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*For more information contact: John Britton, email [john\\_c\\_britton@rl.gov](mailto:john_c_britton@rl.gov) or call (509) 376-0786  
Westinghouse Hanford Company*

## **Hanford Contract Modification Increases Contractor Risk**

The U.S. Department of Energy and Westinghouse Hanford Company have signed a contract modification that gives the contractor more incentive to cut costs and speed cleanup work by putting more of the company's profit at risk.

"This is a hard-nosed business deal that builds additional risk into the management and operations contract," said Hanford Site Manager John Wagoner. "I'm pleased that Westinghouse is willing to step up to the challenge and take that risk."

The action modifies the management and operations contract that DOE and Westinghouse Hanford inked last January that ties 70 percent of the company's potential award fee to exceeding specific performance milestones. Previous contracts based award fees on subjective criteria that was process oriented.

"The cost-plus days at Hanford, when process was often valued over performance, are over," said Westinghouse Hanford President LaMar Trego. "Contract reform provides the incentives to get the job done faster and cheaper."

Under the new arrangement, Westinghouse Hanford can earn nearly \$20 million in fiscal 1996 for exceeding specific performance milestones. However, the company can lose up to half that fee by failing to make excellent progress on separate long-term program goals.

To receive the full incentive payment, Westinghouse must meet at least 90 percent of its program goals. A performance rating of less than 82 percent will cost the company half its fee earned on performance goals.

"We can't afford to lose sight of our progress in meeting long-term goals," Trego said. "This agreement focuses on both performance milestones and program goals."

In fiscal year 1995, Westinghouse Hanford surpassed 87 percent of its performance milestones.

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