



Department of Energy

Richland Operations Office
P.O. Box 550
Richland, Washington 99352

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96-MET-050

Ms. Marilyn B. Reeves, Chair
Hanford Advisory Board
723 The Parkway, Suite 200
Richland, Washington 99352

Dear Ms. Reeves:

ECONOMIC DIVERSITY AND OUTSOURCING - HAB CONSENSUS ADVICE #59

Thank you for your letter expressing your concerns that the U.S. Department of Energy (DOE) only recognize new jobs that are integrated into the Tri-Cities' economy for the purposes of evaluating Fluor Daniel Hanford's (FDH) progress toward their commitment to assist in the creation of 3,000 new jobs over the next five years. The Richland Operations Office (RL) concurs with this approach and has already been in discussions with FDH on this matter. RL has worked with FDH to develop criteria to be utilized in determining what types of jobs will be counted toward achievement of FDH's job creation commitment. These criteria include: (1) the jobs must be non-Hanford jobs; (2) the creation or attraction of the jobs must be wholly or partially attributed to the actions of FDH, its major subcontractors or their corporate affiliates; (3) the jobs must have enduring potential; and (4) the jobs must attract dollars from outside the community, not just recirculation of local retail dollars. These criteria, as well as several specific descriptions of job categories to be counted toward the job creation goal, are contained in FDH's recently released FY 1997 Economic Transition and Outsourcing Plan for Project Hanford and can be found on pages 8-10 of the plan.

Regarding your concern about local and regional procurement preference, FDH has committed in the Project Hanford Management Contract (PHMC) to outsource 50% of the Project Hanford budget by 2001 to other than major subcontractors. More importantly, FDH has also committed in the contract that within five years, 60% of all outsourced Project Hanford dollars will be directed to local, regional, and Native American businesses. RL believes that these two commitments in the PHMC effectively balance DOE's desire to mitigate adverse economic impacts associated with work force restructuring activities at the Hanford Site with DOE's desire to promote full and open competition in order to ensure that best-in-class subcontractors perform Project Hanford work in a cost-effective manner.

JAN 13 1997

RL's position is that the local and regional outsourcing preferences in the PHMC would be consistent with Section 3161 of the National Defense Authorization Act for FY 1993 (Section 3161) (Public Law 102-484) and the Hanford Site Work Force Restructuring Plan. Section 3161 requires the Secretary of Energy to develop a work force restructuring plan for a defense nuclear facility to mitigate the impact of work force changes on workers and the cities/citizens/entities/tribes affected by the activities of the Hanford Site (community). One of the actions identified under the Hanford Site Work Force restructuring plan, which was approved by the Secretary of Energy, is to pursue procurement from, and enter into contracts with, firms located in the communities wherever practicable to help mitigate the negative economic impact from work force restructuring. The definitions for "local" and "regional" provided in your letter are consistent with the definitions RL will use to evaluate FDH's progress towards these procurement goals. RL will take under advisement your suggestion that we negotiate with FDH to establish individual outsourcing commitments for local, regional, and Native American businesses.

Attached for your review and comment is FDH's FY 1997 Economic Transition and Outsourcing Plan. This plan has not yet been approved by RL. Any comments or suggestions that you may have on this plan would be appreciated by January 22, 1997. In your letter you also requested copies of contracts of FDH's major subcontractors and their related management plans. These materials are being gathered and will be provided to you under separate cover.

If you have any additional questions or comments related to economic diversity or outsourcing, please contact me on (509) 372-4493, or Dan Sours of my staff on 372-4007. Mr. Sours' mail stop is K8-50.

Sincerely,


Robert M. Rosselli, Assistant Manager
for Science & Technology

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Attachment
FDH FY 1997 Economic
Transition and Outsourcing Plan