

Letter to J Robert Kramer II
March 12, 2003
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the payload contractor, including electrical, mechanical, and software specifications. Final integration/test and delivery of the complete Radar payload to the prime systems integrator is also the responsibility of the radar payload contractor.

There are few competitions in payloads for reconnaissance satellite systems. Should Northrop's satellite business have responsibility for payload systems integration, they would impact payload providers in a substantive and material way, relegating the payload provider to a parts supplier role. Should Northrop Grumman combine its payload integration capability and its prime satellite system integration capability, the combination will be difficult if not impossible to undo after the fact for the upcoming competitions. Such combination of the two capabilities would undermine the purpose of the Consent Decree and cause the very anti-competitive harm the Consent Decree is intended to prevent.

Raytheon also requests explicit confirmation that the Northrop Grumman Space Systems Division ("NGSSD") is part of the Northrop Grumman Payload Business under the Consent Decree. This business, formerly the Electronics and Information Systems Group of Aerojet-General, provided "sensing solutions" for SBIRS High, among other programs. NG Press Release dated October 22, 2001 (copy attached). See also NG Press Release dated April 9, 2001, in which Northrop stated that the EO sensor (FPA) for SBIRS High was delivered to Aerojet's production facility in Azusa, Calif., where it was to be integrated into the overall *payload* for SBIRS High (copy attached).³

NGSSD, the former Electronic and Information Systems Group of Aerojet-General is now part of Northrop's Electronic Systems sector, the sector that also contains Northrop's Baltimore payload operations. Prior to Northrop's acquisition of the former EIS Group of Aerojet, Raytheon entered into a teaming agreement with the business to seek opportunities jointly for payload business from then-TRW. In its efforts to obtain approval of that acquisition, Northrop committed to take specific actions to protect Raytheon's proprietary and competitively sensitive information. In doing so, Northrop recognized the important payload roles of the former Aerojet business.⁴

MERCHANT SUPPLIER OF SATELLITES:

The Consent Decree mandates a separation between the Northrop Satellite Prime Business and the Northrop Payload Business, Consent Decree Section IV.F., and requires that the Northrop Payload Business offer its payload to other satellite prime contractors on a non-discriminatory basis. Consent Decree Section IV.B. This is necessary to ensure a fair competitive process for prime contracts. The assumption that the satellite manufacturer will serve as prime contractor is consistent with prior practice in this market, where satellite manufacturers typically bid programs as prime and team with or competitively select payload providers. This approach is not required by the terms of the Government's Requests for Proposals and may not continue to be the norm in the future, however.

³ Other examples of payload competitive activity by NGSSD include: (1) GOES payload trade studies; (2) Advanced Technology Microwave Sounder program for NOAA; (4) Advanced Microwave Sounding Unit; and (5) Defense Support Program.

⁴ Notwithstanding an exclusive arrangement between Raytheon and Aerojet, now NGSSD, NGSSD recently informed Raytheon it would not respond to a Request for Information to pursue a Payload opportunity on the STSS Program but intends to work with Northrop's payload business in an offering competitive with Raytheon's offering.