

Meeting No. 991

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

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April 28, 2005

Austin, Texas

MEETING NO. 991

THURSDAY, April 28, 2005.--The members of the Board of Regents of The University of Texas System convened this special called meeting at 8:45 a.m. on Thursday, April 28, 2005, on the Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present
Chairman Huffines, presiding
Vice-Chairman Hunt
Vice-Chairman Krier
Regent Barnhill
Regent Caven
Regent Craven

Absent
Vice-Chairman Clements
Regent Estrada
Regent Rowling

Counsel and Secretary Frederick

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Huffines called the meeting to order.

1. U. T. San Antonio: Honoring naming of the Business Building Auditorium as the Richard S. Liu Auditorium

Upon motion by Regent Craven, seconded by Regent Caven, the Board approved the honoring naming of the Business Building Auditorium at The University of Texas at San Antonio as the Richard S. Liu Auditorium.

The 325-seat auditorium on the second floor of the Business Building serves as the venue for numerous major events and classes for thousands of College of Business students each semester.

This honoring naming is a fitting tribute to honor the generosity and commitment that Dr. Richard S. Liu has shown to helping business students in China and the United States realize their dreams. That commitment has manifested itself in gifts and pledges to U. T. San Antonio totaling \$3 million to create and expand the Liu Family Foundation U.S.-China Business Education Initiative. The key components of the initiative include graduate student and faculty exchanges, executive educational opportunities, research collaboration, and joint programs between the College of Business and top universities in China.

2. U. T. Board of Regents: Resolution to support efforts by the State of Texas regarding funding for emerging technology

The Board approved the following resolution in support of efforts by the State of Texas regarding funding for emerging technology to develop and enhance research:

RESOLUTION

Whereas, Efforts to strengthen the research infrastructure and capacity of The University of Texas System and of other institutions of higher education in the State are essential for continued improvement of quality of life, health, and economic development in the State of Texas;

Whereas, Furthering this research mission requires the recruitment and retention of outstanding scientists and researchers in Texas;

Whereas, Success in research will be dependent upon creation, development, and enhancement of new and existing centers of research excellence throughout the State of Texas;

Whereas, Developments in research will require the creation, support, and encouragement of new collaborations between those academic institutions, between academic institutions and industry, and between academic institutions and the federal laboratories;

Whereas, Commitment in several other research-intensive states to provide substantial amounts of public monies to support research increased the competitive environment for the State of Texas;

Whereas, Overall federal funding of research is unlikely to grow in the next several years, thereby increasing the competition for obtaining federal funds; and

Whereas, Successful competition for extramural funding including federal dollars requires creation of critical masses of scientists and researchers as well as expensive equipment in core facilities.

THEREFORE, BE IT RESOLVED, That the U. T. System Board of Regents strongly support and encourage initiatives by the State of Texas that will provide the resources of \$300 million to recruit and retain the most outstanding scientists and researchers; to create, develop, and enhance new and existing centers of excellence for research; and to facilitate partnerships between and among institutions and with the private sector and between academic institutions and the federal laboratories.

Chairman Huffines introduced several individuals in attendance from the Office of the Governor: Mr. Wayne Roberts, Senior Advisor for Higher Education; Mr. Phil Wilson, Deputy Chief of Staff; and The Honorable Jeff Moseley, Chief Executive Officer of Economic Development and Tourism.

3. U. T. System: Discussion and forum regarding issues concerning Los Alamos National Laboratory

Chancellor Yudof made the following remarks related to the status of a potential bid by The University of Texas System related to the Los Alamos National Laboratory:

Remarks by Chancellor Mark G. Yudof

Since our last discussion of a potential bid for the management and operation contract for the Los Alamos National Laboratory, the situation has changed.

As the Board will recall, at the February 2005 meeting, I reported that because of the complexity and magnitude of the Lab, we had envisioned that we would be part of a joint venture to put forward a proposal to manage and operate Los Alamos in a partnership.

Furthermore, I concluded that, despite months of discussions with a variety of potential collaborators, we were unable to bring together the kind of joint partnership that we felt would be necessary to manage Los Alamos at the level we knew would be expected by us, by this Board, and by the Department of Energy. As a consequence, I could not, at that time, recommend that we bid on the Los Alamos contract.

However, I also concluded that, should the nature of the management and operating contract change in the future, I did not want to foreclose the possibility of a future bid for Los Alamos or another national laboratory.

It appears that many other potential bidders shared our earlier reservations and, as a result, the Department of Energy is making substantial changes to its draft Request for Proposals. Earlier this month, Lockheed Martin Corporation announced that it is revisiting its earlier decision not to participate in bidding for the contract. In light of the changed circumstances, Chairman Huffines asked me to reopen my due diligence review and revisit the earlier recommendation. And, Mr. Chairman, we are now in the process of conducting that review.

Lockheed Martin Corporation called us not long after we became aware of its change of plans and since then, we have been engaged in discussions. As the Board well knows, we have enjoyed an excellent working relationship with Lockheed Martin in its capacity as managing partner of the Sandia National Laboratories.

In fact, Lockheed Martin's withdrawal as a potential partner in the bidding process for Los Alamos was the factor that weighed heavily in my earlier recommendation to forego a potential bid. So, we were not surprised when Lockheed Martin asked us to resume discussions.

The model for participation under consideration would involve Lockheed Martin as the managing partner, paired with a research partner or partners from higher education. This model is quite similar to our partnership with Sandia and it is one that we believe better suits our core competencies.

Having said that, I want to emphasize that I have not made a final decision about the appropriate recommendation for the Board's review. Instead, as Chairman Huffines suggested, we arranged for today's opportunity to receive public comment on this important issue.

Additionally, I have prevailed on our new Vice Chancellor for Research and Technology Transfer, Dr. Robert E. Barnhill, to give you more detail about our continuing dialogue with Lockheed Martin Corporation and a perspective on it.

Bob has been with the System less than a month now but, in anticipation of his arrival, we have kept him in the loop and he has gotten up to speed very quickly.

With the Board's permission, I will ask him to make a few remarks and then we can move to public testimony.

Remarks by Vice Chancellor Robert E. Barnhill

Since their beginnings in the 1940s, national laboratories have become the places where the great scientific minds of every generation come together to increase our store of knowledge and apply that knowledge to the benefit and security of our nation.

Today, the Department of Energy has stewardship of our nation's scientific infrastructure through a system of 10 world-class national laboratories. In addition, the Department has a robust research-and-development portfolio including national programs in fossil energy, nuclear energy, renewable energy, energy efficiency, environmental management, and national security.

Taking on any aspect of work done at these research and technology centers is a profound responsibility for any institution or system. Being considered worthy of participation in their work is a high compliment to the quality and strength of any academic institution or any system.

So, we find ourselves today not so much evaluating the work done at Los Alamos National Laboratory as we are evaluating our own capacity to make significant contributions to the continuing success of Los Alamos and to the science and security of our nation.

I have been lucky enough -- thanks to the Chancellor and the Chairman -- to arrive at a point in this process when considerable heavy lifting has been done. The due diligence review that was conducted by U. T. System Administration lasted a year and initially reached what I believe was an appropriate conclusion when the Chancellor made his recommendation to this group in February.

But now, as indicated, the situation has changed and the hard work that went into the first part of the review serves us well as we continue the due diligence process and undertake the reevaluation of what was learned in the light of new circumstances. The most obvious of those new circumstances is that Lockheed Martin Corporation is a potential bidder for the contract.

As mentioned by the Chancellor and others, Lockheed Martin Corporation reconsidered because the Department of Energy proposed several alterations to the RFP -- including setting up a separate corporate entity to oversee lab management, creating a new stand-alone pension plan for laboratory employees, increasing the manager's fee, and some other changes.

We view these changes to the RFP as both important and positive in attracting additional competitors for the management and operating contract for this important national asset -- and it is the largest of the national labs. In addition to Lockheed, we have seen a formal expression of interest this week by Northrop Grumman Corporation who will enter the competition once a final RFP is issued by the Department of Energy.

As this Board knows well, we have long enjoyed a strong working relationship with Lockheed Martin through our participation in Sandia National Laboratories. In February, the Board approved an expansion of that relationship with Sandia National Laboratories, a subsidiary of Lockheed Martin Corporation.

At the signing ceremony for the expansion of our Memorandum of Understanding with Sandia, Dr. C. Paul Robinson said that Sandia's agreement with The University of Texas System "will become the strongest model for academic-industry partnerships and a new positioning of all the national labs to move forward in this century."

It is my firm personal belief that, regardless of who is awarded the contract, this model in which industry is the managing partner and academia conducts the research is the approach most likely to lead to a satisfactory resolution of past problems and, more importantly to generate spectacular success in the future.

Any participation that we might undertake would be based on that model. It has four areas:

1. Overseeing the peer review process for research done at the facility;
2. Engaging in research that is a reflection of our core competencies through research collaborations;
3. Creating educational programs for employees of the laboratory; and
4. Assisting in the development of professional careers much as we help our young faculty members on our campuses today.

But also these tasks will be accomplished with the U. T. System itself in collaboration with other universities, as appropriate.

Now, my experience, as well as the experience of those at the System before me, is that such collaborations are the best aspect of any potential relationship we could enter.

I want to emphasize, as the Chancellor did, that we, in our most recent discussions, are not considering -- and will not consider -- a bid for management of Los Alamos.

In closing, let me assure everyone that we will take great care as we deliberate and our efforts will generate a recommendation that represents the best interests of The University of Texas System and the nation.

Chairman Huffines and Chancellor Yudof introduced the following individuals for remarks on Los Alamos National Laboratory:

- Dr. Neal Lane, University Professor, Senior Fellow, Rice University
- Dr. Diana S. Natalicio, President, The University of Texas at El Paso
- Mr. Phil Wilson, Deputy Chief of Staff, Office of the Governor
- Dr. Larry R. Faulkner, President, The University of Texas at Austin
- Dr. Robert Helms, Dean, Engineering and Computer Science, The University of Texas at Dallas
- The Honorable Lon Burnam, Representative, State of Texas
- Ms. Karen Hadden, Chairperson, Peace Action Texas
- Mr. Austin Van Zant
- Ms. Nancy Korzilius
- Mr. Joseph Roy D. North
- Mr. Gerardo A. Interiano, Law Student, U. T. Austin
- Mr. Omar Ochoa, Student Body President, U. T. Austin (Mr. Ochoa invited members of the Board to an educational forum to be held on campus on May 4, 2005, to discuss the issues.)

Chairman Huffines then called on Mr. Kevin Cooper, Regional Director for Senator Kay Bailey Hutchison, to read a letter from Senator Hutchison. (This [letter](#) and other materials provided at the Board meeting are on file in the Office of the Board of Regents.)

Regent Barnhill requested more detailed information about what is done at the Lab other than weaponry. Dr. Lane then discussed the non-weapons activities at Los Alamos including astrophysics, biophysics, biochemistry, network analysis, computer science, and information technology.

Prior to the Board considering any action on the proposal, Chancellor Yudof will address issues including budget numbers, level of U. T. System participation, and the proposed governing structure including legal, financial, and control matters. Information will also be provided on how U. T. System would mitigate some of the risks and challenges.

President Faulkner noted the University of California System oversees three national laboratories including Los Alamos, Lawrence Livermore, and Lawrence Berkeley.

Vice-Chairman Krier inquired about the opportunities for students, staff, and faculty beyond the System-level group working on the national laboratory and President Faulkner noted important distinctions such as U. C. having responsibility for full oversight for all functional activities. The U. T. System is not proposing an analogous relationship since U. T. will not be the sole bidder, nor will it assume full responsibility. In other ways, there is a similarity between the current relationship between the U. C. System and the labs, however, that takes the form of collaboration on a scientific level and student opportunities. Such opportunities now exist throughout the U. C. System in relationship. If U. T. System were to undertake management of Los Alamos, the relationships that would result would be similar.

President Faulkner said the primary mission of the Lab is not only the engineering of nuclear weapons, but also the intelligence concerning nuclear weapons. The proposed U. T. System relationship with the Lab would not be close to that mission; it would be the responsibility of the managing partner. President Faulkner elaborated that the viability of the Laboratory rests on a strong linkage with the academic world, and he suggested the U. T. System undertake that brokerage function on behalf of the nation.

According to Dr. Lane, the most rapidly growing piece of the Lab is not the nuclear program, but threat reduction and counterterrorism. Some of that work is classified, but it may be that over time and with the right kind of leadership, the Laboratory can be transformed from what it has been doing to another mission. He encouraged the Board to look at the evolution of the Los Alamos Lab over the years in considering possibilities for the future.

Vice-Chairman Krier said she found those comments interesting given that a number of U. T. System institutions already work in areas such as threat reduction and counterterrorism.

Chairman Huffines said the Request for Proposal (RFP) is scheduled to be released publicly some time in May, and bids must be submitted within 90 days of the RFP. He said this is the largest procurement contract in the history of the Department of Energy, and a very important issue for the Board of Regents.

ADJOURNMENT.--Chairman Huffines announced that the purpose for which this special called meeting was called had been completed, and the meeting was duly adjourned at 10:45 a.m.

/s/Francie A. Frederick
Counsel and Secretary to the Board

May 12, 2005