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

- **Enabler: IASTA**
  - Provides web site
  - Pre-registration
  - Trains vendors
  - Administers event
  - Documents event

Vendor 1

Vendor 2

Vendor 3

Vendor 4
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
What May Be Purchased

Capital Equipment:
- maintenance, public safety, utility, emergency
- Garbage trucks
- Street sweepers
- Fleet Vehicles
- Office equipment

What May Be Purchased

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

Can’t purchase:
- construction equipment, services
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

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.
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.

FAQ’s

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

Further assistance:
Andrea Johnson
IACT Deputy Director
ajohnson@citiesandtowns.org
(317) 237-6200
www.citiesandtowns.org