



West Midlands Council's save £6m+ through Transport eAuctions

Summary

The case study highlights the experience gained and savings secured by local authorities within the West Midlands through working in partnership with Improvement and Efficiency West Midlands (IEWM) to utilise eAuctions for the award of passenger transport contracts. It highlights how IEWM has supported the region's authorities to embed the use of innovative procurement solutions to deliver significant cashable savings and benefits.

Background

Under the old Centre of Excellence regime a number of local authorities agreed to form a regional project and pilot the use of eAuctions for Home-to-School Transport contracts. Shropshire Council,

Warwickshire County Council and Worcestershire County Council all agreed to participate in a pilot project to identify feasibility in this spend area. The project's first key milestone was in July 2007 when Worcestershire County Council piloted the very first eAuction for home to school transport services within the region and secured savings of £147,000.

Objectives

Given the increasing financial pressures local government is facing, the main objective for the local authorities participating in the West Midlands eAuction programme has been to secure cashable savings. Additional objectives also included reducing both the lead-times and the level of internal resources required to manage tendering activities. Councils have also been keen to participate in the regional programme to experience using eAuctions and explore other spend areas suitable for using this technology.

As well as supporting authorities secure the significant savings required under CSR07, IEWM's focus within this programme has been to embed the use of eAuction technology within region's local authorities to ensure it is fully integrated as part of the suite of options in the authorities' procurement toolkit.

Role of Improvement and Efficiency West Midlands

Improvement and Efficiency West Midlands had initially supported the programme through the provision of funding to cover the hosting costs of the eAuction process. This funding has been provided on the proviso that the participating authorities showcase their experiences at appropriate regional meetings and workshops, plus, enable officers from other authorities to attend and witness live eAuctions. This has seen procurement colleagues from as far as Essex and Yorkshire attend and witness first hand savings available via this methodology.

Showcasing these eAuctions has significantly increased take up of this methodology with many other local authorities keen to mirror the success achieved so far.

As well as providing financial funding to support eAuctions, Improvement and Efficiency West Midlands has also provided direct specialist resources to authorities participating in the programme to give advice and support where appropriate.

What is an eAuction?

eAuctions, in which suppliers offer progressively lower bids in order to win a contract, have been used by procurement specialists since 1995. eAuctions are different from conventional tendering processes as they are conducted online and allow bidders to see the most competitive bid, and re-bid in response. Bidding may last a few minutes, or many hours.

eAuctions - When and Where.

The use of eAuctions is wide spread, particularly in private sector manufacturing such as the automotive and aerospace industries. Its use within the public sector however is still limited even though there are significant savings opportunities and a number of very successful and high profile examples such as the national IT Hardware eAuction programme led by OGC.

Whilst eAuctions can deliver many benefits they are not always the most appropriate procurement method, three key criteria should be applied when considering the use of eAuctions:

- The requirement is of a standard specification capable of being supplied by a number of suppliers;
- A number of capable suppliers within the marketplace to ensure a level of competition;
- The level of spend and therefore, potential savings available is sufficient enough to warrant the investment to undertake the eAuction.

Risks

There are three major risks in this programme. Firstly, lack of supplier engagement; participating authorities have overcome this through providing a number of communication events with suppliers to explain the councils' aims and drivers for using eAuctions.

Secondly, suppliers are required to be fully trained in using the technology prior to the event – councils need to use an experienced eAuctions specialist who is well experienced in running eAuctions for passenger transport and can provide robust training programmes and dummy events for participating transport providers.

The third risk could be bidders losing internet connection within the live eAuction event, eAuction hosting specialists have dealt with this by providing proxy bidding via telecom in this unlikely eventuality.

Benefits

Savings vary across the region subject to the level of competition and supply market capacity, however, typically councils have secured savings in the region of 20%. Many additional benefits have been experienced such as reduced evaluation times through the streamlining of their tendering processes. Suppliers have also noted the greater transparency eAuctions provide and the increased opportunity to compete through this procurement methodology. Due to these benefits available to potential suppliers, councils have also seen a number of new entrants to their local supply market.

Benefits summary:

- Significant cashable savings (typically 20%)
- Reduced tendering timescales
- Increased competition - suppliers bid more than once.
- Increased competition - new entrants to the supply marketplace
- Greater transparency
- Use of modern procurement processes

Current Position

Building on the initial success of the pilot project the Passenger Transport eAuction programme now incorporates five active local authorities, with 3 more due to undertake their first eAuctions in early 2010.

Current participants:

- Worcestershire County Council
- Warwickshire County Council
- Shropshire Council
- Coventry City Council
- Birmingham City Council

Forthcoming participants:

- Solihull MBC – February 2010
- Herefordshire Council – April 2010
- Staffordshire County Council – Summer 2010

The participating authorities have now under taken a total of 34 eAuctions which has secured savings in excess of £6,000,000.

The scope of the demand has been wide ranging covering the eAuctions for daily travel for Children's home to school transport ranging from Taxis for children with Special Education Needs (SEN) through to mainstream school coaches. eAuctions has also been undertaken for Adult Social Care transport and Public Bus Services. In July 2009, Coventry City Council also pushed the boundaries in the regional programme when they successfully eAuctioned the complete transport services for three individual SEN schools and therefore, enable to development of relationships with a small number of strategic suppliers.

“Worcestershire County Council is committed to utilising the latest eProcurement tools and technology to maximise the value of the services it provides to its residents. With support provided by Improvement and Efficiency West Midlands the use of eAuctions is now firmly embedded with council's procurement activity for passenger transport contracts. This innovative methodology has secured significant efficiency gains for the council and provided wider opportunities for service providers of all sizes.”

Trish Haines, Chief Executive,
Worcestershire County Council
02 March 2009

“The eAuction event in Shropshire this February has helped reduce costs for contracted school transport - it is doubtful if traditional procurement methods would have achieved this level of savings. We think this is a great initiative - it is good for Shropshire and we wish to thank RIEP for all their support.”

Tom McCabe, Director of Development
Services, Shropshire Council
26 Feb 2009

Further information

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