

File 20110816.1430: Notes from the all-hands today: telecon 1-800-729-0918 pc 828145#

Lindsay Lee got a spot award. She sounds like a very sharp new hire. The picnic is going to get rained on.

Olav was planning to have Steve Bean here today and do a full QBR, but there are challenges with the new model contract.

Service awards: Jeff Dutoit: 10 years, Heather: 10 years, Ruth: 15 years.

Description of the Japanese tsunami response: DOE had a very good model for radiation release spread, and needed Radiant Mercury help. Within two days of getting the call, Eric was on a plane and in Japan, shuttling between land and ships. All the U.S. Navy ships diverted out from under the radioactive plume. Right now there are some problems on the *Lincoln*. 'That's what we do. We support them.'

Olav: last year, we bid infrastructure (Task Order 200) including such things as IAVA and security. When we got the new contract, the infrastructure task order was \$4.5 million. Problem is, nine months of 2010 were worked at-risk. Eventually it exceeded Lockheed's tolerance for at-risk funding of the U.S. Navy, and Lockheed told the Navy that they would stop all work, on all task orders, not just Task Order 200.

NMSO went to the Lockheed Martin lawyers and determined that Lockheed Martin needed to continue to work on task orders even if it stopped working on infrastructure, including such things as estimates, help desk, and so on.

The new contract changed the amount of infrastructure from \$4.6 million to \$3.2 million. The problem is, we have all these pre-FY2012 task orders that do not contain the 30 percent or so infrastructure overhead cost built-in. Navy is pushing back. They stopped funding Task Order 200 in favour of Task Order 270. But they didn't increase the infrastructure part. Right now we're on a FEA. We are in the green, according to Craig Christensen, but it is close. Task Order 270 does not come on-line until 26th August. Until the agreement yesterday, the Navy was not going to fund infrastructure. Steve Bean's trip to Denver and the rest of QBR travel were all suspended during the negotiations when it appeared no agreement would be reached. Olav was the only one who made it to Colorado, on other business for Dan Griffin. Tomorrow, they are having a meeting with the Navy to talk about Task Orders 200, 270, and 300, the new Infrastructure task order.

There is uncertainty going forward. There are three options the Navy might take. Firstly, the Navy sees the light and adds money to TO 300 or 270. We don't care which task order they add money to.

The second option is that we have to continue to manage the old task orders until we hit the ceiling on them, and then stop work.

The third option, slightly more favoured, is if the Navy tells us we can continue to charge Task Order 300. There is currently \$560 thousand at risk.

Olav: let me tell you a story. Back in 2009 when we renegotiated the contract with the Navy, we offered a very good price, although we were told later that no one else actually bid against us—Raytheon, Boeing, Booz Allen—the organisations we expected to be bidding against. But the Navy came back to us later and said, 'you must lower your cost'.

Later, the Navy came back and said we'd underbid by \$10 million, and increased the amount by \$11 million. But they came back with a fixed fee of 7 percent. Before, we were at 9 percent, with excellent CPARs and CPAR improvement. Eventually, the Navy came up to 8.5 percent, labour only. Lockheed Martin made a best-and-final-offer (BAFO) and demanded 9 percent across the board. It took three days of waiting, but the Navy accepted it. 'The Navy needs us as much as we need them. We need to hold our ground.' The Navy knows that no other competitive bidder could do the work we do as efficiently as we do it on Radiant Mercury. Olav: 'you are doing a great job; no one is even willing to compete with us'.

The department is currently backlogged with orders, which is good, even if the load of estimates is killing the estimating people and Contracts.

Status: the DSS audit is going well: 'no findings and no observations' so far. Staffing is tight; 92 task orders for the year, and we have no surge capacity and no Level 1 personnel left. We want to hire some more this summer.

The preceding discussion was proprietary because it contains negotiation strategies.

References