

Argonne National Laboratory Prime Contract

Appendix E: Make or Buy Plan

Last revised: September 29, 1999

MAKE OR BUY

IMPLEMENTATION PLAN

September 6, 1999

Argonne National Laboratory
9700 S. Cass Avenue
Argonne, Illinois 60439

Contract Period
FY2000 – FY2004

Submitted by: _____ Signed by Rudolph Bouie 9/9/99 _____ Date: _____

Approved by: _____ Signed by Rory S. Simpson 9/14/99 _____ Date: _____

Argonne National Laboratory Prime Contract**Appendix E: Make or Buy Plan***Last revised: September 29, 1999***MAKE-OR-BUY
IMPLEMENTATION PLAN****SECTION I - BACKGROUND**

The Laboratory fully supports the philosophy of the Prime Contract make-or-buy provision Clause I.109 in the Contract extension and has already been implementing a “make-or-buy” policy in the management of its Contract. The Laboratory performed thirteen evaluations during the period FY1995 through FY1999, exceeding the twelve reviews anticipated by the Make-or-Buy Implementation Plan dated April 24, 1995 (Contract Appendix E). Reviews of the Custodial [Services], Grounds Maintenance, Building Maintenance, Central Shops, Media Services, Technical Communications, Vehicle Maintenance, and Analytical Chemistry functions concluded that the “make” decision was still the most desirable and best value option. Although the analyses of these functions resulted in a “make” decision, many efficiency improvements were identified and implemented in these areas. The “make-or-buy” evaluation for Non-Destructive Testing, Payroll [Processing], Park[s] and Recreational Facilities [Area], Lodging/[Guest House], and Travel functions concluded that the “buy” option was the most desirable and best value option for them.

The cost effectiveness of “make” decisions is evaluated by Laboratory management on a continuous basis. Argonne's indirect budgeting system and its institutionalized overhead management process are key examples of cost saving/efficiency initiatives that are augmented by the “make-or-buy” reviews. Another example is the ongoing benchmarking of non-union, scientific, and support staff salaries with the prevailing salaries in the area. In addition, all collective bargaining unit agreements (usually of a two or four year duration) are reviewed prior to their expiration to assure that the laboratory is competitive with area's prevailing wages. The cost effectiveness of the Laboratory support operation has been clearly demonstrated by the Laboratory's ability to maintain efficient support operations while being able to implement an operations budget reduction of 11% during the Contract period of FY1995-FY1999. If inflation were factored into the calculation, the budget reduction would be even more significant. The Laboratory believes the “make-or-buy” evaluation process, with the Laboratory's annual indirect budgeting exercise, and the other processes indicated above, have been key tools in the Laboratory's drive for continuous improvement and efficiency of operation.

Consistent with Contract Clause I.109 (b) (1) requirement, the Laboratory will conduct internal productivity improvement and cost-reduction programs so that in-house performance options can be made more efficient and cost-effective.

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The Laboratory is responsible for managing Contract performance, including planning, placing, and administering subcontracts as necessary to ensure the lowest overall cost and technical risk to the Department of Energy, consistent with concerns of quality and availability, applicable labor laws and regulations, and collective bargaining agreements. To discharge this responsibility in a more effective manner, the Laboratory utilizes its “make-or-buy” decision making process. As a part of this process, the Laboratory plans to “buy” functions and routine services unless it can “make” at a lower cost or identifies additional circumstances leading to a “make” decision. In some circumstances, additional other relevant factors such as quality, technical aspects and management of the function will also be considered. In order to assure that the Laboratory can obtain satisfactory performance at least cost additional criteria, beyond the lowest cost as the primary factor, need to be considered. (See Section IV – Evaluation Criteria)

The Laboratory has identified several functions which are considered potential candidates for “make-or-buy” evaluation. The list of these is included in Section III of this Plan. Using the graded approach, selected functions will be systematically evaluated, consistent with the philosophy underlying the applicable “make-or-buy” clauses in the Contract.. Potential sources/subcontractors will be identified as part of the review/evaluation process. The criteria identified in Section IV will be used as screens to evaluate and identify factors of importance to the Laboratory, and, in appropriate circumstances, may override what otherwise should be a determination for subcontracting. The depth of analysis for each criterion will be commensurate with its applicability and its contribution towards the final decision. Results will be documented. The evaluation process also will consider the “make-or-buy” viability at the sub-function level when appropriate. For example, evaluation may conclude that it is not cost effective to “buy” the entire range of services encompassed by Laboratory Computing Services. However, it could show that a “buy” decision for Work Station Backup services, which is a sub-function of Laboratory Computing Services, might be the best value for the Laboratory.

Where appropriate, the results and potential impacts of the “make-or-buy” determination will be communicated to the affected employees and their representatives. In addition, if it is determined that a “make-or-buy” decision affects local communities and/or businesses, the appropriate stakeholders will be identified.

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SECTION III - CANDIDATE FUNCTIONS FOR EVALUATION

Only support operations functions have been identified pending Program office guidance. As per the DOE guidance "Program offices responsible for the work conducted at the facility or site are to develop "make-or-buy" criteria that reflect any specific needs or critical items that must be retained as a 'make' item." Based on a review and evaluation of the new "make-or-buy" guidance information under the Mega Rule (as reflected in Clause I.109), no additional criteria were identified that would require or support the need for a reevaluation of functions already reviewed, but as per a DOE request, those items that have already been evaluated with a "make" result have been included as potential candidates for future review consideration.

The following list includes the support operations functions and sub-functions that the Laboratory considers candidates for "make-or-buy" evaluation. Some functional areas were divided into sub-functions to facilitate a more realistic approach to performing a "make-or-buy" evaluation. The list was established based on the guidance from the MEGA Rule requiring all property or services with an estimated cost of more than \$1M be considered for evaluation. The list focuses on functional units at ANL-E. Due to the remote location of the ANL-W facility from readily available services, functional reviews will not be initiated for that site, unless there is a strong indication from the results of an ANL-E evaluation that similar savings might be available for the ANL-W equivalent function. This list is not necessarily all inclusive and may change as new information becomes available or additional organizational circumstances are identified. As required by Clause I.109, the list includes:

- Functional or Sub-functional Area Name
- Estimated Cost of the Function
- Indication of "Must Make", "Must Buy", or "Make-or-Buy"
- Rationale for "Make" Requirement

	FY2000 Estimated Cost in Thousands	Make- or-Buy Decision	Rationale for Make Decision
Office of Chief Financial Officer			
Accounting (OCF)	379	Make-or-Buy	Not Applicable
Accounts Payable (OCF)	566	Make-or-Buy	Not Applicable
Cost Accounting	410	Make-or-Buy	Not Applicable
General Accounting	468	Make-or-Buy	Not Applicable
<u>Business Systems (OCF)</u>			
OCF Business Systems Cost	800	Make-or-Buy	Not Applicable
ECT Use	1,600	Must Buy	Outsourced to ECT

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Outsourced Software/Maintenance	700	Must Buy	Outsourced
Outsourced Hardware Maintenance	100	Must Buy	Outsourced
Procurement (OCF)			
Purchasing	1,490	Make-or-Buy	Not Applicable
Subcontracts	1,643	Make-or-Buy	Not Applicable
Services	687	Make-or-Buy	Not Applicable
Electronics and Computing Technologies			
Computing (ECT)			
Labwide Services	1,200	Make-or-Buy	Not Applicable
Desktop Computing	1,300	Make-or-Buy	Not Applicable
Labwide Networking	1,900	Make-or-Buy	Not Applicable
Training	200	Make-or-Buy	Not Applicable
Computer Security	200	Make-or-Buy	Not Applicable
Applications and Tools	600	Make-or-Buy	Not Applicable
Production Services	900	Make-or-Buy	Not Applicable
Electronics (ECT)			
Engineering Design	1,900	Make-or-Buy	Not Applicable
Prototype fabrication/Repair	1,100	Make-or-Buy	Not Applicable
Printed Circuit Board Manufacturing	100	Make-or-Buy	Not Applicable
Cable Installations	200	Make-or-Buy	Not Applicable
Telecommunication Install/Maint.	500	Make-or-Buy	Not Applicable
Communications Install/Maint.	500	Make-or-Buy	Not Applicable
Telecommunication Services	5,323	Make-or-Buy	Not Applicable
Management Information	3,089	Make-or-Buy	Not Applicable
Environment, Safety, & Health			
Fire Department	1,500	Make-or-Buy	Not Applicable
Radiological Protection			
Field Engineers	1,200	Make-or-Buy	Not Applicable
Environmental Sampling	500	Make-or-Buy	Not Applicable
Radiological Dosimetry	500	Make-or-Buy	Not Applicable
Fire Alarm & Sprinkler Systems			
Testing and Maintenance	400	Make-or-Buy	Not Applicable
Health Physics Instrument			
Calibration & Repair	400	Make-or-Buy	Not Applicable
ES&H Training	500	Make-or-Buy	Not Applicable
Plant Facilities and Services			
Building Maintenance*	8,000	Make-or-Buy	Previously Reviewed
Custodial*	4,400	Make-or-Buy	Previously Reviewed

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Facility General	6,930	Make-or-Buy	Not Applicable
Grounds Maintenance*	1,427	Make-or-Buy	Previously Reviewed
Driving and Rigging	1,704	Make-or-Buy	Not Applicable
Installations	1,117	Make-or-Buy	Not Applicable
Machine/Fabrication Shop	5,717	Make-or-Buy	Previously Reviewed
Materials and Services	2,525	Make-or-Buy	Not Applicable
Plant Engineering/Construct.	4,197	Make-or-Buy	Not Applicable
Vehicle Maintenance*	463	Make-or-Buy	Previously Reviewed
Waste Management	5,478	Make-or-Buy	Not Applicable
Human Resources			
Business Information Services	798	Make-or-Buy	Not Applicable
Compensation	375	Make-or-Buy	Not Applicable
Diversity Program Office	209	Make-or-Buy	Not Applicable
Division Office	465	Make-or-Buy	Not Applicable
Employee Benefits	508	Make-or-Buy	Not Applicable
Employment & Placement	593	Make-or-Buy	Not Applicable
Employee Relations	316	Make-or-Buy	Not Applicable
Performance Development	230	Make-or-Buy	Not Applicable
Medical Services (HR)	1,500	Make-or-Buy	Not Applicable
Office of The Director			
Legal (OTD)	1,656	Make-or-Buy	Not Applicable
<u>Office of Public Affairs (OPA)</u>			
Media Relations	312	Must Make	Support Lab Management
Public Information/Publications	493	Make-or-Buy	Not Applicable
Community Affairs	294	Must Make	Support Lab Management
Conference Services	158	Make-or-Buy	Not Applicable
Management Communications	150	Must Make	Support Lab Management
Media Services			
Media Services	5,256	Make-or-Buy	Previously Reviewed
Technical Information Services	2,993	Make-or-Buy	Not Applicable
(Note: In FY99 Media Services and Technical Communications Services were combined into a single organization identified as Media Services.)			

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Other

Analytical Chemistry*	2,350	Make-or-Buy	Previously Reviewed
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*Although these areas were evaluated during the previous five-year Contract period DOE required that they be included in the list of potential candidates for review during the next five-year period.

While Clause I.109 requires an initial list of potential suppliers and subcontractors, the Laboratory plans to make that determination at the time the evaluation of each selected function begins. Identification of potential sources at this time may be significantly outdated by the time a “make-or-buy” evaluation begins, which would then require a change to the Plan. Consistent with the approach taken during the previous contractual period for “make-or-buy” reviews, the Laboratory plans to select and accomplish, the Laboratory plans to select and review approximately two functional/sub-functional areas per year resulting in at least ten (10) reviews during the five-year Contract period. The following list identifies the four functional/sub-functional areas that will be reviewed during FY2000 and FY2001.

FY2000	1) HR- Medical services	2) ECT Telecommunications
FY2001	1) PFS Installations	2) ESH Instrumentation and Calibration

Consistent with DOE guidance, selections for successive years will be made prior to the beginning of the next Contract measurement period after FY2001 and forwarded to DOE for inclusion in the Make-or-Buy Plan. Changes to the approved make-or-buy plan shall be submitted in advance of the effective date of the proposed change in sufficient time to permit evaluation and review.

SECTION IV - EVALUATION CRITERIA

The functions/Sub-functions selected from Section III will be reviewed by organizational teams knowledgeable in the activity and evaluated in a manner that the impacts of various factors on the “make-or-buy” decision are properly considered. The applicability and importance of these factors may vary depending upon the function to be evaluated. The primary factor for making a “buy” determination is obtaining satisfactory performance at least cost. Least cost alone cannot be the sole determining factor in reaching a “make-or-buy” decision. Other criteria need to be considered as having potential influence to assure the Laboratory and DOE can be assured of obtaining

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satisfactory performance at least cost. Depending on the specifics of the function/sub-function other applicable factors may also be included as part of the analysis. In conjunction with a "lowest cost" determination, evaluation of each item will include, but not be limited to, the following criteria. The final "make-or-buy" decision will be based upon the results the evaluation that offers the greatest or best value to the Laboratory and the DOE. In some circumstances, additional other relevant factors such as quality, technical aspects and management of the function will also be considered. The best value method provides the flexibility needed to assure the decision will be made on the basis of the alternative that is most advantageous to the Laboratory achieving satisfactory performance at least cost.

Criterion:

1. **Availability of Satisfactory Source** - This criterion considers the competence, ability, experience, and capacity available from outside sources, to establish that they could be responsive, responsible, and able to perform in a timely manner. The consideration will also include the diversity and quality of the vendor's workforce.
2. **Affirmative Action** - This criterion will consider the impact of the make-or-buy decision on the Laboratory's policy on affirmative action and upward mobility potential of protected class employees.
3. **Timeliness of Procurement** - This criterion considers the impact of procurement lead-time on the continuity of the Laboratory's operations and services.
4. **Control of Technical and Schedule Interface** - This criterion considers the Laboratory's ability to control technical interfaces and schedule interfaces effectively with other programs or operations, as well as the necessity for close interaction between the Laboratory and its suppliers.
5. **Risk** - This criterion considers and quantifies the potential for unwanted negative consequences which may impact quality, cost, schedule, sensitive information, personal safety, property, or the environment.
6. **National Security** - This criterion considers the impact on security when the work is of a classified nature or will involve technologies and/or materials that are classified or restricted.

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7. **Maintenance of Core Competency** - This criterion considers the impact of outsourcing on the retention of key or unique in-house capabilities, capacities, or personnel deemed essential to recurring support functions or scientific needs.
8. **Proprietary Processes and Information** - This criterion considers the issue of proprietary processes owned by the Laboratory, which may not be transferable legally to the outside source and the issue of proprietary information provided and handled by the Laboratory under CRADAs and other agreements with the private sector.
9. **Technical Superiority or Exclusiveness** - This criterion considers the availability of in-house experience and capabilities related to relatively unique Laboratory systems and processes the experience and capabilities of which are not likely to be available from outside sources.
10. **Contractual Agreements** - This criterion considers the impact of applicable constraints contained in collective bargaining agreements and other existing contracts on the make-or-buy decision.

Based on consideration of (obtaining satisfactory performance at least cost) and these criteria, in the event a "buy" decision appears preferable, costs will be evaluated (as indicated below) to determine whether outsourcing or in-house performance is the most cost-effective.

Cost/Benefit Evaluation - This criterion considers the comparative cost of performing a function in-house versus contracting it out. The analysis will include, as applicable, the costs for any new equipment and facilities, for any additional personnel, and for maintaining continuity of operations when changing suppliers. The final "make-or-buy" determination will be based upon a determination of which alternative offers the greatest or best value (obtaining satisfactory performance at least cost) to the Laboratory and the DOE, and in some cases potentially including other relevant factors such as quality, technical aspects and management of the function.

Historical Reviews

As per DOE request, those items evaluated during the previous Contract period (five years) that resulted in a "Make" determination have been included in the potential candidate list for the new Contract term. Those evaluations that resulted in a "Buy" determination are listed below, but will not be considered for potential re-evaluation.

Completed/Reported to DOE FY1995-FY1999

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Functional Area	Final Determination
Analytical Chemistry	Make
Building Maintenance	Make
Custodial	Make
Grounds Maintenance	Make
Guest Residence/Lodging	Buy
Machine/Fabrication Shop	Make
Media Services	Make
Non-Destructive Testing	Buy
Park and Recreational Facilities	Buy
Payroll	Buy
Technical Communication Services	Make
Travel	Buy
Vehicle Maintenance	Make