

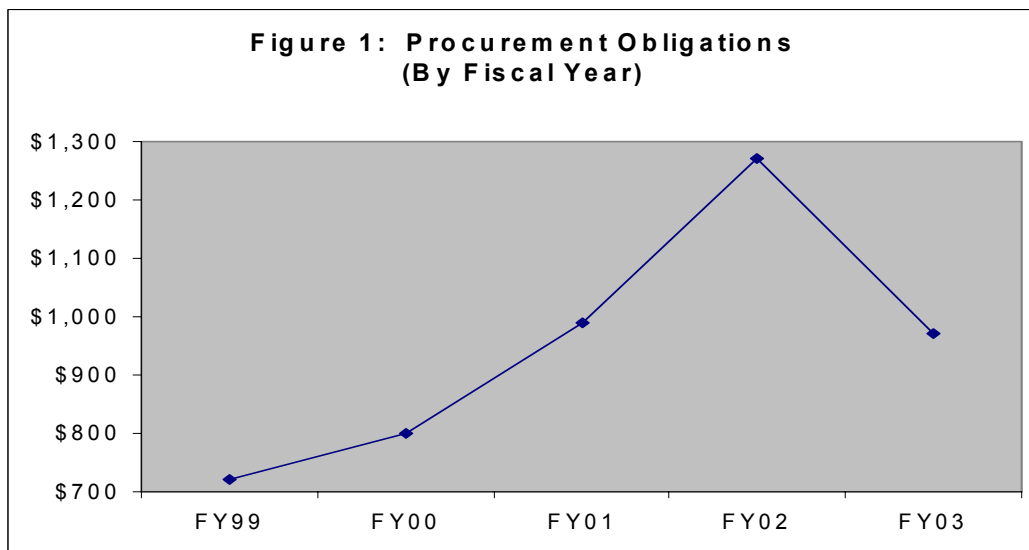
Los Alamos National Laboratory Small Business Program Summary Fiscal Year 2003

This document summarizes procurement statistical achievements and small business programmatic initiatives managed during fiscal year (FY) 2003 by the Laboratory's Supply Chain Management Division (SUP). The Laboratory's Industrial Business Development Office also conducts programs for small businesses; however, the activities of that organization are not included in this report.

Section I of this report summarizes procurement achievements in numerous categories, including business placed within the seven counties that comprise northern New Mexico in accordance with Appendix J of the University of California/Department of Energy (UC/DOE) prime contract. It also provides trend data, which reflects growth and/or changes from past fiscal years. Section II provides a summary of programmatic initiatives designed to increase small business procurements at Los Alamos. Section III provides examples of some of the accomplishments of the Laboratory's large business subcontractors, which are important in assessing the total impact of the Laboratory's presence in the State of New Mexico. Section IV provides a summary of challenges faced in administering a successful small business program. Section V summarizes some of the honors received by the Laboratory and its employees in relation to small business program management. Lastly, Section VI touches on some of the planned activities for FY04. Questions pertaining to this document can be addressed to the SUP-4 Group Office at (505) 667-4419.

I. Statistical Achievements

The following chart shows the total procurement trend line since FY99. Subcontract awards placed with all businesses in FY02 were significantly high, with total procurements exceeding \$1.2 billion. Total procurements in FY03 were \$970.6 million, representing a decrease of 23.7 percent from the previous year. It is important to note that although total procurement from FY02 to FY03 decreased by 23.7 percent, procurements placed with northern New Mexico and New Mexico decreased 15 percent and 14 percent respectively. Many of the goods and services required by the Laboratory to conduct its operations are largely in complex research and development arenas, where competition is national and international. Nevertheless, the Laboratory has maintained a very strong record in placing approximately 55 percent of its procurements with businesses in New Mexico and close to 45 percent of its procurements with small firms in New Mexico and across the country.



FY03
LANL
Total
Business
Is
\$970.6
million (M).

The Laboratory establishes socioeconomic goals with the National Nuclear Security Administration (NNSA) and the U.S. Department of Energy (DOE), and tracks its performance against these goals. Goals are developed using three-year achievement data and knowledge of forecasted programmatic activity and knowledge of recurring procurements. Individual goals are required of the Laboratory's large subcontractors receiving subcontracts that exceed \$500,000 or \$1 million for construction.

Figure 2: FY03 Socioeconomic Performance (All States)

	Goal	FY03 LANL Procurements and Percent Achievements	
Total Procurement	----	\$970.6M	
Constrained Base*	----	\$854.6M	(100%)*
Large Business (LB)	----	\$483.9M	(56.6%)
Small Business (SB)	42%	\$370.7M	(43.4%)
Small Woman-Owned (SWO)	10%	\$ 93.0M	(10.9%)
Small Disadvantaged (SDB)	10%	\$ 90.5M	(10.6%)
8(a)	----	\$ 41.3M	(4.8%)
HUBZone (HUB)	1%	\$ 6.5M	(.8%)
Veteran-Owned Small Business (VOSB)	1%	\$ 30.1M	(3.5%)

* 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, utilities, foreign entities, educational institutions, and purchase cards.

Figure 3: FY03 Procurements in Percentages

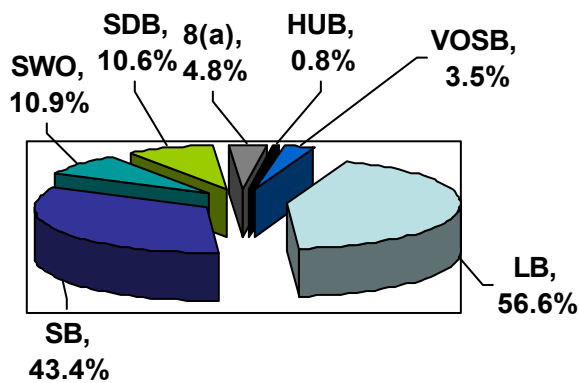


Figure 4: FY03 Procurements in Millions of Dollars

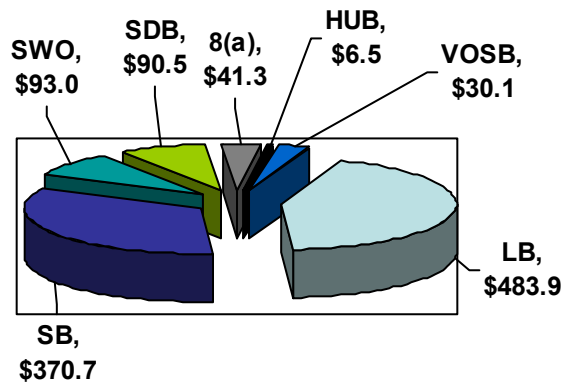
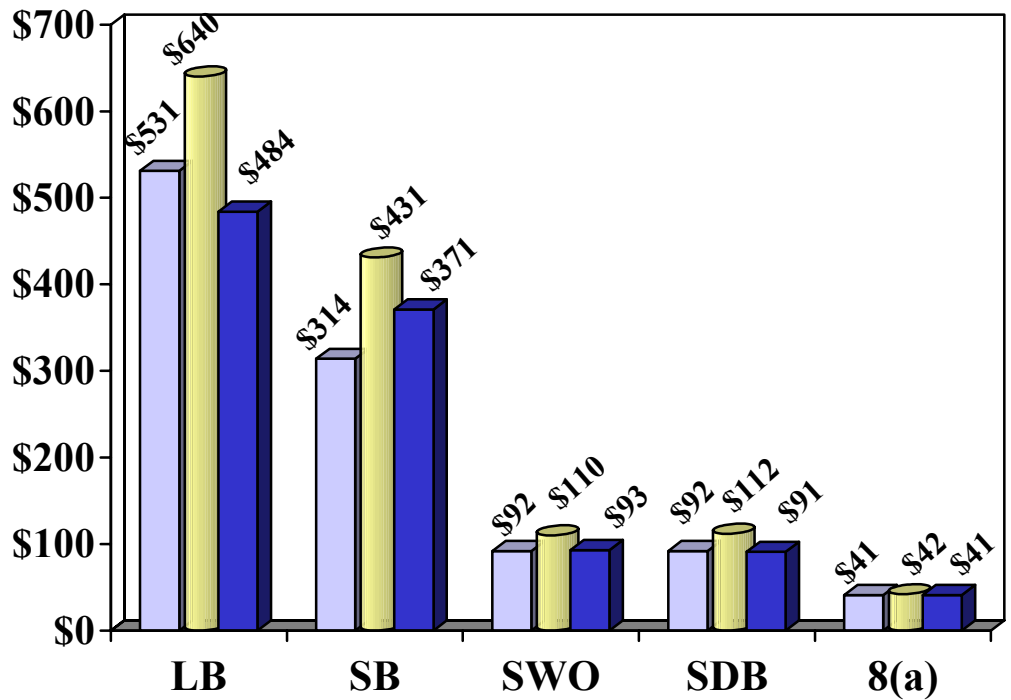


Figure 5: Socioeconomic Three Year Trend (All States)



Total Laboratory Procurements

- FY01 \$846M
- FY02 \$1.07B
- FY03 \$854.6M

Figure 6: FY03 New Mexico (NM) & Northern New Mexico (NNM) Business Distribution

Large Business NNM	FY03 \$242,736,800
Large Business Other NM	\$ 62,520,757
Total NM Large	\$305,257,557
Small Business NNM	\$125,450,968
Small Business Other NM	\$ 83,542,391
Total NM Small	\$208,993,359
Additional NNM	\$ 16,096,051
Additional Other NM	\$ 2,648,254
Total Additional NM *	\$ 18,744,305
TOTAL	\$532,995,221

* Includes agreements with DOE management & operating contractors, universities, the federal government, mandatory sources of supply, utilities, educational institutions, non-profits and purchase cards.

Total NM Business is 55% of the Laboratory's total business (\$970.6M).

**Figure 7: NM and NNM Three Year Trend
(In Millions of Dollars)**

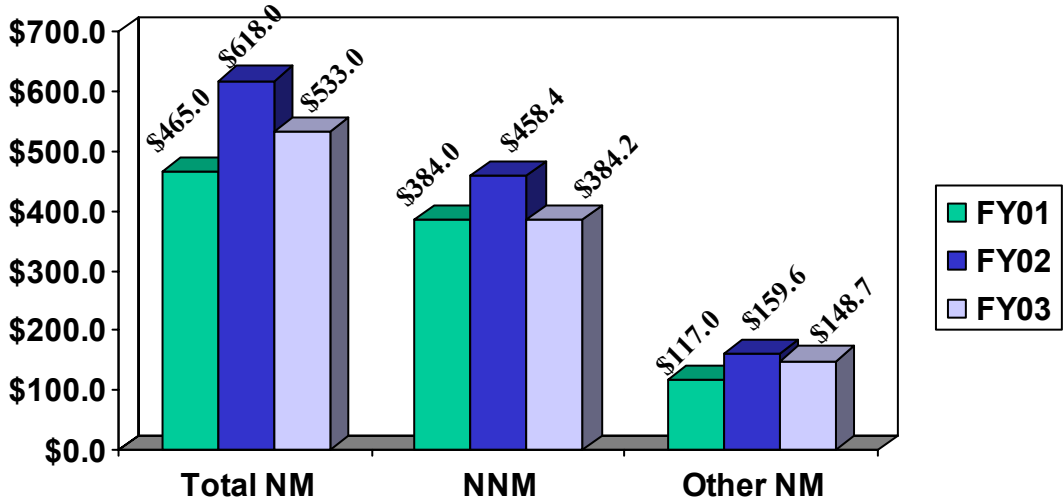
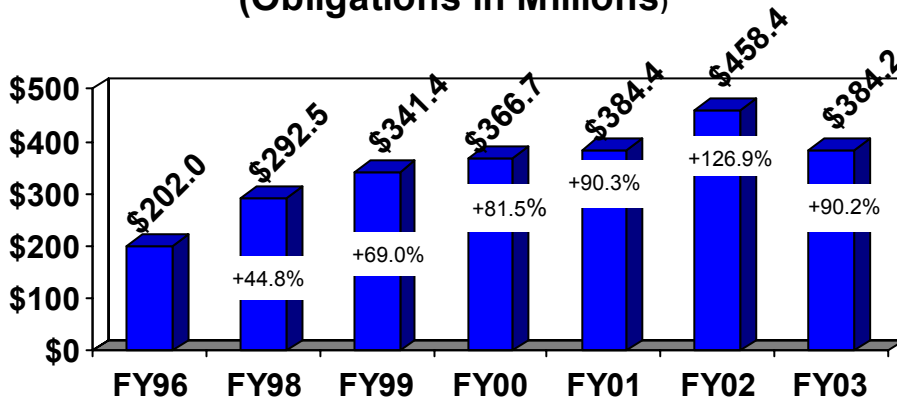


Figure 8: Total FY03 NNM Procurement Activity

County	Obligations
Los Alamos	\$329,709,381
Mora	\$0
Rio Arriba	\$15,358,823
San Miguel	\$0
Sandoval	\$1,719,334
Santa Fe	\$37,463,735
Taos	\$42,326
Totals	\$384,291,820

**Figure 9: Total NNM Procurement Comparison
(Obligations in Millions)**



In FY03, NNM procurements totaled \$384.2M, which represents a 90.2% increase over a FY96 baseline of \$202M.

Figure 10: Socioeconomic Trends (All States)

Fiscal Year	Procurement (*Constrained Totals)	SB	SDB	SBSA	WOSB	8(a)	HUBZone	VOSB
1998	\$586.2M	\$266.3M	\$79.6M	\$71M	\$76.5M	\$13.9M	----	----
		45.4%	13.6%	12.1%	13.1%	2.4%		
1999	\$600.9M	\$250.7M	\$74.2M	\$68.3M	\$65.5M	\$38.7M	----	----
		41.7%	12.4%	11.4%	10.9%	6.4%		
2000	\$670.2M	\$265.0M	\$74.8M	\$55M	\$70.6M	\$36.7M	----	----
		39.5%	11.2%	8.2%	10.5%	5.5%		
2001	\$846.3M	\$314.5	\$92.3M	\$86M	\$92.1M	\$41.3M	\$2.7M	----
		37.2%	10.9%	10.2%	10.9%	4.9%	0.3%	
2002	\$1.07B	\$431.3M	\$112.2M	\$99.8M	\$110.1M	\$42.5M	\$12.7M	\$17M
		40.2%	10.5%	9.3%	10.3%	4.0%	1.2%	1.5%
2003	\$854.6M	\$370.7M	\$90.5M	\$67.2M	\$93.0M	\$41.3M	\$6.4M	\$30.1M
		43.4%	10.6%	7.9%	10.9%	4.8%	0.8%	3.5%

Small business percent achievements are often impacted by the activity of significant Laboratory contracts held by big businesses. Examples of these types of contracts include KSL and Protection Technologies for support services, IBM for the Enterprise Project, and Hensel Phelps for large capital construction.

II. Initiatives and Operational Improvements

- A Laboratory-wide policy statement from Director G. Pete Nanos required maximum small business utilization in support of Laboratory R&D programs (April 2003).
- An inventory of Laboratory major subcontractors found 51 with Small Business Subcontracting Plans and 21 with Northern New Mexico Economic Development Plans.
- A Town Hall, coordinated by the Associate Director for Administration, was held for all small businesses in New Mexico to provide information regarding Laboratory business practices and to receive suggestions for improvement. Four hundred people were in attendance.
- Targeted efforts with Native American businesses resulted in \$3.1 million in contracts awarded to the firms by the Laboratory.
- Thirty-five firms held Laboratory Just-In-Time (JIT) Subcontracts at the end of FY03. Of the 35, 30 were awarded to small businesses, HUBZone, and 8(a) firms.
- A meeting for businesses involved in the Cerro Grande Rehabilitation Project (CGRP) was conducted to assist them in diversifying their customer base with other federal, county, and city purchasers of forest recovery and related services. This meeting was held in anticipation of decreases in CGRP funding.
- A construction forum for small business contractors was held to apprise them of upcoming projects and to clarify safety, security, and procurement requirements.
- “Fed Day” was a trade fair designed to introduce small businesses to diverse Federal procurement opportunities.
- A procurement awards program was established to recognize 35 employees that go above and beyond in placing subcontracts with all categories of small businesses.
- Veteran-owned businesses were certified to determine the extent of veteran-owned business participation in Laboratory procurements.
- A quarterly small business newsletter, an improved small business website, and marketing materials provided relevant information to small business suppliers. There were 65,893 hits to the website in FY03.
- Eight courses in “Marketing,” “Basic Procurement,” “Cost and Pricing,” “Quality Assurance,” “HUBZone Certification,” and “Invoicing Procedures” were presented in northern New Mexico in partnership with business development organizations and the City of Española.
- New Mexico ISO 9000 was sponsored by the Laboratory in northern New Mexico in partnership with the New Mexico Economic Development Department, Sandia National Laboratories, and Honeywell Federal Manufacturing and Technologies.
- Laboratory partnerships with the DOE, the U.S. Small Business Administration (SBA), the National Indian Business Association, the Regional Development Corporation, the Los Alamos Commerce and Development Corporation, the Northern New Mexico Supplier Alliance, the New Mexico 8(a) Association, and others resulted in effective outreach to maximize business and economic development opportunities for small businesses.

- Formal validation and review processes were implemented to assure the integrity of socioeconomic statistics and to include the validation of reported activities of the Laboratory’s major subcontractors.

III. Major Subcontractor Highlights

Subcontracting: At the end of FY03, the Laboratory’s 51 major subcontractors reported \$358 million in cumulative procurements with large and small businesses, and \$41.3 million and \$59.3 million with small disadvantaged and woman-owned businesses respectively. Many of these subcontracts are multi-year; therefore, these achievements comprise business activity that spans more than one fiscal year. In FY03 alone, major subcontractors reported \$59.7 million with small businesses, and \$ 18.9 million and \$7.8 million with small disadvantaged and woman-owned businesses respectively. The Laboratory has determined the need to validate the reported statistics of major subcontractors to ensure integrity of the data and will begin to require documentation to support reported statistics. Currently, subcontractor-reported statistics for HUBZone and veteran-owned businesses are being validated. A revision of this report will be issued when this validation is completed.

Figure 11: Large Subcontractor Procurements

FY03 Large Subcontractor Procurements (51)		FY03 Total Percentage	Cumulative Subcontractor Procurements	Cumulative Percentage
Constrained Base*	\$105.6M	100%	\$357.7M	100%
Large Business (LB)	\$ 45.9M	43.5%	\$163.6M	45.7%
Small Business (SB)	\$ 59.7M	56.5%	\$194.1M	54.3%
Small Woman Owned (SWO)	\$ 7.8M	7.4%	\$ 59.3M	16.6%
Small Disadvantaged (SDB)	\$ 18.9M	17.9%	\$ 41.3M	11.5%
8(a)	-----	-----	-----	-----
HUBZone (HUB)	Pending Validation		Pending Validation	
Veteran Owned Small Business (VOSB)	\$ 12.2M	11.6%	\$ 15.7M	4.4%

Figure 12: FY03 Large Subcontractor Procurement Dollars (In Millions)

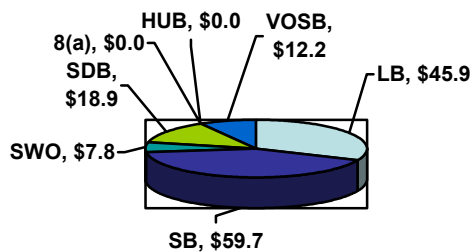
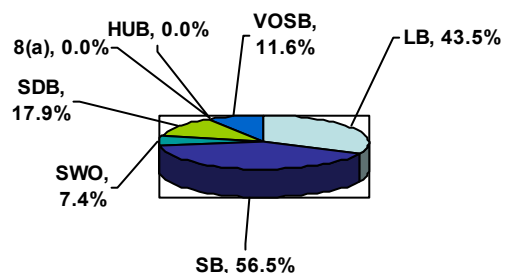


Figure 13: FY03 Large Subcontractor Procurement Percentages



Northern New Mexico Economic Development: The Laboratory is the only contractor in the DOE complex that evaluates individual procurement requirements to determine whether the subcontractor should appropriately implement a Northern New Mexico Economic Development Plan. At FY03 year-end, 21 major subcontractors were administering these plans and reporting achievements to the Laboratory. Following are some examples of the contributions these subcontractors have made to the regional economy:

- KSL provided \$200,000 to the Los Alamos National Laboratory Foundation for disbursement to the Northern New Mexico Math and Science Academy.
- Jacobs Engineering provided \$250,000 to ACCION New Mexico for small business micro-loans.
- Compaq Federal provided \$42,400 in training, scholarships, computers and related equipment.
- Los Alamos Technical Associates provided \$134,900 to community organizations such as Northern New Mexico Community College and Stay in School programs.
- IBM Global Services provided \$67,600 to the LANL Foundation and other regional non-profits and gifted 19 laptop computers to a regional agricultural program.
- Protection Technologies Los Alamos established a records management business which created 10 viable jobs in Española that were not related to its subcontract with the Laboratory.

Other subcontractors reported a broad range of community support services which included: apprenticeships and job creation programs, support of the United Way, mentor-protégé relationships with small businesses, partnerships and Board participation on non-profit organizations, and in-kind technical, financial, and consulting services to businesses and non-profits in various areas of expertise.

IV. Challenges in Administering Small Business Opportunities

- Sustainability of Laboratory programs that provide small business subcontracts.
 - Suppliers that rely heavily on specific Laboratory programs may be impacted by changing funding profiles, continuing resolutions, etc. (e.g. The CGRP awarded more than \$28 million in procurements and created approximately 161 new jobs; however, the funding ceased in connection with these subcontracts when the CGRP was completed in FY03).
- 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. The Laboratory 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 very competitive, aggressive, and active in pursuing business at the Laboratory.
 - The Laboratory must entertain requests for business opportunities from all sectors and balance local development interests against its fiduciary responsibility to the American taxpayer. The Laboratory seeks to informally solicit only from New Mexico small, 8(a), and HUBZone firms; however, if an out-of-state firm in any of these categories requests an opportunity to bid, that opportunity cannot be legitimately denied.

- Streamlined purchasing mechanisms impact small business participation
 - E-Commerce and JIT procurement approaches require businesses with specific levels of maturity and access to technology, financial resources, and management experience.
- New Mexico telecommunications and transportation infrastructure
 - Businesses off the interstate, in rural areas, and without access to affordable and available telecommunications infrastructure have difficulty competing with urban businesses.
- Quality assurance (QA), safety and security requirements are inherent to providing goods and services to a nuclear governmental research and development Laboratory like Los Alamos, specifically in the QA arena, where the Price Anderson Amendment Act (PAAA) applies.
 - Many New Mexico small businesses find the implementation of these capabilities costly and cumbersome. Because the requirements are unique to the two national laboratories in the state, small businesses may determine that the investment might not be worth the return.

V. Honors

- An in-depth audit of the Small Business Program audit conducted by the SBA resulted in an “Outstanding” rating, the highest possible.
- The Project Leader for the Cerro Grande Fire Recovery Project was named “Minority Small Business Advocate of the Year” by the U.S. Small Business Administration.
- The Small Business Office Leader was named “Minority Advocate” by the U.S. Department of Commerce.

VI. FY04 Planned Actions

- Advanced acquisition planning and forecasting will become institutionalized for better identification of upcoming subcontracting opportunities.
- A Senior Management Procurement Council will be charged with overseeing the procurement process and driving procurement effectiveness at the institutional level.
- A Laboratory Business Advisory Council will provide input on recommendations for improvement from external stakeholders.
- A consortium of major subcontractors will be organized to coordinate corporate citizenship efforts and leverage community investments.
- A Procurement Improvement Project will address improvements and efficiencies in processes, tools, and organizational development.
- Formal new buyer orientation and inreach will increase awareness of the importance of subcontracting with small and New Mexico business concerns.