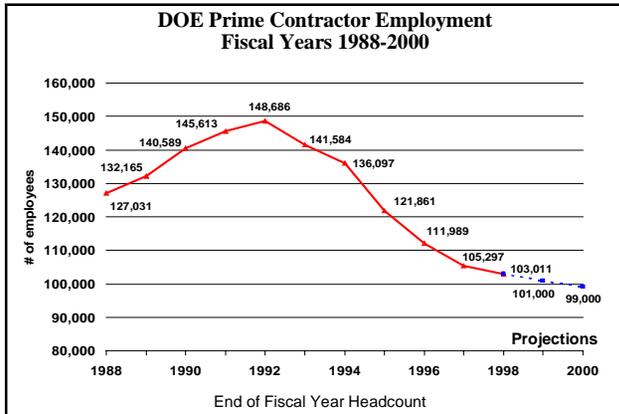


# *Science, Security and Energy: Powering the 21st Century*



**The FY 2000  
Office of Worker and  
Community Transition  
Budget Request**

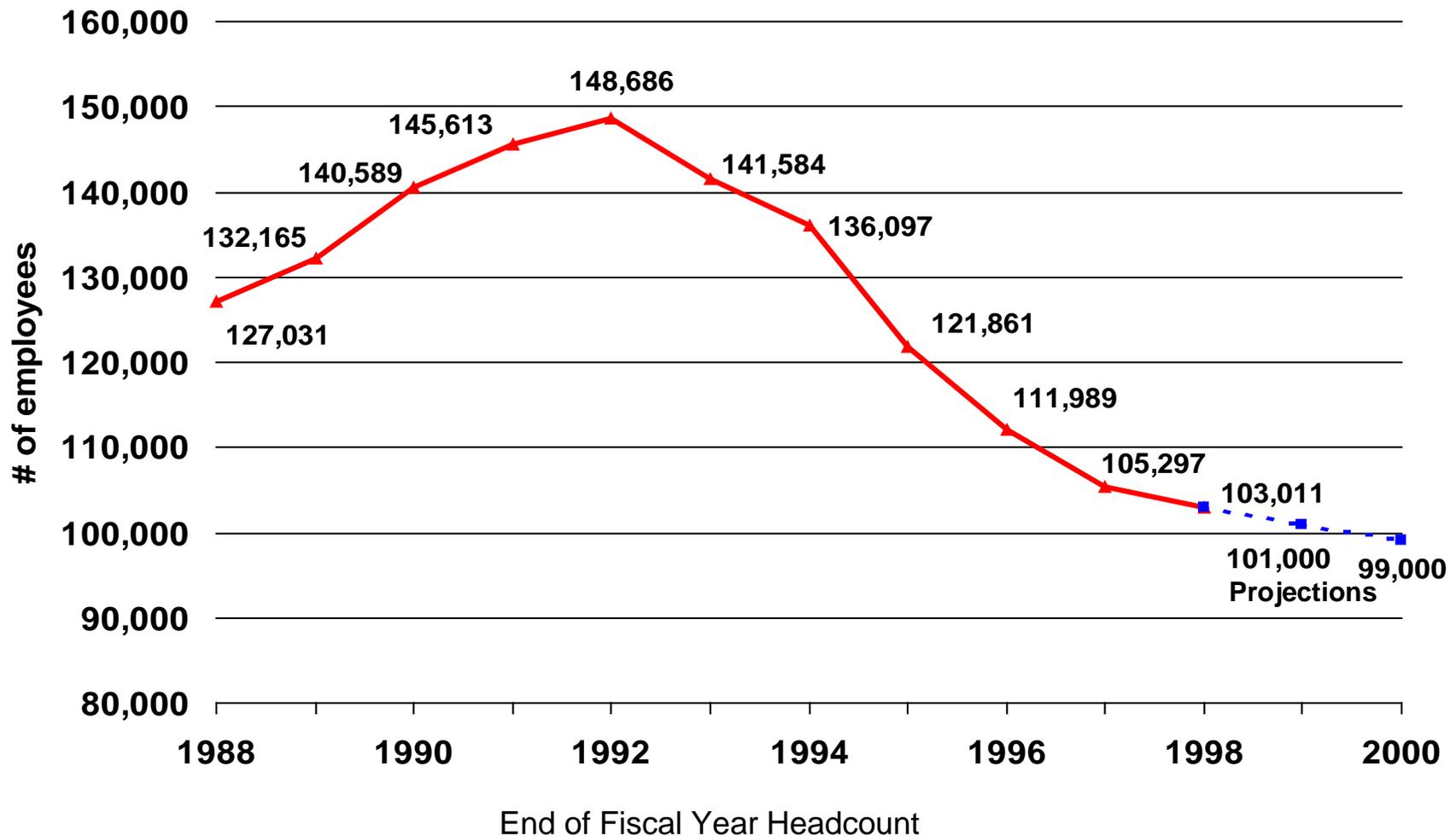
# Mission

- **Minimize the social and economic impact of changes in the Department's missions and functions**
- **Develop partnerships with local communities to speed closure and reuse of excess assets**
- **We work to make change possible**

# Program Accomplishments

- **Reduced Department's contractor workforce by one-third**
  - yearly savings of \$3.3 billion in avoided payroll and benefits costs
  - most separations were voluntary, and our contractors experienced few lawsuits or workplace incidents
  
- **Accelerated closure of excess facilities**
  - saved \$29 million through closure of the Pinellas Plant in Florida
  - reached sales agreement for transfer of Mound site to local community
  
- **Helped communities create over 16,000 jobs**
  - averaged less than \$9,500 per job created
  - an additional 17,000 jobs projected by the year 2001
  
- **Reused property at 9 sites**
  - roughly 50 million square feet of real property leased
  - over one million square feet of real property transferred or sold
  - over 22,000 pieces of equipment transferred

## DOE Prime Contractor Team Employment Fiscal Years 1988-2000



# Program Strategies

- **Manage employee retention and career transition**
  - Early closure strategies depend upon having the right employees working until the very end. We are developing mechanisms for encouraging retention and separation at the appropriate moment.
- **Promote flexible use of skilled work force**
  - Contract changes, outsourcing and privatization can result in costly and disruptive employment transitions. We have established means for retaining skilled employees and avoiding severance costs while implementing changes.
- **Support local economic diversification and development**
  - Economic development assistance helps local communities reduce their reliance on revenues from government activities and promotes partnerships.
- **Transfer and reuse excess property and facilities**
  - This strategy brings local communities together with the Department to accomplish common objectives – closure and reuse of excess assets.

## **Site Closure Requires Creative Work Force Management**

- We are developing programs that will encourage workers to remain at DOE sites for as long as their skills are required, and then separate voluntarily. Elements of the program include:
  - Work force planning that identifies how long employees will be needed
  - Career counseling to clarify post-DOE career objectives
  - Pre-separation training and educational to prepare for the future
  - Placement assistance to find new employment
  - Preference-in-hiring at other DOE facilities
  - Adjusting benefits programs to eliminate incentives to separate before skill requirements have ended
- The goal is to allow workers to move directly to new employment from completion of their DOE tasks
- **For small initial investments, the payoff will be smaller severance payments and the ability to fully utilize our skilled work force to achieve rapid site closure**

## **We are Successfully Retooling our Skilled Work Force**

- Since 1992, DOE contractors have reduced their work force by nearly one-third, with annual savings of over \$3.3 billion
- Over 70 percent of separations have been voluntary, and have ***not*** resulted in significant legal challenges or labor unrest
- Significant savings and productivity gains are being realized through use of new contracting mechanisms, while retaining current workers with their unique experience and skills
- At Oak Ridge, for example, a new cost-saving contract provides pension and service continuity, coordinated work force planning, and assured employment offers. This employment continuity will make possible transition of nearly 6,000 workers to task-oriented subcontractors. **This strategy has avoided immediate potential severance liabilities of up to \$45 million!**

# Diversification Reduces Federal Dependence



**SKF Automotive Bearing Division**

The world's largest producer of roller bearings, the SKF Automotive Bearing Division, invested \$123 million to build a 250 acre facility in Aiken, SC, that produces automotive hub units. The facility will have two production lines. One makes SKF hub units for passenger cars. The other produces truck hub units for Rockwell. The facility employs 176 workers and will eventually employ over 276. The industrial park will also host other advanced technology companies. Key infrastructure improvements were provided by DOE and the State of South Carolina.

**Aiken County Tire Plant**

In 1997, Bridgestone/Firestone, Inc. announced plans to build "the worlds most modern tire plant" in Aiken, SC. The plant will produce 25,000 automobile and light truck tires per year and employ over 800 workers when it is in full production. Right now, the the plant employs 380. Bridgestone has invested \$435 million to build the 1.5 million square foot facility on a 550-acre site. Funding to build the infrastructure for the project came from the State, Aiken County, the Department of Commerce, and DOE.



## Transfer and Reuse Speeds Site Closures

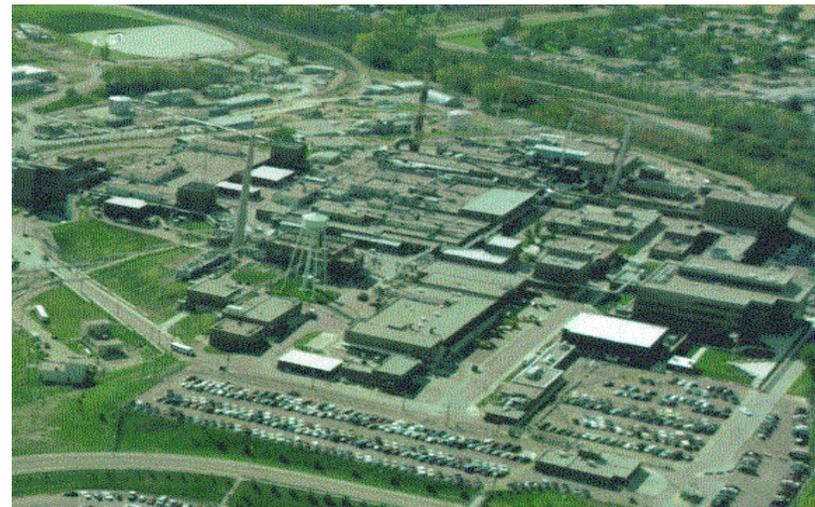


### **Converted Pinellas Plant to Commercial Use**

DOE ended 40 years of operations at the Pinellas Plant on September 30, 1997. The Plant was the first transfer of a DOE nuclear defense production facility to a local government. Transition activities were originally envisioned through FY 2000; closing the Plant three years ahead of schedule will save DOE more than \$29 million. At the end of FY 1992, 1,569 workers were employed at Pinellas. Twenty-five businesses with over 1,800 employees now share the plant space, and it's projected that over 2,330 employees will be working in this former nuclear weapons facility by the year 2001.

### **Transferred the Mound Plant**

The transfer of the Mound facility in January 1998 was a collaborative effort between the community, the contractor and the DOE. The site transfer provides an incentive to encourage early closure by offering the promise of new businesses and job opportunities. Early closure should save approximately \$150 million in maintenance and operating costs. The local reuse organization has thus far created 283 jobs and expect to see an additional 550 positions by 2001.



## Reusing Excess Assets Creates Jobs

### Spaceport Nevada

In an effort to support the continuing operations at the Nevada Test Site (NTS), the State and DOE, designated certain areas of the site for aerospace activities through an economic development use permit. Private businesses can perform launch, landing, operational support and other aerospace activities that contribute to facility reuse and result in a cost saving to the government. Kistler Aerospace plans to utilize SPACEPORT NEVADA for their K-1 vehicle launch and recovery operation beginning in FY 2000. It is anticipated Kistler will create more than 200 primary jobs at the site as an anchor tenant, with a potential of attracting numerous ancillary businesses and jobs in and around SPACEPORT NEVADA.



### Hanford Applied Engineering Laboratory

The Applied Process Engineering Laboratory (APEL) in Richland, Washington, a technology incubator, was created in an excess facility through an alliance of institutions and resources. APEL contains over 14,000 sq.ft. of wet labs and clean rooms, 20,000 sq. ft. of business start-up bays, and 20,000 sq. ft. of permitted high bay development space. APEL is over 50% occupied by six new companies and the Pacific Northwest Laboratory. Sixteen new high-tech jobs have been created. An additional 175 new jobs are expected to be created by 2001.



## **Assets in Motion: Generating Economic Benefits**



### **Sale of Heavy Water at Savannah River**

The closure of the 400 Area at Savannah River as part of the proposed sale of unneeded heavy water will save the site an estimated \$30-35 million over the next two years. In addition, detritiation equipment will be supplied at no cost to DOE, which will allow DOE to save \$2-3 million per year in surveillance and maintenance costs and eliminate the largest potential for accidental release of tritium to the Savannah River.

### **Hanford's Transportation Project**

The transfer of the 1100 Area and the 16 miles of rail track at Hanford to the community will save DOE about \$1 million a year in maintenance costs. The community expects this to be a prime area for metals and manufacturing business. The Livingston Rebuild Center (LRC), a locomotive repair firm, has already located at the site and will manage the rail system for the community.



## Reindustrialization at Oak Ridge: Over \$800 Million can be Saved



### **Infrared Technologies**

Leasing at the East Tennessee Technology Park (ETTP) allowed this startup company to commercialize infrared processing technology developed at the Oak Ridge National Laboratory. New activities at ETTP have already created over 460 jobs, paying nearly \$19 million in annual wages. The average salary for these jobs is comparable to that of DOE Oak Ridge's contractor salaries.

### **Creative Efforts to Reuse Defense Facilities**

Reindustrialization at Oak Ridge could result in over \$800 million in savings to the taxpayer over 30 years. These savings will be achieved through bartering leasing for cleaning up contaminated buildings, utilities, roads and grounds budget reductions, and barter of metals for cleanup of buildings.



## **FY 2000: Expected Outcomes**

- **Contractor work force management**
  - contractor work force will be relatively stable – net reductions are likely to be in the range of 2,000 positions
  - key objective will be to assure that early closure strategies involving work force management proceed as planned
- **Economic recovery and diversification**
  - community assistance programs should create or retain over 5,000 additional jobs in FY 2000
- **Facility reuse and conversion**
  - facility reuse and conversion should begin to yield measurable results
- **Costs Avoided**
  - savings from work force management and asset reuse should be in excess of \$100 million

# Albuquerque Sites

**Carlsbad, Kansas City, Los Alamos, Pantex and Sandia**

- **Objective**
  - Reduce communities' economic dependence on the DOE
- **Strategies**
  - Support local economic development
  - Transfer and reuse excess property and facilities
- **Costs**
  - Up to \$2 million may be allocated for economic diversification and asset conversion at these five sites during FY 2000
- **Benefits**
  - Create opportunities for displaced employees, reduce severance costs by providing new employment opportunities and deepen partnerships with local communities

# Fernald

- **Objectives**
  - Complete site closure by FY 2006 rather than FY 2015
  - Reduce communities' economic dependence on the DOE
- **Strategies**
  - Manage employee retention and career transition
  - Support local economic development
- **Costs**
  - Up to \$3 million may be allocated for enhanced benefits and economic development in FY 2000
- **Benefits**
  - The Department stands to save \$23 million for each month it can trim from its site closure schedule

# Hanford

- **Objectives**
  - Reduce the community's economic dependence on the DOE
  - Minimize work force restructuring
- **Strategies**
  - Support local economic development
  - Transfer and reuse excess property and facilities
  - Manage employee transition
- **Costs**
  - Up to \$5 million may be allocated for economic diversification, asset conversion and enhanced benefits in FY 2000
- **Benefits**
  - Create opportunities for displaced employees, reduce severance costs by providing new employment opportunities and deepen partnerships with local communities

# Idaho

- **Objectives**
  - Allow Naval fuel to be transported and stored in Idaho
  - Reduce community's economic dependence on the DOE
- **Strategies**
  - Implement legal settlement agreement
  - Support local economic development
- **Costs**
  - \$6 million per year through FY 2001
- **Benefits**
  - Allows continued defueling and decommissioning of Naval nuclear vessels to meet arms control commitments and frees Naval shipyard facilities to meet ongoing maintenance requirements

# Mound

- **Objective**
  - Complete site closure by FY 2004
  - Reduce community's economic dependence on the DOE
- **Strategies**
  - Transfer and reuse excess property and facilities
  - Support local economic development
  - Manage employee retention and career transition
- **Costs**
  - \$5 million in FY 2000 and 2001 (matched by the community) for development of an advanced technology industrial park
  - Up to \$1 million in FY 2000 to finance enhanced benefit costs
- **Benefits**
  - The Department stands to save \$12 million for each month it can trim from its site closure schedule

# Nevada

- **Objectives**

- Reduce community's economic dependence on the DOE

- **Strategies**

- Transfer and reuse of excess government assets
- Support local economic development
- Partner with educational community to support cooperative programs

- **Costs**

- Up to \$2 million may be allocated for economic diversification and asset conversion in FY 2000

- **Benefits**

- Nurturing of partnerships between business, educational and DOE community
- Savings to DOE in facility maintenance and increase in infrastructure improvements at lower costs to the Federal government

# Oak Ridge

- **Objectives**

- Accelerate cleanup and closure of former gaseous diffusion plant
- Reduce community's economic dependence on the DOE
- Minimize disruption from M&I contract transition

- **Strategies**

- Transfer and reuse excess property and facilities
- Support local economic development
- Promote flexible use of skilled work force

- **Costs**

- Up to \$6 million in FY 2000 to finance economic development and enhanced benefits

- **Benefits**

- “Reindustrialization” can save the Department upwards of \$800 million if implementation continues as planned

# Portsmouth and Paducah

- **Objectives**

- Reduce communities' economic dependence on the DOE
- Minimize disruption from privatization of enrichment activities

- **Strategies**

- Support local economic development
- Transfer and reuse excess property and facilities
- Promote flexible use of skilled work force
- Manage employee transition

- **Costs**

- Up to \$10 million may be allocated for economic diversification, asset conversion and enhanced benefits in FY 2000

- **Benefits**

- Create opportunities for displaced employees, reduce severance costs by providing new employment opportunities and deepen partnerships with local communities

# Rocky Flats

- **Objective**
  - Complete site closure by FY 2006 instead of FY 2010
- **Strategy**
  - Manage employee retention and career transition
- **Costs**
  - Up to \$5 million will be allocated to finance enhanced benefits designed to manage employee retention and transition
- **Benefits**
  - The Department stands to save \$27 million for each month it can trim from its site closure schedule

# Savannah River

- **Objectives**

- Reduce the community's economic dependence on the DOE
- Minimize work force restructuring

- **Strategies**

- Support local economic development
- Transfer and reuse excess property and facilities
- Manage employee transition

- **Costs**

- Up to \$5 million may be allocated for enhanced benefits, economic diversification and asset conversion in FY 2000

- **Benefits**

- Create opportunities for displaced employees, reduce severance costs by providing new employment opportunities and deepen partnerships with local communities

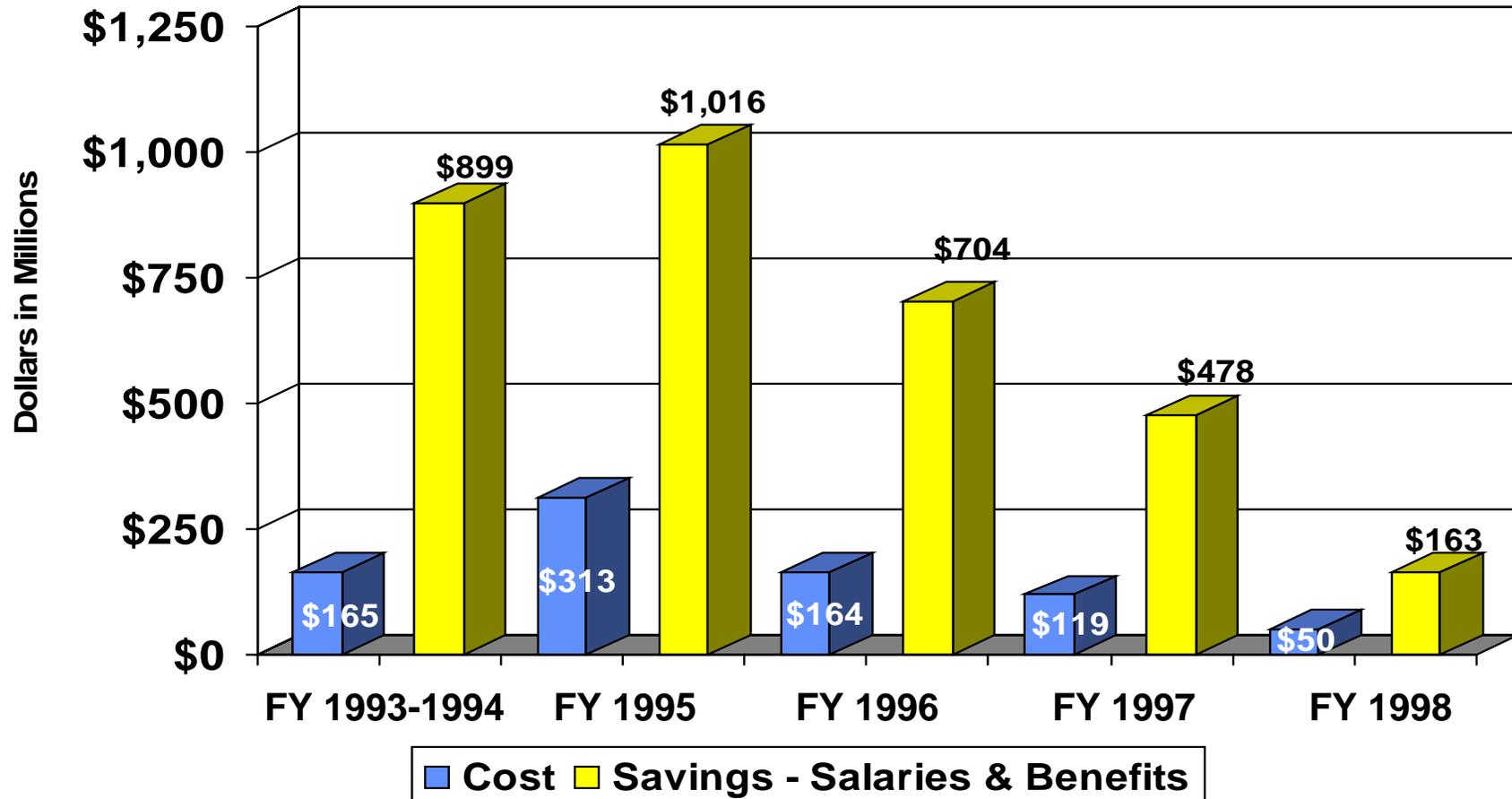
## **Results of Congressionally Directed Independent Audit**

- The NDAA for FY 1998 directed the Secretary to conduct an independent study of our program.
- ***Study of the Effects of the Department of Energy's Work Force Restructuring and Community Transition Plans and Programs***, was completed in September 1998 by Booz•Allen & Hamilton, Inc.
- The report estimates that the program has created or retained an estimated 22,348 jobs – 10,845 through work force adjustment programs and 11,503 through community transition activities.
- The report found that the average cost per separation at Department of Energy defense sites was \$18,392 and \$11,963 for non-defense sites. This compares favorably to the average cost of \$21,143 per Department of Defense contractor separation, and a range of \$40,000 to \$70,000 for commercial enterprises.

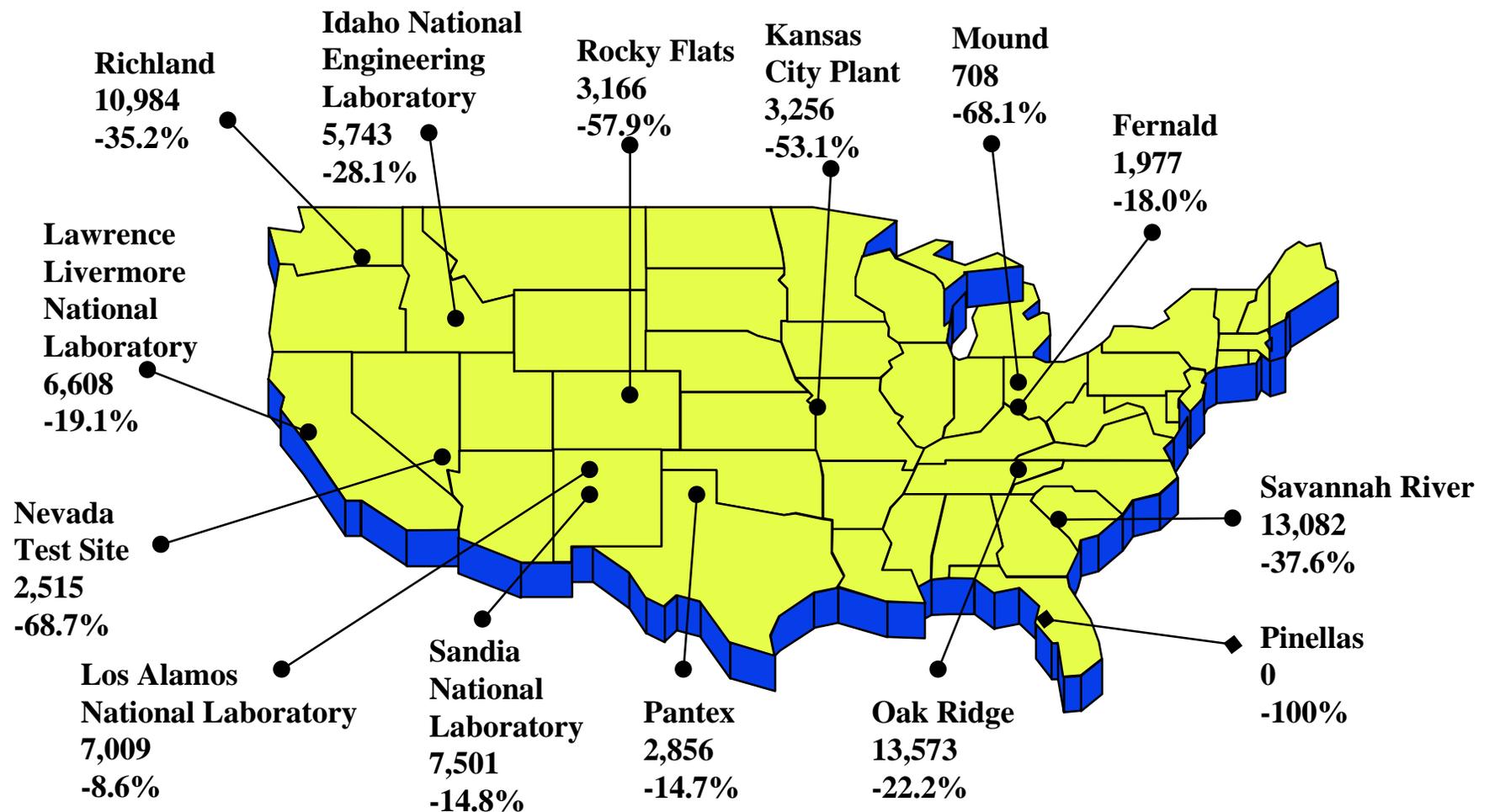
## **Results of Congressionally Directed Independent Audit (Continued)**

- The report states that the program has helped retain a skilled and productive work force by offering early retirement and other voluntary programs that have resulted in the amicable separation of more than 30,000 contractor employees. According to the report, these programs have also reduced legal challenges and the incidence of work place violence.
- The report found that our efforts to work with local communities to identify industrial uses for excess facilities at Mound and Pinellas has accelerated cleanup and saved more than \$100 million in landlord and maintenance costs.
- The report concludes that the Department continues to face major transition issues involving early closure sites, introduction of new contracting methods, and budget shifts and uncertainties.

## Annual Cost and Savings: Separations from FY 1993 through 1998

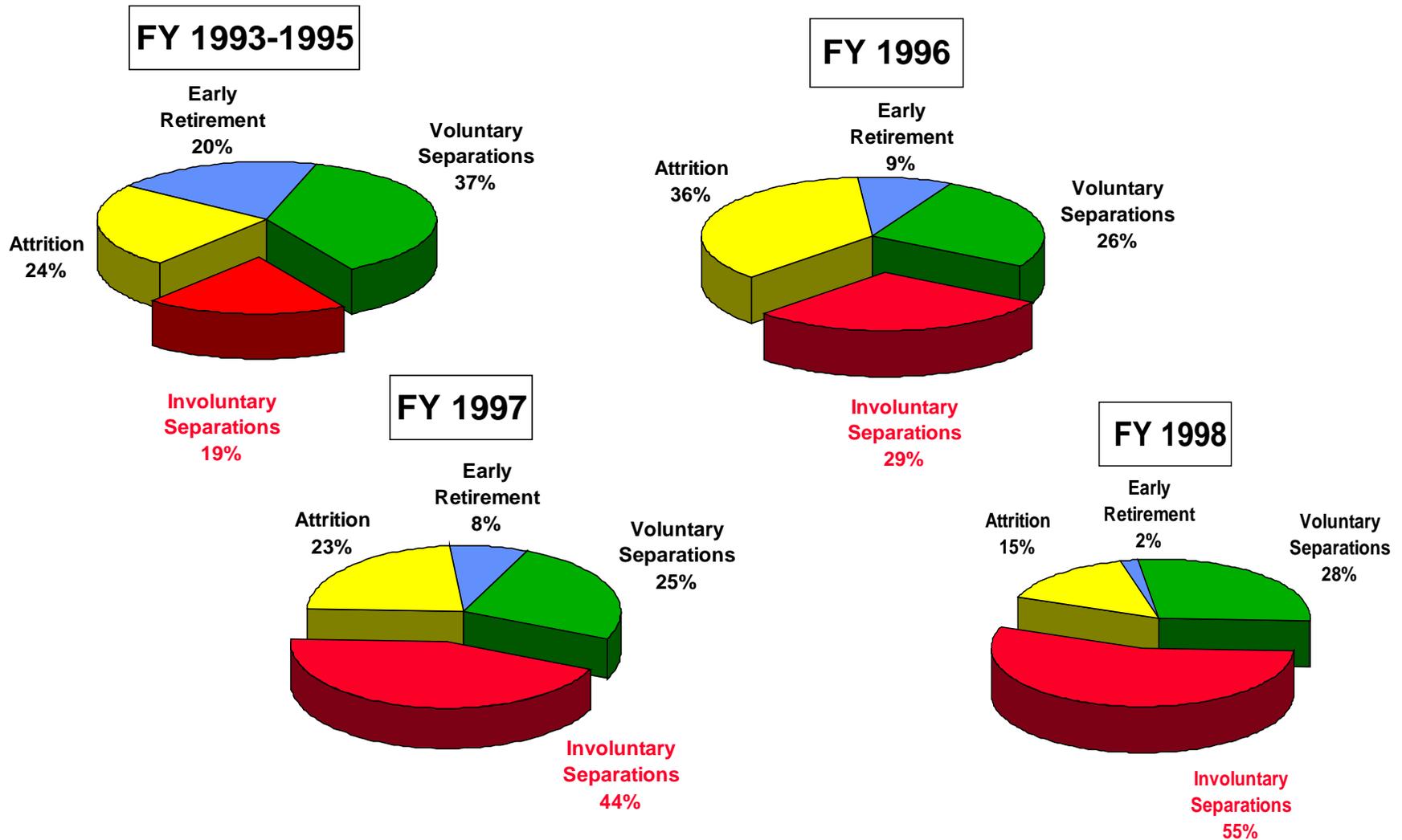


## Reduction in Prime Contractor Team Employment by Selected Sites



NOTE: Numbers reflect end of FY 1998 headcount and percent reduction from peak employment

# Department of Energy Prime Contractor Separations



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**FY 2000 Budget for Worker and Community Transition**

# Prime Contractor Team Employment At Selected Sites

(End of Fiscal Year Head Counts)

<b>SITE</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Richland	11,449	11,683	12,730	14,127	15,107	16,062	16,952	13,757	12,099	11,330	10,984
Idaho	5,773	6,510	7,548	7,988	7,901	7,810	7,524	6,084	5,739	5,868	5,743
Livermore	8,007	8,042	8,042	8,158	7,981	8,014	7,321	7,372	6,688	6,403	6,608
Nevada	8,035	7,996	7,713	7,390	6,670	5,548	5,068	3,940	2,765	2,345	2,515
Sandia	8,372	8,432	8,705	8,804	8,473	8,477	8,458	8,527	8,057	7,576	7,501
Los Alamos	7,442	7,667	7,402	6,992	7,203	7,293	7,024	6,708	6,439	6,687	7,009
WIPP	375	506	603	714	775	799	735	640	636	636	613
Rocky Flats	5,275	5,312	6,415	7,521	7,302	7,505	6,698	4,418	3,535	3,410	3,166
Kansas City	6,946	6,829	6,414	5,497	4,489	4,170	3,289	3,563	3,661	3,679	3,256
Pantex	2,627	2,573	2,390	2,492	2,673	3,020	3,230	3,348	3,327	2,920	2,856
Mound	2,219	2,150	2,149	2,150	1,741	1,713	1,337	1,122	924	740	708
Fernald	1,509	1,122	1,128	1,203	1,489	2,412	2,385	2,203	1,986	1,989	1,977
Savannah River	10,629	16,403	17,663	20,185	20,979	19,788	18,922	15,430	14,379	13,231	13,082
Oak Ridge	15,651	15,965	15,934	17,200	17,257	17,437	17,215	16,580	15,815	14,046	13,573
Pinellas	1,710	1,698	1,667	1,618	1,569	1,100	1,007	669	538	5	0
<b>SUBTOTAL</b>	<b>96,019</b>	<b>102,888</b>	<b>106,503</b>	<b>112,039</b>	<b>111,609</b>	<b>111,148</b>	<b>107,165</b>	<b>94,361</b>	<b>86,588</b>	<b>80,865</b>	<b>79,591</b>
Other Sites	31,012	29,277	34,086	33,574	37,077	30,436	28,932	27,500	25,401	24,432	23,420
<b>GRAND TOTAL</b>	<b>127,031</b>	<b>132,165</b>	<b>140,589</b>	<b>145,613</b>	<b>148,686</b>	<b>141,584</b>	<b>136,097</b>	<b>121,861</b>	<b>111,989</b>	<b>105,297</b>	<b>103,011</b>

## **DOE Prime Contractor Team Work Force Announcements Thus Far in Fiscal Year 1999**

<b>SITE</b>	<b>POSITIONS</b>	<b>PERCENT OF WORK FORCE</b>
<b>Portsmouth/Paducah</b>	<b>260</b>	<b>6%</b>
<b>Rocky Flats</b>	<b>400</b>	<b>13%</b>
<b>Oak Ridge</b>	<b>475</b>	<b>3%</b>
<b>TOTAL</b>	<b>1,135</b>	<b>1%</b>

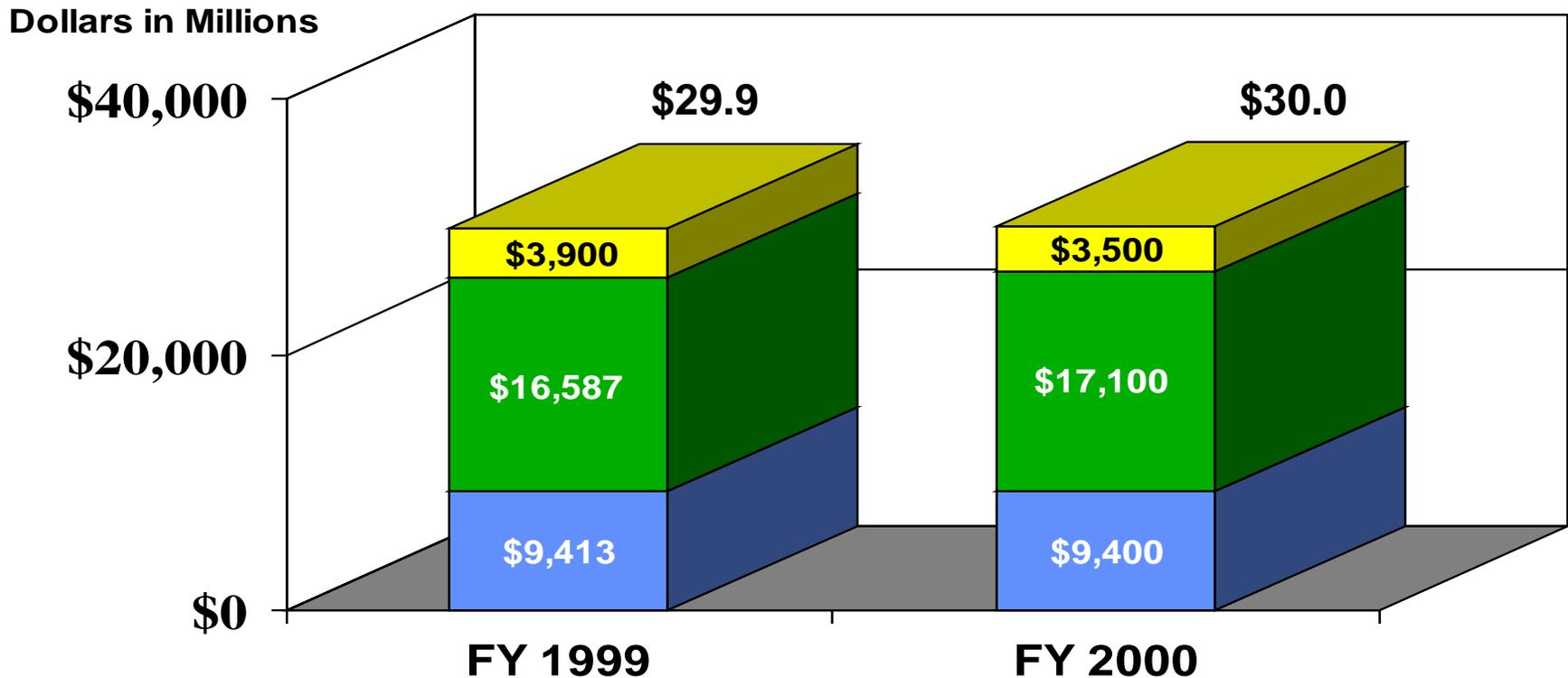
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**FY 2000 Budget for Worker and Community Transition**

# Community Transition Funding and Accomplishments

Fiscal Years 1993-1998

Site	Total DOE Funds Committed	Funds Spent	Jobs Created or Retained (Reported)	Cost Per Job Created	Jobs Created or Retained By 2001 (Est.)
Fernald	\$411,921	\$124,886	0	\$0	300
Idaho	\$20,325,000	\$12,052,352	1,808	\$6,666	3,099
Los Alamos	\$10,665,160	\$3,181,783	331	\$9,613	1,728
Mound	\$14,700,000	\$8,043,381	283	\$28,422	833
Nevada	\$12,520,000	\$7,825,324	1,666	\$4,697	2,698
Oak Ridge	\$48,752,000	\$36,483,944	3,183	\$11,462	5,580
Paducah	\$400,000	\$21,769	0	\$0	0
Pinellas	\$17,754,700	\$13,754,200	1,838	\$7,483	2,331
Portsmouth	\$5,000,000	\$939,026	227	\$4,137	804
Richland	\$18,689,382	\$13,192,761	1,446	\$9,124	3,464
Rocky Flats	\$31,735,624	\$30,610,783	1,789	\$17,111	3,320
Savannah River	\$47,622,625	\$25,854,566	3,451	\$6,742	8,981
<b>Totals</b>	<b>\$228,164,491</b>	<b>\$151,959,889</b>	<b>16,022</b>	<b>\$9,484</b>	<b>33,138</b>

## Congressional Budget Request Fiscal Years 1999 and 2000



■ Work Force Restructuring ■ Community Transition ■ Program Direction