



LOS ALAMOS NATIONAL LABORATORY REGIONAL PURCHASING PROGRAM

Los Alamos National Security, LLC (LANS) is committed to building a strong supplier base in northern New Mexico businesses and the local Native American pueblos and tribes in the purchases of goods and services. Since 1995, through its procurement policies and a regional purchasing program, the Laboratory has strengthened regional business enterprise, stimulated greater regional employment and infrastructure, increased the business tax base in northern New Mexico, and has worked hard to reduce regional dependence on federal investment. This Program is hereby enhanced and provides more substantive preferences to northern New Mexico businesses and local Native American pueblos and tribes, such as a pricing preference, supplier assistance, regional procurement advisory efforts, and a sustainable procurement strategy.

In fiscal year 2006, LANL procured \$495 million or 54% of its total procurement volume of \$922 million from New Mexico suppliers and contractors. Of those two figures, \$380 million was purchased from northern New Mexico suppliers and contractors, both small and large businesses. This \$380 million is up from the \$202 million that was purchased in FY1996 from Northern New Mexico businesses.

The LANS team appreciates the Laboratory's impact on the local and regional economy, and is committed to benefiting the northern New Mexico Community (which includes Taos, Santa Fe, Rio Arriba, Sandoval, Mora, San Miguel, and Los Alamos Counties, and the eight regional Pueblos of Nambe, Picuris, Pojoaque, San Ildefonso, San Juan, Santa Clara, Taos, and Tesuque) in the future.

The LANS Regional Purchasing Program in conjunction with the LANS Community Commitment Plan will contribute to the continued economic development of northern New Mexico while continuing to meet NNSA program expectations.

LANL has made and will continue to make efforts to evaluate the necessity to have certain services performed on site or whether it is feasible and/or cost-effective to outsource these activities. As institutional contracts come up for renewal, LANL will review the scopes of work to determine how best to meet mission requirements, while taking the local economy and the local business community into consideration. LANL has already accomplished this regarding some fabrication and machining via the use of Rapid Response Blanket Contracts, small construction and design projects (via Blanket Ordering Agreement's), facility repair and maintenance, vehicle maintenance, etc.

The following principles and practices are designed to enhance the Laboratory's Regional Purchasing Program. These principles and practices are geared toward supplier development by helping build the capability, competency, and capacity of the local business community to enable them to provide competitive goods and services to the Laboratory and improve their ability to serve other customers locally, regionally and nationally.

These principles and practices will be implemented by incorporation into the Acquisition Services Management Division policies and procedures (i.e. Acquisition Procedures), as appropriate.

(1) Regional purchasing pricing preference. LANS will maximize procurement opportunities for regional small businesses by providing for a pricing preference for northern New Mexico small business concerns for acquisitions exceeding the LANL competitive threshold that are solicited from qualified suppliers residing within and outside of the northern New Mexico region as described herein as the northern New Mexico Community. The price preference will be given by adding a 5% adjustment factor to be applied to the proposed total evaluated bid/cost of those qualified suppliers whose businesses do not meet the following definition of a NNM business concern:

A **Northern New Mexico (NNM) business concern** is one that is actively engaged in doing business in the region, including the existence of a local labor pool and operative business location. To meet these requirements, a NNM business must be able to demonstrate, through the submission of NM gross receipts tax and unemployment compensation tax forms or otherwise, that for the calendar year preceding the submission of its offer or bid, it has been properly authorized to do business and has been operating in NNM with a staff of three or more full time equivalent employees (of which 51% must reside in NNM), and that it currently has a facility in NNM that can support the business activity contemplated by the RFP Statement of Work.

Additionally, this pricing preference will be flowed down via LANS contract special provisions to Laboratory major subcontractors on purchase orders and subcontracts for product or services with a value of \$5 million or greater. Said subcontractors will be required by contract requirements to report achievements on a semi-annual basis to the respective LANS procurement specialist.

(2) New services. Newly required services will be pursued via subcontracts, unless such services are required to be performed by Laboratory employees. LANS will determine whether LANS possesses the necessary skills at LANL or whether it is an economic or programmatic advantage to develop said skills internally prior to pursuing any subcontract solicitation or award.

(3) Business alliances. LANS will actively participate with local and regional business alliances and associations, including but not limited to the Northern New Mexico Supplier Alliance, Small Business Development Centers, Minority Business Development Centers, the New Mexico 8(a) and Minority Business Association, Regional Chambers of Commerce and others that will enable development of regional small business suppliers of goods and services that are normally procured by LANL to help prepare them to compete effectively for Laboratory subcontracts and purchase orders. These business alliances may include training and mentoring programs and/or encouraging the participation in regional trade associations which will better enable regional businesses to build viability, capacity and sustainability, to allow them to better satisfy Laboratory and other customer needs and/or requirements. This will include encouraging businesses to form their own mentor-protégé programs, participate in any LANL mentor-protégé programs, participate in the Sandia National Laboratories Mentor Protégé Program, or the SBA 8(a) mentor-protégé program.

(4) Assistance. LANS will make prospective regional suppliers aware of LANL sponsored supplier forums, similar to the recent February 8, 2007 forum, aimed at focused training on proposed LANL requirements, forecasted opportunities, and how best to prepare themselves to compete on LANL procurements. Said forums will be held on a semi-annual basis and will also focus on forecasted business opportunities, how to do business with LANL, and matchmaking/teaming events between large and small businesses on large and complex LANL requirements. LANS will also endeavor to make prospective regional suppliers aware of any assistance that may be available from associations such as the Northern New Mexico Supplier Alliance (NNMSA), Regional Development Corporation (RDC), Small Business Development Centers (SBDC's), the Los Alamos Commerce and Development Corporation (LACDC), NM 8(a) and Minority Business Association, or other entities that will allow regional suppliers to better operate a successful business, build capacity and sustainability, and network among each other and learn to compete in markets other than LANL. Some examples include, but not limited to, utilizing an independent third party auditor by small businesses that do not have the capability or the capacity to maintain and internal audit activity; getting assistance on obtaining appropriate SBA certifications or obtaining GSA contracts, co-sponsoring more matchmaking events with small and large businesses on major procurement packages that are conducive to small business set-asides, such as the recent VMS/Staff Augmentation matchmaking event; sponsoring specific forums for substantive acquisition changes such as subcontract templates, security requirements, new ES&H plans, etc.

In addition, LANS (through the Community Program Office) will implement, in coordination with Sandia National Laboratories, the New Mexico Small Business Assistance Program. The Program, jointly managed by the two laboratories, will be a mechanism in which technical assistance will be provided by the laboratories to the small business community. This New Mexico tax credit program will enable the laboratories to assist small business in strengthening their business capability by addressing their technical challenges.

(5) Regional procurement advisory efforts. LANS is actively participating with regional associations such as the Northern New Mexico Supplier Alliance (NNMSA) and the NM 8(a) and Minority Business Association regarding the status of this Program. For example, LANS partnered with both organizations in November 2006 to discuss how best to create a predictable business climate, that included such topics as 1) enhanced STR training; 2) consultation with association leaders to identify qualified suppliers; 3) communicating changes to policies and procedures clearly to suppliers, 4) promoting economic development in the region; etc.

LANS will also convene short term Business Advisory Committees (i.e. focus groups) to discuss key LANL business and operational issues and to listen to community perceptions regarding the affects of specific LANL business practices on the regional economy and business community. LANL will invite a cross section of known experts and key stakeholders to participate in the periodic Business Advisory Committees. The focus groups will be convened as deemed beneficial.

In addition, LANL will convene quarterly meetings of community stakeholders, such as the recent Regional Community Leaders Breakfast meeting, to brief the business community on the status of the LANS Community Commitment Plan, which includes LANS investments in

education, community giving, and economic development. This Program is one component of the Laboratory's economic development strategy. These quarterly meetings will also include opportunities for LANL leadership to bring the community up to date on various laboratory challenges and issues as well as serve as an opportunity to hear from regional constituents.

(6) Long-term subcontracts. When appropriate, LANS will award purchase orders and subcontracts for multiple-year terms to meet long term programmatic requirements for products and services and create more stable business relationships with regional strategic suppliers, such as the Blanket Ordering Agreements that will replace the legacy JIT subcontracts.

The LANS procurement strategy on commodity purchases is to maximize Blanket Ordering Agreements to the maximum extent possible. Competition will be used to ensure best value for LANL and the Government. LANS is committed to providing small and regional local businesses the opportunities to compete for LANL's business, which will include the pricing preference to regional suppliers and subcontractors.

In addition, all subcontracts and purchase orders are being reviewed to ensure that the laboratory and government are receiving value for their money. One of the initiatives is to consolidate scopes of work wherever possible, both to decrease the cost of administration and to leverage the dollars more effectively. This may result in fewer subcontractors, but with larger scopes and values which in itself creates more stable business relationships for regional strategic suppliers. A focus will remain to maximize small business participation on all procurement opportunities via teaming arrangements and matchmaking events as discussed previously.

LANS will direct prospective suppliers to the U.S. Small Business Administration and other financial entities referenced in the LANL Small Business Resource Guide (2006) that are in the business of making capital available to commercial sources.

(7) Subcontractor transitions. In any re-competition of its two major on-site support subcontractors (currently KSL and PTLA), LANS will require any and all offerors to submit technical and cost proposals that will maximize the stability of the workforce and to assure continuity in operations. The pricing preference cited herein will flow down to any new subcontracts that exceed \$5M that may result from any re-competition. Transition plans shall be submitted for LANS approval prior to subcontract awards.

(8) Financial incentives. LANS will continue to encourage its two major support subcontractors (KSL and PTLA), through performance goals tied to financial incentives, to further subcontract in a manner that to the maximum extent practicable promotes regional economic diversification.

In addition, with the consent of NNSA, LANS will plan for, and include the submittal and evaluation of "Subcontractor Regional and Community Development Plans" as part of applicable solicitations and resulting awards for subcontracts valued at \$5 million and above. A Consortium of Major LANL Subcontractors and the Regional Development Corporation will be available to assist successful subcontractors develop "Subcontractor Regional and Community Development Plans" and also be available for membership to assist and leverage economic resources that will promote regional economic diversification in the seven counties and pueblos

listed herein. The Consortium of Major Subcontractors is an independent organization consisting of LANL major subcontractors interested in leveraging their resources to create greater economic and community impact in the northern New Mexico Community. LANS is not a member of the Consortium, however, representatives from LANL's Community Relations Office and the Small Business Program Office are invited by the Consortium to attend quarterly meetings for informational and interactive purposes only.

(9) **Importing new businesses.** LANS will actively participate with the Regional Development Corporation and local chambers of commerce on practices (e.g. forecasting, training, technology transfer, etc.) intended to attract businesses to northern New Mexico where regional capabilities do not exist. LANS will also be an active participant of the quarterly Regional Chamber meetings, similar to the February 1, 2007 meeting, to communicate LANL's procurement strategies, forecasted opportunities, and other information as may be requested by Chamber representatives.

(10) **Subcontracting for research at New Mexico colleges and universities.** LANS stands by the commitment made in its proposal to engage New Mexico colleges and universities for acquiring research efforts in support of Laboratory programs. LANS will pursue a streamlined process for acquiring research efforts in support of Laboratory programs from New Mexico colleges and universities. This effort will be consistent with the LANL's recently created Institute for Advanced Studies (and the university partnerships contained within the Institute).

Measuring Program success. Program success will ultimately be measured by regional economic indicators, including the number of companies positively impacted via the pricing preference, new services acquired via subcontract as opposed to performed in-house, impact of LANS sponsored supplier forums, impacts or deliverables brought about by the Business Advisory Committees, customer/stakeholder surveys and other program impacts that bring about economic diversification.

LANS will measure the following:

- number of times a northern New Mexico small business is solicited,
- number of times a northern New Mexico small business responds to a solicitation,
- the number of times a northern New Mexico small business is solicited, responds and is successful based on the pricing preference, and
- the number of times a northern New Mexico small business is solicited, is responsive and awarded a purchase order/subcontract without the pricing preference playing a factor.

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