

## **NNSA Nuclear Production Contract Merger Summary**

*The simultaneous expiration of the contracts at Y-12 National Security Complex (Y-12) and Pantex Plant (PX) provides an opportunity to achieve more effective and efficient ways to conduct business while improving mission performance. The NNSA will issue a solicitation to merge these two contracts with an option for phasing in the Savannah River Site (SRS) Tritium Operations work scope under the same contract. This merger will not affect the physical locations of the sites.*

Y-12, PX and SRS tritium operations are major nuclear production sites though their functions are different: Y-12 is a Highly-Enriched Uranium processing and manufacturing plant, which also performs assembly/disassembly of canned sub-assemblies; PX is an assembly/disassembly plant, as well as a high explosives manufacturing plant and SRS maintains the tritium supply for the nuclear deterrent and unloads and loads reservoirs. Product, technical data and intellectual property flow between the sites. Each site is dependent upon others in this combination for completion of its, and NNSA's, mission.

The contractual merger of these operations will provide opportunities to reduce organizational interfaces and has the potential to improve effectiveness and efficiency. Positive benefits are possible in the following areas:

- Elimination of redundancies (e.g., one financial manager)
- Economies of scope (e.g., more productive use of variable resources such as one information technology software engineer being responsible for several closely related applications)
- Economies of scale (e.g., distribution of fixed activities (costs and people) across more assets such as having the same human resource policies apply to multiple facilities)
- Best practices adoption (e.g., adopting the best work scheduling practices from among different merged facilities)
- Synergies (e.g., more efficient product flow if planned and scheduled by a single organization)

This merger may also reduce the interfaces between nuclear and non-nuclear production.

The Agency estimates potential savings from such efficiency gains to be approximately \$895M over a 10-year period, not including any potential changes to contractor employee benefits. The Government's estimate assumes the successor contractor will have the flexibility to restructure its workforce.

The NNSA anticipates that its solicitation will require offerors to propose improvements and efficiencies that will result in savings. The Agency will consider the proposed savings along with proposed fee when evaluating price. The level of detail to be required

of offerors has not yet been determined, however, the Agency will engage industry regarding this point prior to releasing the final solicitation.

The solicitation will provide offerors with maximum flexibility in terms of their approach to achieving efficiencies. The successor contractor will have the flexibility to restructure its workforce, for example, the solicitation will not contain a provision requiring the hiring of all incumbent employees. Also, the successor contractor will not be restricted from making changes to employee benefits. Although the offerors will have these flexibilities, the Agency is not prescribing a preference to a particular approach to achieving efficiencies. Finally, the Government's estimate should not be taken as an expression of a preferred solution in terms of approach or savings.

Perspective offerors are notified that Navigant Consulting (Navigant) assisted the Agency in preparing its estimate of potential efficiencies and will be assisting the Agency in reviewing offerors' proposed efficiencies. Thus, in accordance with Federal Acquisition Regulation (FAR) 9.505-4(b), Navigant will enter into separate agreements with offerors to protect their information from unauthorized use or disclosure for as long as it remains proprietary and refrain from using the information for any purpose other than for which it was furnished.