
THE HANFORD SITE WORK FORCE RESTRUCTURING PLAN

Part VI - Community and Economic Development

THE HANFORD JOB REPLACEMENT CHALLENGE

Background, Goals, Strategy, Actions and Organization/Key Participants

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THE HANFORD JOB REPLACEMENT CHALLENGE

Downsizing and restructuring at Hanford will have dramatic and immediate impact on the surrounding communities. According to local Kennewick, Pasco, and Richland (Tri-Cities) economic leaders, the 100 largest U.S. industrial corporations average about \$1 in assets for each \$1 in sales. It frequently takes about 50 cents out of each sales dollar to cover the payroll costs. Using these approximations, it will take about \$750 million in new payroll dollars per year or about \$1.5 billion dollars of new, private sector investments in manufacturing and service industries in the Community to replace the Hanford jobs vacated after cleanup is completed. Assuming a 30 year life for cleanup, the local community will need a steady annual new investment of about \$50 million per year in unescalated, private-sector dollars to mitigate the economic impact of losing 15,000 direct Hanford jobs and approximately 30,000 secondary jobs vacated after cleanup is completed.

Based on community groups analysis, approximately two new direct or primary value added jobs need to be generated per day, every day for the next 30 years to maintain the existing employment base in the community. These new jobs must be capable of surviving Hanford shutting down after cleanup. This Community Impact/Economic Development Plan (CDP) is based on four separate business lines -- conversion and economic reuse of assets, leveraged outsourcing, technology commercialization and new site missions. The highest priority for replacement jobs in the Communities will be for the displaced Hanford work force.

Background

As part of the renegotiated TPA, the signatories committed to a "Cost and Management Efficiency Initiative" through which \$1 billion will be saved over a five-year period. Since then, RL has initiated an environmental restoration management contract with Bechtel and has renegotiated its maintenance and operations contract with Westinghouse. Efficiency improvement initiatives, budgetary reductions, and contractual changes may result in as many as 2,500 jobs lost by the end of FY 1995. Besides efficiency related job losses, Hanford should experience continued downsizing as Site cleanup progresses and is completed. RL will work in close partnership with the Community to accommodate long-term work force restructuring while minimizing adverse impacts on employees and the Community.

Hanford dominates the Communities' economy. For example, Hanford represents one in four jobs in the Tri-Cities and accounts for over half of the total earned income from direct or value-added jobs. Because much of the rest of the Community' economy has grown to support Hanford and its work force, the fate of nearly two additional local non-Hanford jobs is directly dependent on each Hanford job. Reductions in local employment and expenditures as cleanup is completed will adversely impact the Communities' regional economy unless mitigating economic actions are begun immediately and are successful.

DEFINITIONS

Communities

Affected or impacted communities in Benton/Franklin and contiguous counties; affected or impacted cities within those counties; affected or impacted Native American tribes; and other jurisdictional areas experiencing negative economic impacts from the work force restructuring at the Hanford Site.

Hanford Communities

An organization of cities comprising Benton City, Kennewick, Pasco, Richland, and West Richland which addresses Hanford Issues.

Site Mission

"to clean up the Site, provide scientific and technological excellence to meet global needs, and partner in the economic diversification of the region" (From the Hanford Strategic Plan, RL-D94-048)

Notwithstanding the perils of long-term economic downsizing, the Hanford Site and the Community have before them an unprecedented opportunity to create an economic renaissance based on the unparalleled environmental cleanup mission. DOE is a willing partner with the Community in developing and sustaining a diversified economy substantially less dependent on federal funding.

The vision and legacy of Hanford and the Community must not end with the Site being cleaned up and lands being restored. In the future, we envision a vibrant regional economy with a diversified economic job base capable of competing in national and international products and services markets. The "Hanford Economic Transition Initiative" (HETI) is the mechanism that DOE and the Hanford Site established in 1992 to support this vision. This

portion of the Work Force Restructuring Plan, the CDP, is based, in large part, on HETI strategies already being formulated when RL Manager Wagoner's notice about work force restructuring was issued in February 1994. This CDP also incorporates initiatives generated from the two Hanford Summits recently hosted by DOE Secretary O'Leary and Washington Governor Lowry. Additional information on the communities' recommendations to RL's HETI is contained in Appendix G.

In support of HETI, RL will identify and implement policies and actions that will support Hanford's cleanup mission and the Communities' economic development and diversification. RL's goals include "using the cleanup and science and technology [Hanford] mission elements to help the Communities establish a diversified and stable economic base over the long term." This goal is to be accomplished through private sector participation in cleanup, creation of local technology and service companies commercializing Hanford or imported technologies, and effective conversion or use of Hanford assets no longer required by DOE and/or the federal government.

COMMUNITY INPUT

Additional information on the communities' recommendations on RL's HETI is contained in Appendix G.

The primary objective is to supplant Hanford with local, diversified private industries largely independent of Hanford who employ the Communities' skilled and professional work force and trade with the Communities' businesses.

Major challenges threaten the goal of replacing the lost Hanford economic base as cleanup winds down and is completed. It is unprecedented to achieve this proportion of replacement economic development and diversification in smaller, semi-rural Communities. Nearly \$750 million in 1994 salary and wage dollars are at risk in Benton and Franklin counties alone. Adding to the challenge, the Communities must simultaneously make a "government to private" transition. The community's government dominated, federally funded business culture must transition to a national and international competitive and market-oriented culture to survive.

Goals

RL and its contractors, working with the Communities, State, and Northwest partners will seek to achieve a diversified and stable economic base in the region to supplant DOE's and its contractors' ever decreasing presence as Site cleanup progresses towards completion. DOE and its contractors will, consistent with applicable law and their mission, support the community creation, expansion, or attraction of new private sector operations and jobs to the local area by:

- Conducting the economic transition of Hanford resources over the next 30 years in a manner that promotes the cleanup mission, maximizes economic growth and stability of the region, and maximizes an effective transition of the Hanford work force into local private sector jobs.
- Broadening existing and new Hanford markets to reach local, regional, and international businesses that can provide local economic expansion and the gradual transition of jobs to the private sector.
- Seeking to attract new businesses to the Community through partnerships, contracts, licensing agreements, and other arrangements with the potential to leverage science and technology and provide clean-up mission opportunities. Once established, DOE would encourage these new businesses to aggressively pursue diversified, Hanford and non-Hanford business opportunities from their local base.
- Transferring and commercializing Hanford technologies in ways that result in significant expansion of local commerce and employment.
- Converting to commercial re-use Site and work force assets, as well as surplus or underutilized Hanford Site land, facilities, and equipment.
- Reinventing government -- eliminating "red-tape" and other barriers that frustrate economic transition initiatives.
- Reducing federal spending for infrastructure services where local government and private sector resources can be utilized more cost effectively.
- Preserving and pursuing opportunities to make Hanford a multi-program site.

- Supporting and expanding PNL's multi-program science and technology mission to enhance their U.S. and world presence while simultaneously benefiting the Communities.

Strategy

While employment and cleanup funding at the Site are up and the Communities' economies are strong, RL and its contractors will pursue regional economic development and diversification jointly with the Communities. To the maximum extent allowable and practicable, the Site assets, cleanup projects and procurements, and the Site's science and technology mission will be used and leveraged to benefit regional economic development and diversification.

- The estimated \$57 billion federal cleanup investment at Hanford, if carefully managed and leveraged over the next 30 years, can jointly benefit DOE and the Communities. Decreasing the Communities' dependence on Hanford helps DOE's cleanup mission. A growing and eventually robust private-sector local economy can provide jobs for displaced Hanford workers and innovation and investment for cleanup. Community-based firms can facilitate the start-up and/or spin-off of Hanford outsourced businesses and the disposal or reuse of surplus Hanford assets. Local, competitive sources for an increasing portfolio of cleanup services and products saves DOE time and money. All of these benefit the local economy.
- The constrained federal budget requires that all efforts be made to reduce Hanford expenditures. Private sector and municipal capital, infrastructure, and services can be leveraged to reduce federal spending and/or commitments while accelerating economic transition.

For reference, Appendix G is the local communities' recommendations to DOE for the HETI program management. DOE will fully consider all inputs.

Actions

A sampling of the actions needed to implement this plan are listed below. Actions beginning immediately and continuing over the next one or two years are detailed. Longer term economic development and diversification activities will be covered in the HETI and Sustainable Economic Transition Initiative (SETI) business plans. In partnership with the Communities' economic development agencies and the State, DOE will work earnestly to:

- Establish reasonable funding levels and assign (recruit) experienced professionals to RL's HETI program;
- Fund TRIDEC's peer reviewed and approved transition programs for the balance of FY95;
- Review and provide periodic updates of HETI's detailed plans and budgets with the Communities' designated economic development agencies;

- Collaborate with the affected Communities' economic development agencies and councils to help formulate economic development programs and activities commensurate with the negative economic impact anticipated from Hanford's work force restructuring;
- Identify, compile, schedule and implement all DOE commitments from Summit I and Summit II including joint DOE commitments with Washington State and others;
- Jointly with the Communities, develop a "living" HETI business plan with quantified target and threshold metrics, defined tasks, budgets and schedules, anticipated results, assigned responsibilities, and performance measures;
- Support the Communities' development of its "living" SETI business plan with quantified target and threshold metrics, defined tasks, budgets and schedules, anticipated results, assigned responsibilities, accountabilities, contingencies, and performance measures;
- Once the DOE and the Community business plans are drafted, jointly work with the Community to host a meeting to review work and business plans and accomplishments. Such a conference should include the Community, RL and its participating contractors, and invited guests;
- Under the authority of Section 3161, 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. Consistent with DOD's base closure local preference procurement authority, this will substantially increase the proportion of Hanford procurements with local and regional businesses;
- Generate a comprehensive Hanford land use plan and asset inventory related to the conversion of assets business line contained in the HETI program plan;
- Support studies necessary to gauge work force transition impacts, identify local economic strengths and weaknesses, and devise effective response strategies;
- Work in concert with local community organizations to support an Environmental Development Center, Enterprise Zone, and Entrepreneurial Program to stimulate and support new business development;
- Complete the Hanford Infrastructure Transition Initiative Plan identifying new business opportunities;
- Develop Hanford's Continuous Learning Center utilizing the resources of WSU/Community, CBC, the HAMMER Training Center, and other training organizations;
- Pursue development of the Technology Test and Demonstration Center to field test, demonstrate, and certify new environmental technologies;
- Support TRIDEC's Community Technology Commercialization Partnership efforts to pursue environmental technology diversification opportunities;

- Reduce or mitigate procurement and/or contract impediments, regulatory overlap, and duplication that result in delays, and added costs, to procurement of private sector resources; and
- Evaluate market opportunities, fund and pursue new federal missions, programs and special user facilities at Hanford consistent with Congressional and Administration policies.

Organization And Key Participants

The organizational structure to plan, implement, and achieve HETI objectives is characterized by partnership and teaming. The key organizations involved in this process are the RL Office of Economic and Strategic Transition and Integration (through its Strategic Transition Initiatives [STI] Division), the Hanford Economic Transition Cabinet (HETC), and, representing the Community's economic diversification interests, the Tri-City Industrial Development Council (TRIDEC - through its Economic Transition Task Force, One Voice Memorandum, and the Partnership Council, formerly the Associated Development Organization) as well as other affected economic development agencies and councils in the Communities.

One of the key objectives is to work in a cooperative effort with the Communities on economic development. Currently, there are an estimated forty-two economic development entities in Benton and Franklin Counties alone. To enhance and focus the development effort in Benton and Franklin Counties, TRIDEC will serve as a primary point of contact. RL anticipates awarding a grant to TRIDEC to fund coordination of Community-based HETI elements.

Conclusion

The DOE will seek to accomplish the substantive and effective economic development and diversification improvements that are derived from its environmental cleanup and science and technology missions by:

- Leveraging all aspects of HETI, particularly leveraged outsourcing, conversion of assets, technology commercialization, and new federal missions;
- Encouraging entrepreneurs and small businesses using Hanford science, technology, and procurements to build sustainable local businesses;
- Targeted recruiting of new companies, emphasizing Hanford attributes that would add substantial value to the private sector and provide employment opportunities to displaced workers;
- Effectively expanding and diversifying the non-Hanford economic potential, especially that in agribusiness; and
- Working cooperatively with its stakeholders to achieve the goals set forth earlier in this section on page 51.