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Energy Department And University of California Extend Management Contracts For Defense Labs

The Department of Energy (DOE), the National Nuclear Security Administration (NNSA) and the University of California (UC) have agreed on new management and operations contracts for two of the Energy Department's defense labs, Lawrence Livermore and Los Alamos. The move expands and strengthens the contracts' requirements, and extends them for a three-year period.

"This is a significant move forward for the department, the defense labs and for national security," said Secretary Richardson. "The work that these labs perform is vital to the nation and, with the provisions of these new contracts, the labs will receive the support and management assistance they need to succeed."

John Gordon, Administrator of the NNSA, led the effort to renegotiate the contracts. "We restructured the contracts to enable UC to provide its unparalleled scientific reputation to ensure the scientific vitality of the laboratories and bring that same expertise to strengthen the management of security and facility operations," Administrator Gordon said. "The contracts also provide the workforce with stability so that important national security programs, including Stockpile Stewardship, can move forward."

Among other improvements, the new contracts strengthen management accountability, provide for enhanced security safeguards and management, and improve safety measures already in place at the labs. The department required new contractual provisions to bring about management improvements, including:

- Creation of a new UC management position of Vice President for Lab Management;
- Requirement to obtain outside expertise in security and project management;
- Enhanced framework for assessing performance to provide clearer focus on DOE mission objectives and expectations;
- New contract performance expectations for operational priorities such as more rigorous nuclear facility operations, integrated safeguards and security management, recruitment and retention of a highly capable technical work force;
- Inclusion of a contract clause under which the Administrator, NNSA, with approval of the Secretary of Energy may direct the removal of the top lab manager for performance failure;
- UC must satisfactorily meet DOE's expectations relative to operational priorities as a pre-condition to being paid all or a part of performance risk fee; and
- In addition, if UC fails to meet DOE requirements for environmental, safety & health or safeguards and security, provisions have been added which would allow DOE to deduct all or a part of UC's earned fee, depending on the severity of the incident.

The contract restructuring will require UC to implement urgently needed management improvements and bring about the changes needed to avoid the types of problems such as safety, security and project management lapses that have been encountered in the past. The additional contract extension of three years to September 30, 2005 is provided to stabilize the essential scientific and technical workforce and allow sufficient time to demonstrate successful implementation of these major improvements. The new contracts are valued at more than \$2 billion.

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