

U.S. Small Business Administration
Hawaii District Office

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8(a) Stats

Number of Firms in the Hawaii
District Office Portfolio
As of November 30, 2003: **206**

New Participants:

Avalon Development Co., LLC	10/03
Engineering Design Group, Inc.	10/03
Russian Language Tours Corp.	10/03
S.M.K. Painting, Inc.	10/03
Kokea Construction & Consultants, Inc.	11/03
Manuwa Plumbing, Inc.	11/03

All of the SBA's programs and services are provided to the public on a non-discriminatory basis.

HEY JAKE, WHAT'S MY NAKES?

We all know that we are required to input our NAICS Codes into the Central Contractor Registration (CCR) and PRO-Net databases and yes, we see there are NAICS Codes assigned to all RFPs, RFQs and such. So other than just being one more check point on my big submission, why do I care to know more about the NAICS Codes? The simple answer to that question is **knowledge of the NAICS Code will assist your firm's efforts to maximize opportunities for your firm to do business with the Federal Government.** So having said that, what exactly is a NAICS Code?

Basically, NAICS Codes are nothing more than numbers that represent the U.S. economy as it is broken down into 20 sectors and further broken down into 1,179 industries with a six digit number assigned to each of those industries. NAICS Codes were developed to provide a consistent framework for the collection, analysis and dissemination of industrial statistics used by government policy analysts, by academics, by researchers and the business community. All federal prime contracts in excess of \$25,000 are reported to the Federal Procurement Data Center by the assigned NAICS Code with the information collated and distributed via the Internet at www.fpd.gov. This is an important web site to visit when conducting market research and it is a valuable resource tool for your company as it assists you in identifying the types of goods and services being procured by the Federal Government in your area and the Federal Agencies procuring those goods and services.

Of the 20 Sectors in the NAICS Codes, four are largely goods-producing with the remaining sixteen sectors being services-producing industries. It is important to understand that these sectors are identified by the *processes used to produce* the goods or services and not by the goods and services produced. Think of vacuum formed plastic parts. There are literally millions of different vacuum formed plastic parts yet the process to produce those parts are almost always the same. Thus, NAICS Codes are broken down by the process, not by the end product produced. Usually we search the NAICS Codes looking for our end product which leaves us frustrated in that we can't always find a NAICS Code that reflects our business. However, when we change our way of thinking and search by the process used to produce the end product, we will almost always get a "hit."

Understanding the NAICS Code and what it represents will allow you to know almost instantly if the Federal Government has issued a solicitation with an incorrect NAICS Code assigned. If you review FAR 36.6 referencing Architect and Engineer (A & E) Contracts, you will find a statement that basically says an A & E NAICS Code should be assigned to the procurement opportunity *only* if holding an A & E license is required to actually perform that work. Take environmental statements for example. Not all environmental statements require an A & E license as a precondition to actually performing the work. However, many A & E firms consider that work to be their specialty and do their best to have the procurement opportunity have an A & E NAICS Code assigned. Knowing the NAICS Code and the FAR gives you the tools you need to maximize your contract opportunities as well as assist the Federal Government in its efforts to have the most appropriate NAICS Code assigned.

The SBA Size Standards are also identified by NAICS Code and can be found at

www.sba.gov/size. When reviewing the size standards it is important to remember that it is possible for you to be a large business by one NAICS Code yet still be a small business by another NAICS Code. For example, your business may be a small business under a general construction NAICS Code yet be a large business under a Specialty Contractor NAICS Code.

Prior to putting any solicitation on the street, Contracting Officers will search both the Central Contractor Registration (CCR) and PRO-Net web sites by the assigned NAICS Codes to determine if there are small businesses that can provide the required goods and services. The SBA Procurement Center Representatives (PCRs) also search the CCR and PRO-Net web sites looking for 8(a) firms capable of providing the required goods and services. Therefore, it is absolutely critical that you as the business owner ensure that you have the most current and the correct NAICS Codes listed for your company in both CCR and PRO-Net. To determine your primary NAICS Code, simply identify that sector of your business that brings in the most revenue, or in the case of employee based size standards, the sector of your business having the largest number of employees. Also, be sure to include as many secondary NAICS Codes as are appropriate for your company. When updating your CCR and PRO-Net registrations take the extra steps necessary to ensure you have included the most current NAICS Codes as they do change at irregular intervals. Recently, the NAICS Codes assigned to the Construction Sector (Sector 23) and the Wholesale Trade Sector (Sector 42) changed; still, many small businesses continue to use the old NAICS Codes. **At the very least you should update your NAICS Codes annually when updating your CCR and PRO-Net registrations; however, it is recommended you update your registrations more often than annually.**

At the end of the day a NAICS Code is nothing more than a number; however, understanding what that number represents and how that number is used will assist you, the business owner, in your efforts to maximize your federal contract opportunities.

WHAT'S HAPPENING WITH ANNUAL UPDATE PROCESSING

Annual updates continue to be processed in the district office although SBA remains committed to centralized processing in the future. For now, the most recent change to annual update processing is the approval of a new SBA Form 1450 (8(a) Annual Update).

Participants whose program year end is December 2003 or January 2004 will be the first to receive the new SBA Form 1450. The annual update notice will continue to be sent by registered e-mail with a cover letter as the only attachment. The cover letter will include links to the new SBA Form 1450 and SBA Form 413 (Personal History).

Carefully review the cover letter and the new Form 1450 to ensure that you submit all of the requested information. You will also notice that you no longer will be provided a checklist, firm directory update form, IRS Form 4506, and contract list as the information is requested in the new Form 1450 or as an attachment to the form that you must provide.

The Hawaii District Office will conduct a training class on how to complete the new SBA Form 1450 and SBA Form 413. Until then, please consult your assigned BOS if you have any questions.

LEGISLATION AFFECTING NATIVE HAWAIIANS

Two developments in federal procurement will affect Native Hawaiians. The first pertains to legislation that allows Department of Defense (DoD) prime contractors and subcontractors at any tier to seek a 5% incentive payment for using **Native Hawaiian owned small businesses** on DoD contracts and subcontracts over \$500,000 if appropriated incentive money is available. Prior to this legislation, the 5% incentive only applied to businesses owned by Alaska Natives and Indian tribes.

A "Native Hawaiian" owned company must be a small business as defined by SBA; be 51% owned by a "Native Hawaiian" defined as: a citizen of the United States; and a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by kupuna or kamaaina; or birth records of the State of Hawaii. In the event of a challenge or protest of the "Native Hawaiian" status of the small business owner, the Department of Hawaiian Home Lands will decide.

A Native Hawaiian owned small business will now have the opportunity to market its "Native Hawaiian" ownership along with its services and products to DoD contractors. As an incentive to subcontract to the Native Hawaiian owned small business, the contractor may seek a 5% incentive for subcontracts over \$500,000 to Native Hawaiian owned small businesses. Procedures to seek the 5% incentive payment will be implemented by the respective DoD agency.

Secondly, **firms certified under SBA's 8(a) Program and owned by "Native Hawaiian Organizations"** may now obtain 8(a) contracts over \$3 million for construction and \$5 million for all other requirements from DoD agencies on a sole source basis. Previously, only Alaska Native Corporation and Indian tribe owned 8(a) firms were eligible for these sole source contracts.

A "Native Hawaiian Organization" is defined as a community service nonprofit organization serving Native Hawaiians in the State of Hawaii that has filed articles of incorporation with the Hawaii Department of Commerce and Consumer Affairs, which is controlled by Native Hawaiians, whose activities will principally benefit Native Hawaiians, and is economically disadvantaged.

All other 8(a) firms continue to be eligible for these larger contracts through 8(a) competition only.

Please consult your assigned Business Opportunity Specialist for more information.

SBA's NEW DEPUTY DISTRICT DIRECTOR

Karen Sakihama was recently selected as the SBA Hawaii District Office's Deputy District Director (DDD), a newly established position. Karen has served as the Assistant District Director for Economic Development since 1988 and the Acting Assistant District Director for 8(a) Business Development since 2000. She will continue to serve in both capacities.

As the new DDD, Karen will have the added responsibility of the Entrepreneurial Development Division which handles SBA's marketing and outreach activities.

Karen's management responsibilities will now encompass all of SBA's Programs, which include: SBA guaranteed loans, 8(a) government contracting, and the Business Information Counseling Center (BICC), as well as oversight of SBA's resource partners. By consolidating the management of all programs and services under the DDD, the SBA Hawaii District Office hopes to provide a more seamless delivery of services to the small business community in Hawaii.

Before Karen took on the responsibility of the 8(a) Business Development Division in 2000, the contract revenue was \$163.6 million with a portfolio size of 118 8(a) firms. As of 9/30/03 contract revenue totaled \$206.9 million, and the portfolio currently has 206 firms.

Congratulations, Karen!



CHANGES TO BE AWARE OF

The size standard for the Facilities Support Services industry (NAICS code 561210) has increased from \$6 million in average annual receipts to \$30 million. The sub-category of Base Maintenance increased from \$23 million to \$30 million and the title "Base Housing Maintenance" under NAICS code 238990 changed to "Building and Property Specialty Trade Services." These changes became effective November 14, 2003.

UPCOMING EVENTS

Resources and Strategies for 8(a) Firms

Place: PJKK Federal Building, Room 5-208
Location: 300 Ala Moana Blvd., Honolulu, HI
Date: January 14, 2004
Time: 9:00 a.m. to 11:00 a.m.

SBA Form 1450 and SBA Form 413 Training

Place: PJKK Federal Building, Room TBD
Location: 300 Ala Moana Blvd., Honolulu, HI
Date: TBD
Time: TBD

The Hawaii District Office is pleased to offer a seminar on "Resources and Strategies for 8(a) Firms." This is an excellent opportunity for all 8(a) firms and especially those new to Federal Government Contracting to increase their understanding of the 8(a) contracting arena. BOS Lyn Womack will provide information that may help you better understand the 8(a) contracting arena, improve your marketing strategies, and increase your firm's marketability. The 8(a) staff will be joined by John Junk from Jack Wolfe Insurance and Stephanie Bivens from 8(a) participant Biven's Electric, Inc.

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