The file below has been archived for historical reference purposes only. The content and links are no longer maintained and may be outdated. See the OER Public Archive Home Page for more details about archived files.

October 6, 2003

Mr. Michael J. Holland
Office of Science & Technology Policy
1650 Pennsylvania Avenue, N.W.
Washington, D.C. 20502

Subject: NSTC Research Business Models Comments

Dear Mr. Holland:

This is in response to the OSTP Federal Register Notices of August 6 and September 16, 2003 inviting public comments on the policies, procedures, and plans affecting the business relationship between federal agencies and research performers with regard to basic and applied scientific and engineering research. We appreciate the opportunity to submit comments for consideration by the NSTC Committee on Science; Subcommittee on Research Business Models.

Universities Research Association, Inc. (URA) is a consortium of 90 leading research-oriented universities primarily in the United States, with member institutions also in Canada, Japan, and Italy. The nonprofit URA corporation was formed in 1965 at the behest of the President's Science Advisory Committee and the National Academy of Sciences. In 1967, it began the design and construction of the Fermi National Accelerator Laboratory (Fermilab), a federally-funded research & development center (FFRDC), near Chicago. URA continues to manage and operate the DOE-owned national laboratory under a performance-based Management and Operating (M&O) contract with a modest fee to cover inherent performance, contract, and statutory monetary risks. URA also receives some of its research funds under grants from DOE, NSF, and NASA for various related research projects.

With regard to the <u>business relationship</u> between federal agencies and research performers and managers of FFRDCs such as URA, we strongly encourage the return to a partnership of trust and cooperation, rather than an "arms length" procurement-based relationship. A true partnership increases the fruits of scientific research at a reasonable expenditure of taxpayers' money.

Unfortunately, over the past several years, DOE has moved more toward an arms length relationship with its FFRDC contractors and also has shifted more risk from the Government (traditionally a self-insurer of such risk) to its contractors, beyond that required by statute. Contractors are, however, unable to obtain insurance to cover the complete range and magnitude of the additional risks. Under this circumstance, FFRDC contractors have had to establish self-insurance pools for the uninsurable risks. But

obviously, it is more costly to set up separate self-insurance pools on a contractor by contractor basis, than having the Government self-insure for them.

In addition, we have seen a shift from DOE establishing its scientific goals and objectives for its national laboratories, to it prescribing how the work should be done at each, thereby imposing some redundant and unnecessary management and management reviews.

Another area of improving performance and management of federally funded research is in the cost principles applied to contracts for research. While improvements have been made such as the greater use of FAR cost principles, there should be more use of common and consistent Government cost principles, particularly as it regards contract **overhead** costs and **Bid & Proposal** (B&P) costs. For example, some federal agencies limit the reimbursement of overhead by applying caps or ceilings. If overhead costs meet the test of allowability they are a real expense and should be reimbursed in full. Another example is DOE not reimbursing M&O contractors for B&P costs in a climate of wider use of competitively awarded contracts by DOE.

Lastly, in regard to contract and grant costs, there should be common and consistent audit practices and principles applied to research. For example, audit results should not differ solely based on which audit arm of the Government happens to perform an audit.

We trust that your Subcommittee finds our comments constructive, and we thank you once again for the opportunity to submit them.

Sincerely,

William A. Schmidt
General Counsel