Reverse Auction Purchasing Program

What is Reverse Auction Purchasing?
E-Bay in reverse for public entities
IACT – IASTA Partnership
Legislative Action
Why it works
Increases competition and saves money
Conventional Bidding

Paper bids
One-day opening
Suppliers have only one chance to provide lowest price

Reverse Auction Purchasing

IACT / IASTA Model
• Internet environment:
  – Safe
  – Secured
  – Sealed
• Suppliers
  – Don’t know who else is bidding
  – Only know their ranking
  – May lower their bid to improve their ranking
### Method Comparison

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### How It Works

- **Vendor 1**
- **Vendor 2**
- **Vendor 3**
- **Vendor 4**

**Enabler: IASTA**
- Provides web site
- Pre-registration
- Trains vendors
- Administers event
- Documents event
What the Purchaser Sees

- Vendors
- Graph of auction
- Bid price
- Time remaining

What the Vendor Sees

- Only their overall rank
- Amount of their bid only
- Time remaining
How It Works

Most events set for 30 minutes
Extension periods are permitted
A minimum decrement is used
Winning vendor pays fee

2.5% of the first $500,000
2.0% of the next $500,000-$1M
1.5% of the next $1M-$2M
1.25% of the next $2M-$5M
1% of amount over $5M

Reverse Auction Purchasing

• Increases competition
• Vendors have more than one chance to win business
• Real time – dynamic marketplace
• Web based
• Suppliers are pre-approved
• No direct charge to the purchaser
• Savings = 10% average
• Increase your vendor database
• Cooperative purchasing increases efficiency
Capital Equipment:
- maintenance, public safety, utility, emergency
- Garbage trucks
- Street sweepers
- Fleet Vehicles
- Office equipment

Commodities:
- office supplies, chemicals, road salt, fuel/energy

Can’t purchase:
- construction equipment, services
Indiana Reverse Auction Purchases:

- **Central Indiana Education Service Center:**
  - July 1
  - $4.7 million on school buses

- **Seymour:** Packer - $90,000

- **Syracuse:** Front Loader (with trade-in):
  - $79,386 ($85,000 est.)

- **Topeka:** Playground Equipment

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**FAQ’s**

**Q:** Is a buyer obligated to accept the lowest bid?  
**A:** No, bids may be evaluated, buyer determines best value.

**Q:** Is the buyer obligated to award?  
**A:** No, all bids may be rejected, no cost.
FAQ’s

Q: Does a vendor have to lower their bid?
A: No, they are only required to submit a bid online by the deadline but don’t have to lower.

Q: What if there are no initial bids?
A: The event is cancelled, no cost, proceed as if no sealed bids received.

FAQ’s

Q: When does vendor pay the transaction fee?
A: When the payment is made by the buyer, after receipt of equipment.

Q: Who invites and approves the vendors?
A: The buyer. If available, IASTA will supply vendor database if requested.
Q: What if there is a problem during event?
A: Emergency line is open for off-site assistance; can suspend event.

Q: How are Surety issues handled?
A: The submission procedure for Bid Bonds should be clearly documented in the specs.

Q: How are alternates handled?
A: No differently than as directed in the specs. The bid sheet is amended to reflect changes.
Reverse Auction Purchasing

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