recorded in each submittal of form SF295 Summary of Subcontracting Report.

Many small, small disadvantaged, and women-owned small business concerns are primarily involved in furnishing maintenance, repair or operating supply material and service rather than direct contract production material. The ISS Sector will use the same effort to utilize these firms as it would on a direct contract item. The method of incorporating the proportionate share of such costs is as follows, but may deviate slightly across the Sector:

- 1) At the end of each six-month reporting period for SF295 reporting, each contract's direct P.O. commitment awards will be recorded and a determination made as to what percent of grand total each contract represents.
- 2) The total P.O. commitment awards for indirect and overhead materials and services, and the respective amount of small, SDB, V, SDVB, HZ and WOSB P.O. commitment awards will also have been recorded.
- 3) Each contract will then receive the proportionate share of the commitments in 2) as that contract is of the total direct commitments.

Individual contract allocation for indirect will be addressed further in the Individual Subcontracting Plan Addendum for each business area of Northrop Grumman - Integrated Systems Sector.

(7) SUBCONTRACT PLAN ADMINISTRATION

Ms. Gloria Pualani, Corporate and Sector Director of Socio-Economic Business Programs will administer Northrop Grumman's Subcontracting Program for the Integrated Systems Sector. Per Sector Policy P02, Procurement For Small Business Subcontracting, "...is responsible for the direction, management, and operation of these programs throughout the Sector and in this capacity reports

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directly to the Sector Vice President - Materiel." Ms. Pualani is the ISS Sector, Small Business Liaison Officer (SBLO) with a direct line to Northrop Grumman top materiel management.

The duties of the Small Business Liaison Officer (SBLO) and alternate business area SBLO's are to actively seek qualified Small, Small Disadvantaged, Women Owned Small, V, SDVB, HBCU/MI and HUBZone firms who can compete for subcontracts (in accordance with Government and Northrop Grumman specifications), and can assure on-time delivery of acceptable products/services at competitive prices.

In addition, each business area's Socio-Economic Business Program (SEBP) office will furnish advice and assistance to SB, SDB, WOSB, V, SDVB, and HZSB concerns, assist with surveys of prospective sellers and acquaint them with the Northrop Grumman Procurement Organizations. A Sector Advocate has been designated for HBCU's and MI's, responsible for subcontracting activities, mutual education support, grants and scholarships.

Each business area SEBP office maintains all small, small disadvantaged, women owned small, HBCU/MI, V, SDVB and HUBZone small business records which allows monitoring of goals, and has a direct line to all procurement managers for goal review progress meetings. In furtherance of the Socio-Economic Business Program, each business area SBLO represents his respective Northrop Grumman operating unit in relations with local and national business organizations who promote the interest of SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concern activities.

(8) EQUITABLE OPPORTUNITY EFFORTS

Northrop Grumman Corporation will assure that SB, SDB, WOSB, V, SDVB's, HBCU/MI's and HZSB concerns will have an equitable opportunity to compete for subcontracts, by arranging solicitations, time for preparations of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of SB, SDB, WOSB, V, SDVB's, HBCU/MI's and HZSB concern activities.

Northrop Grumman has established an aggressive Socio-Economic Business Program designed to increase the amount of SDB, WOSB, HBCU/MI, V, SDVB, and HZSB concerns and commitments to whom we award purchase orders.

Requests for quotation over \$2,500 where no acceptable SB, SDB, HBCU/MI's, V, SDVB, WOSB or HZSB concerns are to be solicited, must be thoroughly documented with the override approval form (Procurement Document Approval Record) with written concurrence by either Procurement Management or the business area SBLO regarding reasons for non-solicitation.

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Training programs have been initiated for all Procurement and other appropriate personnel to acquaint them with corporate policies and procedures regarding support of SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concerns subcontracting efforts, our contractual obligations to seek out the use of these sources when approved, and the need for continuous efforts to develop such qualifiable sources of supply. This program will be conducted each calendar year to assure that a positive awareness exists and that new personnel are knowledgeable of Northrop Grumman's obligations to the Socio-Economic Business Program.

NIB/NISH - Northrop Grumman Integrated Systems Sector will utilize best efforts to afford subcontracting opportunities to firms affiliated with National Institute For the Blind and The National Institute For the Severely Handicapped (NIB/NISH) organizations. This will be accomplished by considering the type of activity to be subcontracted and the potential pool of suppliers affiliated with NIB/NISH. NIB/NISH subcontracting awards will be included in SB achievement reporting on both SF295 and SF294 where applicable.

The ISS Sector, Socio-Economic Business Programs, Manager is a member of the business area Make-or-Buy committee and cognizant of opportunities that may arise for SB, SDB and WOSB, V, SDVB, concerns.

Northrop Grumman encourages SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concerns to solicit business opportunities with Northrop Grumman by providing the following guidance and assistance to such concerns as:

- 1) General and specific assistance in development of management techniques and methods to help ensure SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concern ability to compete;
- 2) Introduction to SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concern personnel and capability to individuals in functional organizations who generate requirements for products or services;
- 3) Facilitate SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concern ability to respond to Invitations to Quote by means of bidders' conferences, meetings, adequate bid response times, etc.;
- 4) Arranging on-site interface meetings with SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concerns to exchange information and improve communications;
- 5) Participate in SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concern business conferences and trade fairs;
- 6) Referring new information on potential SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concerns to Procurement and other appropriate personnel;
- 7) Listing SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB backup (facility profiles, etc.) for Procurement personnel use in the SEBP Office files;

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- 8) Providing assistance and training to buyers, management and others in achieving the objectives of the SB, SDB, WOSB, V, SDVB, HBCU/MI's and HZSB concern subcontracting programs;
- 9) Technical Assistance to Small Disadvantaged Business Concerns shall include, but not be limited to:
 - A) Assistance in interpreting drawings by cognizant Northrop Grumman personnel.
 - B) Assistance in establishing quality control standards.
 - C) Assistance in locating/providing material.
 - D) Visits by appropriate Northrop Grumman personnel as required to check progress and assist where needed.
- 10) Efforts to restrict competition to Small Disadvantaged Business Concerns shall be accomplished by the following:
 - A) Procurement personnel are encouraged to award procurements of up to \$2,500 without competition to qualified Small Disadvantaged Business Concerns if prices are deemed fair and reasonable.
 - B) Establishing SPLIT AWARDS by dividing subcontracts to multiple sources in order to allow SDB, HBCU/ MI's, WOSB, V, SDVB and HZSB concerns to provide a portion.
 - C) Establishing MENTOR-PROTEGE PROGRAMs to provide assistance to SDB and HBCU/ MI's to enhance their capabilities in order to increase their participation in Government contracts.

(9) FLOW DOWN REQUIREMENTS

Procurement personnel will include the "Utilization of Small Business Concerns," clause in all subcontracts, which offer further subcontracting opportunities in accordance with FAR 52.219-8. In addition, Northrop Grumman will require our first tier subcontractors (except Small Business) receiving awards of \$500,000 or \$1,000,000 for construction of any public facility to submit a plan in consonance with the "Small Business Subcontracting Plan" clause per FAR 52.219-9. Furthermore, each plan must receive written concurrence from the business area SEBP office before release of any purchase order or contractual commitment. This written concurrence will reside in the purchase order folder, and the plan will be incorporated into the purchase order.

(10) REPORTS

Northrop Grumman, Integrated Systems Sector will submit periodic reports and cooperate with the Contracting Officer in any studies and surveys as may be required by the Contracting Agency or the Small Business Administration in order to determine the extent of compliance with the subcontracting plan

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including Standard Form (SF) 294 Subcontracting Report for Individual Contracts, and SF 295, Summary Subcontract Report.

(11) **RECORDS**

Detailed records are maintained in the Northrop Grumman business area Socio-Economic Business Programs Office and are available on site to the Customer, DCMA and the Small Business Administration for review.

Examples of some records available consist of such information as:

- 1) A file on each potential seller who has approached Northrop Grumman for consideration. Such information may include the name of the Procurement contact(s) given and other remarks regarding immediate need.
- 2) Listing of all business conferences and trade fairs attended.
- 3) Records indicating ongoing training sessions with all procurement groups.
- 4) Files indicating technical assistance, management assistance and financial assistance, i.e., progress payments, etc., rendered.

Corporate Procurement's written procedures have been adopted to comply with the policies set forth in FAR 52.219-9. This includes the establishment of a source list of SB, SDB, WOSB, V, SDVB and HZSB concerns and a monthly report of awards to SB, SDB, WOSB, V, SDVB and HZSB concerns on the source list. All active sellers are interrogated periodically to update their size and ownership classifications. Note: All SDBs must be certified by the SBA in order to be reported as such on new contracts after October 1, 1999. The self-certification forms contain a notification of the potential penalties and remedies called out in FAR 52.219-9(E)(4) for misrepresentation of a firm's status as a SB, SDB, WOSB, V, SDVB and/or HZSB Concern. Their responses are then coded and published in the business area Supplier Directory. These codes are found in the Master Supplier Directory identifying Northrop Grumman, Integrated Systems Sector business area suppliers and appears on all commitment reports utilized for reporting statistics to the Customers, DCMA and the Small Business Administration.

Additionally, each purchase order issued requires an award code to be entered, which describes the rationale of the award. On awards over \$2,500, a justification must be included in the purchase order file giving details of the award and the necessary backup data which consists of the Request For Quotation which lists all bidders who were selected, and rationale for the selection. In addition, if a WOSB, SDB or HZSB, V, and SDVB concern was not asked to bid, an explanation is contained in the purchased order file.

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Introduction to Individual Subcontracting Plan

The Individual Subcontracting Plan provided herein reflects a zero percent small business goal. The proposed NTE Pre-SDD effort does not involve the purchase of any significant material items. Although we will have major subcontracts with Raytheon Company and The Boeing Company, these subcontracts will involve their labor efforts (versus materials). Further, much of the labor efforts that are performed by Boeing and Raytheon are associated with proprietary aircraft and radar designs. We will endeavor to find opportunities to procure materials or services from small business concerns during the definitization process. However, if these opportunities fail to materialize, we request PCO approval to meet only the zero percent goal proposed in the Individual Subcontracting Plan. As always, Northrop Grumman remains committed to providing the maximum practicable opportunity for small/small disadvantaged businesses to participate in the performance of our Government contracts. We anticipate meeting our goals during the SDD portion of the program, which will involve procurement of materials and/or services that can potentially be acquired from small or small disadvantaged businesses. We additionally advise you that Northrop Grumman AGS/BMS meets or exceeds the Small Business goals in every category as a site and a majority of our indirect procurements are awarded to one of the six small business categories of suppliers.

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**NORTHROP GRUMMAN
INTEGRATED SYSTEMS SECTOR
AIRBORNE GROUND SURVEILLANCE & BATTLE MANAGEMENT SYSTEMS
SMALL BUSINESS
INDIVIDUAL SUBCONTRACTING PLAN**

This Individual Subcontracting Plan is in accordance with FAR 19.7, FAR 52.219, DoD FAR supplements thereto, Public Law 95-507 and Public Law 99-661. It hereby incorporates, by reference, the approved Master Subcontracting Plan having an effective period of February 1, 2003 - January 31, 2006, and for the life of any contract awarded to Northrop Grumman Integrated Systems Sector-Airborne Ground Surveillance/Battle Management Systems during the same period of time.

There are no known Small, SDB, WOSB, HZ, Vet, or SDVB suppliers of parts and or services as required for this Bill of Material

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HUB ZONE SMALL BUSINESS

LARGE BUSINESS

VETERAN OWNED BUSINESS

SERVICE DISABLED VETERAN

Raytheon, Boeing

NORTHROP GRUMMAN SYSTEMS CORPORATION
INTEGRATED SYSTEMS SECTOR
SURVEILLANCE AND BATTLE MANAGEMENT SYSTEMS

Neil Mullins 03/11/03

Neil Mullins, Small Business Liaison Officer