

## REINDUSTRIALIZATION AND JOB CREATION

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### ABSTRACT

The U. S. Department of Energy's Oak Ridge management and integration (M&I) contract has two unique and related missions that complement the environmental mission: first, to support DOE's Reindustrialization initiative; and second, to create new non-DOE jobs in the local area. DOE, Bechtel Jacobs Company LLC, and the Community Reuse Organization of East Tennessee (CROET) are working as an integrated team to transform the former K-25 Oak Ridge Gaseous Diffusion Plant into East Tennessee Technology Park (ETTP), a completely commercial industrial park. Since 1996, 21 companies have leased space at ETTP through a total of 41 leases. A fixed price contract involving barter of valuable metal recovery will make available three buildings with a total area of 5 million square feet for leasing starting at the end of 2000. Reindustrialization initiatives focus on isotope production, inorganic membrane separation technology, automation technology, automotive industries, tool and die making, and state-of-the-art waste management. To date, the Reindustrialization Program has incurred savings and cost avoidance to the taxpayer of \$823 million through barter of idle government assets, cleanup conducted by tenants to reduce lease costs, and avoidance of future surveillance and maintenance cost.

*(To illustrate DOE's long-term vision for ETTP, a virtual reality model of the site will be demonstrated during the paper presentation.)*

Another unique aspect of the M&I contract is a requirement that the contractor spend corporate funds to create \$427 million of non-DOE payroll in the five-county area surrounding Oak Ridge. The contract contains specific dollar amounts of payroll to be created in each of the five and one-half years of the contract, and a provision that the contractor will lose fee earned on the environmental cleanup if the payroll goals are not met. If the contractor fails to meet the payroll goals, the company loses one dollar of fee for each dollar of payroll not created, up to one-half of the earned fee. This "jobs creation" criterion was worth 15 percent of the overall M&I selection score. To meet the payroll creation goals, Bechtel Jacobs Company established a separate Bechtel Jacobs Development Company (BJDC), entirely funded by Bechtel and Jacobs corporate funds, to develop the new jobs. BJDC has three primary thrusts: bringing new companies to the area; helping existing companies grow; and assisting startup companies. The \$11 million requirement for the initial period ending September 30, 1998, was exceeded by BJDC. To accomplish this requirement, BJDC established cooperative links with all economic development entities in the five-county area and works closely with the Reindustrialization Team.

## REINDUSTRIALIZATION

The environmental cleanup plan for Oak Ridge, *Initial Accelerating Cleanup Paths to Closure*, is based on the assumption that cost savings generated through Reindustrialization will contribute \$3.2 billion to the total cost of cleanup. To date, \$823 million, or approximately 26 percent, of the cost savings have been incurred. In addition to helping make up for the shortfall of funds to necessary to complete cleanup in a timely manner, Reindustrialization is needed to help replace the thousands of jobs that will be lost as DOE's budgets decline and the cleanup mission is completed. Today, 741 workers are employed in Reindustrialization projects and businesses.

Reindustrialization is defined by DOE as "The act of working toward the elimination of the economic dependence of the site from primarily government-sponsored activities to a diversified private sector sponsorship in an industrial park setting." It is currently focused on the former K-25 Gaseous Diffusion Plant, which produced enriched uranium from 1945 through 1985. Reindustrialization efforts began in 1996, and in 1997 the site was renamed ETTP. It consists of 772 acres, approximately 125 buildings, more than 13 million square feet of floor space (much of which requires cleanup prior to reuse) along with extensive infrastructure. ETTP also incorporates an adjacent 1,000 acre state-of-the-art greenfield industrial park that is currently under construction.

Reindustrialization efforts have focused on the following areas: reuse of facilities through leases to commercial companies, barter of resources and rent for cleanup services, commercial management of infrastructure, and commercialization of proprietary inorganic membrane technology.

### Leasing

DOE leads the Reindustrialization Program, and a DOE account executive manages each leasing prospect. CROET is the landlord, serving as the legal leasing entity and manager of lessee operations at the site. Bechtel Jacobs Company's Reindustrialization staff provides support to both DOE and CROET.

Twenty-one companies have leased space at ETTP under a total of 41 separate leases. Business areas include electron microscopy, tool and die manufacturing, production of computerized manufacturing equipment, manufacture of large recreational vehicles, refurbishing of sea land containers, electron beam treatment of medical waste, and radioactive waste treatment. Selected examples include Materials and Chemistry Laboratory, BioNeutrics, Inc., and Kingsley Coach LLC, which are discussed below.

- Materials and Chemistry Laboratory was formed by a group of displaced workers who incorporated and leased an underutilized laboratory with five electron microscopes. The company was recently acquired by Midwest Research Institute.
- BioNeutrics, Inc., is a startup company that has leased a small reactor at the Oak Ridge National Laboratory (ORNL) that was in decontamination and decommissioning (D&D)

status. BioNeutrics, Inc. plans to build a boron neutron capture therapy center that will use the reactor's neutron beam in a personalized treatment center for brain tumors. According to BioNeutrics, Inc., treatment will be performed in one hour without chemotherapy or surgery, with minor side effects, and with greatly improved effectiveness compared to conventional methods. The Tower Shielding Facility, a small experimental reactor at ORNL, was in standby for D&D until May 1998, when it was leased to BioNeutrics, Inc., to develop the treatment facility.

- Kingsley Coach manufactures a unique vehicle comprised of a standard Freightliner or Peterbilt diesel tractor with trailer-sized living and working quarters attached through a proprietary design that creates a single unit. It is less expensive than custom diesel buses and can be maintained at most truck stops. Kingsley has leased over 100,000 square feet of a former maintenance shop at ETTP for assembly of these coaches, potentially employing 300 people.

### Barter

Several innovative barter arrangements have been implemented by DOE, saving cleanup and surveillance and maintenance costs while providing private companies with inexpensive leased space and valuable equipment. Examples include BNFL Inc., Decon and Recovery Services (DRS), East Tennessee Materials and Energy Corporation, and American Technologies, Inc. (ATI).

- The BNFL Three Building D&D Project is a fixed price contract with DOE that will save \$550 million while accelerating the cleanup work by many years and recycling valuable metals, most notably nickel. BNFL is in the process of removing all equipment and contamination from the K-33 Building, which will be available for reuse in 2001. K-33 contains 66 acres on two floors (almost 3 million square feet). When equipment removal is complete, the second floor will contain several large open bays, each up to 100 feet across by 50 feet high by 1400 feet long with virtually no obstructions.
- DRS has a contract with DOE to clean up the highly contaminated K-1420 Building for a fixed price that is equivalent to surveillance and maintenance costs for the building for several years. DRS will be entitled to use the building after it is cleaned up.
- Similarly, East Tennessee Materials and Energy Corporation has a contract with DOE to remove equipment from the former gas centrifuge project buildings at no cost to DOE in exchange for use of the buildings after they are cleaned up. Materials and Energy Corporation will operate a comprehensive radioactive and hazardous waste treatment center in these buildings.
- ATI recently completed a subcontract to Bechtel Jacobs Company for removal of equipment and decontamination of 140,000 square feet in the K-1401 Building (a former maintenance shop). ATI agreed to accept as compensation the value of contaminated machinery and equipment that remained in the building unused prior to the project. After decontaminating the machinery to free release standards, ATI sold the machinery at

auction for \$2 million. After equipment removal and decontamination were completed, the space was leased to Kingsley Coach and other companies.

### Infrastructure Management

The entire ETTP site infrastructure, as well as all roads and grounds maintenance, was subcontracted to Operations Management International (OMI) by CROET. CROET also leased utility facilities and roads and grounds to OMI. The result is a privately operated utility system as well as roads and grounds maintenance at the site with contract incentives to reduce utility and operating cost significantly during each year of the OMI contract. This arrangement is projected to net \$76 million in cost savings to DOE.

### Commercialization of Inorganic Membrane Technology

Bechtel Jacobs Company recently consummated a major licensing agreement with Pall Corporation and Coors Ceramics that enabled these companies to utilize proprietary technology that had been developed over many years at the ETTP site. Bechtel Jacobs Company's Inorganic Membrane Technology Laboratory will continue to perform cooperative research and development agreements (CRADAs) funded primarily by Pall, Coors, and other companies. The CRADA research will result in development of specific products that are expected to have a major impact on the marketplace for liquid and gaseous separation devices. Pall and Coors have formed a joint venture called PCC Enterprises LLC that has leased a facility at ETTP and installed equipment to manufacture the products that result from the CRADAs. Bechtel Jacobs Company will receive royalties on sale of these products, a portion of which will go to the U.S. Treasury and the balance to be utilized at the site.

### **JOBS CREATION**

The Bechtel Jacobs Company commitment to create \$427 million of new non-DOE payroll is actually six discrete goals, one for the first six months of the contract and one for each full fiscal year thereafter. The annual goals are:

- 1998 - \$11 million
- 1999 - \$43 million
- 2000 - \$65 million
- 2001 - \$84 million
- 2002 - \$103 million
- 2003 - \$121 million

In order for new payroll to qualify, the job must meet several criteria. It must be a new job in the five-county area around Oak Ridge, it cannot depend on DOE funding for its creation or continuation, and Bechtel Jacobs Company must have taken direct action that was a critical factor in the relocation, expansion, or startup that created the job. As "deals" are evaluated, Bechtel Jacobs Development Company (BJDC) submits a summary description to DOE for a determination as to whether the payroll will count toward the goal. At the end of each year, BJDC provides DOE an annual report of progress toward and accomplishments against the

payroll creation commitments, along with data that will validate the accomplishment of these commitments. If BJDC exceeds a goal, the excess will carry over and count toward the next year's goal. If the goal is not met for a fiscal year, there is not an opportunity to recoup the loss by exceeding the goal in the next year.

BJDC coordinates its efforts with the Reindustrialization Program. In some cases, a company that is expanding, starting up, or relocating to the area will find it advantageous to lease space at ETTP. In other cases, the needs of the company will dictate a location elsewhere in the five-county impact area.

BJDC provides a variety of incentives to companies to encourage them to relocate, expand, or get started in the five-county area. These incentives include direct financial assistance, rent subsidies, infrastructure improvements, loan guarantees, and others. Bechtel and Jacobs have also created new local payroll by moving some of their own non-DOE corporate operations to Oak Ridge.

During the first six months of the contract, BJDC structured payroll incentive arrangements with 18 companies to create more than 500 new private sector jobs. The payroll created during this period exceeded the goal of \$11 million. An example of job creation accomplished during the initial period is the 200-person Electronic Data Systems, Inc., service center for Toshiba computers, brought to Oak Ridge through BJDC rent subsidies and other incentives.

## **CONCLUSION**

The DOE Oak Ridge Operations Office has developed a Reindustrialization Program that is reducing the cost of cleanup, putting idle government assets to productive use, and creating private sector jobs in Oak Ridge. Concurrently, DOE structured the M&I contract to require the contractor to create non-DOE private sector payroll. These two complementary initiatives are saving taxpayer dollars, promoting environmental cleanup, and diversifying the Oak Ridge regional economy.