

November 15, 2011

Sandia National Laboratories

Supply Chain

An Overview for
PACA

Brian Leen
Deputy Director, Procurement



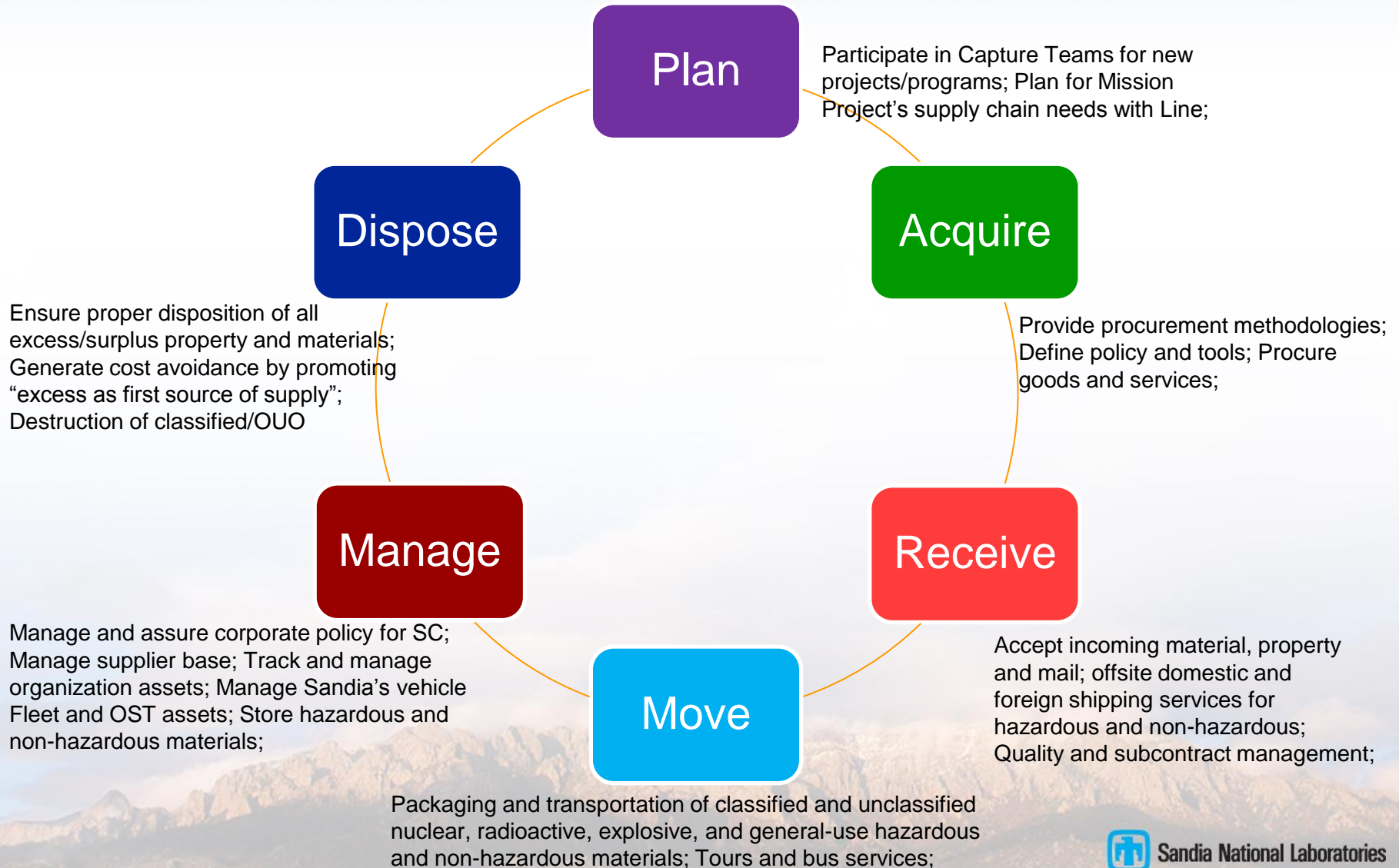
Sandia National Laboratories is a multi-program laboratory managed and operated by Sandia Corporation, a wholly owned subsidiary of Lockheed Martin Corporation, for the U.S. Department of Energy's National Nuclear Security Administration under contract DE-AC04-94AL85000.



Supply Chain Impacts All Corporate Objectives

- As Corporate Supply Chain Policy Owner and Manager for Diverse Supply Chain Operations, We:
 - Deliver with excellence on our commitments to the unique nuclear weapons mission
 - Amplify our national security impact
 - Lead the complex as a model 21st century Government-Owned Contractor-Operated National Laboratory
 - Excel in the practice of engineering
 - Commit to a learning, inclusive, and engaging environment for our people
- “Climate for Success and Exceptional People” are the “pillars” for supply chain performance
- Critical Tools for Success:
 - ILMS – ISO
 - Trust
 - Behavior Based Safety
 - Human Performance Improvement

Supply Chain's Major Processes



Supply Chain Senior Leaders

Kim Sawyer
Deputy Lab Director and
EVP for Mission Support

Matthew O'Brien
VP 10000
CFO and Business Operations

10200
Nancy Davis
Director
Supply Chain
Management Center

10200
Skip Reeder
Program Project
Administration

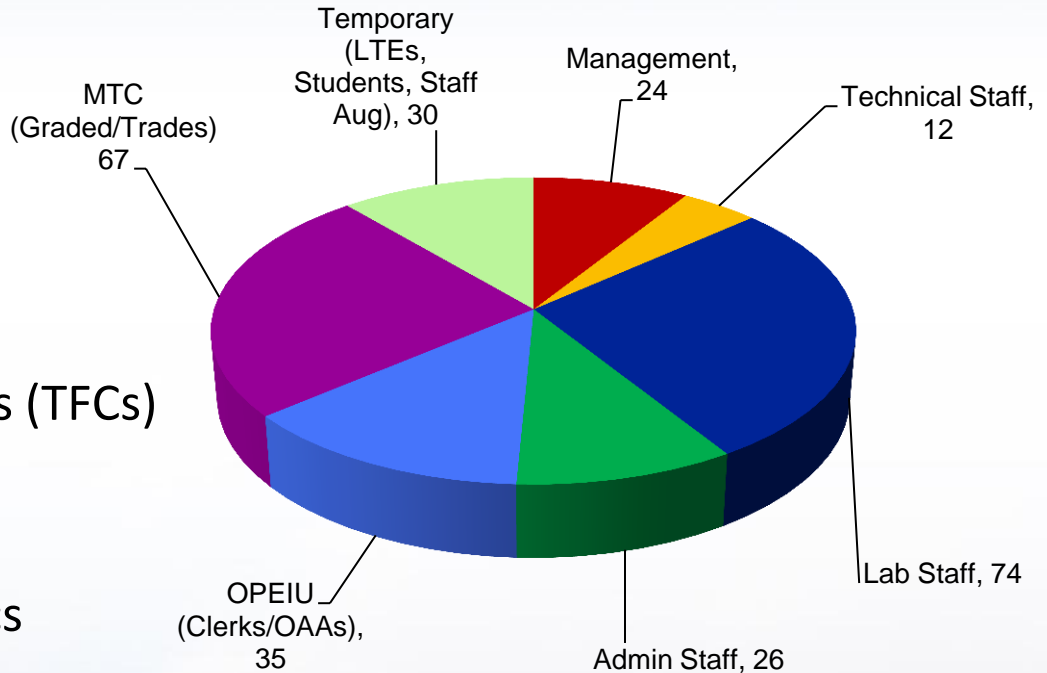
10240
Brian Leen
Procurement

10220
Sam Felix
Senior Manager
Supply Chain
Integration

10260
Roy Fitzgerald
Logistics

Supply Chain Workforce

Policy/Quality Staff
Administrative Experts
Buyers
Subcontract Managers
Supplier Relations Experts
Manufacturing Coordinators (TFCs)
Drivers
Explosive/HazMat Handlers
Fleet Technicians/Mechanics
Mail Clerks
Packaging Engineers
Packers
Property Management Staff
Receiving Clerks
Stockkeepers/Dismantlers



268 Total (as of 12/15/2010)

*43% of Regular Employees are Union Represented

Employee/Management Ratio ~10:1



Highlights and Best Practices

- PEP Outstanding (six years in a row)
 - ISO Certified
 - Procurement ISO9001 certified since July 2005
 - Logistics Operations registered to ISO 9001:2008
- Recent Awards
 - Fleet Services' experimental photovoltaic powered cart received 2010 GreenGov Presidential Award for Innovation
 - Fleet Services, one of the top 100 fleets in “The 100 Best Fleets in North America” (two years in a row)
- Implementation of Behavior Based Safety, Human Performance Improvement and Covey's “Speed of Trust”
- Continual benchmarking and performance assessment of our operations
- Parent Company (LMC) Engagement
 - Transportation Management Council
 - Fleet Council



Supply Chain Integration





Small Business Programs and Services

- Negotiate Small Business Subcontracting Goals
- Small Business Advocates
- Sourcing
- Inreach & Outreach Activities
- **Business Opportunities Website**
- Business Point of Contact
- Supplier Lobby
- Connections
- Supplier Community Forums
 - Economic Impact Summit
 - New Mexico Economic Impact Brochure
 - Town Hall Meetings



FY10 Economic Impact

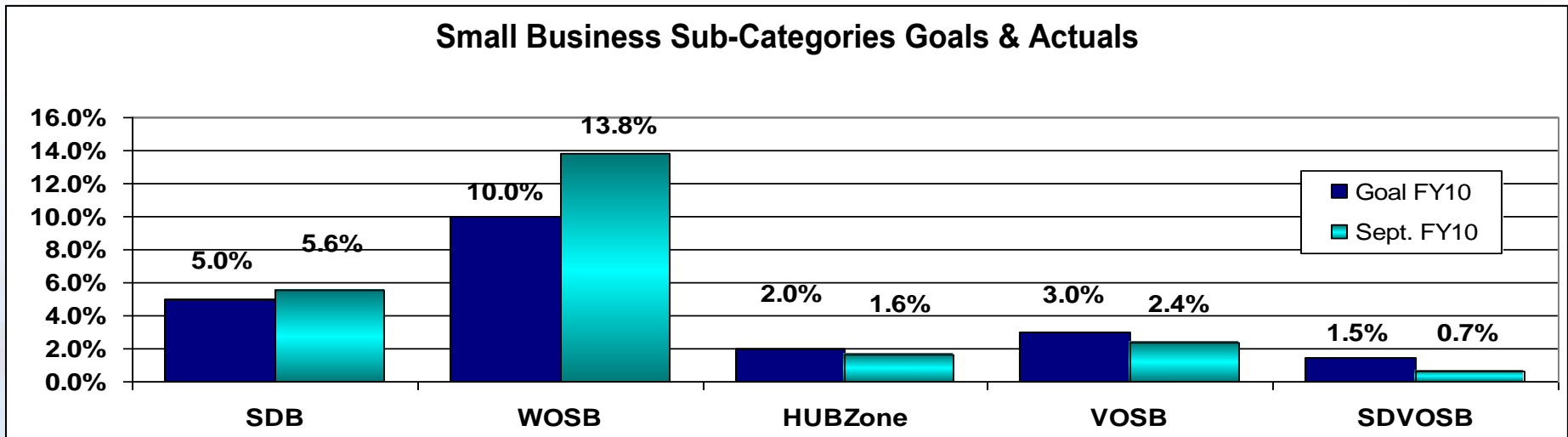
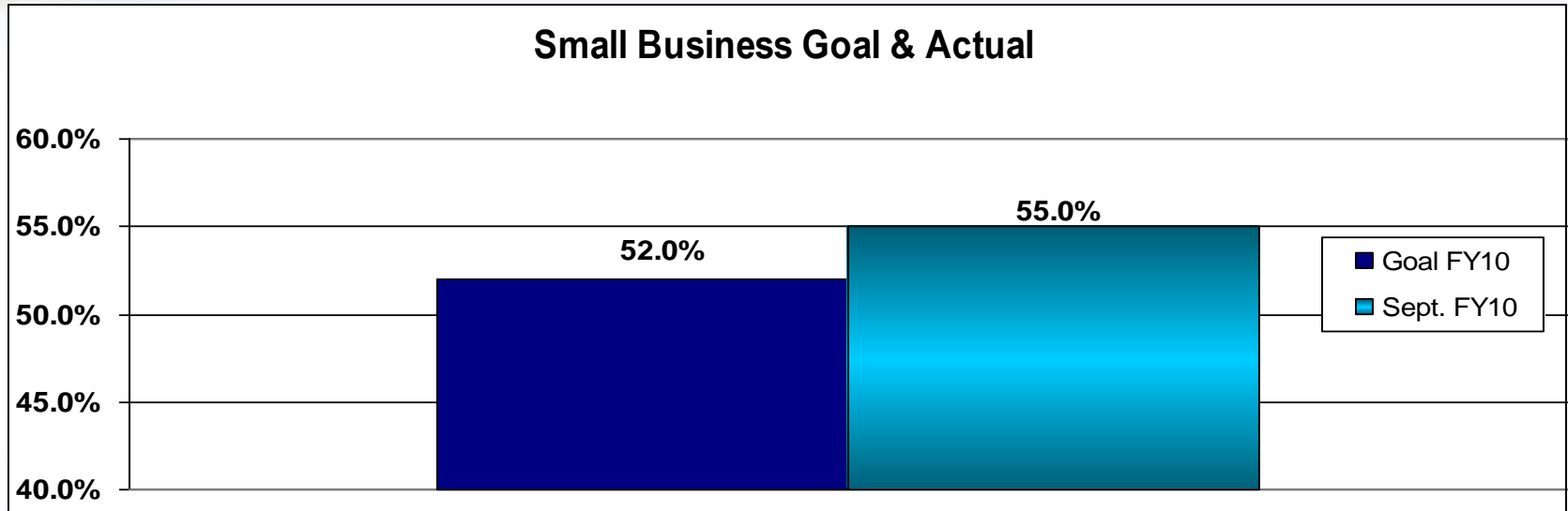
- National Impact

- Contract Related Payments: \$950,093,000
- Total Small Business Payments: \$552,321,000 (58%)
- Other Than Small Business Payments: \$397,772,000
- Procurement Card Purchases: \$65,658,000

- New Mexico Impact

- Contract Related Payments: \$499,385,000
- Total Small Business Payments: \$329,785,000 (66%)
- Other Than Small Business Payments: \$169,600,000
- Procurement Card Purchases: \$11,764,000
- Corporate Tax: \$67,586,000

Sandia's Small Business Utilization Goals & Actuals FY10



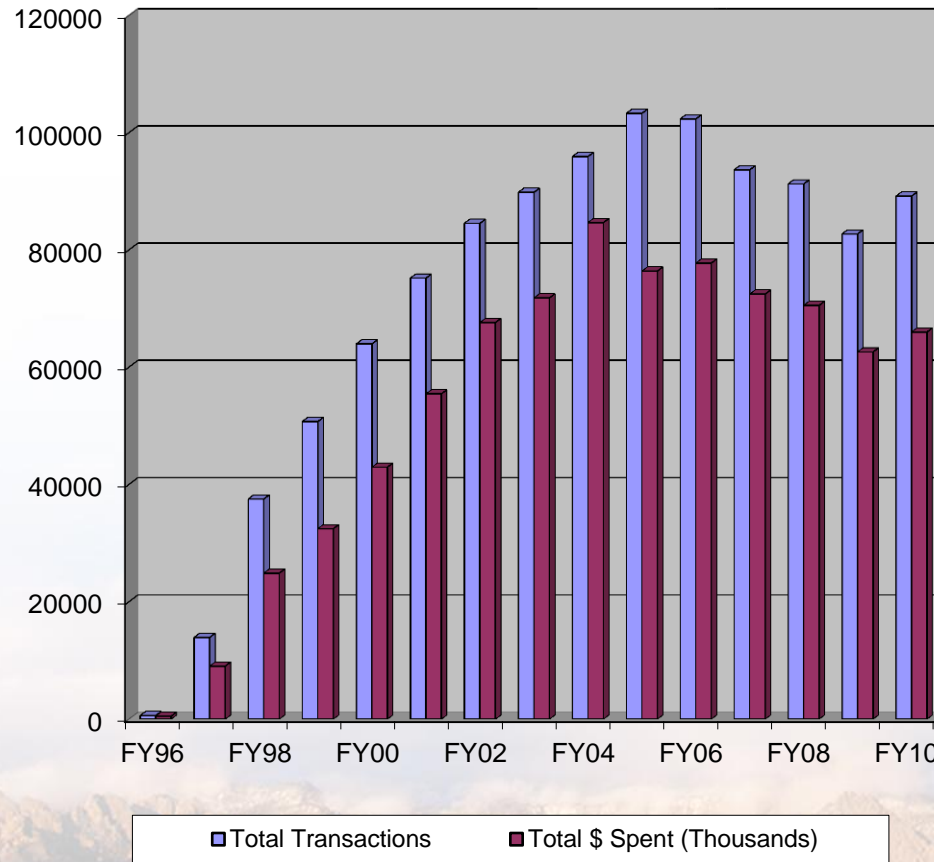


Sandia Procurement System

- System reviewed every three years by DOE/NNSA Procurement Evaluation & Reengineering Team (PERT)
- Approved by Contracting Officer after PERT review (thru FY11)
- Approval authority up to \$20M (highest in complex)
- Complies with requirements of DEAR 970-5244-1 (Contractors Purchasing System)
 - Not a FAR-based system but applies some FAR principles
 - Applicable prime contract FAR and DEAR requirements are flowed down to subcontractors

P-Card Usage

Yearly Trend




Number of P-Cards:

FY07	1,854
FY08	1,824
FY09	1,616
FY10	1,517

Procurement Operations



Brian Leen
Senior Manager, 10240
Procurement Operations




Lynn McClellan, 08525
California Procurement




Gary Romero, 10241
National Security Progs & Pulsed
Power Sciences

Customers: 5000, Tech Area IV
MAJOR PROGRAMS: Satellites, Z-Machine, Intelligence
Co-located PODS: Bldg 880, 969




Ian Cheng, 10242
Weapons Engineering & Product
Realization

Customers: 1730, 2000, Support Orgs (3000,10000,11000,12000)
MAJOR PROGRAMS: NW, Neutron Generator, Manufacturing,
Benefits, Education & Training
Co-located PODS: Bldg 702, 840, 905




Camille Gibson, 10243
Infrastructure Operations

Customers: Infrastructure 4000, Facilities, ES & H, Safeguards & Security
MAJOR PROGRAMS: Construction, A & E, Safety Based Ktrs, ES & H,
Emergency Management, High Security Buildings for DS & A
Co-located PODS: None




Theresa Carson, 10244
S & T & Research Foundation
/ Info Systems

Customers: 1000 (R & D) and 9000
MAJOR PROGRAMS: IT Support, MDL, Consulting, Super
Computers
Co-located PODS: Bldg 858



Doug Otts, 10245
Energy, Security, and
International Proc

Customers: 6000
MAJOR PROGRAMS: Energy, Security, International, Non-proliferation, GTRI,
Mega-Ports
Co-located PODS: Bldg 823, IPB



James Romero, 10248
Corporate and
Strategic Purchasing

Customers: Lab-wide
MAJOR PROGRAMS: JIT, Centralized Procurement, Universities, SCMC
Support, ICPT Team
Co-located PODS: None

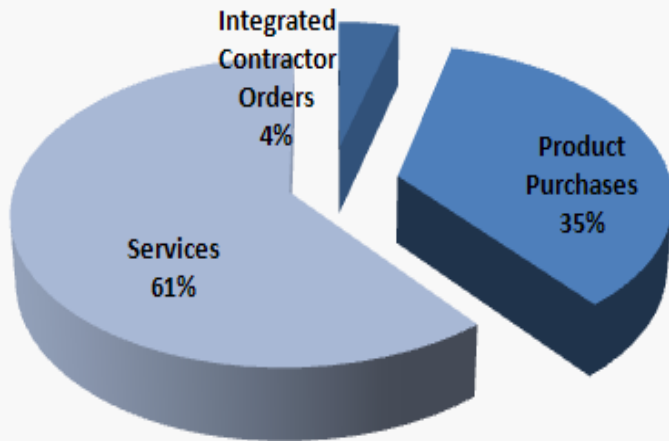
Procurement Operations

- Annual costs ~\$12.3M (includes California)
- ISO 9001 certified
- Purchase Order Cost Savings:
 - FY08: \$47M (4 times the cost of Procurement Operations (NM+CA))
 - FY09: \$60.6M (5.2 times)
 - FY10: \$65.1M (5.3 times)
- Cost to Spend Ratio is ~1.24% (FY10)
- Consistently meets aggressive small business goals – 55% (FY10)
- Spend is Approximately \$1B per year

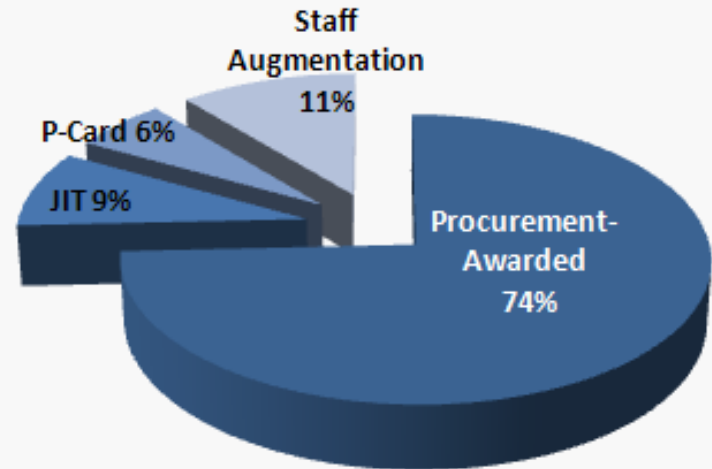


Sandia's Procurement Dollars Committed ~\$1B in FY10

What We Buy (New Contracts)



How We Buy



FY10 Buyer-placed distinct PO actions*

6,271 under \$25K

1,821 \$25K to \$100K

771 \$100K to \$500K

264 \$500K to \$20M

5 over \$20M

*includes revision; does not include auto sourced (JIT), SA or P-Card actions



Complex-wide Supply Chain

- Supply Chain Management Center (SCMC)
 - Organization at Honeywell-Kansas City chartered to do NNSA-wide purchase – Sandra Rogers

- Supply Chain Management Center Advisory Council (SAC)
 - SNL, KCP, LANL, LLNL, Y-12, Pantex, SRS, Nevada Test Site
 - Chaired by Brad Hughes (KCP)
 - Joe Waddell and Dan Medlin (NNSA) are members
 - Monthly telecons and two face-to-face per year

- Integrated Contractor Purchasing Team (ICPT)
 - DOE-wide joint contracting efforts to negotiate DOE-wide pricing

- Business Management Advisory Committee (BMAC)
 - Kim Sawyer, EVP for Mission Support



Future Trends

- Enhanced Contract Management
 - Move beyond Quality to include
 - Cost
 - Schedule
- Demonstrate Savings
 - Increased use of Complex wide Leverage
 - NNSA – SCMC
 - DOE Wide – ICPT plus
 - Move from “High Risk Contracts”
 - Cost to Fixed Price
 - Sole Source to Competitive



Questions?

