

OAK RIDGE ENVIROMENTAL MANAGEMENT: THE TRANSITION FROM AN M&O TO AN M&I CONTRACTOR

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ABSTRACT

The Department of Energy (DOE) Oak Ridge Operations Office awarded a five and one-half year, \$2.5 billion dollar Management and Integration (M&I) contract to Bechtel Jacobs Company, LLC (BJC) on December 18, 1997. The scope of work includes the environmental management and enrichment facilities programs at Oak Ridge, Portsmouth, and Paducah, and supporting DOE's reindustrialization program at the East Tennessee Technology Park (ETTP), the former K-25 Gaseous Diffusion Plant in Oak Ridge. As a pure management and integration contractor, BJC will not self-perform the work; rather, all work is to be accomplished by subcontractors under competitively awarded fixed- and fixed-unit-price contracts.

Moving to this M&I approach represents a major change for ORO, which has been primarily using Management and Operations (M&O) contracts for more than 50 years. The incumbent M&O contractor, Lockheed Martin Energy Systems (LMES) did not bid on the M&I. LMES continues to manage defense work at the Y-12 plant in Oak Ridge. A sister company, Lockheed Martin Energy Research, manages Oak Ridge National Laboratory at the time of contract award. Lockheed Martin Utility Services operated the Portsmouth and Paducah Gaseous Diffusion Plants under contract to the United States Enrichment Corporation.

The M&I contract required BJC to hire all incumbent LMES employees who were primarily performing environmental management work and to provide them substantially equivalent pay and benefits. During a 90-day phase-in period from January through March 1998, about 1,600 LMES employees were transitioned to BJC. Additionally, about 2,300 LMES employees continued providing services to the environmental management program under subcontracts from BJC to LMES. BJC brought about 170 primarily management employees from Bechtel and Jacobs.

The contract also specifies that, as work is subcontracted, the "grandfathered" LMES employees will have right of first refusal for non-management jobs with subcontractors at substantially equivalent pay and benefits. A major workforce transition is taking place during a two-year transition period that began April 1, 1998. At the end of this transition, all the work is to be subcontracted, many of the grandfathered LMES employees who transitioned to BJC are to be transitioned to subcontractors, and BJC is to be down to a core organization of about 400 to 500 people.

This paper describes the challenges posed by the workforce transition and how those challenges are being met.

INTRODUCTION

Although the Department of Energy has implemented M&I contracts at Rocky Flats and Hanford, the Oak Ridge M&I has elements that add additional complexity. The work is located at five sites: the former K-25 enrichment plant, the Y-12 Plant, and Oak Ridge National Laboratory, all in Oak Ridge; plus the gaseous diffusion plants at Portsmouth and Paducah. Work was transitioned to BJC from four other prime contractors. Instead of taking over all the scope being performed by the previous contractor, BJC only took over about one-third of the scope being performed by other ORO prime contractors.

Perhaps the biggest difference between the Oak Ridge M&I and those at Rock Flats and Hanford is the requirement for subcontracting and workforce transition. Instead of bidding the job with a group of pre-selected subcontractors, BJC is to be a pure integrator, hiring subcontractors through competitive bids. And as subcontracts are awarded, BJC is to transition the former LMES employees to the subcontractors' payroll.

These requirements are spelled out in two paragraphs of Clause H-23 in the BJC contract:

In staffing non-management positions, subcontractors will give right of first refusal to incumbent employees who were performing essentially identical functions.

In order to minimize unnecessary disruption to the existing workforce and minimize severance costs, incumbent contractor employees who transition to the Contractor or its first or second tier subcontractors will retain substantially equivalent base pay and employee benefits, to include company service credit and the opportunity to participate in a Multiple Employer Pension Plan and companion retiree medical benefit.

On first reading, these provisions sound relatively simple. However, as with many things, experience showed that the task was not as simple as it sounded. In its proposal, BJC had presented a plan for making the workforce transition. Experience to date has shown that the basic elements of the plan were sound, but there were many issues that made implementing the plan more complex than anticipated.

ISSUES

Implementing the workforce transition involves a wide range of issues. They can be divided into three categories: Bechtel Jacobs Company issues, employee issues, and subcontractors' issues.

Bechtel Jacobs Company Issues

BJC must comply with its contractual requirements to perform all the work with subcontractors, and to move employees to subcontractors with substantially equivalent pay and benefits. The company must also utilize fixed-price or fixed-unit-price subcontracts.

The workforce transition involves moving employees from several prior employers, into BJC, and then to multiple subcontractors. This is a process that must meet many legal requirements related to employment management laws and regulations. Additionally, BJC must ensure that it meets the requirements of multiple labor agreements that contain successor provisions.

Employee Issues

Employees have numerous issues. The primary one can be summed up in one word -- "jobs." Employees want to know many things. Will I have a job? Who will I be working for? Where will I work? What will I be doing? Will my benefits change? How long will the job last? They also have many questions about pension portability, and there is concern over the exact meaning of "substantially equivalent pay and benefits."

Subcontractor Issues

Subcontractors are faced with a situation that is much more complex than their normal bid process. They are accustomed to bidding a scope of work with their own employees and benefits plans. Under the M&I, they are required to offer non-management positions in their organization to employees with whom they have no experience, and to offer those employees a benefit plan that is likely different from their own.

Small businesses in particular are concerned over the complexity posed by workforce transition. They are also concerned over having a dual pay and benefits plan and the potential cost of that plan. All bidders are concerned submitting fixed- or fixed-unit-price bids without knowing the complexities of the workforce they will be using.

RESOLVING THE ISSUES

Resolving these issues has been a joint effort between DOE, BJC, other ORO primes, the employees, the subcontracting community, and organized labor. By listening to the concerns of all parties, BJC was able to move quickly toward subcontracting and workforce transition, while addressing the concerns of employees and the subcontractors. The major steps that were taken are:

- Establishing a multi-discipline workforce transition team. This team represents all project and functional departments and developed an integrated approach for subcontracting and workforce transition.

- Establishing multi- and multiple employer benefit plans
- Implementing standard subcontract terms and conditions for workforce transition and management
- Implementing a detailed workforce transition process flowchart and procedure
- Establishing checklists for evaluation of pay and benefit submittals from bidders
- Communicating openly and often with the supplier community through supplier forums, workshops, extensive questions and answers on the BJC web page, and a pre-approval process for substantially equivalent pay and benefits
- Communicating fully with affected employees through orientation sessions for all managers and supervisors, explanation of workforce transition process to all employees, and round-table forums with written questions and answers. Employees submitted more than 500 questions.
- Working in partnership with organized labor. The labor agreement with the Oil, Chemical, and Atomic Workers Union (OCAW) at ETPP was amended to incorporate provisions for subcontracting and workforce transition. Separate interactions are underway with the Atomic Trades and Labor Council at Y-12 and ORNL, OCAW at Paducah, and OCAW at Portsmouth. A joint labor-management alliance strategy is to be implemented at each site, including BJC subcontractors.

CURRENT STATUS

All workforce transition processes and systems are in place. Performance based incentives have been established for FY 1999, and a significant portion of BJC fee is tied to subcontracting and workforce transition.

The first subcontracts with workforce transition were awarded last fall. The pace of awards, and the amount of workforce transition with those awards, is accelerating. More than 100 subcontracts are planned for award by April 1, 2000, and a substantial number of them will include workforce transition. About 1,600 employees will be transitioned to subcontractors during FY 1999.

SUMMARY

The workforce transition requirement of the Oak Ridge M&I contract presents unique challenges for DOE, BJC, employees, and subcontractors. By working with all affected parties, DOE and BJC have been able to resolve most of the major issues and to make major progress toward a true management and integration approach.