



February 29, 2012

Representative Micheal Turner
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Dear Representative Turner:

SOCIETY OF
PROFESSIONALS,
SCIENTISTS AND
ENGINEERS

LOCAL 11
UNIVERSITY
PROFESSIONAL AND
TECHNICAL
EMPLOYEES
CWA Local 9119
AFL-CIO

UPTE response to the National Academies' Labs Management Report and Congressional Hearing

On 15 February 2012 the National Academies (NAS) National Research Council released a congressionally mandated Report on their study of the management of the nation's national security laboratories: Los Alamos National Laboratory (LANL), Lawrence Livermore National Laboratory (LLNL), and Sandia National Laboratories (SNL). A subcommittee of House Armed Services (HASC) held a hearing on the topic less than 24 hours after the NAS Report was released. Motivating the study was the 2006-2007 transition of LANL and LLNL to private, for-profit monopoly management by Los Alamos National Security, LLC and Lawrence Livermore National Security, LLC (LLNS&LANS for brevity).

A quick Summary of the NAS report is as follows:



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1. Neither scientific productivity, nor operational efficiency, nor employee morale has improved since LLNS&LANS was given a for-profit monopoly. In fact, they have gotten worse. The reasons are debatable, but the NAS Report says things are worse – and we agree.
2. The LLNS&LANS for-profit monopoly costs more. The exact amount of the increased cost is arguable --- the Report gives a range of numbers between ~\$210 million and more than \$300 million per year --- but in any case it is greater than the salary of thousands of average Americans, a number large enough to support an entire ongoing nuclear weapon refurbishment each year. Astonishingly, the NAS Report is dismissive of the increased cost, stating that it is “a small fraction of the total operating budget of the Labs”.
3. Summing up [1] and [2] means LLNS&LANS management of the Labs is a poor investment for the taxpayers. The NAS Report does not emphasize this fundamental conclusion, but it also does not refute this fact. At the HASC hearing, former LLNL Director Dr. George Miller stated that “we cannot waste a single precious dollar on bureaucracy”. Subcommittee Chairman Turner stated that “we cannot afford such inefficiency and waste” referring to “many hundreds of millions of dollars each year”. Both were referring to the inferred dollars wasted due to excess NNSA oversight. But the direct cost of subsidizing the LLNS&LANS for-profit monopoly is an equal amount of money, and this cost does not have to be inferred – it is documented.
4. The NAS Report puts the focus on excessive government oversight, and the troubles with the National Nuclear Security Administration (NNSA)-Labs relationship as the main cause of the problems at the Labs.

In our opinion, the NAS Report failed to recognize many issues, but they also noted several important things. The two main points NAS missed were addressed in our Letter for the Record to House Armed Services. We noted in our letter a [1] deleterious mutation of the scientific method from hypothesis-driven to “Performance Based Incentive” (PBI)-driven (what we have referred to as “milestone-driven”) science, and [2] the fact that a for-profit government funded monopoly, with no competition, is doomed to failure in numerous ways. Both can be easily fixed.

Should there be less oversight? Sure, we agree with that, but as even the NAS Report and testimony admitted, that takes more trust and trust has to be earned over time.

We agree with the NAS Report that the excessive formalities, checklists, and oversight put science, and experimental science in particular, in jeopardy. Of course, this does not mean that the lab employees should just show up every day and work without any documented goals or milestones. We, the people of these labs, know we are spending tax dollars – billions of them. We know the taxpayers deserve to see results, and to know whether we meet milestones or are late with a credible scientific explanation. We believe, however, that it is the new *profit-driven PBI* process that *skews these milestones* into those that are scientifically either reckless or meaningless, more akin to checking boxes to make easy PBI's.

In other words, the NAS report attributes the decline of science at the Labs solely to excessive oversight by NNSA, and misses the connection between excessive oversights and the PBI/ for-profit governance structure.

This destructive pattern of PBI-driven milestones must change. It has been suggested that we revisit the maximum “for-profit” award fee. It is not clear what cutting the maximum award fee would do. It might reduce the incentive for greed and PBI-based milestones. It might not. In any case, we won't find out for another six years (until 2018 when the re-bid process is done) and by that time it will be too late to avoid permanent damage to the Labs and their important science and national security missions. We need a solution right now, to help set the Labs on the right course and make sure that we spend tax dollars wisely.

We believe strongly that the Labs' management contracts should be re-bid now, and Labs management returned to some appropriate non-profit entity and governed in such a way as to return their focus to their science and national security missions. We recognize, however, that in the current political climate there is little possibility of accomplishing such a large change all at once and in one large step.

In the interim, we suggest that Congress begin the process in small steps. In its legislation for FY2013, Congress should mandate the formation of at least two small “Mini-Labs”, one on each of the taxpayer-owned Lab sites in Los Alamos and Livermore. These Mini-Labs could serve as a pilot program to chart the way to return the Labs to non-profit, public operation, and as a pilot program to show the benefits of rescuing our Labs from a stagnant for-profit monopoly. The evolution of these Mini-Labs over the next few years will help the nation and Congress decide the proper course of these Labs as a whole. Hopefully, by the time of re-bidding circa 2017 at the latest, we will have discovered how to permanently fix the problems identified in the NAS Report.

To start, the first two of these small (couple dozen people) Mini-Labs could be organized to compete against the giant LLNS&LANS for-profit monopoly in its core mission of “Annual Certification” of the nuclear stockpile. Funds to do this are already available from NNSA's massive “Advanced Certification” campaign and other sources. This would accomplish three things:

1. Establish a test case for an entity with a mission of nuclear stockpile Annual Assessment, but one that exists outside of NNSA/DOE as suggested during the 16 February 2012 House Armed Services Hearing.
2. Provide some competition to the stagnant LLNS&LANS monopoly during the next six long years until a fresh entity takes over after rebidding, and meanwhile provide a desperately needed and substantive independent analysis of the needs and future course for the required annual certification of the nuclear stockpile.
3. Provide the beginnings of an alternative for employees of LLNS&LANS. Until now, Lab employees have had only the choice to quit LLNS&LANS, and in so doing their expertise is typically lost to the nation. The Mini-Labs can provide a solution to this staff retention problem that works “The American Way” – providing some employees a choice to not just quit, but to quit and join the competition.

We are not the only ones to have drawn attention to the connection between the problems at the Labs and the for-profit management structure. Former LANL Director Sig Hecker told the NAS study committee in his presentation to them in July 2011 that the Labs are doing “an inherently government mission” and the transition to for-profit management was a mistake. The NAS Report, sadly, makes no mention of Hecker’s views. Hecker was even more explicit in his written testimony submitted to the 16 February 2012 HASC hearing, in which he says the following: “The deliberate change to for-profit contractors at LLNL and LANL have exacerbated the problems rather than fixed them”.

In conclusion, now that the NAS has fulfilled its charge and documented the problems standing in the way of the Labs effectively carrying out their science and national security missions, it is time now for Congress to act.

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