School transport procurement during times of austerity:

- ✓ The benefits
- ✓ The risks
- ✓ The savings (e-Auctions)

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Improvement and Efficiency (West Midlands)

Improvement and Efficiency West Midlands

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- ✓ Originally centres of excellence (2004)
- ✓ Became RIEP's in 2007 (CSR07)
- ✓ Cover a wide range of improvements i.e.

1. Leadership and capacity building
2. Transformation and BPR
3. Waste, highways, construction
4. Procurement and efficiency

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Procurement Workstream

- ✓ Achieved £80m in procurement savings in total!
- ✓ Achieved during CSR07 £50m on direct projects / LA's
- ✓ Achieved £22m savings in e-auctions alone
- ✓ Key projects covering;

A further £25 million by March 2013!

1. Category management
2. Procurement hub
3. E-auctions
4. Projects
5. Systems

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Local authority transport

1. Required to support children with special educational needs!

2. Broken down into routes or individual schools!

3. Core requirements with elements of change and variation!

4. Often done now as framework contracts and then routes allocated via mini tenders or mini bidding scenarios!

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What is an e-auction (reverse auction)

1. Suppliers compete on line and in real time!
2. Prices start at an indicative level and then reduce!
3. Contracts are tendered in the normal way with BAFO's for suppliers who don't wish to engage!
4. Suppliers offer improved terms in order to gain the contract!
5. Open and transparent process which is legally compliant!
6. Local authorities often invest in the trading relationship with the suppliers!
7. Suppliers have a clearly visible selection criteria on which to bid!

Shropshire County Council
Saving of £313,000 (or 16%)

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E-auction Myths (Home to School Transport)

1. These are important services (children and vulnerable adults) that need to be taken seriously – not e-auctioned! ✗
2. E-auction is only about price and not quality! ✗
3. Small local suppliers will suffer via reduced prices, we need to support them! ✗
4. We have an "underworld" operating in our area – there will be blood! ✗
5. The market won't stand the price reductions, quality and safety will suffer! ✗
6. We have got the best prices already, there is nothing more! ✗
7. Too much effort and cost to be bothered! ✗

Icarus

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Evidence

1. Coventry City Council = £550,000 (32.9%) to date and growing!
2. Shropshire Council = £1.5 million (20%) next happening Feb 2011!
3. Birmingham = £437,000 (£2 million savings in process) or 20% average!
4. Worcestershire = £3.5 million - fully mainstreamed!
5. Warwickshire County Council = £426,000 per annum (42.5%)
6. Wolverhampton City Council = £55,000 per year (from first e-auction)
7. Solihull MBC = £1.9 million

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Steps to success!

1. You don't necessarily need to change your current procurement method – you are just bolting on a further element (e-auction)

2. Review your current contractual activity to ensure it is in a healthy and strong position (plan for success)

3. Work closely with your client (procurement / transport / education)

4. Work closely with your e-auction provider (ensure they have the skills to deliver this type of e-auction)

5. Engage with suppliers, hold training event to prepare them

6. Group routes effectively – better to run several e-auction events than overload one and fail!

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Thank You!

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Procurement Hub

http://hub.westmidlandsiep.gov.uk/homep.asp?PageRef=1

Shropshire 8th February 2011

http://hub.westmidlandsiep.gov.uk/event.asp?PageRef=84&EventRef=92

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