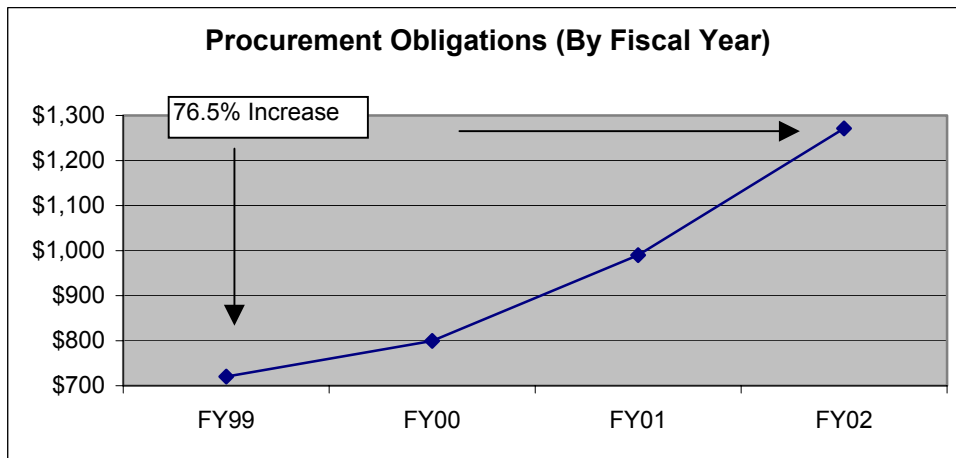


Los Alamos National Laboratory Procurement and Small Business Highlights

Procurement Performance

The Laboratory has seen significant increases in total dollars (as well as total number of transactions) awarded in the last several years. In FY1999, the Laboratory awarded contracts with a total value of \$720.2 M. In the FY2002, procurement awards totaled **\$1.271 Billion** which represents a **76.5%** increase over FY99. FY2002 was a banner year. Future years are not anticipated to be as high as FY2002, a projection that may impact small businesses that are heavily reliant on the Laboratory as a source of revenue.



FY02 Socioeconomic Performance (All States)

	Goal	FY02 LANL Procurements		Subcontractor Procurements		Total LANL Impact
Total Procurement		\$1.271B				
Constrained Base*		\$1.072B	(100%)*	\$252.1M	(100%)	
Large Business		\$640.8M	(59.8%)	\$117.7M	(46.7%)	\$758.5M
Small Business	42%	\$431.3M	(40.2%)	\$134.4M	(53.3%)	\$565.7M
Small Woman Owned	10%	\$110.1M	(10.3%)	\$51.5M	(20.4%)	\$161.6M
Small Disadvantaged	10%	\$112.2M	(10.5%)	\$22.4M	(8.9%)	\$134.6M
8(a)	---	\$42.5M	(4.0%)	-----	-----	\$42.5M
Hubzone	1%	\$12.6M	(1.2%)	\$4.6M	(1.8%)	\$17.2M
Veteran Owned	1%	\$16.5M	(1.5%)	\$3.5M	(1.4%)	\$20.0M

LB= Large Business, SWO = Small Woman Owned Business, SB = Small Business, SDB= Small Disadvantaged Business

* Socioeconomic percents are measured against the constrained base in accordance with DOE established procedures. The constrained base does not include agreements with DOE Management & Operating Contractors, Universities, the Federal Government, Mandatory Sources of Supply, Utilities, Foreign Entities, Educational Institutions, Non-Profits and Purchase Cards.

Socioeconomic Trends (All States)
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Fiscal Year	SB	SDB	SBSA	WOSB	8(a)	HUBZone	VOSB
1998	\$266.3M	\$79.6M	\$71M	\$76.5M	\$13.9M	----	----
1999	\$250.7M	\$74.2M	\$68.3M	\$65.5M	\$38.7M	----	----
2000	\$265.0M	\$74.8M	\$55M	\$70.6M	\$36.7M	----	----
2001	\$314.5M	\$92.3M	\$86M	\$92.1M	\$41.3M	\$2.7M	----
2002	\$431.3M	\$112.2M	\$99.8M	\$110.1M	\$42.5M	\$12.7M	\$17M
2003 Qtr. 1	\$68.7M	\$14.3M	\$11.M	\$13.3M	\$5.3M	\$1.3M	\$7.4M

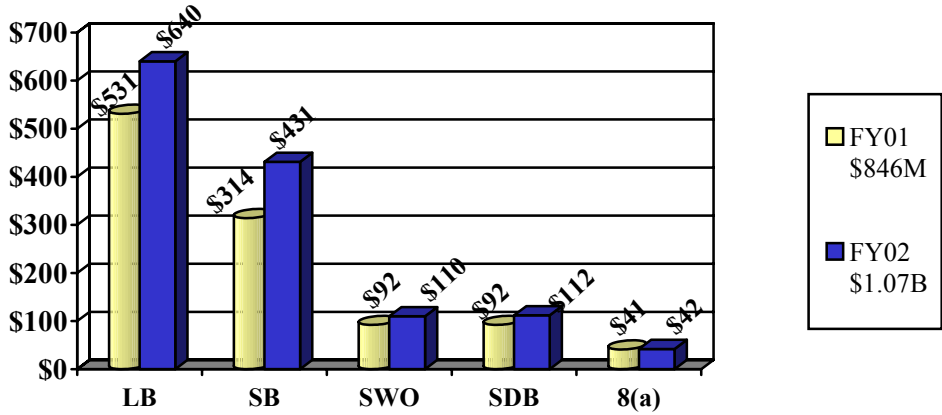
FY02 New Mexico (NM) Business Distribution

Large Business NNM	\$ 271,159,017
Large Business Other NM	\$ 59,973,222
Total NM Large	\$ 331,132,239
Small Business NNM	\$ 166,743,677
Small Business Other NM	\$ 90,314,350
Total NM Small	\$ 257,058,027
*Additional NNM	\$ 20,515,314
*Additional Other NM	\$ 9,316,909
*Total Additional NM	\$ 29,832,223
 TOTAL NM	 \$ 618,022,489

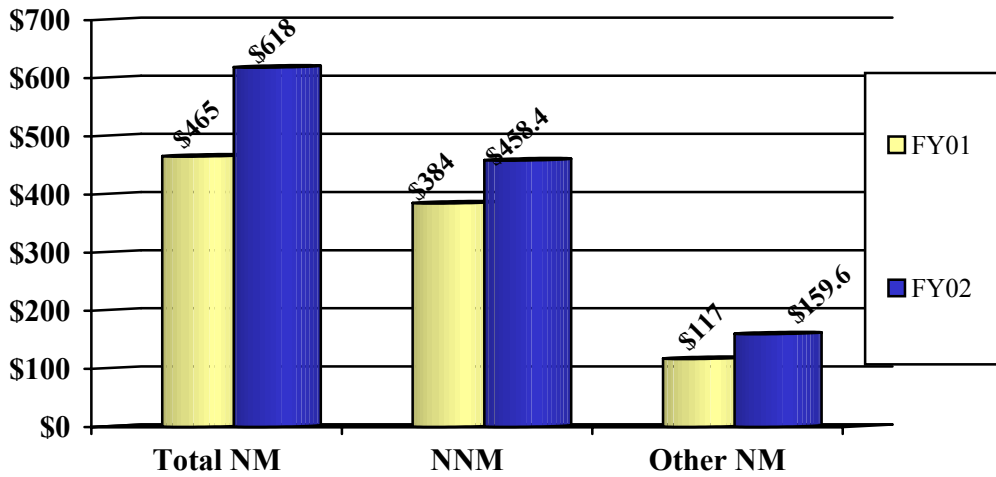
** Includes agreements with DOE Management & Operating Contractors, Universities, the Federal Government, Mandatory Sources of Supply, Utilities, Educational Institutions, Non-Profits and Purchase Cards.*

- Northern New Mexico (NNM) Counties:**
- Los Alamos
 - Rio Arriba
 - San Miguel
 - Sandoval
 - Santa Fe
 - Taos
 - Mora

**Socioeconomic Two Year Trend
(All States)**

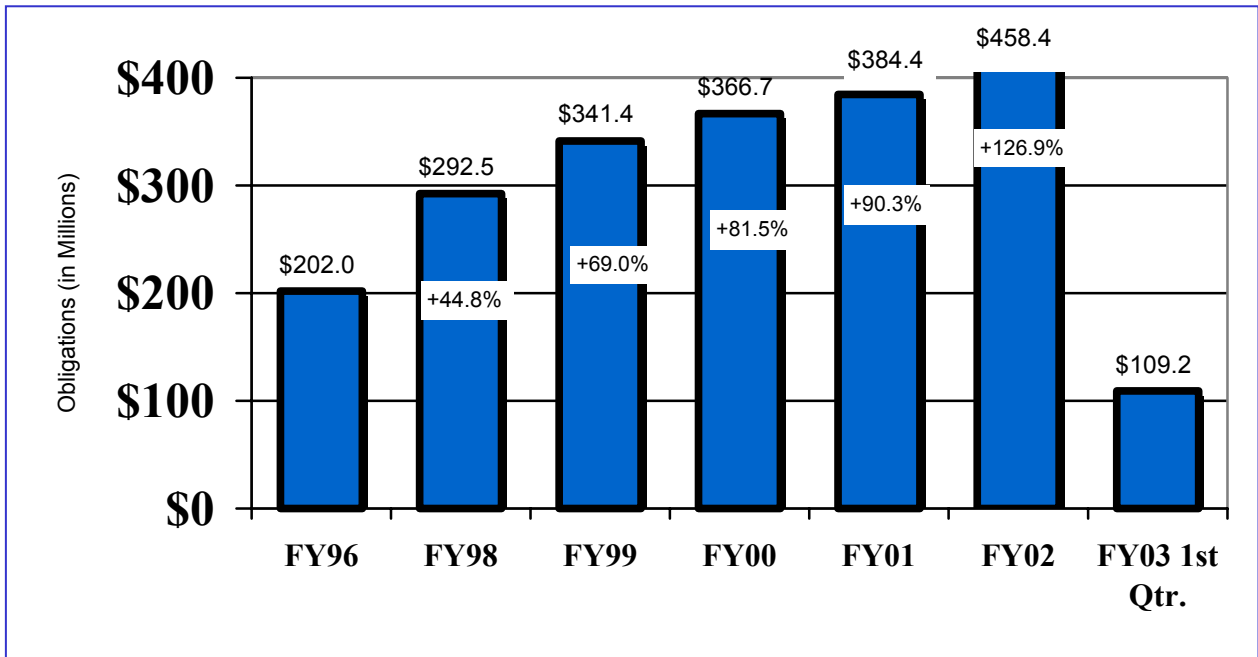


New Mexico and Northern New Mexico Two Year Trend



Total Northern New Mexico Procurement Activity

FY02 Northern New Mexico	
County	Obligations
Los Alamos	\$394,091,968
Mora	\$0
Rio Arriba	\$39,569,762
San Miguel	\$18,000
Sandoval	\$1,854,426
Santa Fe	\$22,778,791
Taos	\$105,061
Totals	\$458,418,008



In FY2002, Northern New Mexico procurements totaled \$458.4M, which represents a 126.9% increase over a FY1996 baseline of \$202M

Executive Summary

Total Procurements in Fiscal Year 2002 were \$1.271 Billion. Of that total, \$1.07 was available for commercial procurement. Procurements placed within the state of New Mexico were \$618 M or 58% of total procurement.

A baseline for procurements in northern New Mexico (seven counties) was established in FY96. Total payments to these counties increased 126.9% from that baseline by FY02 for a total of \$458.4 Million in purchases.

A consortium of major Laboratory subcontractors has been organized by the Laboratory to ensure coordination, leveraging of resources, and compliance with contractual requirements. Firms with contracts over a \$5 M threshold are asked to contribute to economic development of the region. In addition, the procurement activity of forty-one (41) major subs contributes significantly to the overall impact of the Laboratory on the region.

Aggressive outreach and training efforts are conducted to build the business base and expand business capabilities: 43 outreach activities and 9 training courses were held in FY02.

Laboratory partnerships with the Regional Development Corporation, the Los Alamos Commerce and Development Corporation and other business organizations to leverage resources, coordinate efforts, and maximize business and economic development opportunities for the region.

Subcontracts with both Pueblos and tribal owned businesses were successfully accomplished in FY02 and resulted in job creation for approximately 60 tribal residents. These contracts also resulted in improved relations with many native American enterprises. Subcontracts awarded in FY02 to tribal or Native-American owned enterprises had a value of approximately \$5M.

The U.S. Small Business Administration and the U.S. Department of Energy recognized the Laboratory with the "Eisenhower Award of Excellence" for Small Business Programs.

There might be potential fallout of the restructuring of Local Vendor Agreements, Just-In-Time and P-Card purchases which could impact small businesses currently providing goods and services to the Laboratory through these streamlined purchasing techniques.

Corrective Measures Implemented in FY02

- Development of a Procurement Excellence Plan that defines strategic goals for internal process improvements, professional development, and small business initiatives.
- External Review Committee chartered by the Laboratory to obtain community input regarding Procurement and Small Business contracting.
- Restructuring of Small Business Program Office – new leadership
- Increased oversight of socioeconomic and regional economic development commitments made by major Laboratory subcontractors as part of their contractual requirements.
- Standardization and validation of socioeconomic reports.
- Coordination across the Small Business Office, Government and Community Relations, and Public Affairs to ensure consistent communications.
- Targeted areas for increased small business participation: pueblo enterprises / construction / technical services.

- Reduction of the widespread use of Blanket Order Agreements (BOAs) as a mechanism to initiate business with small firms. The intent and function of this practice was misunderstood by small businesses. Instead, BOAs are now only issued if there is an anticipated volume of repeatable business.
- **Northern New Mexico Economic Development Initiatives**
- KSL - \$750 M over 5 years (projected).
 - Commitment to subcontract \$108M or 68% of total subcontracting to small businesses.
 - Major player in Consortium of Major Subcontractors
 - Employment and Educational Programs – Math & Science Academy
- Protection Technology Los Alamos
 - \$163 M from 10/1998 thru 10/30/02.
 - Estimated future business per year is \$60 M.
 - 53 regional jobs were reported to have been created outside the scope of the subcontract with the Lab.
 - \$120K in financial civic and educational investments

LANL Contracts Awarded to Regional Pueblos

Cerro Grande Fire Recovery

- 12 Subcontracts valued at \$5 M
- 60 Jobs created
- Workforce Development
- Direct Business Assistance
- Cultural assessments on Lab sites fosters pride
 - Erosion Control and Fire Mitigation
 - Sampling / analytical support
- Tsay Corporation, San Juan, Santa Clara, Jemez, Cochiti, San Ildefonso
 - Demolition and decommissioning

All subcontracts meeting and exceeding schedules.

Challenges in Administering Small Business Opportunities

- Sustainability of Laboratory programs that provide small business subcontracts.
 - Cerro Grande Fire Recovery Project (CGFRP) has awarded more than \$28 Million in procurements and created approximately 161 jobs in connection with these subcontracts. *Funding expected to cease by June 2003.*
- Diversification of Businesses Customer Base
 - Small companies that are heavily reliant on Lab business are at risk. When there is a program direction “shift,” during events such as a continuing resolution, or when specific program funding ceases.
- Limited diversification of New Mexico Economy.
 - New Mexico companies are concentrated in a few areas such as construction, machine shops, specialized service providers and distributorships. They become aggressive competitors with each other. LANL often has to go out of state for the broad range of technical services and products required to support a nuclear mission.

- Local versus State versus National versus International Competition. Out of state firms are often more competitive, aggressive, and have broader capabilities (i.e. demonstrated quality assurance).
 - LANL, must entertain requests for business opportunities from all sectors and balance local development interests against getting the best “deal” for the Laboratory (example: a New York company recently beat an Espanola firm’s bid by \$200K. The award was made to the NY firm).
- Streamlined Purchasing Mechanisms impact small business participation
 - E-Commerce and Just-In-Time procurement approaches require businesses with specific levels of maturity and access to technology, financial resources, and management experience. In addition, the restructuring of Local Vendor Agreements, Just-In-Time and Purchase Card processes could potentially have an adverse impact on regional small businesses that are currently providing goods and services to the Laboratory through the use of these streamlined techniques.
- New Mexico Business Infrastructure: Telecommunications and Transportation
 - Businesses off the Interstate and without access to affordable and available telecommunications have difficulty competing with urban businesses.
- Quality assurance, safety and security requirements are inherent to providing goods and services to a nuclear facility (specifically for cases where Price Anderson Amendment Act – PAAA – applies).
 - Most New Mexico small businesses lack these capabilities to provide support to the Laboratory in certain areas where strict QA, safety or security requirements apply.

Partnership Opportunities between the Laboratory and the State of New Mexico

- LANL can continue to evaluate the types of goods and services being purchased out-of-state for identification of possible areas that the State of New Mexico economic development leaders can target for recruitment or other business development efforts.
- LANL can articulate specific business, quality assurance, and other requirements to clearly delineate minimum business requirements needed for government contracting. This information might be useful to the State of New Mexico as it develops business and technical assistance programs for high technology business development.
- LANL can engage its major subcontractors to support State or community sponsored economic development activities. Major subcontractors may identify opportunities or provide useful information for private enterprise development or expansion.
- LANL can provide training in Lab specific business requirements in the areas of procurement, finance, safety, security, and quality assurance. This training can supplement other business and technical training initiatives the State may sponsor.
- To the extent possible, LANL can articulate future major goods and services requirements that will be required to support the Laboratory mission. This information might be useful in State business development efforts such as the enhancement of manufacturing in the State.