

Waste Management Symposium

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Plenary Remarks

Thank you, Mr. Fiore.

Mr. Gallagher, Mr. Hirai, Ms. Cange, distinguished guests and colleagues, Good Morning

I have three quick items to get out of the way before I start.

1. I have no slides
2. This is not an Infomercial; I am going to share with you my personal views and opinions.
3. I do want to give you some background so that you understand the basis for those views and opinions. I recently completed 20 years as a cleanup contractor. I have worked at four DOE/ NNSA sites, I have worked for 6 companies at those sites and I have worked for, or been teamed with, every Tier 1 contractor in our business. I have been a nucops project manager, a functional manager, a president and general manager, and now I am a corporate suit. But most important of all, I am a government contractor, currently working for the DOE in the US, the NDA in Great Britain and the AECL in Canada.

So with that disclaimer on the record, I would like to spend some time sharing a few of my personal observations about the state of our industry today

SAFETY

As many of us do, I would like to start with safety.

We contractors work in a high-hazard, high consequence, but hopefully low probability environment. In the simplest sense, our job is to remove that word "hopefully" from the previous sentence. To ensure that happens, we are highly regulated. But more importantly, we are highly *self-regulated*. We understand that anything untoward that happens to one of us, affects all of us. To that end, we all have to be at the top of our game every day. And so we all invest in numerous safety systems, we have numerous checks and balances, and we endure numerous oversight visits to monitor our performance. The impact of an adverse outcome cannot be underestimated; one only has to examine the three major events on the power side of our business - Three Mile Island, Chernobyl, and Fukushima - and see the changes to our entire industry that resulted from each of those singular events. Closer to home, the suspension of operations at WIPP impacted all EM sites, either in TRU waste shipping or in infrastructure maintenance, or both.

We have excellent safety programs in Integrated Safety Management, Behavior Based Safety and Human Performance Improvement. All these programs are producing results every day.

We have come a long way and we have achieved steady improvements in safety. Our injury rates, (lagging indicators) clearly demonstrate that our workers are much safer than many other industries.

Our leading indicators, on the other hand, are not as clear and they need continuous attention - it is hard to prove a negative (because I did this, that didn't happen). Because of the ambiguity of leading indicators, you need to have a number of them.

You need to develop leading indicators that will change the culture of the organization; both the managers and the workers. And, you need to take that leap of faith that says because of these actions, all accidents are preventable.

Don't shortcut Training. Investing in your workforce is the best money you can spend. A senior manager once asked "what if we spend all the money to train our employees, and then they leave?" The reply was "what if we don't and they stay?" Is that where you want to be?

My challenge to this group is to continue this improvement. Be safety leaders. Spend the time to study the data but don't make it all about the data. More than one company has had excellent safety performance just before a major accident. Leaders always need to step back and assess the entire picture.

MISSION

I have a few thoughts about accomplishing the mission

I think we, the contractor community, are pretty good at doing that. We all know the hazards of our work and the options available to control them. We know how to safely conduct nuclear operations, take down contaminated buildings, remediate soil and groundwater, package and ship waste, etc. We have a number of successes behind us; we have closed major sites like Rocky Flats and Fernald; we have achieved significant footprint reduction across the DOE; we have completed fuel removal from a number of Magnox sites. The last few years have been particularly successful. Sue Cange will highlight a number of the recent DOE successes when she speaks in a few minutes.

Today, our biggest challenge is not performing the work; it is doing the upfront planning for those work activities. Specifically, we must answer the question: “how do we define success?” A number of other questions immediately spring to the forefront: “What is the cleanup standard? Where does the waste go? What is the cost? What’s the budget? Are those two numbers in the same order of magnitude?”

Our single biggest challenge is to get agreement from all stakeholders on the project plan that includes all those issues. By stakeholders, I mean the government customer, the various government regulators (both state and federal,) the local communities, including the First Nations when appropriate.

When I first started 20 years ago at Rocky Flats, Stakeholder relations were not so good. I was staying in the Residence Inn in Boulder until we found a house. They had a welcome reception in the lobby and I was speaking to the woman next to me in line. It was a pleasant conversation, right up to the point when she asked “where do you work?” When I replied “Rocky Flats,” her face froze, she abruptly turned her back to me and walked away. This was my first job out of the Navy and I thought I was taking the high road by volunteering to clean up the many insults to the environment that occurred during the 50s and 60s. She obviously disagreed.

In this regard, things are much better today. Although varying opinions and disagreements are never in short supply, now we deal with them in a much more transparent and professional manner.

I spoke of successes a minute ago. We can only achieve these successes when we, the government and the contractor, work together. Neither one of us can succeed if the other fails. Unfortunately, my view is that partnering for that success is not where it needs to be. About five years ago, we were at an all-time low, and things are getting better today but we still have a ways to go. At the many sites I visit, I see a number of

pockets of excellence in this regard, but we all need to work harder to ensure that is the norm rather than the exception. At the HQ level, I see definite improvement. As many in the audience recall, Industry had problems with some of the contract language inserted into RFPs a few years ago and it led to a number of companies dropping from competitions. When industry leaders went into HQ to explain the negative impact that was unacceptable to our companies, DOE listened and made changes.

Partnering does not mean sacrificing any roles or responsibilities; we all know our place and our duties. It does, however, require looking at things from both sides, having an understanding of what the other side is going thru and finding solutions for progress that work for both parties. They say that a successful negotiation is when neither party is completely happy; successful partnering should be just the opposite.

I have spent some time thinking about is the issue of contracts and contract management. As taxpayers, we all want best value for the government. And spending millions of dollars on contract management rather than spending the same millions of dollars on performing work is not the best value. I'm talking about the FAR Part 15 contract when applied to a major nuclear D&D cleanup job. We all know that there are many unknowns in that type of work, each one of which might lead to a contract change. There are budget shifts every year, more contract changes. There are new emerging technologies and evolving strategies that can be applied; again, more contract changes. For each of these contract changes: contractors get an RFP, we produce and submit a proposal, sometimes we get a "not to exceed" task to start; we negotiate a price, we submit numerous baseline changes, and usually this takes at least 6 months to a year. To put some perspective to this matter, here are a few data points: 203 definitized changes in the 5 year base period at one site; 50 proposals submitted in 2.5 years at another site; 23 contract mods (half of which are change orders) in the

first nine months at another site. The costs associated with these numbers are not trivial.

Neither are the costs for bidding such a contract. Take a typical FAR Part 15 contract with a 5 year base and a 5 year option; when contractors bid on a contract like this, it takes an extraordinary amount of effort to produce certified cost and pricing accompanied by a detailed Work Breakdown Structure and Basis of Estimates for that entire ten year period. The cost of the Cost Volumes for those kinds of proposals runs into the millions of dollars; this limits competition, and, equally important to note, the cost baseline starts changing the day the contract is awarded.

I understand why the GAO likes FAR Part 15 contracts, we do quite a few of them in Fluor; I just feel it is not the right contract mechanism for a job that entails so many changes. The M&O contract is far more cost effective when it comes to managing these changes and it can be done with sufficient discipline to demonstrate the value for money.

CHANGING OF THE GUARD

Finally, I would like to close by talking about the "Changing of the Guard" that is going on right in front of us. Almost every major project manager that was in place when I started has retired. Six of the nine bosses I had at DOE sites have retired. (Two of the three survivors are sitting here in the audience somewhere.) Most of the DOE site managers that I started with have retired and there are rumors of more to come in the next few years. All the original DOE HQ principals have retired or moved on. Every Defense Board Member I worked with at Pantex 7 years ago has retired.

Change is in the air, my friends, and we should all embrace that change. The upcoming executives and managers, both on the contractor and federal sides, are

sharp, bright individuals that can take our industry to new levels. They bring new thoughts and ideas that are not constrained by old paradigms. These new leaders are already making their presence felt; I spoke earlier about a number of recent success; these new leaders are responsible for those accomplishments.

It's a challenging, but exciting time to be in our business. We are doing honorable work by cleaning up the legacy from when our industry was not as friendly to the environment as it should have been. I am happy to be part of it and I hope you are too.

Thank you very much