

# The Forward Plan for e-auctions



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E-auctions are a procurement tool with a proven track record of delivering significant savings during the purchase of commodity goods and services. E-auctions have been used across the public sector for over five years; savings vary but are frequently in excess of 10% and have been reliably measured at up to 50% against pre-auction prices. In order to maximise the cash savings that can be achieved, more public sector organisations need to work together on common specifications to make greater use of e-auctions. The Centre for e-Auctions has been set up to encourage more participation and to help implement e-auctions and develop capability by providing advice, guidance and support.

This Forward Plan, which will develop over time, is a schedule of e-auctions that provides the basis for increased collaboration on the procurements. The estimated total value of the e-auctions identified in this Forward Plan is £900m and, subject to market conditions, could deliver overall savings of around £270m for the participants, based on a possible 30% saving.

## E-auctions

1. E-auctions are used during the negotiation stage of a normal procurement process and provide complete transparency between the purchaser and the supplier. They are conducted on-line following the evaluation of supplier bids; the evaluated suppliers are linked into an e-auction portal and offer progressively lower bids in order to win the contract. Bidding may last a few minutes or a few hours, and the e-auction results in a winning bidder with whom the contract is placed.
2. Some departments in central government and the wider public sector have developed significant internal expertise and regularly use e-auctions on their procurements where they can take advantage of competitive supply markets to create a transparent negotiation of final prices prior to placing contracts with successful bidders. Others are either developing their internal capability on e-auctions for future procurements and/or are planning to collaborate with others on e-auctions. Annex A provides further information on how departments and the wider public sector have used e-auctions to date, and Annex B provides more information on the principles and practice of e-auctions.

## Savings

3. E-auctions in government have consistently delivered savings of over 30% against pre-auction prices on IT hardware. However, this high level of savings cannot be guaranteed. Whilst the procurement of IT hardware lends itself well to e-auctions, the increasing frequency of e-auctions for IT hardware will tend to decrease the ability of the market to absorb price reductions.
4. The scale of savings that can be achieved from e-auctions is heavily dependent on the nature of the commodity and the maturity of the market. One of the key factors in achieving a significant level of saving in any procurement, and particularly where e-auctions are used, is for the participants to confirm their required volumes early on in the procurement process so that the suppliers have confidence of the customers' commitments and can participate fully in the bidding process.

## The Centre for e-Auctions

5. To support and drive an increase in the use of e-auctions, OGC has set-up the Centre for e-Auctions. The Centre is working with an increasing number of stakeholders, both individuals and organisations, across the whole public sector in the delivery of its objectives, which are to:
  - Act as a vehicle for the creation of coalitions by working closely with other change agents to recruit e-auction participants, sponsor the activity, and help to implement e-auctions; and to
  - Leverage the outputs created by the e-auctions to deliver larger efficiencies by using the specifications, tender documents and price benchmarks<sup>1</sup> to shape future procurement strategies and to generate wider benefits for public sector buyers.
6. The Centre is also building up a wide range of useful information that is available to help public sector procurers - see Annex C for more information about the Centre, and Annex D for links to further guidance and useful websites.

## The Forward Plan

7. The Centre for e-Auctions, working closely with departments and wider public sector organisations, has conducted in-depth analysis across all commonly procured goods and services in order to build a forward plan of e-auctions. The Forward Plan provides a focus for bringing participants together to form coalitions around a planned e-auction in order to benefit from increased aggregation of demand and through this, a greater leverage on the supply side to achieve cash savings.
8. The Centre has selected the e-auctions in the Forward Plan based on a number of factors that are key to building a successful collaborative e-auction:
  - a competitive supply market exists for the required product or service.
  - there is potential for multiple customer organisations to agree common specifications
  - the cost to the participants of switching to a new supplier is not prohibitive.
  - the nature of the product or service itself is suitable for e-auctions.
9. The Forward Plan is set out on the following pages and will be published and maintained on-line. Dates for e-auctions are inevitably subject to change and the procurement process for each of the e-auctions typically commences 6-9 months in advance of the actual e-auction date.

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<sup>1</sup> The limitations of price benchmarks are recognised. The Centre for e-Auctions will use them only in stable markets, which exclude unstable commodities such as energy and gas. It will also provide context with each benchmark – for example, whether delivery costs are included and whether pricing was obtained on the basis of bulk or single-unit volumes.

## E-auctions planned in 2010, 2011 and 2012

2010/11 FINANCIAL YEAR							
Product or service	Sector focus	Apr / May	Jun / Jul	Aug / Sept	Oct / Nov	Dec / Jan	Feb / Mar
Forensic supplies	Emergency services						
Subsidised bus / transport	Local Gov						
Subsidised bus / transport	Local Gov						
Carbon off-setting certificates	PBO						
IT hardware including servers	Local Gov						
Office consumables	All sectors						
Office supplies	All sectors						
Clothing and protective equipment	Local Gov						
Food ingredients # 1	PBO						
Furniture	Local Gov						
Carbon off-setting certificates	PBO						
Patient appliances	Local Gov						
Catering equipment	PBO						
Highways commodities	Local Gov						
Subsidised bus / transport	Local Gov						
Commercial vehicles	Local Gov						
Food ingredients # 2	PBO						
Temporary buildings	Local Gov						
Multi-function devices	All sectors						
Insurance	Local Gov						
Mobile telecoms	All sectors						
Carbon off-setting certificates	PBO						
Agency staff (agency margin)	All sectors						
IT hardware including servers	All sectors						

2011/12 FINANCIAL YEAR							
Product or service	Sector focus	Apr / May	Jun / Jul	Aug / Sept	Oct / Nov	Dec / Jan	Feb / Mar
Food ingredients # 3	PBO						
Consultancy	All sectors						
Subsidised bus / transport	Local Gov						
Carbon off-setting certificates	PBO						
IT hosted services	All sectors						
Courier services	All sectors						
IT hardware including servers	Local Gov						
Office supplies	PBO						
Office consumables	PBO						
Patient appliances	Local Gov / Health						
Carbon off-setting certificates	PBO						
Passenger vehicle purchase	PBO						
Clothing and protective equipment	Local Gov						
Furniture	PBO						
Subsidised bus / transport	Local Gov						
Highways commodities	Local Gov						
Commercial vehicles	Local Gov						
Catering equipment	PBO						
Temporary buildings	Local Gov						
Carbon off-setting certificates	PBO						
Insurance	Local Gov						
MFDs	PBO						
Mobile telecoms	All sectors						
IT hardware including servers	All sectors						
Agency staff (agency margin)	Local Gov						

## Annex A: E-auctions in departments and the wider public sector

10. OGC has run a rolling programme of IT hardware e-auctions since September 2005. These are collaborative projects with many participating organisations, up to 47 at any one time, working together to conduct a single procurement. To date, 11 e-auctions have been completed, sourcing products worth £162m (at pre-auction prices), delivering savings of £50m (31%). The 11 e-auctions have enabled over 600 public sector organisations to access best-in-class prices for desktops, laptops, thin client devices, and servers.
11. Buying Solutions, the Executive Agency of OGC, supports public sector organisations' use of e-auctions by providing frameworks for e-auction technology and consultancy services. In 2009, central departments and 32 other public sector bodies participated in e-auctions supported by Buying Solutions. These e-auctions had a combined value of £248.7m going into the auction, and generated savings of £47.9m.
12. Departmental activity around e-auctions is summarised in the following table<sup>2</sup>:

E-auction capability	Departmental e-auction activity
Internal expertise and experience of running e-auctions, dedicated resources, regular use of e-auctions.	<ul style="list-style-type: none"> <li>- MOD has run 108 e-auctions since 2004 with total savings achieved of £110m. The average saving is 20%. MOD's Central Auctions Team monitors the procurement activity across MOD's acquisition teams looking for e-auction opportunities. The Central Auctions Team then works with the acquisition team to understand the requirement, help with preparation of procurement documentation, and provide the necessary e-auction technology and services.</li> <li>- HMRC has run 13 e-auctions in the past 12 months and has adopted the policy position that e-auctions will be used unless otherwise justified. HMRC has a central team providing support and assistance on e-auctions. Savings of over £1.5m have been achieved from 6 e-auctions run by the department.</li> <li>- Home Office runs regular e-auctions and has held 10 e-auctions since June 2009 with a small internal team providing training, process and software support.</li> <li>- DEFRA are planning to run 10 e-auctions over the next few months.</li> <li>- The Environment Agency is proficient at e-auctions and has run 30 e-auctions in total with an average saving of 17.5%. The Agency continues to use e-auctions wherever possible.</li> </ul>
Some internal experience of e-auctions, awareness of e-auctions run elsewhere, and occasional joining with others on centrally facilitated e-auctions	<ul style="list-style-type: none"> <li>- DWP, DH, DfID, DCSF, FCO have some internal expertise in running e-auctions</li> <li>- HMT has run 2 successful e-auctions for IT hardware.</li> <li>- DCLG has run 1 e-auction with the support of their e-auction provider.</li> <li>- OFT have some experience of e-auctions</li> <li>- British Transport Police has run 1 e-auction jointly with Kent Police for stationery</li> </ul>
No internal capability or experience in e-auctions. Looking to collaborate with others in order to make use of e-auctions	<ul style="list-style-type: none"> <li>- DCMS, BIS/DECC, Cabinet Office currently have no internal expertise</li> <li>- Highways Agency, Audit Commission, British Waterways, Planning Inspectorate also do not have internal capability to run e-auctions</li> </ul>

Table: e-auction activity in departments

<sup>2</sup> Data provided by departments

13. The use of e-auctions across the wider public sector has been steadily increasing, with some significant e-auction programmes underway<sup>3</sup>, for example:
- Larger local authorities, such as Birmingham City Council, are experienced at using e-auctions to achieve competitive prices on specific goods and services. Others, such as Essex County Council, are well underway in planning their future e-auction programmes for goods and services in support of local service delivery requirements.
  - In the West Midlands, the regional e-auction programme led by the RIEP (Improvement and Efficiency West Midlands) started in 2007 and has run 37 e-auctions with savings in excess of £7m. The majority of these were for Passenger Transport services where savings achieved have been in the region of 20%
  - Manchester City Council represents a good example of early adoption. Having completed two successful e-auction pilots, they conducted a total of 17 auctions between 2006 and 2008, influencing contracts worth £58m and generating savings of £13.5m (28%), across a broad range of categories including concrete, food, machinery, and security services.
  - Value Wales has an e-auction programme in operation and has run 24 e-auctions so far, ranging from home to school travel, wheelie bins, electricity supply, scaffolding and paper consumables. The number of lots in each e-auction has varied; in total, 177 lots have been taken through the e-auction cycle. Total savings of cashable and non-cashable benefits achieved from the e-auction programme exceed £8.6m.

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<sup>3</sup> Data provided by the relevant organisations

## Annex B: E-auction principles and process

14. Electronic reverse auctions (e-auctions) are conducted online with pre-qualified suppliers being invited to compete on predetermined and published award criteria. Their permitted use is regulated by the Procurement Regulations<sup>4</sup>. The EU favours the use of e-auctions because of their transparency and strong competitive element.
15. During a procurement project, the e-auction process starts with the selection of potential suppliers. E-auctions can be used to conduct further competitions amongst suppliers on a framework, or during the negotiation stage on a new procurement project. The e-auction itself is conducted on-line following the evaluation of compliant supplier bids.
16. The e-auction process complements the normal procurement process providing an excellent approach to tendering, evaluation and selection. The process is repeatable, easily learned by procurement professionals and end-customers, and with practice can become “business as usual”.
17. OGC’s eProcurement Policy requires government to use electronic systems to support procurement whenever this represents a cost-effective way to improve management information and value for money (VfM). E-auctions should form part of an e-procurement strategy and are a proven tool for delivering cashable savings.
18. Departments are strongly recommended to use e-auctions for delivering value for money savings and ensuring optimum utilisation of scarce budget resources. E-auctions also support the Government's policy on collaborative procurement requiring departments to use their collective buying power to get better value for money. OGC’s collaborative e-auctions for IT Hardware have saved an average of 31% on price. Similar savings can be achieved on other categories.
19. Procurements that have a clear requirement that can be accurately specified, and where there is a competitive market are suitable for an e-auction. Examples of categories which have been purchased via e-auction include: telecoms, temporary staff, IT hardware, stationery, mobiles, photocopiers, office furniture, food services and food products, some NHS clinical products, construction products, cleaning and cleaning products, gas and electricity, fleet management, car hire, print and print services.
20. The basic principles of e-auctions are:
  - They are an appropriate tool in many competitive specifiable procurements.
  - They are not about price alone.
  - The contract needs to be of a value that will attract competition.
  - They require a clear and concise statement of requirements.
  - Initial price proposals are needed.
  - Commercial sensitivities must be respected.
21. The Procurement Regulations place certain obligations on departments in using e-auctions:
  - Departments are required to state in their OJEU advertisement that they intend to use an e-auction. Suggested wording that fulfils this obligation might be: "The Contracting Authority intends to use an electronic reverse auction in this procurement exercise."
  - They also identify certain information that departments will have to provide to suppliers in tender documents and during the tendering process, for example, information relating to award criteria, technology requirements, details of the e-auction process, training arrangements, dates, timings and physical arrangements.

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<sup>4</sup> See Regulations 21 and 20 of the Public Contracts Regulations and the Utilities Contracts Regulations, respectively.

## Annex C: OGC's newly established Centre for e-Auctions

22. The Operational Efficiency Programme (OEP) report on Collaborative Procurement (May 2009) recommended that OGC should carry out an investment appraisal for a central e-auction centre of excellence to act as a catalyst for a significant increase in the frequency and scale of e-auctions across the public sector. This followed the earlier publication by OGC of the eProcurement Policy on the use of electronic systems to support procurement activity that requires public sector organisations to maximise existing investment in e-procurement systems and tools.
23. The Government's paper on Putting the Frontline First: Smarter Government (December 2009) brought together the OEP recommendations with additional actions to improve collaborative procurement. One of these actions is for OGC to publish plans for the use of e-auctions by the end of 2010.
24. In November 2009, OGC set up the Centre for e-Auctions, which is now working across government and the wider public sector identifying e-auction possibilities in all commodity procurement areas to increase the impact of e-auctions in the public sector. It will provide added impetus to the e-auction programmes that are planned or underway as well as assisting lead organisations on collaborative e-auctions.
25. The Centre will provide co-ordination and varying levels of support for e-auctions across a broad spread of public sector spend, particularly where there is scope for increased collaboration. It will enable participants to deliver benefits both directly, via better deals, and indirectly, through developing capability by:
  - Forming coalitions of public sector organisations to work together.
  - Where appropriate, providing hands-on support and management to assist e-auction projects.
  - Providing a regular stream of benchmark data.
  - Maintaining a repository of re-usable tools.
  - Increasing confidence in, and use of, e-auctions.
  - Adding impetus to key category areas.
26. The Centre has worked quickly to build up a pool of expertise together with supporting guidance and tools to provide a focus for public sector organisations to collaborate on e-auctions where the requirement is common and the marketplace is appropriate. For example, the nine Regional Improvement and Efficiency Partnerships (RIEPs), set up by DCLG, are supporting the local authorities in their regions to capitalise on the available e-auction experience and encourage greater take-up and use of e-auctions.
27. A number of e-auction programmes already exist across Whitehall and the wider public sector - the Centre will look to harness greater efficiencies from these through supporting the co-ordination of resource, establishing a consistency of approach, and providing a platform for coalitions.
28. An example of the Centre's support to procurers is contributing to the technology costs for running e-auctions. During December and January 2010, the Centre contributed towards the technology funding for Birmingham City Council to run three e-auctions for the procurement of Clothing and Personal Protective Equipment, Cleaning Materials, and Office Supplies. The estimated total value of these e-auctions is £14m and the savings Birmingham City Council has achieved range between 20% - 39%.
29. The Centre is working closely with Central Government Departments, RIEPs, Buying Solutions, e-auction technology providers, and Professional Buying Organisations to recruit participants, sponsor the activity and support implementation.

## Annex D: Useful information and website links

### Centre for e-Auctions

30. The Centre for e-Auctions can be contacted via OGC's Service Desk (details below) or via the dedicated e-Auction Website at [www.ogceauctioncentre.co.uk](http://www.ogceauctioncentre.co.uk). The Website provides access to a range of support services and information including details of workshops and events, on-line forum for e-auction participants, case studies, guidance material, and document templates.

### Legal

31. The legal framework of UK Regulations implementing the EU Procurement Directives may be found at: [www.ogc.gov.uk/key\\_cross-cutting\\_government\\_policies\\_the\\_policy\\_and\\_legal\\_framework.asp](http://www.ogc.gov.uk/key_cross-cutting_government_policies_the_policy_and_legal_framework.asp)
32. Consolidated Directive (2004/18/EC) - Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts:  
[eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0018:EN:HTML](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32004L0018:EN:HTML)

### Useful links

33. The HM Treasury Operational Efficiency Programme. In particular, the Final Report and the Collaborative Procurement Final Report. See [www.hm-treasury.gov.uk/vfm\\_operational\\_efficiency.htm](http://www.hm-treasury.gov.uk/vfm_operational_efficiency.htm).
34. The OGC Contracts Database of public sector contracts. See [www.ogc.gov.uk/contractsdatabase/](http://www.ogc.gov.uk/contractsdatabase/)
35. The Access for All Programme: [www.ogc.gov.uk/key\\_policy\\_principles\\_creating\\_opportunities\\_for\\_smes\\_and\\_third\\_sector\\_organisations.asp](http://www.ogc.gov.uk/key_policy_principles_creating_opportunities_for_smes_and_third_sector_organisations.asp)

### Links to relevant policies

36. Collaborative Procurement Policy [www.ogc.gov.uk/documents/Collaboration\\_policy\\_statement.pdf](http://www.ogc.gov.uk/documents/Collaboration_policy_statement.pdf)
37. For advice and guidance on collaborative procurement matters, OGC's Collaborative Procurement teams covering a range of categories can be contacted via the OGC Service Desk (details below).
38. Policy on eProcurement [www.ogc.gov.uk/documents/e-procurement\\_policy\\_oct\\_09.pdf](http://www.ogc.gov.uk/documents/e-procurement_policy_oct_09.pdf)Support
39. eProcurement services from Buying Solutions (BS) gives you the advice and guidance, tools and techniques to take charge of your procurement activities. For further information on how BS can support departments in the selection, procurement and successful adoption of eProcurement solutions, including Government Procurement Card, spend analysis, eSourcing and Zanzibar managed service please visit [www.buying.solutions.gov.uk](http://www.buying.solutions.gov.uk).

### Questions and Comments

40. Questions on e-auctions should be addressed in the first instance to the OGC **Service Desk on 0845 000 4999** or at [servicedesk@ogc.gsi.gov.uk](mailto:servicedesk@ogc.gsi.gov.uk)

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