

1 ANSON FRANKLIN: Good afternoon. This is
2 Anson Franklin with the National Nuclear Security
3 Administration. And this is on-the-record press
4 briefing about the proposal for the Los Alamos
5 National Laboratory which has been posted on this web
6 site.

7 All of you on this call should have received
8 by email our press release. If not, you'll get it
9 shortly. You can go to the NNSA web site, it's
10 nnsa.doe.gov, which will give you a link to the site
11 that has both the press release and the request for
12 proposal.

13 Your briefer today is Tyler Przybylek, he's
14 the chairman of the source evaluation board, he is the
15 former general counsel for NNSA. For those of you who
16 want to know and haven't seen the press release, his
17 last name is spelled P-r-z-y-b-y-l-e-k.

18 A reminder, if you will please put your
19 phones on mute so that background noise doesn't
20 overwhelm our system here. Tyler will have some
21 opening remarks and then we will take some questions.
22 We ask that you identify yourself and your

23 organization when you ask a question. Go ahead,

24 Tyler.

25 TYLER PRZYBYLEK: Good afternoon or good

1 morning depending on which time zone you're in. Today
2 is an important day for my board and I hope for the
3 lab in that we're moving forward with our first
4 competition in 60 some years.

5 The board was put together about a year ago
6 to prepare this request for proposal. We issued a
7 draft in December of last year. We've had
8 approximately 25 what are termed one-on-ones with
9 either corporations or universities or entities
10 interested in proposing on this request for proposal.

11 And I will tell you that the final request
12 for proposal has some significant differences from the
13 draft that we published in December let me tell you
14 first of all what our overall approach and our goal to
15 preparing this document is.

16 We, the board, and our selection official
17 firmly believe that the overriding concern of the
18 board must be that we get a management and operating
19 contract that promotes excellence in science,
20 technology, research and development at Los Alamos
21 National Lab because that's the reason why the lab is

22 there. So in our RFP you'll see our emphasis

23 reflected.

24 For example, in section M, where we have the

25 evaluation criteria, and this is how we signal to the

1 competing community what's important to us and how
2 we're going to evaluate the proposals. So you'll
3 notice, for example, science and technology has 325
4 points out of 1,000.

5 You'll also notice at the second largest
6 number of points, 250 points, is in the personnel, the
7 key personnel who will be managing the lab. And we
8 think that the -- and this is a change from our draft
9 RFP. We think that the two of those together will
10 maintain the traditional emphasis and excellence of
11 Los Alamos National Laboratory, bring the strongest
12 team in to lead the laboratory into the future. So
13 that's number one.

14 Number two, there should be a theme that
15 you'll see that says superb sciences is enabled by
16 excellent operations and good business systems. And
17 so we're following the recommendation we got from the
18 National Academy of Sciences that emphasizes great
19 science but says balance and integrated with
20 excellence in operations and good business. And
21 you'll see that operations gets 175 points in the

22 evaluation criteria and business 75.

23 So we hope that, as you look at our RFP,

24 you'll see that the section M criteria and the

25 instructions in section L actually communicate what's

1 important to us and how we're going to evaluate the
2 proposals.

3 We expect to receive proposals 60 days from
4 today. That would be July 19. That is a shortening
5 of the period that we published in one of the concept
6 papers we posted on our web site. And the reason for
7 that is that the majority of firms in the last
8 one-on-one interactions with us asked for a 60-day
9 period rather than a 90.

10 There are a couple of areas in the RFP I want
11 to point your attention to because they've been the
12 subject of a lot of discussion, both in the press and
13 privately, and to some degree are controversial. The
14 first of which I'll mention is fee.

15 People realize that the University of
16 California, our incumbent, has been doing this
17 contract recently for a maximum available fee of \$8.7
18 million. What you will see in the RFP released today
19 is that we're asking our proposers to propose a
20 maximum available fee between 53 and 79 million
21 dollars.

22 That's a good sign, I didn't hear any gasps.
23 As you well imagine, that's a significant increase in
24 the amount that we're willing to pay to have this job
25 done.

1 I think you should take this as an indication
2 that the way proposals are going to be put together
3 requires additional compensation for what we think
4 will be the excellent resources brought to the
5 laboratory.

6 And we think that, over the first seven years
7 of the contract, you will see great differences in how
8 the lab is operated, no matter who wins, because, as
9 you know from what's been published, you know, there
10 were proposal teams put together who will hopefully
11 offer us superb proposals to take the lab into the
12 future with us.

13 So you're probably wondering, because many
14 people have, they say why do you have a minimum and a
15 maximum fee. The government never puts a minimum.
16 Part of our task, in addition to what I've said
17 foregoing, is that we're supposed to and the statute
18 requires that we have full and open competition.

19 And so we're concerned that people who want
20 to compete see that under the current contract there's
21 \$8.7 million available in fee that can be earned. And

22 our concern and, therefore, we inserted the minimum
23 was that some might not bid, not because they didn't
24 think they could do a great job, not because they
25 couldn't take the lab into the future, but that they

1 would be afraid that they could never win because of a
2 bid down in the competition.

3 And so we've established what we think is a
4 reasonable floor and we've established a reasonable
5 ceiling. And we think that all the concerns of people
6 who have talked to us are satisfied within that
7 minimum and maximum within which people can propose a
8 fee.

9 We also have taken seriously the concerns
10 that we've heard from current employees and from our
11 retired employees from Los Alamos National Lab.

12 In simple form the retirees, we'll see in the
13 contract that they will be provided retiree medical
14 benefits that are substantially equivalent to what
15 they have today. And they have the government's
16 commitment to continue that.

17 With respect to current employees, we have
18 listened and heard that employees are concerned about
19 moving from the University of California retirement
20 plan to a stand-alone follow-on plan with whatever
21 firm wins the contract.

22 We also heard that people might want to
23 exercise their option of retiring or exercise their
24 option of vesting or freezing their benefits in the
25 university plan if and when they move to the new

1 contractor.

2 So the request for proposal will accommodate
3 each of those interests that we heard from current
4 employees. So that, in a very -- and I'll try not to
5 complicate this thing for a general audience. But
6 there will essentially be three things that current
7 employees can do.

8 One is to transfer to the substantially
9 equivalent plan under the new contract. That plan
10 would have the same age factors as the university plan
11 does, substantially equivalent benefits, and folks
12 could move their leave balances and would be
13 guaranteed a job.

14 People who want to simply freeze their
15 interests in the university plan can do that. And
16 they're guaranteed a job with the new contract. And
17 they would be able to move their leave balances over
18 just as if they were transferring. But, since they
19 vested their rights in the university plan, they would
20 become new employees for retirement plan purposes
21 under the new contract.

22 And then there are the people who might
23 choose to retire. If they retire, then they clearly
24 become new employees under the contract. And they get
25 to choose whether they want to work and the new

1 contractor would get to choose whether they want to
2 offer a position.

3 So that's the second area in which there's
4 been a lot of discussion. And we think we have a good
5 path forward.

6 Many employees have been worried about
7 mandatory cuts in benefits and what we've done in the
8 RFP and they've been worried about something called a
9 benefit-value study.

10 And what we propose in the RFP we put out
11 today is that those who transfer into the follow-on
12 plan under the new contract are not subject to any
13 corrective action under that benefit-value approach.

14 And finally the last thing with respect to
15 employees is that we will be asking the new contractor
16 for new employees hired after the turnover date under
17 the contract to set up a competitive market driven
18 full compensation system for new employees.

19 So those I think are the highlights. And
20 what I'd like to do is I know you've had the fact
21 sheet and you've had the press release. And you have

22 access -- unless we had so much interest that we

23 crashed the web site, you have access to the RFP

24 itself.

25 I will make one correction. The web site is

1 www.doeal.gov. And, at the bottom of that page,
2 you'll see the link to the LANL RFP. So in closing
3 let me give you this schedule.

4 We have the RFP out now. Sixty days from
5 now, so July 19 if my arithmetic is right, we'll
6 receive proposals. Sometime in August we'll have what
7 we're calling oral presentations. And, in those oral
8 presentations, we will spend a day with each offeror.

9 And we will pose problems to them in science
10 and technology, in operations, in business, and we'll
11 have one segment closing the day for the laboratory
12 director, him or herself. And that should be
13 reflective of how important we think the laboratory
14 director is in leading this laboratory. And we want
15 to get it right.

16 We have targeted the 1st of December as the
17 date of award of the new contract. And that seems
18 like an awful long time from now. But I will tell
19 you, one thing that I've learned over this last year
20 is that, in trying to get this work done, the
21 increments are smaller than you think they might be,

22 they take longer than you hope they might be, and
23 they're harder than what you really expected them to
24 be. And so we put enough time in there to do this
25 right.

1 Each and every person on the source
2 evaluation board is a volunteer who believes in the
3 laboratory. And we're committed to pick the best firm
4 to lead the laboratory into the future.

5 So, if we make award around December 1st,
6 we've established a six-month transition period. And
7 that seems like an awful long time and frankly, I've
8 done this for a long time, that is a long time. And
9 the general rule is in transition is, you know,
10 shorter is better.

11 But in this case what we want to do during
12 the transition period is get the pension and benefit
13 systems in place, make sure that they're fair,
14 approved by the contracting officer who is our site
15 manager at Los Alamos, then we want to give the
16 employees enough time to see what's on the table, to
17 see what their options are, and to decide during that
18 period which will be, you know, I would guess sometime
19 in late winter, early spring of calendar year '06.
20 And then, if all goes well, we'll have turnover at the
21 end of May in '06.

22 So I think that will conclude what I'd like
23 to say at the beginning. And Anson will help feed
24 the -- or field the questions for me. Ann again
25 please identify yourself and your organization when

1 you have a question. Go ahead.

2 ADAM RANKIN: Adam Rankin with the
3 Albuquerque Journal. I have a question for you on the
4 stand-alone pension situation. Is this the only time
5 DOE requires a stand-alone pension?

6 TYLER PRZYBYLEK: I'm sorry. Did you say is
7 this the only time we've ever required a stand-alone?

8 ADAM RANKIN: That's right.

9 TYLER PRZYBYLEK: I think it's fair to say
10 that across the DOE that stand-alones are the norm.
11 And that -- and, believe me, in doing this, I want to
12 say absolutely up front, it is no poor reflection on
13 the University of California retirement plan. It's a
14 very good plan, it's very well managed.

15 But we think that, in running this
16 competition at this time, that we should have the
17 decisions concerning Los Alamos National Laboratory
18 being made by the laboratory management and
19 partnership with the National Nuclear Security
20 Administration.

21 And so that's why we're moving towards a

22 stand-alone pension plan and a separate dedicated
23 corporation. And it happens to be the way that we do
24 it generally across our complex of laboratories.

25 ROGER SNODGRASS: Tyler, this is Roger

1 Snodgrass at the Los Alamos Monitor. We've heard a
2 lot about a consolidation study that's going on in
3 NNSA that is due out at the end of May that really,
4 whenever it's mentioned, seems to have a lot of
5 implications for the work that goes on at the
6 laboratory, whether it's going to be a pit
7 manufacturing facility and so forth.

8 You're putting this bid out sort of in the
9 middle of shifting sands. Does it reflect the
10 uncertainty of the next period of time?

11 TYLER PRZYBYLEK: Good question, Roger. What
12 we've tried to do is to write the evaluation criteria.
13 And frankly the source evaluation board doesn't know
14 anything more than anybody else knows about, you know,
15 what's going on in the complex study and what the
16 recommendations would be.

17 And so what we've tried to do is say, look,
18 what does an agile research and development laboratory
19 look like. And so you'll see in criteria number one,
20 for example, what we tried to say to folks is we want
21 to know your capability.

22 And, when we say capability, we want to know
23 how they'll approach it, we want their experience, and
24 we want to know, you know, what's the role of the
25 parent corporation or university or group of

1 universities because, when I say firm in terms of who
2 our contractor will be, we -- you know, we want a
3 stand-alone or a separate dedicated corporate entity.
4 But it could be a combination of a whole bunch of
5 different kinds of entities.

6 So we've left that open. But what we've said
7 is we want to know, within the context of science and
8 scientific skepticism and using peer review, how are
9 you -- you know, how are you going to manage your R&D
10 programs that are outline in the statement of work.

11 One of the things outlined in the statement
12 of work is production. And so we said we want to know
13 what your capability is and your approach to do that.
14 And we've said there including any experience or
15 capability in scaling, you know, bigger, smaller, we
16 don't know.

17 And so we think that, with the statement of
18 work and with our criterion on science and technology,
19 we have it -- we have the ability to select a
20 contractor, you know, a leader for the laboratory who
21 will be able to deal in a flexible way with what

22 comes, you know, out of that review because frankly we
23 don't have a crystal ball so we're just -- we're
24 trying to say that whoever runs our laboratory has to
25 be flexible and agile enough to adapt to what's coming

1 in the future.

2 And frankly the history of the National
3 Laboratories in Los Alamos has been exactly that,
4 they're aware of what the country brings. There are
5 tough problems to be solved. They've demonstrated
6 that time and time again.

7 GEORGE (inaudible): This is George
8 (inaudible) with the Energy Daily. I wanted to ask if
9 there were any parts of this RFP that specifically
10 addressed security and safety which have been the two
11 issues that have really hampered the lab recently. I
12 wonder if you could address that.

13 And also, on your evaluation criteria, you
14 mentioned that the bulk of the points or the largest
15 points goes to excellence in research. And I guess
16 it's interesting in that nobody has really had any
17 problem with the lab's handling of research. But
18 again most of the attention has been focused on the
19 safety and the security issues, yet you're really
20 allocating a very small part of your evaluation
21 criteria for those operational issues. So I just

22 wonder if you could comment on those areas.

23 TYLER PRZYBYLEK: Sure, I can, George. Let

24 me start from where you started. In evaluation

25 criteria No. 2, you will see that what we've asked our

1 proposers to do is to identify or to give us their
2 approach, their capability, in four areas. They're
3 listed in no particular order of priority. But they
4 are listed in the following order, security, safety,
5 project/program management, and cleanup capability.

6 As an aside let me just say, you didn't ask
7 this, but let me just add it, that one of the other
8 significant changes in this RFP is that we are --
9 where the draft said you, our contractor, should be
10 ready to transition the cleanup work to a stand-alone
11 contractor in FY '07 who will do the work, it now says
12 you will do the cleanup work until we tell you
13 otherwise.

14 So that's a significant change. Now, back to
15 the security and safety. So they're in criterion two,
16 they have 175 points assigned to that area. And our
17 notion there is we only want the proposers to write to
18 those four because our view is, if you show us
19 excellence in those four areas, we're pretty sure that
20 you can show us excellence overall in operations.

21 Now, on the question of science and criteria

22 one versus criterion two, operations, we never
23 intended in setting out this RFP, we never set out to
24 solve problems. What we intended to do, George, was
25 to lay out what we thought the lab of the future, what

1 the attributes of the lab of the future should be.

2 And so what we hope you see in kind of like
3 the painting we tried to make in this RFP is that, you
4 know, superb science enabled by excellent operations
5 and good business systems. It's led by world class
6 people, people with great pedigrees who have
7 experience in managing, you know, large organizations,
8 a lot of diverse kinds of people wired together in the
9 right way with good experience in the past that will
10 be a predictor of success in the future. That's what
11 we tried to do, George, and I hope it comes across.

12 GEORGE (inaudible): Can I ask why you made
13 the change in the cleanup area?

14 TYLER PRZYBYLEK: Well, this isn't a smart
15 answer. The program decided that it would be better
16 to approach it this way. The rationale frankly is
17 that, you know, number one is we've created a lot of
18 turbulence with this competition. Number two is the
19 program wasn't satisfied that they had a sufficient
20 baseline and a sufficient understanding of the work in
21 order to put it out for a stand-alone cleanup kind of

22 contract.

23 And so the prudence dictated that the best

24 thing we should do would be to wait until we get -- we

25 get our arms around it. You know, and it may be --

1 you know, one of the things that you could hope for is
2 that the issue goes away because the new contractor
3 performs so well that you say why am I going to spend
4 the effort to procure a stand-alone contract when I've
5 got this working swimmingly and, you know, I have the
6 New Mexico Environment Department loving what I'm
7 doing. That's the goal.

8 ADAM RANKIN: Tyler, this is Adam again with
9 the Albuquerque Journal. I have a question about
10 costs. Does the government or NNSA anticipate a cost
11 savings as a result of the competition even given the
12 increase in management fee and anticipated gross
13 receipts payments to the state?

14 TYLER PRZYBYLEK: Yes. That's a good
15 question. We think over time -- I don't know what the
16 time -- the timeline is. In other words, I can't tell
17 you what date you should go back, Adam, and take a
18 snapshot.

19 But we think that this contract has the
20 opportunity to be transformational in nature and that
21 in that there can be improvements, efficiencies, you

22 know, the operational efficiencies, the business
23 efficiencies that can be brought in that will enable
24 our scientists to do more research easier.
25 Can I tell you that, you know, that we're

1 going to ratchet down on the new contractor dollar for
2 dollar to say, look, you know, if I'm going to pay you
3 somewhere between 53 million and 79 million in fee and
4 if it's going to cost an additional X number of
5 dollars in gross receipts tax, I want to see a dollar
6 for dollar offset, no, we're not going to do that.

7 By the way, we think that the difference in
8 the amount of gross receipts tax that will be paid is
9 not as great as what some of the speculation is. But
10 that's -- you know, we won't know until we have the
11 proposals.

12 But what we do expect is something to happen
13 similarly at Los Alamos that happened at Sandia. This
14 contract in the special provisions, the so-called age
15 clauses has the NNSA model contract provisions. We
16 know in one year at Sandia that our site office thinks
17 that they have identified auditable about \$65 million
18 in efficiencies in one year simply by changing the way
19 we operate.

20 We want to move to standards that come from
21 the -- when I say private sector, I don't mean simply

- 22 corporations. But, you know, business schools,
- 23 universities, consortiums, private industry, third
- 24 party people like the Society of Human Resource
- 25 Management, the various purchasing places that systems

1 can be brought in, work can be streamlined to where
2 you have more efficiency, you get more work out of the
3 dollars provided.

4 So our view is that, if one lab can do \$65
5 million worth of work, we could surely see the same or
6 better at Los Alamos National Lab. And that's the
7 challenge, you know, of excellence in operations and
8 business.

9 ADAM RANKIN: Will the NNSA or DOE subsidize
10 those gross receipts tax costs whoever the next
11 contractor is?

12 TYLER PRZYBYLEK: The answer to that -- it
13 sounds simple. And I'll say it and then I'll explain
14 it. The answer is no in the sense that there won't be
15 added funding to the overall funding of the laboratory
16 because, you know, the way that we fund our
17 laboratories and operate is on a budget based system.

18 So the laboratory gets a budget and has to
19 do -- has to, you know, do what it needs to do to get
20 its work done within that budget. And we think that
21 whoever wins will have the ability to manage that into

22 how it operates.

23 DAVID (inaudible): David (inaudible) with

24 National Public Radio. You said 53 million. Does

25 that mean if whoever takes over does a terrible job

1 that's the minimum they get?

2 TYLER PRZYBYLEK: Very good question. Say,
3 for example, someone decides that they're going to
4 propose the minimum, 53 million. There will be -- it
5 will be divided up, that's the maximum that they can
6 earn. They will earn guaranteed a fixed fee portion
7 of 30 percent of that. Seventy percent of it has to
8 be earned. It's at risk.

9 And it has to be earned against either
10 incentives or award fee measures. And so, on an
11 annual basis, we will evaluate the performance of the
12 laboratory against objectives and measures that are
13 negotiated and/or established each year for the
14 laboratory.

15 And so you would expect, as this contract is
16 administrated, administered, I'm sorry, that, yes,
17 there is a guarantee of 30 percent of whatever that
18 maximum available fee is. But 70 percent of it will
19 be earned. And mediocre performance will not earn
20 that 70 percent.

21 DAVID (inaudible): Another quick

22 clarification. What does substantially equivalent

23 mean?

24 TYLER PRZYBYLEK: It depends on your frame of

25 reference and who you ask.

1 DAVID (inaudible): You mean on average or is
2 everybody guaranteed 90 percent of what they were
3 under --

4 TYLER PRZYBYLEK: Here is the problem in
5 answering, David, is that it's likely, although I
6 don't know this for sure until I see who wins and see
7 the proposal. But the current plan is a governmental
8 plan. The next plan may be governmental or it may be
9 ERISA compliant. If it has to be ERISA compliant, it
10 will be different because they can't -- ERISA has
11 different features that have to be complied with.

12 What I want to say is that substantially
13 equivalent means that it will look different to you,
14 but you will not see that it's significantly less or
15 significantly more than what it is right now.

16 And that people, when they do the evaluation,
17 they can say I see that this is different. And it may
18 be marginally a little bit better or marginally a
19 little bit worse, but I'm pretty much about where I am
20 and where I'm going to be when I reach my retirement
21 age. That's pretty squishy, but that's the best we

22 have.

23 MARTIN SCHNEIDER: Martin Schneider with the

24 Nuclear Weapons & Materials Monitor. Could you talk a

25 little bit about the decision to choose the source

1 selection official.

2 TYLER PRZYBYLEK: Sure. In the acquisition
3 plan, the administrator was identified as the source
4 selection official. That decision was based on the
5 administrator's sense of responsibility. He believes
6 that this decision and a decision with respect to
7 Lawrence Livermore, when we get to that procurement,
8 are the two probably most significant business
9 decisions that will be made on his watch.

10 He's the kind of guy that says, if that's
11 true, I'm going to make the decision. Over time what
12 we came to in discussions was that more typically in
13 the department is that a career executive makes that
14 decision so that there's no -- you know, there's no
15 question about this is a political appointee, this
16 person, therefore, has certain, you know, favoritisms,
17 a certain bias involved. And you eliminate that
18 speculation by having the career executive.

19 It turns out that in this case with Tom
20 D'Agostino, Tom actually is functioning as the
21 landlord for Los Alamos right now, he's the acting

22 deputy administrator for defense programs.

23 So in my view he was -- I recommended him to

24 the administrator as we had that discussion because I

25 think he perfectly fits tradition and what we want to

1 do with this competition because we need people -- we
2 need everybody to believe that, you know, we evaluated
3 these proposals the way we said we were, we understood
4 them, we were fair, and there was no bias involved.

5 And I just want to mention one other thing,
6 Martin. As a board we've tried to be as accessible as
7 we can to as many people and as many, you know,
8 interests as we could. But, as we move forward, now
9 that the RFP is issued, there is going to be virtually
10 no accessibility with this board and on this issue no
11 accessibility to the source selection official because
12 we have to.

13 And, you know, I have guaranteed it to the
14 boss that this will be run by the book and that people
15 will say -- you know, whether happy or unhappy with
16 the outcome, they'll say there wasn't any outside
17 influence on this decision.

18 ELI (inaudible): Eli (inaudible) with
19 Science magazine. Tyler, is there a way for us to see
20 who applies for the contract, who bids?

21 TYLER PRZYBYLEK: What we need to do, Eli, is

22 we need to ask the firms to permit us to identify
23 them. And we intend to do that. Apparently
24 there's -- and I know you're going to say Anson said
25 you're the former general counsel, that means you're a

1 lawyer, you ought to know.

2 But let's say I'm a recovering lawyer, not a
3 practicing one. And I think there's a regulatory
4 provision that precludes us from identifying the names
5 and number unless we have permission. And so we're
6 going to get that permission or try anyway.

7 ELI (inaudible): One more quick follow-up.
8 Where in the RFP should I look for detail on the
9 science management?

10 TYLER PRZYBYLEK: Okay. You should look in
11 section M, criterion one. Please also look at section
12 M, I forget the numbers because we renumbered
13 everything when we changed it. But it's -- I think in
14 terms of science management.

15 You should look at the key personnel
16 provision because of what we asked for in terms of lab
17 director and the key management folks. You should
18 look in section L, I think it's L 4. And that will
19 give you the parallel parts to section M.

20 And then refer back to the statement of work
21 because that's tied in with L and M.

22 DIANA HEIL: Tyler, this is Diana Heil with
23 the Santa Fe New Mexican. I just want you to
24 capsulize what sort of incentives are built into the
25 RFP for bidders. You touched on a few of them, but I

1 just want to see if there are any other incentives.

2 TYLER PRZYBYLEK: You mean incentives for the
3 contractor to perform well?

4 DIANA HEIL: Incentives for them to want to
5 pursue this contract.

6 TYLER PRZYBYLEK: Okay. Let me say first and
7 foremost I'm not a believer in what I read and what
8 people say. I believe that Los Alamos National
9 Laboratory is the flagship, has been, and will be
10 because we're going to pick somebody who is going to
11 take it to the future. And, you know, we're going to
12 look back on a couple of bumps.

13 So, in terms of prestige, I think that
14 that's, you know, a really big motivator for folks. I
15 think that people understand that -- I said this
16 earlier, National Laboratories are where the country
17 sends its hardest problems to be solved. If they're
18 the hardest problems, then they're going to be the
19 best people.

20 So you've got to be motivated if you want a
21 robust, you know, science entity, whatever it is, or

22 research and development entity. You know, you're

23 going to be there with the best.

24 Now there's enough compensation on the table

25 in terms of financials. We believe that whoever wins

1 that that dedicated corporate entity brings sufficient
2 funding to cover what needs to be done. You know, to
3 bring the right kind of people to the laboratory, you
4 know, where you see you have an issue and, you know,
5 you need some help.

6 This money will enable people to do that, it
7 will enable people to bring corporate systems, you
8 know, so you don't feel like you have to make -- you
9 know, that you have to work something specifically
10 and, you know, exclusively for the lab. There are
11 lots of things that work from other industries.

12 In addition, this will be an award term
13 contract. And Sandia has an award term contract with
14 a maximum term of ten years. The term of this
15 contract is potentially 20. It will have -- it will
16 have seven base years.

17 And the fee for those years is going to be
18 proposed. Then there will be 13 award term years. So
19 years eight through 13 are earned by performance. And
20 so, you know, I think that -- and finally, you know,
21 the laboratory puts out -- you know, currently puts

22 out a number of publications that I read. And I'm

23 just amazed at the amount of really excellent and

24 diverse work that comes out.

25 And so I think that, you know, we have two

1 laboratory -- two potential laboratory directors
2 announced. I personally know both of them. And I
3 think they're motivated by the science, by the service
4 to the country. And so I know this sounds like a
5 sermonette, but that's my answer.

6 DIANA HEIL: One quick follow-up. Has
7 anything changed about the kind of risk we're asking
8 the next contractor to assume?

9 TYLER PRZYBYLEK: Yes, in this sense, that
10 the current contract has what are termed caps on
11 liabilities, that in certain areas there's a limit.
12 If the contractor has an exposure, then there's a
13 shared exposure and then there's a cap. And it's in a
14 limited number of areas.

15 And what the board determined is -- first of
16 all the money that's on the table now is serious money
17 to cover risk. It's to cover what you bring to the
18 lab and it's also to cover the risks that you assume
19 at the lab.

20 And remember that we're going to have the
21 Price Anderson indemnity for public liability from a

22 nuclear incident and we're going to have special
23 indemnity for work done overseas. So there's a
24 significant amount of limitation on that exposure.
25 The other is that we -- we took a long time

1 to prepare this RFP. And I know people groused at us
2 for doing that. But, you know, we went and reviewed
3 and we said, hey, these caps never came into play, why
4 do we have them. So we said, as part of this overall
5 package, we're going to get rid of them.

6 Now, the risks that -- this part I do know as
7 a recovering lawyer. You know, when you rate these
8 RFPs, you know, you look at this and you say okay,
9 there's one risk that says you've got to earn the fee.
10 There's another risk that says, like we did last year,
11 where we had a reduction in earned fee because of
12 performance issues at the laboratory.

13 So there's some risk there that you won't max
14 the revenue stream that you're looking for. And then
15 there's some, you know, reputational risk in that we
16 reserve the right to ask the firm or contractor
17 running the lab to remove somebody if they're not
18 doing their job.

19 And so, you know, those are the risks that
20 are inherent in this job. And by the way there's part
21 of me, because I've been around for a long, long time,

22 I don't think any management and operating contractor

23 for the National Nuclear Security Administration or

24 DOE for that matter has lost money on these contracts.

25 RICK WEISS: Rick Weiss at The Washington

1 Post. Can you tell me how many points, if any, are
2 allocated based on how low a person bids within that
3 range from 53 to 79, do you value --

4 TYLER PRZYBYLEK: That's a really good
5 question. We don't point score cost or financials.

6 Here is how we do it.

7 We will ask these offerors to come up with in
8 those book ends I told you about, the min and the max,
9 we'll say propose your maximum available fee for each
10 of the seven base years. So we add that up and we put
11 that in the cost bid.

12 Then we say tell us what it's going to cost
13 for transition. And by the way you don't earn any
14 fee, but we do pay your costs. And we put that in the
15 bin. Then we say tell me how much corporate oversight
16 is going to cost, and we put that in the cost bin.

17 And then finally tell me what your key personnel costs
18 are going to be for I believe here we put two years.
19 And we put that in the bin. And then that's your
20 overall cost. That we're going to evaluate.

21 And, once we've completed the evaluation of

22 the technical proposals, we'll do what's called a best
23 value judgment. Actually this will be done by the
24 source selection officials, not by the SEB. The
25 source evaluation board will provide the selection

1 official with narrative about, you know, what's
2 excellent in this proposal, what are the weaknesses of
3 this proposal.

4 And so a source selection official will make
5 a judgment and say is this technical proposal worth
6 this cost, is it -- you know, is it worth paying a
7 premium if there is a premium. And so the government
8 then has the flexibility in making that best value
9 judgment to pick, you know, a lot of combinations.

10 I mean, in the ideal world, you could have
11 the lowest evaluated cost and the highest technical
12 evaluation. And, you know, that's a no-brainer, say
13 I'll get the best for the least. And then you have
14 all sorts of combinations in that. That's how we're
15 going to do it.

16 RICK WEISS: One follow up, if I may. With
17 regard to past performance, can you tell me if there's
18 a change in the final RFP on how past performance is
19 valued and in general the extent to which past
20 performance refers to scientific performance, and how
21 do you sort all that out?

22 TYLER PRZYBYLEK: We assigned 75 points to
23 past performance and it's still at 75 points. We
24 pretty much have said that what we want folks to do is
25 to give us information on -- these are my words, not

1 the words of the RFP, but of contracts that they
2 performed in the last five years of similar size and
3 complexity.

4 And then we want to know across the board how
5 well they've done. For example, in the DOE system,
6 we'll get the annual appraisal reports for major
7 contracts in the last few years.

8 What this board intends to do is we intend
9 to -- because we get a lot more resources than a
10 normal board does because of the significance of the
11 competition, we're going to set up a number of teams.
12 One team per proposal.

13 And we're going to have them work the past
14 performance. In other words, they're going to review
15 what's submitted, they're going to make contacts with
16 references, and we reserve the right to look at any
17 past performance information that we desire.

18 And finally what we've done here that's a
19 little different is we're going to ask offerors to
20 give us a self assessment of their past performance.
21 And the reason why -- the reason we're doing that,

22 Rick, is that it's not -- it's not just that you see
23 all the warts and pimples of the contractors because,
24 you know, their proposal says that they look like, you
25 know, movie stars so you've got to balance it somehow,

1 but also past performance is a predictor of future
2 success or not.

3 And so we think that -- and the reason why we
4 have this in here is the principle is it could be that
5 a contractor who has gone through a really hard set of
6 problems and learned from them may be in a position to
7 be a better performer than contractors who took easy
8 jobs and were stars at it.

9 And that's what the selection official is
10 paying us to do for him, is to do that analysis and
11 provide him a report.

12 ERICA WARNER: Tyler this is Erica Warner
13 with AP. A couple questions. One, what is the most
14 accurate figure for the overall budget, is that 2
15 billion and does that change at all under the new
16 contract?

17 TYLER PRZYBYLEK: If you'll hold on one
18 second, we've used \$2.1 billion. And I know you're
19 going to say, well, none of these numbers fit. But
20 the 1.8 billion more or less is for research and
21 development for NNSA and the Department of Energy more

22 broadly.

23 And then the remainder of it is what we

24 anticipate to be done and we're calling it

25 reimbursable work. And that's work for the Department

1 of Homeland Security and what we term work for others,
2 those other federal agencies and for private entities
3 who come to the laboratory because the laboratory has
4 unique capability they can't get elsewhere. That's
5 how the numbers fit together.

6 ERICA WARNER: And the 30 percent fixed fee
7 versus 70 percent earned, that's true whether it's 53
8 or 79?

9 TYLER PRZYBYLEK: That's correct.

10 ERICA WARNER: Just to be clear, just to get
11 this from you, you know, why is it necessary or
12 important for the next contractor to earn almost ten
13 times as much as UC did, why is it a good idea to have
14 this operate on a for-profit basis?

15 TYLER PRZYBYLEK: Okay. We believe that, in
16 order to fit the picture that we've drawn in section
17 M, we believe that there are a wide variety of
18 resources that need to be brought to the laboratory.
19 They may be systems, they may be management practices,
20 they may be people that you have to bring for a short
21 period of time or longer to get in place what you need

22 to fulfill your vision for the laboratory of the

23 future.

24 And we believe that, in conversation with

25 everybody who said they intend to propose, we believe

1 that this range reflects what it's going to cost.

2 ERICA WARNER: And what do you say to
3 concerns within the scientific community to kind of
4 turning this over potentially to a corporate profit
5 making venture?

6 TYLER PRZYBYLEK: I would say that, if we had
7 a provision that said for every dollar you squeeze out
8 of the laboratory, you can take 20 percent of that
9 home, I would say that people should be concerned. I
10 believe that we're going to have a laboratory
11 leadership that's as committed to intellectual and
12 scientific freedom as the current leadership is.

13 And I believe that you hear a lot of people
14 talk about laboratory culture. I was assigned at Los
15 Alamos for awhile. And I believe that the culture,
16 the scientific culture, the skepticism, the openness,
17 the need to collaborate, the need to publish, the need
18 to exchange, I think all of that will be -- will be
19 maintained and enhanced in the coming years. And I
20 think that what people will see over time is that good
21 operations and good business aren't the enemies of

22 great science, they enable it.

23 You know, I hate to say this because people

24 will say, boy, I hope he doesn't do that on his

25 government time. But I was reading on the Internet,

1 there was an article published on one of the blogs
2 about a fellow who worked at Sandia.

3 And he was saying how the difference -- the
4 difference -- and he wasn't saying anything, one was
5 better than the other, he just said it was easier to
6 get work done. And so, you know, our view, my own
7 personal view is, if someone is a science -- I'm
8 sorry, someone is a researcher at Los Alamos, that
9 person is there to do research, R&D, science and
10 technology, and we enable that. And the more we
11 enable that, the better off we are.

12 And so I understand the concern. And I think
13 that initially we talked about a share and saving
14 concept, where, you know, somebody was able to
15 demonstrate efficiency and effectiveness to us, that
16 we would work out some sort of a savings share. And
17 frankly we walked away from that because it was
18 inconsistent with the way we saw the national
19 laboratory.

20 SPEAKER: This is (inaudible) from the Daily
21 Californian. I wanted to ask you, you mentioned

22 something that remained the same or as good with a
23 corporate contractor or partner. What are the
24 advantages to attracting corporate partners to the
25 bid?

1 TYLER PRZYBYLEK: Well, I think that there
2 are things that corporate managers do very well and I
3 think that there are things that university managers
4 do very well. And there are -- you know, when you
5 figure out what it is that a university will bring and
6 you look at it on the one hand you say okay, no, it's
7 that science, it's a science culture, the way it's
8 done in this country, it's collaborating, it's
9 publishing, it's the exchange at meetings and fora,
10 it's the ability to attract people to come to the
11 laboratory, you know, to seminars. And that
12 interaction and the way it's debated and the openness
13 and how you do that is what the university driven
14 management brings to a national laboratory.

15 On the other hand, you don't need to have the
16 same skill set to be able to run a good human
17 resources system, you know, a procurement system or
18 property management system. You need people who are
19 really good at that so that those things serve the
20 principal purpose that you're there for which is the
21 research.

22 And we think that we're in a position where

23 people -- at least the people we've talked to in the

24 one-on-ones that get it.

25 ANSON FRANKLIN: Okay. That has to be our

1 last question. Thanks for participating. There's a
2 contact number on the press release if you have
3 follow-up questions. Thanks very much.

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