

SAAQ ERP Project

TCO Calculation Explanation

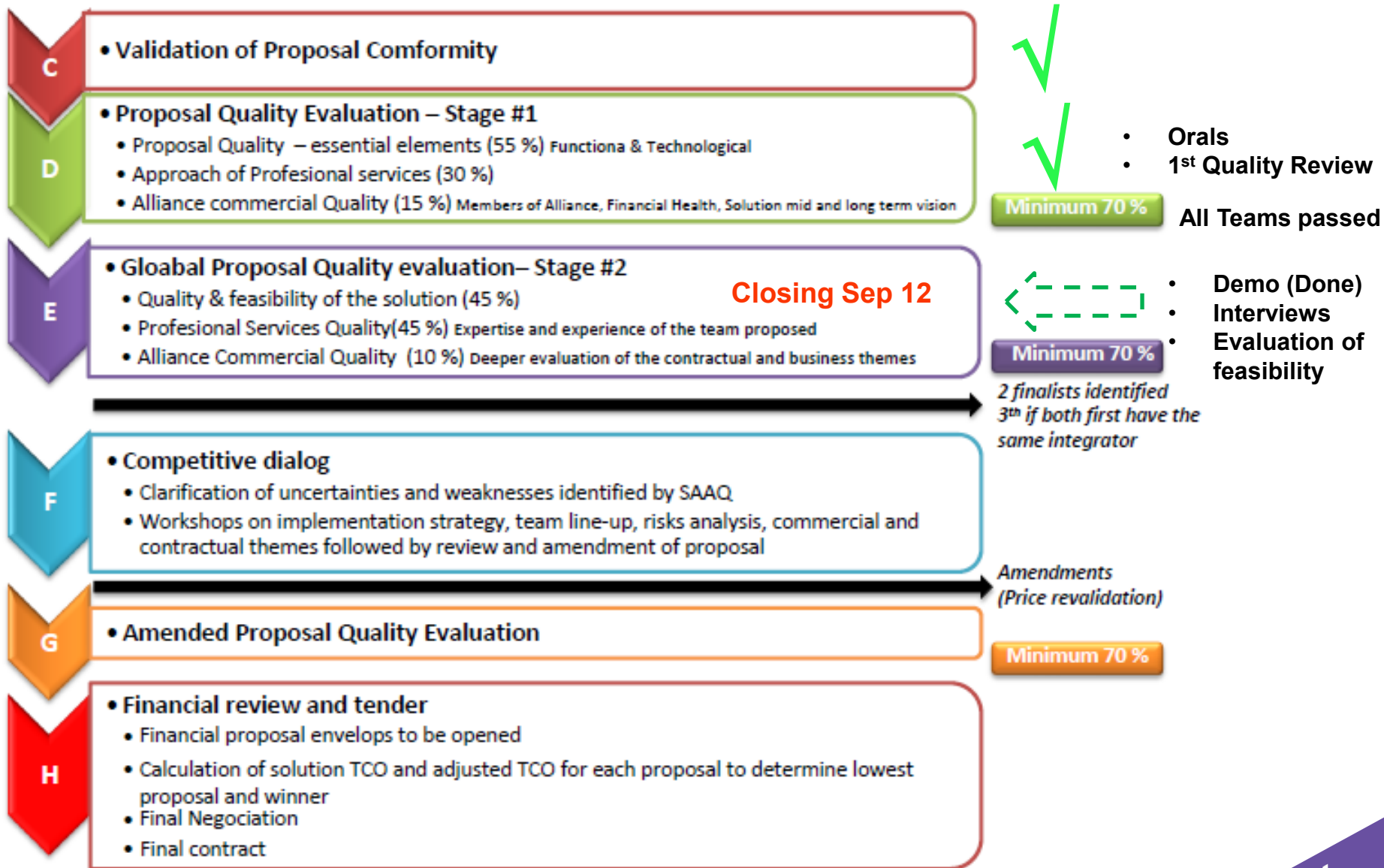
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(Confidential)



SELECTION PROCESS (Steps C to H)

RFP « C » Business Solution & Professional Services



- **Total Cost Ownership** is composed, actualized at a 5.3% rate, of :
 - All cost of the solution acquisition
 - Section A : ERP Licences
 - Section B : Infrastructure HW and SW
 - Section C : Professional Services
 - and financial value of the solution benefits
 - % of benefits to be applied on each delivery costs
 - \$ annual benefits to be added to TCO
- **Adjusted TCO**
 - Adjustment based on quality results
 - Adjustment factor = $1 + 0.5[(\text{Quality note}-70)/30]$
 - If Initial TCO positive
 - *Adjusted TCO = TCO / Adjustment factor*
 - If Initial TCO negative (more benefits than costs)
 - *Adjusted TCO = TCO * Adjustment factor*
- *Alliance* with lowest adjusted TCO will go in final negotiations with SAAQ for tender

TCO As It Potentially Looks Like Entering Stage F

SAAQ TCO Calculation	IBM/LGS/SAP Proposal			
	IBM/LGS Pricing	SAAQ Efforts	Deloitte	CGI
Final Adjusted Quality Score	85%		80%	71%
Revised Pricing				
IBM Implementation Efforts	\$ 250,512,790		\$ 200,000,000	\$ 120,000,000
IBM Maintenance Efforts	\$ 44,000,000		\$ 30,000,000	\$ 20,000,000
SAAQ Efforts		\$ 128,162,400	\$ 100,000,000	\$ 80,000,000
Hardware	\$ 37,046,555		\$ 40,000,000	\$ 40,000,000
Software (SAP/IBM)	\$ 83,782,512		\$ 79,000,000	\$ 35,000,000
Financial Reserve ROM (CoE / ALM)	\$ 5,305,000		\$ 3,000,000	\$ 15,000,000
Contingencies	\$ 22,355,000	\$ 8,365,008	\$ 15,000,000	\$ 10,000,000
Total Pricing	\$ 443,001,857	\$ 136,527,408		
Grand Total Pricing		\$ 579,529,265	\$ 467,000,000	\$ 320,000,000
(Minus Calculated Benefits)		\$ 300,000,000	\$ 250,000,000	\$ 150,000,000
Calculated TCO		\$ 279,529,265	\$ 217,000,000	\$ 170,000,000
Adjustment Factor				
1+0.5[Quality Score-70/30]		1.25	1.17	1.02
Adjusted TCO		\$ 223,623,412	\$ 186,000,000	\$ 167,213,115
Alliance with lowest adjusted TCO wins				

- Includes 10% risk sharing applicable LOE part of the Implementation costs
- Calculation of benefits is a completely subjective exercise

Potential TCO after Stage G

SAAQ TCO Calculation	IBM/LGS/SAP Proposal			
	IBM/LGS Pricing	SAAQ Efforts	Deloitte	CGI
Final Adjusted Quality Score	85%		80%	71%
Revised Pricing				
IBM Implementation Efforts	\$ 240,000,000		\$ 200,000,000	\$ 120,000,000
IBM Maintenance Efforts	\$ 40,000,000		\$ 30,000,000	\$ 20,000,000
SAAQ Efforts		\$ 128,162,400	\$ 100,000,000	\$ 80,000,000
Hardware	\$ 37,046,555		\$ 40,000,000	\$ 40,000,000
Software (SAP/IBM)	\$ 83,782,512		\$ 79,000,000	\$ 35,000,000
Financial Reserve ROM (CoE / ALM)	\$ 5,305,000		\$ 3,000,000	\$ 15,000,000
Contingencies	\$ 15,000,000	\$ 8,365,008	\$ 15,000,000	\$ 10,000,000
Total Pricing	\$ 421,134,067	\$ 136,527,408		
Grand Total Pricing		\$ 557,661,475	\$ 467,000,000	\$ 320,000,000
(Minus Calculated Benefits)		\$ 350,000,000	\$ 250,000,000	\$ 150,000,000
Calculated TCO		\$ 207,661,475	\$ 217,000,000	\$ 170,000,000
Adjustment Factor				
1+0.5[Quality Score-70/30]		1.25	1.17	1.02
Adjusted TCO		\$ 166,129,180	\$ 186,000,000	\$ 167,213,115
Alliance with lowest adjusted TCO wins				