

CONNECT (X)

Budgeting, Capital Expense and Cost of Ownership in an LTE World

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Budget Planning; From LMR to LTE

- > Typical LMR procurement is a long term ownership model with both system and equipment being a Capital Expense
- > For most agencies LTE will be mostly a “Service Model” treated as an Operational Expense
 - > System Access as a Service (OpEx)
 - > Either a relatively short term ownership for the subscriber equipment (CapEx or OpEx)
 - > Interface System procurement (CapEx)



CapEx vs. OpEx

- >Capital Expenditure (CapEx)
 - >A product or system with durable asset value beyond the current budget cycle
- >Operational Expense (OpEx)
 - >A product or service with a value consumed (or mostly consumed) within the budget cycle



Why Does This Matter?



Capital Expenditure (CapEx)

- > Capital Expenditure (CapEx)
 - > A product or system with durable asset value beyond the current budget cycle
- > CapEx is typically addressed as a “one time” expense
- > Return from funding is anticipated to be “long term”
- > Each cycle funded separately
 - > Funding of one cycle does not assure funding of the next
- > Funding sources change between cycles
- > Next cycle is often not even considered



Operational Expense (OpEx)

- > Operational Expense (OpEx)
 - > A product or service with a value consumed (or mostly consumed) within the budget cycle
- > OpEx is typically addressed as an ongoing expense
- > Return from funding is typically exhausted during the funding cycle (or 2)
- > Continuing funding is expected cycle to cycle
 - > Funding cycles are usually based off previous cycle
 - > Funding is usually expected for the following cycle
 - > Funding source may change over time
 - > Typically similar between cycles



“System” Costs

- > LMR - CapEx Model
 - > Higher Initial Cost
 - > Long Term Return on Value in Equipment
 - > Moderate Recurring Costs

- > LTE - OpEx Model
 - > Lower Initial Costs
 - > Primarily Recurring Costs
 - > Ongoing Value Requires Ongoing Costs



LMR “System” Costs

- > Infrastructure procurement and deployment
 - > 12 to 25 year cycle
- > Infrastructure maintenance and operation
 - > Ongoing
- > Subscriber procurement and deployment
 - > 5 to 15 year cycle
 - > Subscriber replacement anticipated
 - > Often not “budgeted”
- > Subscriber maintenance and operation
 - > Ongoing



LTE “System” Costs

- > Service/Usage (Infrastructure)
 - > Service Agreement
 - > Ongoing
- > Interface procurement and deployment
 - > Interface maintenance and operation
 - > May be long term
- > Subscriber procurement and deployment
 - > 1 to 3 year cycle
 - > Subscriber maintenance and operation
 - > Subscriber replacement
 - > Needs to be planned and budgeted



What to Do



Start your Planning and Budgeting

- > Evaluate your current budget and funding plans
- > Look for opportunities to align future budgets and funding to anticipated needs
 - > Capital and Operational
- > Set reasonable expectations
 - > LTE will not replace LMR in the short/medium term
 - > Parallel, interfaced, and/or merged systems will be the norm
 - > LMR and LTE will need to be supported concurrently
 - > Don't assume LTE will reduce costs



Q&A - DISCUSSION



For More Information

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Thank You!!

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