

## APPENDIX E

### MAKE OR BUY PLAN

#### INTRODUCTION

This Make-or-Buy Plan is effective October 1, 2001 until September 30, 2002. Not later than April 1, 2002, the Contractor will submit a revised Make-or-Buy Plan consistent with DOE regulations and policies for the period October 1, 2002-September 30, 2006.

In February 1994, the U.S. Department of Energy (DOE) published the report of the Contract Reform Team chaired by Deputy Secretary of Energy, Bill White. This report entitled, "Making Contracting Work Better and Cost Less" included an increased emphasis on "make or buy" decision-making within the DOE complex. It stated, in part:

"The Department... can make more explicit and cost-effective make-or-buy decisions. Much can be accomplished through a formal and aggressive Department-wide make-or-buy effort that will result in enhanced commercialization of technologies and more cost-efficient operations."

Three specific actions related to make-or-buy are included in the report:

1. "Obtain quality performance at the least cost consistent with departmentally approved, program-specific factors."
2. "Require management contractors to prepare 'make-or-buy' plans."
3. "Contract for routine services at the lowest practicable cost."

Within the report, DOE also provided policy guidance for the make-or-buy process:

- The Department's make-or-buy decisions should balance least-cost and program specific considerations.
- Buy decisions may be restricted by Departmental program factors such as preservation of a unique technology source, national security, exigency, or maintenance of core-competency support or essential defense capability.
- Routine services should be obtained from the least-cost source consistent with applicable labor laws and regulations, and collective bargaining agreements.
- DOE must consider the potential for negative impacts on existing contractors' workforces in a transition from a "make" to "buy" environment, and should structure a plan to minimize any such impacts.

## II. PRINCIPLES GUIDING THE MAKE-OR-BUY PROCESS AT PPPL

### Policy

The following principles will guide the Make-or-Buy process at PPPL. These principles are consistent with DOE's objectives for quality management and cost-effective operations, while simultaneously maintaining PPPL's commitments to its employees and to the local community. The principles are:

- Routine Services – PPPL is committed to obtaining routine services from the least-cost source consistent with applicable labor laws and collective bargaining agreements.

- Excellence in Institutional Management and Facilities Operations - PPPL is committed to achieving excellence in the management of the Laboratory and in planning, design, construction and operations of its programmatic and infrastructure facilities. All PPPL make-or-buy decisions will balance cost and quality to ensure best value in the final product.
- Quality Considerations - The quality process depends heavily on the correct relationship between management and employees. An environment of trust and communication must be created. Employee involvement in the decision process to outsource activities is desirable.
- Core Institutional Management Competencies – PPPL depends on the quality, technical background and “institutional memory” of its managers to maintain the financial, environmental safety and health, and operational integrity of the Laboratory. The resource represented by the Laboratory’s management staff is viewed as a significant core competency, critical to the Laboratory’s continued success and pursuit of excellence. As a result, PPPL will not evaluate a broad replacement of its in-house operations by a single integrated contractor. Make-or-Buy reviews will focus on discrete operations typically below the Division level.
- PPPL Subcontracts - The PPPL approach to make-or-buy will be structured such that any resulting new service contractors will be under contract to PPPL. PPPL will retain management control over all functional areas on site to deliver the quality performance expected by DOE.

### **III. SUMMARY OF PRIOR FIVE YEAR PROGRAM**

During the FY 1997 through FY 2001 time period, PPPL completed twelve Make vs. Buy analyses consistent with the above policy guidance promulgated by the DOE and PPPL’s guiding principles. The results of our program are as follows:

- In eight of the twelve analyses undertaken, we confirmed that the method currently being used to acquire the subject services was effective, both from a cost and operations perspective.
- In two of the twelve analyses undertaken, we confirmed that it was beneficial to continue to outsource the subject activities (Travel Administration and Cafeteria Services), although we subsequently changed vendors. The change in vendors resulted in lower costs and improved services.
- In two of the twelve analyses undertaken, we decided to outsource/buy services that were previously provided by PPPL staff (Business Computing and Medical Services), due to expected cost and/or service improvements.

In conclusion, we believe that Make vs. Buy program undertaken during the past five-year period was beneficial and contributed to an overall improvement of the Laboratory’s operations. Although a significant amount of time and effort was expended to perform the above-mentioned twelve analyses, we believe that the effort resulted in both savings and overall improved services.

### **IV. CANDIDATE FUNCTIONS**

The following list includes those support functions considered to be candidates for review during the term of the contract. This list is not necessarily all-inclusive and may change as new information becomes available or additional needs are identified.

- Janitorial Services

- Employment Services
- Compensation Services
- Seat Management- Outsourcing Desktop Services
- Painting/General Maintenance Services
- Travel Services
- Medical Services

A brief description of each of the candidates support functions is enumerated below:

Janitorial Services: The Laboratory currently performs this function using in-house staff. The staff is represented by the Service Employees International Union (Local 175). This activity includes a variety of functions important to maintaining the PPPL facilities. The functions include: 1) routine cleaning work inside and outside of buildings; 2) cleaning of walls, floors, carpets, furniture, and fixtures; 3) removing trash and recyclables; and 4) maintaining restrooms in clean, sanitary, and well stocked condition. PPPL currently utilizes approximately 6 FTE's to perform this work scope. The total cost of providing these services is approximately \$390 thousand, with approximately \$330 thousand being labor and approximately \$60 thousand being for supplies.

Employment Services: Employment Services consists of managing the recruitment, selection and retention systems necessary to insure that the Laboratory attracts the appropriate number and skill levels of personnel essential to meeting our programmatic and business objectives. This function is also responsible for participating and managing the lab's affirmative action and diversity efforts. This function is largely performed by 1 FTE.

Compensation Services: The compensation program of the laboratory is designed to insure that we have a competitive salary structure and reward system to attract and motivate personnel. This function is also responsible for creating programs and methods to insure that compensation is cost effective and enhances internal equity relationships. This program is coordinated with the University as well as the DOE. This function is largely performed by 1 FTE.

Seat Management- Outsourcing Desktop Services: Seat Management is a relatively new contracting concept in the federal government. Under Seat Management, the Laboratory would enter into comprehensive, performance-based services contract with a commercial company to provide for "soup to nuts" desktop PC management. Services procured would include providing hardware (PCs, servers, and peripherals), software, help desk services, maintenance, repair, and technology refreshment (upgrading and replacing computer hardware on a regular pre-defined schedule so that technology is kept current). All of these services are provided and managed by the vendor for a fixed "lease" price per "desktop seat" per month. Seat Management can also be expanded to include the entire desktop "seat" by adding elements such as telephony (desktop telephones and service, cell phones, PDAs, pagers, etc.), network hardware and administration, document management systems, data storage etc...depending upon the needs and desires of the contracting organization. Under seat management, the contractor leases the hardware to the contracting organization in various jointly determined baseline configurations. Ownership of the hardware - including responsibility for management of IT property- is retained by the seat management contractor, therefore significantly reducing the contracting organization's inventory of government-owned IT property and the associated costs and efforts required to manage that property.

Painting/General Maintenance Services: The Laboratory currently out sources painting and certain general maintenance services, such as plumbing, electrical, and general repairs, on an as needed

basis. Certain of these services are obtained from vendors with whom the Laboratory has negotiated basic ordering agreements (BOA's); in other cases, we procure the services by issuing a solicitation/or a specific task, and then negotiating a contract. It may be more cost effective, while simultaneously affording the Laboratory the opportunity to improve the condition of its facilities, to hire a painter/ handyman, who is able to perform these tasks on a full-time basis.

Travel Services: PPPL currently performs this function with an internal person with support from a travel agency under contract to the Laboratory. This function makes transportation and lodging reservations in accordance with Federal/PPPL travel regulations, performs quality assurance checks on itineraries to ensure that the estimated travel costs are reasonable, and that the schedules of the traveler have been met. The function also reviews and matches vendor invoices with internal documents and pricing levels, initiates and processes credit letters to vendors for refunds on cancelled trips, coordinates the payment process for registration fees and hotel deposits, and reviews travel approval forms for authorization, account distribution, and dollar limits. As described above, the Laboratory currently has a contract with a travel agency. The external agency provides PPPL with actual ticket procurement and related services.

Medical Services: PPPL has recently out sourced this activity. The decision to out source was based on a prior make vs. buy analysis. That analysis indicated that there were likely to be advantages and disadvantages resulting from a decision to out source these services; since our assessment was that the advantages outweighed the disadvantages, we made the decision to out source these services. However, it will be beneficial to perform a follow-up analysis after experience is obtained working with the current vendor, in order to reassess the relative advantages and disadvantages, and to evaluate alternative vendors to supply these services.

## **V. MAKE-OR-BUY PROCESS DESCRIPTION**

Laboratory managers will review functions, which are candidates for outsourcing, or activities, which are currently being outsourced and are candidates for being performed in-house. Cognizant Laboratory managers, will utilize the guiding principles identified in Section II. The following actions will then be taken:

- Notify and brief bargaining unit representatives, where applicable.
- Prepare a comprehensive Statement of Work (SOW), including acceptable quality standards.
- Identify local vendors, including small disadvantaged businesses, offering the services required.
- Identify other possible sources for the required services.
- Establish scoring and evaluation criteria (as appropriate).
- Publish a Request for Proposal (RFP).
- Evaluate contractor submittals.
- Submit the final Make-or-Buy analysis, including the appropriate recommendations, to the Contracting Officer.
- Implement decision.

For certain select functions, where the Make-or-Buy review identifies the potential for improving the quality and lowering the cost of in-house operations through the use of quality management

principles, the Laboratory may elect to implement these improvements prior to finalizing the make-or-buy process.

## **VI. IMPLEMENTATION SCHEDULE**

The following functional areas will be reviewed in accordance with the following schedule:

FY 2002	Janitorial Services
FY 2003	Seat Management- Outsourcing Desktop Services Employment Services
FY 2004	Travel Services Medical Services
FY 2005	Compensation Services
FY 2006	Painting/General Maintenance Services

The Laboratory may add support activities to be evaluated in accordance with the above criteria, or substitute other activities for those indicated, where it is appropriate to do so. However, PPPL agrees to evaluate at least 6 support activities in accordance with these criteria during the five-year term of this contract.