



Indiana Association of
Cities and Towns
Your Partner in Good Government

Reverse Auction Purchasing Program



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Reverse Auction Purchasing

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



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Conventional Bidding

Paper bids

One-day opening

Suppliers have
only one chance
to provide lowest
price



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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



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Method Comparison

Conventional

- Write specs
- Advertise
- Mail bid package
- Answer questions
- Receive bids
- Open bids
- Bid evaluation
- Bid award

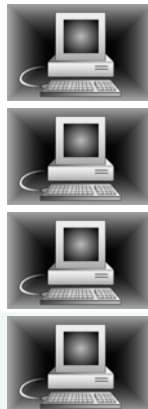
Reverse Auction Purchasing

- Write specs
- Advertise
- Access bid package
- Information review
- Train suppliers
- Event conducted
- Bid evaluation
- Bid award



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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



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What the Purchaser Sees

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

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What the Vendor Sees

- Only their overall rank
- Amount of their bid
only
- Time remaining

Cities & Towns



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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



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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



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What May Be Purchased

Capital Equipment:
maintenance, public
safety, utility,
emergency

Garbage trucks

Street sweepers

Fleet Vehicles

Office equipment



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What May Be Purchased

Commodities:

office supplies,
chemicals, road
salt, fuel/energy

Can't purchase:

construction
equipment, services





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Reverse Auction Purchasing

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.



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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.



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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.



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FAQ's

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.



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FAQ's

Q: How are alternates handled?

A: No differently than as directed in the specs. The bid sheet is amended to reflect changes.

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Further assistance:

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