

\$57-million pay cut for lab contractor

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The contractor managing the nuclear weapons laboratory at Los Alamos, N.M., was slapped with a \$57-million reduction in its fees for 2014, largely because of a costly nuclear waste accident last year.

The contractor, Los Alamos National Security, saw its fee reduced 90 percent because of the accident, in which a 55-gallon drum packaged with plutonium waste from bomb production erupted after being placed in a 2,150-foot underground dump in the eastern New Mexico desert.

The Department of Energy determined that the contractor had a "first-degree performance failure" and cut its fee to \$6.25 million - a pittance compared with the \$63.4 million that the contractor could have earned if it had met all of its 2014 contract incentives.

"The size of the cut was astounding," said Jay Coghlan, director of Nuclear Watch New Mexico, a group that scrutinizes operations at Los Alamos National Laboratory. "It is a step in the right direction."

Coghlan said the Energy Department also reduced the duration of the management contract by one year for the consortium, which was selected in 2007 to help restore order to the lab's operations after more than a decade of security lapses, management errors and accounting scandals.

The consortium includes San Francisco-based Bechtel Corp., the University of California and San Francisco-based URS Corp.

Charles F. McMillan, director of the Los Alamos lab, sent a memo to his 6,000 employees last week that stressed the positive, despite having received one of the worst fee reductions in the department's history.

"Although this was a very tough year for the laboratory, I am optimistic that next year will be better," he wrote. "I am determined to do all that I can to make it so."

Outside analysts and watchdog groups said the reduction in profits was surprisingly tough, especially given the Energy Department's history of letting contractors escape accountability for errors and failures.

"This was supposed to be one of the top research laboratories in the nation, but they lost classified documents, couldn't manage their plutonium inventories and failed to control costs on major projects," said Peter Stockton, a senior investigator for the Project on Government Oversight and a former advisor to the office of the secretary of Energy. "The new management team was supposed to fix all of those problems, but it looks like it's the same old story out there."

The accident with the 55-gallon drum occurred last February at a facility near Carlsbad, N.M., known as the Waste Isolation Pilot Plant, or WIPP. It is likely to cause a shutdown of at least 18 months and possibly several years.

The exact causes of the chemical reaction are still under investigation, but Energy Department officials say a packaging error at Los Alamos caused a reaction inside the drum. The radioactive material went airborne, contaminating a ventilation shaft that went to the surface.

The release gave low-level doses of radiation to 21 workers on Feb. 14. The cost of the accident, including likely delays in cleanup projects across the nation, will approach \$1 billion, according to a Los Angeles

Times analysis.

New Mexico's Environment Department fined the lab \$36.6 million in early December, finding it had violated two dozen rules and regulations. Late last week, the U.S. Energy Department and the Los Alamos consortium asserted that the state lacks legal jurisdiction to issue the fine.

Don Hancock, director of the nuclear waste program at the environmental watchdog group Southwest Research and Information Center, said the refusal to pay the fines amounts to a serious political confrontation between New Mexico's Republican Gov. Susana Martinez and Energy Secretary Ernest J. Moniz.

Martinez hand-delivered notice of the fine to Moniz, Hancock said. "It tells you that the Energy Department and the contractor don't believe they have to comply with laws and permits," Hancock said.

While watchdog groups applauded the tough sanctions, some nuclear weapons scientists said it was an overreaction.

"It was a mistake by an individual - a terrible mistake - and Washington now wants to punish a lot of people," said James Conca, an expert on [nuclear waste](#) management. "Denying Los Alamos National Lab 90 percent of their profit doesn't fix anything. They want to bleed them to death."

"The amount of radiation that was released was trivial," he said.

"As long as you don't lick the walls, you can't get any radiation down there. Why are we treating this like Fukushima?" he said, referring to the 2011 nuclear reactor disaster in Japan.

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