United States Department of Energy

UMTRA PROJECT-LEVEL COST REDUCTION/PRODUCTIVITY IMPROVEMENT PROGRAM MANUAL

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Uranium Mill Tailings Remedial Action Project

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COST REDUCTION/PRODUCTIVITY
IMPROVEMENT PROGRAM MANUAL**

June 1995

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LIST OF ACRONYMS

<u>Acronym</u>	<u>Definition</u>
CCB	Change Control Board
CDPHE	Colorado Department of Public Health and Environment
CR/PIP	Cost Reduction/Productivity Improvement Program
DOE	U.S. Department of Energy
DOE-AL	DOE Albuquerque Operations Office
DOE-HQ	DOE-Headquarters
EM	Environmental Management
IPMS	Integrated Project Management System
UMTRA	Uranium Mill Tailings Remedial Action

1.0 STRATEGY

1.1 MISSION

The mission of the Uranium Mill Tailings Remedial Action (UMTRA) Project Cost Reduction/Productivity Improvement Program (CR/PIP) is to contribute to the UMTRA Project's environmental restoration mission by providing the means to achieve and recognize continuous improvements and cost savings.

1.2 VISION

The UMTRA Project CR/PIP will be recognized as a key contributing factor in the following areas:

- Successfully completing the UMTRA Surface and Ground Water Projects.
- Reducing costs to taxpayers while maintaining high quality of work for customers.
- Empowering all UMTRA employees to enhance productivity, quality, and safety.
- Making the UMTRA Project Office a rewarding work place, seeking out, nurturing, and recognizing innovation among our diverse work force.
- Promoting teamwork with our contractors, other federal agencies, and stakeholders.

The UMTRA Project CR/PIP is successful due to the people working on the Project. This success can be shared with interested parties and provides a model for other cost reduction and quality improvement initiatives throughout the U.S. Department of Energy (DOE).

1.3 OBJECTIVES

The CR/PIP continues to improve because of the endless opportunities for reducing costs and improving productivity. The objectives for the CR/PIP are as follows:

- Improve the productivity, quality, and safety of operations.
- Heighten the cost awareness of Project participants.
- Identify and implement innovative employee ideas that extend beyond the requirements of existing processes and procedures.

- Create additional value for money spent by maintaining the total Project cost at the lowest possible level.
- Recognize every participating employee, and celebrate all contributions made toward achieving CR/PIP goals.

1.4 SUCCESS INDICATORS

The CR/PIP serves a wide range of customers and stakeholders that requires the highest achievable results in all Project operations. As a result, success indicators were developed to measure the CR/PIP's ability to meet its requirements. These success indicators include maintaining the following:

- Safety record better than the industry average.
- Annual savings goal of 5 percent of the annual federal budget.
- High level of participation (50 percent of eligible employees).
- Positive feedback from existing and new employees who participate.
- Teamwork among the Project Office, contractors, other federal agencies, and stakeholders.
- Media coverage through success stories and recognition ceremonies.
- Top management's (DOE and contractor) interest in the CR/PIP.

2.0 OVERVIEW

2.1 PURPOSE

The purpose of the UMTRA Project CR/PIP is to formalize and improve upon existing efforts to control costs. These efforts have been under way since Project inception. This manual has been coordinated with the DOE Office of Environmental Management (EM) and the DOE Albuquerque Operations Office (DOE-AL). It incorporates prior UMTRA Project Office guidance issued on the subject.

The CR/PIP is one of the oldest ongoing cost savings programs within the DOE. The CR/PIP was established in 1988 to comply with DOE-Headquarters' (DOE-HQ) guidance requesting that the UMTRA Project Office implement a "Productivity Improvement Program." In recent guidance from DOE-HQ, the Assistant Secretary for Environmental Management, Thomas P. Grumbly, reaffirmed DOE's core values to "reduce costs and increase outputs."

2.2 APPLICABILITY

This manual applies to all UMTRA Project CR/PIP activities. It applies to the formulation and operation of contractor programs implemented to satisfy UMTRA Project requirements using UMTRA Project funds at the contractors, the DOE, and the Colorado Department of Public Health and Environment (CDPHE). For contractors using an existing system to collect information required by this manual, applicability extends only to the goals and submittals pertaining to the UMTRA Project. It may be applied to significant subcontractor efforts at the contractors' specific needs.

2.3 SCOPE

The CR/PIP manual includes the following elements:

- Program definition.
- Description of UMTRA Project organizational responsibilities and interfaces with existing Project functions.
- Guidance to contractors for the formulation of individual plans, establishment of goals, CR/PIP submittal criteria, and reporting.
- Definition of Project-level functions, including submittal review, project reporting, auditing, training, and recognition.

3.0 DEFINITIONS

3.1 COST REDUCTION

A cost reduction is the result of a specific change to the way budgeted work in the performance measurement baseline is performed, with the intent and reasonable expectation that work will be accomplished at a lower cost to the Project while maintaining high standards of quality. Cost reductions must be translatable to dollars and may be categorized as either lump-sum cost reductions or productivity improvements (Figure 3.1).

3.2 COST AVOIDANCE

A cost avoidance is the result of a specific change to a plan or design, with the intent and reasonable expectation of mitigating the cost impact of currently unbudgeted additional work. Cost avoidances must be translatable to dollars and may be categorized as either lump-sum cost avoidances or productivity improvements.

3.3 LUMP-SUM COST REDUCTIONS AND AVOIDANCES

Lump-sum cost reductions or avoidances are associated with a single activity or a limited number of repetitions of an activity. For example, considering remedial action at each site as a single activity, a cost reduction or avoidance affecting one of these activities would best be categorized as "lump sum" rather than a productivity improvement.

3.4 PRODUCTIVITY, QUALITY, ENERGY SAVINGS, AND HEALTH AND SAFETY IMPROVEMENTS

A productivity improvement is the result of a specific change in the manner in which repetitive processes are performed that results in a higher efficiency in converting Project resources into completed work. The resource is typically labor, but may be any other consumable resource. Once a net benefit is calculated, productivity improvements can be classified as either cost reductions or cost avoidances, depending upon whether the improvement applies to currently budgeted work.

Suggestions that decrease energy costs and consumption by improving energy efficiency and conservation may also be submitted to the DOE in-house Energy Management Program for national recognition and cash awards.

Productivity improvements that cannot be quantified in terms of a dollar value, yet have a positive effect on quality, health, or safety, are designated as intangible submittals. Intangible submittals will count toward employee participation totals, but will represent a zero net benefit dollar amount.

FIGURE 3.1
CATEGORIES OF CR/PIP SUBMITTALS

3.5 GROSS SAVINGS

Gross savings represent the total estimated dollar benefit resulting from cost reductions or cost avoidances. It is the lump sum, or annualized amount, of the total dollar savings attributed to a specific idea. The savings may include a reduction in labor, materials, capital, or energy-related costs. Contractor CR/PIP plans should provide strategies for determining the basis of estimates.

3.6 IMPLEMENTATION COSTS

Implementation costs represent all costs needed to implement an idea. These costs may include labor, materials, training, software/hardware, or facility changes. The implementation costs may be amortized over a period not to exceed 3 years.

3.7 NET BENEFIT

Net benefit is a calculated value representing the bottom-line dollar benefit to the Project resulting from a cost reduction or cost avoidance. It is the difference between the gross savings and the implementation costs. Sections 9.0 and 10.0 provide guidelines for both contractor- and Project-level net benefit calculations.

3.8 PARTICIPATION

Participation is a measure of the level of involvement of organization members in the organization's CR/PIP. It is calculated by dividing the number of people in an organization who submit an accepted cost reduction or productivity improvement by the total number of employees eligible to participate, then multiplying by 100 to arrive at a percentage. Sections 9.0 and 10.0 provide guidelines for both contractor- and Project-level participation calculations.

4.0 ORGANIZATION AND RESPONSIBILITIES

4.1 INTRODUCTION

The program organization (Figure 4.1) and the responsibilities described in this section have been developed to provide the following features:

- Clear responsibility and close involvement of the DOE UMTRA Project Manager.
- A program coordinator to administer the program on a day-to-day basis.
- A Coordinating Committee to advise and assist with programmatic issues.
- Effective communication between the contractors and other program members.

4.2 DOE PROJECT MANAGER RESPONSIBILITIES

Successful CR/PIPs require a high level of management support at all levels of the organization. Consistent and visible involvement of senior management is essential to achieving a high level of employee participation. The DOE Project Manager, supported by the Coordinating Committee and the program coordinator, will approve CR/PIP policies, define overall program goals, and act as the final arbiter for any disputes arising from program operation.

4.3 COORDINATING COMMITTEE COMPOSITION AND RESPONSIBILITIES

The Coordinating Committee will advise and assist the Project Manager and the program coordinator in developing and implementing CR/PIP policies, plans, and goals. The committee will advise the DOE Project Manager on the program's ability to meet requirements defined in DOE-HQ guidance. The committee will meet twice a year. The first meeting will be held during the first quarter of each fiscal year to review the program's operation. The committee will also assist in resolving operational problems. The committee will comprise representatives from each of the prime contractors. The DOE Project Manager may augment the membership from time to time, based on availability and expertise of additional members. The Coordinating Committee permanent members are as follows:

- DOE CR/PIP coordinator.
- Deputy CR/PIP coordinator.
- Director of the Integrated Project Management System (IPMS).
- Prime contractors' CR/PIP coordinators.

CR/PIP ORGANIZATION

FIGURE 4.1
CR/PIP ORGANIZATION

4.4 DOE CR/PIP COORDINATOR RESPONSIBILITIES

The DOE CR/PIP coordinator ensures the effective performance of all CR/PIP functions described in this plan on a continuing basis. The program coordinator is the primary interface between the CR/PIP and DOE organizations that promote quality improvement and cost savings programs. The program coordinator will review DOE-HQ and DOE-AL guidance and direct the contractor coordinators, as required. As a member of the Coordinating Committee, the CR/PIP coordinator also acts in an advisory capacity and, in turn, receives guidance from the committee. The DOE CR/PIP coordinator will meet semiannually with the contractor coordinators regarding the status and operation of the CR/PIP. The program coordinator will document the minutes of all Coordinating Committee meetings and will facilitate communication among the Project Manager, contractor coordinators, CDPHE, and federal regulators or other organizations that must concur with CR/PIP ideas prior to implementation. The program coordinator will also maintain the UMTRA Project Office CR/PIP Manual and CR/PIP database, tracking software as needed. The deputy CR/PIP coordinator will assist the program coordinator. The deputy will be a member of the Technical Assistance Contractor IPMS group.

4.5 CONTRACTOR CR/PIP COORDINATOR RESPONSIBILITIES

Each major UMTRA Project contractor shall designate a contractor CR/PIP coordinator. The contractor coordinator will serve as the primary interface with the Project Office on routine matters pertaining to the CR/PIP. The contractor coordinator will be requested to attend all Coordinating Committee meetings planned during the fiscal year. These meetings will be used to discuss lessons learned and review guidance from the UMTRA Project Office. The contractor CR/PIP coordinator is expected to possess a thorough knowledge of program operations and his/her monthly submittals. The contractor coordinator is the first line of quality control concerning ideas from his/her respective organization. The contractor coordinator will review ideas for completeness based on criteria detailed in this manual prior to submittal to the UMTRA Project Office. In addition, the contractor coordinator will maintain the CR/PIP submittal database software to be provided by the Project Office. Section 6.2 further defines database maintenance. The contractor coordinator will notify the DOE CR/PIP coordinator in writing whenever a new person is assigned to this position.

5.0 CONTRACTOR CR/PIP MANUALS

5.1 REQUIREMENT FOR CONTRACTOR MANUALS

Contractors shall prepare and maintain a CR/PIP manual that is in compliance with this manual and that thoroughly and accurately describes the operation of their specific programs. Contractors, using an existing corporate program to meet UMTRA requirements, may submit the manual describing the existing program along with an addendum describing added details or variations required by the UMTRA CR/PIP Manual.

5.2 PROJECT OFFICE REVIEW AND APPROVAL OF CONTRACTOR MANUALS

Contractors shall submit their manuals to the Project Office for review against the requirements established within this manual. Each contractor will be provided with written notification of approval or a description of the specific revisions needed to obtain approval.

5.3 MAINTENANCE OF CONTRACTOR MANUALS

Contractor CR/PIP manuals will not be subject to any periodic updating requirements by the Project Office. Changes to manuals will only be required when dictated by changes in the operation of either the contractor's CR/PIP or the UMTRA CR/PIP. In the event that the contractors revise their manuals, they should forward the changes to the Project Office in a timely manner. Such changes will be subject to the same review and approval process described above.

6.0 COST REDUCTION AND PARTICIPATION GOALS

6.1 PURPOSES OF ESTABLISHING GOALS

Establishing goals for the CR/PIP will serve several purposes as follows:

- The process of establishing bottom-up, internally generated goals involves all levels of management and staff assessing the cost reduction productivity and quality potential within their individual work environments. Meeting DOE-HQ related goals, such as the EM Program's cost reduction initiative, should be considered when developing yearly CR/PIP goals. These are important steps toward identifying, quantifying, and implementing specific cost reduction or productivity improvement opportunities.
- Net benefit dollar goals and participation percentage goals are easily communicated to and understood by all members of the organization. Progress toward goal achievement will help maintain enthusiasm in the program.
- Comparing accomplishments against goals provides an objective performance measurement for managing the CR/PIP. The amount of emphasis placed on this measurement is attributed to the importance placed on the program and the commitment by senior management.

6.2 CONTRACTOR GOALS

Each contractor shall establish annual net benefit and participation goals. Goals for the upcoming fiscal year will be provided, in writing, to the DOE CR/PIP coordinator no later than 31 October. Contractor manuals should contain specifics on goal establishment. A bottoms-up approach is recommended based on an assessment of cost reduction potential and goal commitments from all levels of the organization.

The DOE CR/PIP coordinator will review the contractor goals and recommend changes to meet Project-level savings goals. The DOE Project Manager will approve all contractor goals. Once established, contractor goals may not normally be changed during the fiscal year. However, if a significant change to the contractor's net benefit and participation goals is required, a goal change request (Appendix A) may be submitted to the Project Office. Such requests will be reviewed by the Coordinating Committee and approved by the DOE Project Manager.

6.3 PROJECT GOALS

Project net benefit and participation goals will be established for each fiscal year following Project Office review and acceptance of all contractor goals. The Project net benefit goals will be the sum of all participating contractors' net benefit goals, and the participation goal will be calculated based on information submitted by all contractors. In addition, the Project net benefit goals shall meet specific DOE-HQ guidance.

7.0 SUBMITTAL CRITERIA AND REPORTING

7.1 SUBMITTAL CRITERIA

Submittal criteria are intended to ensure that all cost reductions, cost avoidances, and intangible submittals included in the project CR/PIP tracking system meet a consistent and defensible set of standards to support the CR/PIP objectives stated in Section 1.0. They are not meant to dictate the internal operations of any existing contractor program, but will be used to make decisions regarding the inclusion of specific contractor submittals into the UMTRA system. Therefore, contractors shall not forward CR/PIP submittals to the Project Office that do not meet the following criteria:

- Submittals must comply with the definitions of cost reduction, cost avoidance, or intangible as provided in Section 2.0.
- Submittals may be generated by individuals, informal teams, or multiple organizations. They may also be generated through formal cost reduction practices such as Value Engineering. Submittals documenting the cost savings achieved by a formal cost reduction program will be prepared by the organization(s) conducting the activity.
- Submittals must be innovative ideas that clearly result in specific changes to manuals or procedures for the purpose of reducing cost, and not just ancillary results of a normal process. For instance, a proposal reflecting an employee's normal obligation for quality work would not be eligible. Also, operations that could have been costly but were not, as a result of applying prudent economic sense, would not be eligible. However, if a specific "cost-effectiveness" review of a subcontract Request for Proposal was performed and it was determined that certain elements of work could be combined to reduce the budgeted cost, a submittal based on this cost reduction would meet the criteria. Conversely, the criteria would not be satisfied merely because a subcontract is awarded for less than it was estimated to cost. Intangible submittals must reflect an obvious quality or health and safety improvement that cannot be quantified in terms of a dollar value. Appendix B provides an example of a valid submittal.
- A formal management commitment to implement the improvement must be obtained prior to forwarding the submittal to the Project Office. Because some improvements on the UMTRA Project may address future activities, the actual implementation of the improvement is not required upon CR/PIP submittal; however, a target implementation time frame must be identified on the submittal form. Before obtaining a meaningful management commitment, the necessary coordination and agreements with internal managers and other Project participants with responsibilities for implementation must be documented (refer to Section 8.3). Project Office approvals, when necessary, must also be obtained prior to submittal.

Improvements involving more than one organization should be coordinated through the DOE CR/PIP coordinator.

- Variances between planned and actual costs, which are often the result of random events or planning errors, are specifically excluded. Among these are unused management reserve, unused contingency, and underruns. The portion of such variances attributable to cost reductions or cost avoidances, as defined in Section 3.0, should have been submitted previously as individual cost reductions. To include their net benefit value in a submittal based on a subsequent cost variance would count the benefit twice.

7.2 SUBMITTAL REPORTING

Contractors will provide a summary of the current month's submittals and cumulative fiscal year progress data to the deputy CR/PIP coordinator by the 15th of each month. Required data elements are defined below. Contractors are requested to use the CR/PIP submittal database software to meet this requirement. An automated reporting system in the software will generate the summary, provided each submittal contains the following information:

- Contractor's code.
- Control number.
- Approval date - date of last management approval needed to implement.
- Implementation date - actual or projected.
- Short title.
- Indication of whether the net benefit is a cost reduction or a cost avoidance.
- Submitter's name(s).
- Submitter's participation percentage.
- Site or sites affected.
- Gross savings.
- Implementation costs.

The software will calculate the net benefit for each submittal. The net benefit is simply the gross benefit amount less the implementation costs.

Contractors are required to generate the following monthly reports from the CR/PIP submittal database software:

- Print cost reductions by month - to report cost reduction log data.
- Goal versus actual - to report current month and cumulative progress.

7.3 ADDITIONAL DATA REQUIRED FOR HIGH-VALUE SUBMITTALS

Additional information is required for submittals with a net benefit value exceeding \$250,000 in order to facilitate review and to determine if a budget

adjustment is appropriate. Section 8.0 provides the rationale and procedure for this review. The additional information includes the following:

- Summary description - One or two pages usually will be sufficient and should include
 - Description of the existing situation.
 - Description of the change.
 - Benefit to be derived by the Project.
- Documentation of coordination with other Project participants and approval of the Project Office, when such coordination and/or approval is required prior to implementation.
- Details of the basis for the estimated values or a copy of the calculations annotated sufficiently for a third party to follow the logic used.
- Recommendations concerning changes to existing budgets resulting from the submittal; an explanation if no changes are recommended.

7.4 SUBMITTALS ARISING FROM OTHER COST REDUCTION ACTIVITIES

One objective of the CR/PIP is to document the accomplishments of all Project activities that promote cost savings for the Project. The Value Engineering Program is an example of such an activity. Organizations responsible for conducting these cost reduction activities will document and submit each qualifying cost reduction or cost avoidance in accordance with this plan.

8.0 PROJECT REVIEW AND PROCESSING

8.1 ROUTINE SUBMITTALS

The deputy CR/PIP coordinator will process contractor CR/PIP submittals and prepare all Project reports. Submittal processing, as depicted in Figure 8.1, begins when the Project Office receives the completed UMTRA cost reduction forms. All cost reductions greater than \$250,000 should be submitted to the deputy CR/PIP coordinator by the end of the first week following the month in which they are reported. The DOE CR/PIP coordinator and cognizant Project Office personnel will conduct a review during the following week and submit a response letter to the contractors detailing their findings. By the end of the second week, the contractors should submit their cost reduction logs along with the other monthly IPMS reports. The cost reduction logs are generated using the cost reduction submittal database software reports, as discussed in Section 7.2. During the third week after the close of the reporting month, the DOE will send a response letter and make the necessary changes to the data initially submitted by the contractors. The deputy CR/PIP coordinator will enter submittals that are approved as adjusted into the submittal tracking system. The DOE response letter will describe submittals that are not approved, with reasons for not approving the cost reduction, together with corrective measures if the cost reduction is to be resubmitted or direction to remove the cost reduction from the reported list. Based on these results, the contractors should reconcile their cost reduction logs by the next reporting period.

Cost reductions not initially approved may require further arbitration. If approval is later granted on these cost reductions, they must be resubmitted along with the routine monthly cost reductions and will be recorded by the UMTRA Project Office in the month final approval occurs.

The CR/PIP coordinator and the contractor will resolve any specific submittal problems. Once the problems are resolved, affected submittals will also be entered into the tracking system. If the contractor and the CR/PIP coordinator cannot agree on the acceptability of the submittal, the CR/PIP Coordinating Committee will review the submittal in order to make a recommendation to the Project Manager. The Project Manager will then make a final decision on the inclusion of the submittal.

8.2 HIGH VALUE SUBMITTALS

It is recognized that not all cost reductions submitted under the CR/PIP will warrant a budget reduction. In fact, for lower value improvements, which form the majority of submittals, it would be counterproductive to take the administrative steps necessary to make an adjustment.

CR SUBMITTAL, RECEIPT, and DOE REVIEW FLOW

FIGURE 8.1
CR SUBMITTAL, RECEIPT, AND DOE REVIEW FLOW

For significantly large cost reductions, the Project should determine whether a budget reduction is appropriate. The threshold for making this determination is if the net benefit equals or exceeds \$250,000. If so, the CR/PIP coordinator will refer the submittal to the Change Control Board (CCB) secretary for discussion at the next regular meeting. The CCB will review the nature of the improvement, compare the magnitude of the net benefit versus the existing budget, evaluate the contractor's budget recommendation, and recommend to the CCB chairman whether a budget change should be initiated.

8.3 SUBMITTALS INVOLVING MULTIPLE CONTRACTORS/ORGANIZATIONS

Any submittal requiring coordination with, or implementation approval from, any Project participant other than the submitting organization must include documentation of such coordination and/or commitments to implement the cost reduction. Participating organizations may conduct this coordination directly or may request the support of the DOE CR/PIP coordinator or the Coordinating Committee. Each participating contractor shall provide a CR/PIP submittal form that includes its unique submittal control number, net benefit and participation, and contributions to the proposed cost savings and/or avoidance. It is recommended that the CR/PIP coordinators of the participating organizations negotiate an equitable allocation of the net benefit and submit it to the UMTRA Project Office with their monthly data. Problems encountered in obtaining necessary agreements may be referred to the Coordinating Committee for resolution. The DOE CR/PIP coordinator will facilitate this process by hosting all required meetings to finalize implementation of the submittal.

9.0 PROJECT REPORTING

The DOE CR/PIP coordinator and deputy coordinator will perform a monthly analysis of the Project's progress in accomplishing the annual net benefit and participation goals. This analysis will be presented in the form of narrative analysis, charts, and tables in the following reports and briefings:

- UMTRA Project annual report - year-end.
- CR/PIP Fiscal Year Close Out Report - year-end.
- Formal project reviews - mid-year and year-end.
- CR/PIP Recognition Program - mid-year and year-end.
- DOE CR/PIP Coordinator's Report - quarterly.
- CR/PIP articles in the *UMTRA UPDATE* newsletter - as warranted.
- CR/PIP articles in the *DOE AL News* newsletter - as warranted.

The success stories in the CR/PIP highlight our accomplishments, and the Project Office encourages contractor coordinators to share this information with their corporate public affairs staff. The DOE CR/PIP coordinator, deputy coordinator, and the Project Office Public Affairs Department will provide articles to interested parties reporting the program's accomplishments and celebrating innovative employee ideas.

10.0 ACCOUNTING GUIDELINES

10.1 GENERAL GUIDELINES

The guidelines described below will result in essential standardization of contractor cost reduction submittals and help ensure consistency of the net benefit and participation calculations contained in those submittals with Project reporting requirements. Detailed cost accounting procedures should also be contained in contractor CR/PIP manuals and be consistent with the guidelines described below.

In general, the cost accounting procedures used for preparing the annual budget will be acceptable to the CR/PIP, provided the specific guidelines described herein are met. Estimates based on future costs shall include escalation factors based on current DOE rates or on some other set of rates described in the contractor's CR/PIP plan.

10.2 NET BENEFIT FOR LUMP-SUM COST REDUCTIONS AND AVOIDANCES

10.2.1 Baseline selection

All net benefit calculations require an assumed baseline representing the "as-is" situation for comparison to the "to-be" situation. The baseline for a lump-sum cost reduction should be the budgeted cost for the subject work as it was planned to be accomplished. For example, the net benefit for a proposed reduction to a site remedial action should be estimated against the technical and cost baseline contained in the most recent UMTRA Project budget. For lump-sum cost avoidances, the baseline is zero because, by definition, the subject work is not currently in the baseline.

10.2.2 Net benefit calculation

The total implementation cost, including escalation, should be subtracted from the total cost savings to arrive at the net benefit for lump sum reductions and avoidances. This calculation is performed by the submittal database software as described in Section 7.2.

10.3 NET BENEFIT FOR PRODUCTIVITY IMPROVEMENTS

10.3.1 Baseline selection

The baseline for productivity improvements should be established from standard unit rates, if available. Otherwise, an estimated unit rate for the current process should be calculated.

10.3.2 Net benefit calculation

Only the first 12 months of savings from a productivity improvement may be used in calculating gross savings. This guideline results in a conservative bias and calculates an annualized savings value. The implementation cost for a productivity improvement may be amortized over any reasonable period up to 3 years. The net benefit then is the difference between the total savings over the first 12 months, including escalation, less the portion of amortized implementation cost accruing to the same period. For example; the net benefit calculation for a cost reduction with 4 years of savings totaling \$10,000 and an implementation cost of \$3,000 would be

$$\frac{\$10,000}{4} - \frac{\$3,000}{3} = \$1,500$$

10.4 PARTICIPATION PERCENTAGE CALCULATION

Simply stated, the participation percentage is the total number of individuals submitting CR/PIP ideas divided by the total number of employees eligible to participate in the UMTRA CR/PIP, multiplied by 100. Because there are a variety of ways to determine the number of submitters and number of participating employees, contractor manuals must provide specifics on the methods used to determine these two values. The CR/PIP submittal database software will perform this calculation automatically when the goal versus actual report is selected. In addition, the guidelines given below should be followed.

10.4.1 Determination of total submitters

To be counted in the total number of submitters, an employee must be assigned to an organization supporting the UMTRA Project and must have directly and significantly contributed to an approved CR/PIP submittal.

No single employee may be counted more than once during a given fiscal year unless the contractor's plan specifically describes the circumstances when this may occur. For example, if an employee transfers to another department, the employee may be counted more than once. At this point, the employee is considered a new participant; however, a corresponding increase to the number of eligible employees is also required.

10.4.2 Determination of the number of eligible employees

The number of eligible employees may be calculated using an average running head count or other method that compensates for fluctuations in the contractor's level of effort on the UMTRA Project during a given fiscal year. Contractors may use either total head count or full-time equivalents, provided that the method used is consistent with the method used to determine the annual participation goals.

10.5 PROJECT GOALS AND PERFORMANCE CALCULATIONS

10.5.1 Net benefit

The Project's annual net benefit goal will be established based on the sum of all participating contractors' net benefit goals. The Project's cumulative net benefit performance will be calculated as the sum of each contractor's cumulative net benefit, based on the acceptable submittals contained in the contractor's monthly report.

10.5.2 Participation

The Project's participation percentage goal and cumulative progress will both be calculated based on a weighted average of the UMTRA Project Office, CDPHE, and contractors' participation goals and cumulative progress, respectively. The weighing factor used will be the number of participating employees in each contractor's organization.

10.6 CHANGES TO PRIOR SUBMITTAL VALUES

To minimize the administrative cost of the CR/PIP, there is no requirement to track change in net benefit for routine submittals as they progress through implementation. A reasonable estimate based on the information available at the time of submittal will be considered adequate. However, for high value submittals (those with a net benefit exceeding \$250,000), changes in the net benefit estimate should be reported when they exceed both \$100,000 and 20 percent of the existing net benefit value.

Errors or adjustments in previous submittals made during the current fiscal year should be reported in the current month. No retroactive changes should be made to contractor cumulative fiscal year net benefit or participation values that are not explained in the current month's report. Negative current-year adjustments to prior-year submittals should not be counted against achievement of current-year net benefit goals. Reference should be made to any adjusted submittals using the contractor submittal number.

11.0 PROGRAM VALIDATION

The CR/PIP may be validated from time to time to assure the Project Manager that the program is operating efficiently in accordance with its intended purpose. The validation review will be conducted at the Project Office by the DOE CR/PIP coordinator and others as deemed appropriate by the Project Manager. Contractors may be requested to provide additional information concerning their programs to facilitate the review. The areas listed below are considered most significant; however, additional areas may also be reviewed:

- Adherence to applicable contractor/project plan elements.
- Basis and accuracy of net benefit and participation estimates.
- Completeness of submittal backup data.
- Documentation of appropriate implementation coordination and approvals.
- Documentation of actual implementation and net benefit versus approved submittal.
- Effective training and information programs.

Following the validation review, the DOE CR/PIP coordinator must prepare a report containing specific findings and recommendations. This report will be forwarded to the DOE Project Manager, with copies to the organization being reviewed.

12.0 TRAINING AND INFORMATION PROGRAM

Effective training and information programs are considered essential for successful operation of cost reduction programs. Contractors shall adequately address this requirement in their CR/PIP manuals.

The Project Office, through the DOE CR/PIP coordinator, will assist contractors in the following areas:

- Arranging for periodic coordinator meetings to provide coordinator cost reduction training, a forum for exchange of ideas, and assistance in program implementation.
- Assembling a collection of cost reduction training materials such as books, video cassettes, and slide presentations for loan to contractors and other interested parties.
- Publishing periodic CR/PIP articles in the *UMTRA UPDATE* newsletter containing program status, recognition of significant accomplishments, and cost reduction information.

13.0 RECOGNITION PROGRAM

Personal recognition is one of the strongest performance motivators, especially when it is received from an employee's management and peers. Therefore, contractors should strive to maintain an effective employee recognition program throughout their organizations to recognize those employees participating in the CR/PIP. Contractors' plans for recognition should be detailed in their specific manuals.

The Project Office will conduct an employee recognition program at mid-year and year-end for individuals contributing to the Project's CR/PIP effort. In addition to the special recognition categories below, the DOE Project Manager will send a personal letter of recognition to each employee submitting an idea during a given performance period. This Project-wide recognition program considers only the DOE-approved CR/PIP submittals in its selection process. The UMTRA Project Office will make the final selection from all submittals based on the approved monthly data supplied by each contractor during the fiscal year. Appendix D presents an overview of the recognition program for outstanding achievements. The recognition program was implemented in fiscal year 1991 and revised in fiscal years 1992 and 1994, and includes both semiannual and annual recognition categories based on the criteria described below.

- Semiannual performance period (presented at mid-year and at year-end recognition ceremonies):

- Recognition categories:

Highest net benefit

The UMTRA Project Office will present a certificate, described in Appendix E, for the approved submittal with the largest net benefit amount within the 6-month performance period (Oct-Mar and Apr-Sep).

Most participation

The UMTRA Project Office will present a certificate, described in Appendix E, to the individual who has submitted and/or has participated as a joint submitter of the largest number of approved submittals within the 6-month performance period (Oct-Mar and Apr-Sep). In the event of a tie, each individual will receive a certificate.

Three-, five-, and eight-year participation

The UMTRA Project Office will present a token of appreciation to the individuals who have submitted CR/PIP ideas for 3 years, 5 years, and 8 years.

- Annual performance period (presented at the year-end recognition ceremony):
 - Recognition category:

Most improved participation

The UMTRA Project Office will present a plaque to the organization/contractor with the most improved participation percentage for the year as compared to the previous year (Oct-Sep).

Highest participation

The UMTRA Project Office will present a plaque to the organization/contractor with the highest participation percentage for the year.

The organization's name will also be inscribed on separate plaques to be displayed at the UMTRA Project Office.

In all cases, the UMTRA Project Office will prepare the CR/PIP certificates and plaques. Once the UMTRA Project Office selects the recipients, the contractors will receive written notification of the outcome. In order to validate these selections, the respective contractor coordinators will review the results and provide changes to the DOE CR/PIP coordinator along with a brief biography of the recipients.

APPENDIX A
GOAL CHANGE REQUEST

UMTRA CR/PIP
FISCAL YEAR _____ GOAL CHANGE REQUEST

<u>Participation Percentage</u>	<u>Eligible Employees</u>	<u>Employee Participation</u>	Allocate the employee participation total to the fiscal year months.											
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Current														
Requested														

<u>Total Net Benefit (\$000)</u>	Allocate the net benefit total to the fiscal year months.											
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Current \$ _____												
Requested \$ _____												

Reason for change: _____

Contractor CR/PIP Coordinator

Project CR/PIP Coordinator

Date

Date

APPENDIX B

EXAMPLE OF CONTRACTOR COST REDUCTION SUBMITTAL FORM

MK-FERGUSON COMPANY

A MORRISON KNUDSEN COMPANY

COST REDUCTION/PRODUCTIVITY IMPROVEMENT SUBMITTAL

OFFICE USE ONLY

DATE: 2/17/95
CONTROL NO.: 95019
DEPT.: OPER

PART I: To be completed by Submitter(s)

SUBMITTER(S) Larry Joe, Chris Weston, Jeff Skinner, Don Janz	LOCATION Mexican Hat, Utah	DATE 2-10-95
---	--------------------------------------	------------------------

SUBMITTAL TITLE (BRIEF DESCRIPTION)

Use of Type B riprap instead of Type C on south side of Disposal Cell and along the west side of the West Ditch.

PART II: To be completed by all affected Supervisor(s) and Manager(s)

ORGANIZATION	NET BENEFIT AMOUNT	APPROVAL AND COMMENT(S)	DATE	PHONE NO.
MK-Ferguson		<i>True</i>	2/10/95	303-677-2696

PART III: Final Approval by Project Director

R.E. LAWRENCE	<i>Robert E. Lawrence</i>	DATE	2-17-95
TOTAL N.B. \$ 29,262	PRODUCTIVITY COORDINATOR		
SITE HAT N.B. \$ 29,262 SITE N.B. \$ _____ SITE N.B. \$ _____ SITE N.B. \$ _____	FRANK SEDLACEK (505) 246-2585 <i>Frank B Sedlacek</i>	DATE	2-17-95

SUBMITTER(S):

1. Complete this form. It serves as the record for auditing purpose and must provide enough information for an independent reviewer to understand the improvement and its value.
2. Attach copies of pertinent documentation and/or list reference used.
3. Submit this form and documentation to your supervisor.
4. Keep a copy for your personal records.

SUPERVISOR(S) AND MANAGER(S):

1. Review proposed improvement for validity and confirm projected savings.
2. Decide within three weeks of submittal date, the disposition of the suggested improvement; notify submitter(s) of decision.
3. Affected managers must sign this form indicating implementation commitment within 90 days.
4. Forward to the CR/PIP Coordinator after all signature(s) are obtained.
5. Retain a copy for your department files.

CR/PIP COORDINATOR:

1. Obtain accounting review to assure correct rates and calculations were used.
2. Obtain Project Director's final approval of suggested improvement.
3. Sign form authorizing manager(s) to authorize improvement implementation; return copy of signed form to originator's supervisor along with participation certificates.
4. Record submittal on improvement log crediting department for savings and participation.

PART IV: To be completed by Submitter(s)
Attach additional sheets as necessary

Prior Situation (as it relates to improvement given below).

In the original subcontract documents, Type "C" Erosion Protection was proposed for these two locations. Along the south side of Disposal Cell, 1876 cubic yards was proposed. Along the west side of the West Ditch, 843 cubic yards were proposed.

Improvement Change (Specific element(s) changed, eliminated or combined).

Due to cost and limited quantity of Type "C" available, an alternate Type "B" erosion protection was used.

Benefit Analysis (Cost reductions directly related to element(s) above).

*Labor *Materials *Equipment *Energy *Subcontracts, etc.

Description	Qty.	Unit	Price	Amount
1. Type "C"	1876 CY		\$28.00	\$76,132.00
2. Type "B"	1876 CY		\$17.50	<u>47,582.50</u>
3. 1 minus 2=3; amount saved =				\$28,549.50

\$ 712 Markups

\$ 29,262

TO BE COMPLETED BY THE
CR/PIP COORDINATOR

A. BENEFIT SUMMARY

* Labor \$ _____
* Material \$ _____
* Equipment \$ _____
* Other \$ _____
* TOTAL \$29,262

Implementation Cost (all cost necessary to implement the proposed improvement).

*Labor *Materials *Training *Software *Hardware/Equipment *Facility Changes, etc.

NONE

TO BE COMPLETED BY THE
CR/PIP COORDINATOR

B. IMPLEMENTATION SUMMARY

* Labor \$ _____
* Material \$ _____
* Equipment \$ _____
* Other \$ _____
* TOTAL \$ 0

A-B Net Benefit \$29,262

APPENDIX C

CR/PIP SUBMITTAL DATABASE AND REPORTS

Appendix C

CR/PIP Submittal Database and Reports

CR/PIP Submittal Database (version 3.0) Quick Reference Guide

SYSTEM CONFIGURATION

- IBM PC or compatible
- MS DOS 3.31 or higher
- 1.2 M Floppy Disk Drive
- Hard Disk or Network (optional)
- Color/Monochrome/Hercules Monitor
- HP Laser Jet Printer

Important! Add the following to your system files before running the program.

CONFIG.SYS	add	FILES=40
AUTOEXEC.BAT	add	SET CLIPPER=r65;f35

Once the software is loaded, TYPE [CR] at the DOS prompt to run the program.

Main Menu: UMTRA CR/PIP Submittal Database

- Q) Quit
- R) Manage CR Submittals
- P) Print Reports
- G) Manage Goals
- O) Manage Organizations
- E) Manage Employee Count
- U) Utilities

R) Manage CR Submittals

[ADD, EDIT, DELETE, PRINT COST REDUCTION SUBMITTALS]

This menu is used to enter your monthly actuals for the net benefit and employee participation.

Select [ADD] to enter:

- **Contractor** Letter designating which contractor the data are for (U=Chem-Nuclear Geotech, J=Jacobs Engineering Group, M=MK-Ferguson, and O=Oak Ridge National Laboratory).
- **Number** The first two digits are for the fiscal year (FY) and the last three are for a sequential number that tracks submittals during the FY. At the beginning of a new FY, these three digit numbers start again at 001.
- **Report Month** Applies to the month in which the submittal is reported to the Project Office (use calendar months).
- **Approval Date** Date the submittal is approved.
- **Implementation Date** Date the submittal is implemented.
- **Description** Brief description of the submittal.
- **Type** Categorizes the submittal as a cost reduction (R) or a cost avoidance (A).

Select [1Site] and [ADD] to enter the site and net benefit dollars for the submittal.

- **Site** Use the standard UMTRA site numbers (i.e., 05=Grand Junction).
- **Amount** The total net benefit amount for the submittal.

Note: More than one site can be entered per submittal.

Select [2People] and [ADD] to enter the employees participating in the submittal.

- **Last Name** Last name of the submitter.
- **First Name** First initial of the submitter.
- **Primary?** Y if the employee was the originator of the submittal, N if the employee was a participant.
- **Participation** Percentage of the net benefit credited to this employee. The sum of the participation percentage for any given submittal must total 100 percent.
- **Organization** Organizations and/or departments within your company. Each contractor defines these choices in the Manage Organizations option under the Main menu.
- **Allocation** Employee's contribution to this submittal (this percentage is used to generate the net benefit calculated in the Employee Reports.)

Additional Features:

- Edit** Allows you to make corrections to the data.
- Delete** Allows you to mark records for deletion.
- List** Displays all your records sequentially and provides a quick look at your data. Also allows you to scroll through the records and select a specific one for editing.
- Search** Provides a quick method to locate a specific record.
- Print** Sorts and prints out the database by various parameters. While in the Manage CR Submittals menu, this feature provides output similar to the CR/PIP Log. Select the "By Month" option to print out the monthly data required by the Project Office (reference Section 6.2, Submittal Reporting, of the CR/PIP Project Plan).
- Move** Allows you to go between the records in the database.

P) Print Reports

[EMPLOYEE REPORTS, GOAL vs. ACTUAL REPORT]

Select [1) Employee Report - By Name]

Prints out the employees' names in alphabetical order for a given period, listing their organization/department, number of submittals they participated in, and calculated net benefit. The screen will prompt you for the following information:

- o Contractor**
- o Fiscal Year**
- o End Monthuse calendar months**
- o # of Months count the number of months you want to include in the report; include the end month. The period can be customized to include any combination of months (i.e., 6 or 12).**

Select [2) Employee Report - By Organization]

Groups the employees by organization/department and prints their names in alphabetical order for a given period, listing their organization/department and calculated net benefit. The screen will prompt you for the same information described above in 1) Employee Report - By Name.

Select [3) Goal vs Actual Report]

Prints out the goals and actuals for the current month and FY to-date and calculates the variances. The total FY goal and the to-go column provide a quick measure of performance. All calculations are performed on both the net benefit and participation totals based on data entered in the system. The report also shows cumulative values for cost reductions and cost avoidances at the project level. Prior to running the report, the screen will prompt you for the following information:

- o Year.....use calendar year**
- o Month....use calendar months**

This report is part of the monthly data required by the Project Office (reference Section 6.2, Submittal Reporting, of the CR/PIP Project Plan).

G) Manage Goals

[ADD, EDIT, DELETE, LIST, PRINT GOALS]

This option allows you to enter your goals for net benefit (Dollars) and participation (People) for a specific month and FY.

Select **[ADD]** and enter:

- **Contractor** Letter designating which contractor the data are for (U=Chem-Nuclear Geotech, J=Jacobs Engineering Group, M=MK-Ferguson, and O=Oak Ridge National Laboratory).
- **FY** Fiscal year in which goal will occur.
- **Month** Month for which the goal is set (use calendar month numbers).
- **Dollars** Net benefit goal for a given month.
- **People** Participation goal for a given month.

Refer to the Manage CR Submittals Section for Additional Features in this menu.

Note: Select **[ADD]** feature to enter each monthly goal. The Project-level database will have these goals distributed evenly for each month unless the contractors provide another method.

O) Manage Organizations

[ADD, EDIT, DELETE, LIST, SEARCH, PRINT, MOVE]

Select **[ADD]** and enter:

- **Contractor** Letter designating which contractor the data are for (U=Chem-Nuclear Geotech, J=Jacobs Engineering Group, M=MK-Ferguson, and O=Oak Ridge National Laboratory).
- **Id** Abbreviation for the organizations/departments within your company.
- **Name** Full name of the organizations/departments within your company.

Refer to the Manage CR Submittals Section for Additional Features in this menu.

E) Manage Employee Count

[Quit, Edit]

Enter your employee count by FY (used in participation reports). A problem exists in that this screen only accommodates FYs through 1993. To enter counts for years after 1993, you need to have someone modify the dBase/Foxbase data file (cont.dbf) to include fields for additional FYs and then enter the amount via dBase/Foxbase.

Please call Eddie Kramer at UMTRA Headquarters for details.

U) Utilities

[Perform Administrative Program and Data Functions]

Select [R) Reindex & Pack Files] Removes all the records marked for deletion and performs index functions.

Select [C) Configure System]

▶ Color Monitor

Yes or No?

▶ Network

If Yes, also include the spool commands from your network.

If No, sets printer to local mode and no spool commands are necessary.

Select [1) Count Records]

Provides a quick tally of the number of records in your data files.

Select [M) Manage Menu]

Used only for programming and is nonactive for this software package.

Technical Assistance:

Questions concerning the maintenance and operation of this application may be directed to the IMPS group at Jacobs Engineering (FTS 845-4034).

Contractor	----- Current Month -----			----- Current FY to Date -----			Total FY	
	Goal	Actual	Variance	Goal	Actual	Variance	Goal	To Go

Net Benefit :								
Jacobs Engineering Group	184,000	300,000	116,000	1,104,000	309,500	-794,500	2,200,000	1,890,500
NK Ferguson	125,000	32,738	-92,262	750,000	1,565,134	815,134	1,500,000	-65,134
Oak Ridge National Lab	0	0	0	0	0	0	500	500
RUST Geotech	66,000	8,793	-57,207	396,000	226,465	-169,535	800,000	573,535

Total Dollars	375,000	341,531	-33,469	2,250,000	2,101,099	-148,901	4,500,500	2,399,401

Participating Employees :

Jacobs Engineering Group	8.0	19.0	11.0	48.0	55.0	7.0	95.0	40.0
NK Ferguson	7.0	1.0	-6.0	36.0	57.0	21.0	73.0	16.0
Oak Ridge National Lab	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
RUST Geotech	9.3	1.0	-8.3	55.8	16.0	-39.8	112.0	96.0

Total Participants	24.3	21.0	-3.3	139.8	128.0	-11.8	281.0	153.0

Participation % :

Jacobs Engineering (118)*	6.8	16.1	9.3	40.7	46.6	5.9	80.5	33.9
NK Ferguson (367)*	1.9	0.3	-1.6	9.8	15.5	5.7	19.9	4.4
Oak Ridge National (4)*	0.0	0.0	0.0	0.0	0.0	0.0	25.0	25.0
RUST Geotech (150)*	6.2	0.7	-5.5	37.2	10.7	-26.5	74.7	64.0

Total Participation %	3.8	3.3	-0.5	21.9	20.0	-1.8	44.0	23.9

* = Eligible Employees

UMTRA CR/PIP Submittal Database
Award Report - Participation
For the 6 Months Ending March, 1995

06/01/95
11:44 AM
Page 1

***** Top 5 by Contractor *****

J	COOL	JIM	3
J	GAUTHROP COOPER	MALU	3
J	BIRKS	PHIL	2
J	DOUGHERTY	RICHARD	2
J	DURAN	CINDY	2
M	Innis	John	4
M	Brow	B.	3
M	Hayes	Susan	3
M	Turner	Jim	3
M	Valdez	Richard	3
U	BREY	KRISTINE	4
U	KARSCHNIK	LESLIE	4
U	WEINKE	JULIE	4
U	BACK	STEVEN	1
U	BAKER	BARBARA	1

***** Top 5 *****

U	BREY	KRISTINE	4
M	Innis	John	4
U	KARSCHNIK	LESLIE	4
U	WEINKE	JULIE	4
M	Brow	B.	3

APPENDIX D

OVERVIEW OF PROJECT-LEVEL RECOGNITION PROGRAM

Appendix D Overview of Project-Level Awards

UMTRA CR/PIP SEMIANNUAL AWARDS CATEGORIES

THE AWARD PERIODS WILL BE OCT-MAR AND APR-SEP.

UMTRA CR/PIP ANNUAL AWARDS CATEGORIES

APPENDIX E

EXAMPLES OF RECOGNITION PLAQUE AND CERTIFICATE

UMTRA CR/PIP

EXCELLENCE THROUGH PARTICIPATION

HIGHEST PARTICIPATION

FISCAL YEAR 1994

JACOBS ENGINEERING GROUP INC.

ALBUQUERQUE OPERATIONS

90 PERCENT

**URANIUM MILL TAILINGS REMEDIAL ACTION PROJECT
COST REDUCTION AND PRODUCTIVITY IMPROVEMENT PROGRAM
FIRST HALF FY1995 - MOST SUBMITTALS AWARD**

**SUCCESSFUL ACCOMPLISHMENT OF OUR GOALS REQUIRES A HIGH LEVEL OF AWARENESS
AND INVOLVEMENT FROM EVERY MEMBER OF THE PROJECT ORGANIZATION.
THIS AWARD RECOGNIZES THE OUTSTANDING EFFORT AND COMMITMENT BY**

Julie Heinke

**YOUR INNOVATIVE IDEAS DEMONSTRATE A HIGH DEGREE OF KNOWLEDGE
AND A STRONG COMMITMENT TO COST REDUCTION AND PRODUCTIVITY IMPROVEMENT.
YOUR WILLINGNESS TO GO BEYOND WHAT IS REQUIRED IS SINCERELY APPRECIATED.**

5-11-95

Date

Acting Project Manager