

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 8:30 a.m. on January 28, 2003 in Room 123-S of the Capitol.

All members were present except: Senator Pete Brungardt, absent
Senator Dave Kerr, excused

Committee staff present: April Holman, Legislative Research
Deb Hollon, Legislative Research
Mitch Rice, Revisor of Statutes
Norman Furse, Revisor of Statutes
Jodie Anspaugh, Secretary

Conferees appearing before the committee: Phill Kline, Attorney General
Bryan Brown, Office of the Attorney General
Joe Molina, Office of the Attorney General
John Houlihan, Department of Administration

Others attending: See attached list.

Chairperson Brownlee welcomed Attorney General Phill Kline to the committee. General Kline introduced Joseph Molina, Chief of No-Call, and Bryan Brown, Chief of Consumer Protection Division. General Kline signed four consent judgements this morning in No-Call issues. General Kline has implemented a new policy: he does not give out information on which companies his office is investigating. The investigations will be made public when the Attorney General's office files an action. The Attorney General's office will notify the committee when these occur.

Bryan Brown, Chief of Consumer Protection Division, testified before the committee. He explained the "four fouls and you're out" policy. When a company has four complaints filed against it, the Attorney General's office will begin investigating the company. Mr. Brown explained his five management priorities:

1. Study the breakdown on no-call registration across the state. Western Kansas is underrepresented on the list.
2. Enter into litigation against the most serious violators.
3. Offer consent judgements against all but the most egregious violators.
4. Merge No-Call with Telecommunications task force
5. Clarify the law for those companies that seek information about the No-Call law.

Mr. Brown answered questions about the "four strikes and you're out" policy.

Joseph Molina, Assistant Attorney General, Consumer Protection Division, testified before the committee. (Attachment 1) Mr. Molina explained the history of the No-Call law, passed in 2002. The AG's office first attempted to contract with the Direct Marketing Association to implement the list, then later contracted with GovConnect, who currently maintains the list. Telephone solicitors pay a fee to GovConnect to access the list.

Consumer registration commenced on October 1, 2002. As of January 21, 2003, a total of 474,771 residential telephone numbers are on the Kansas No-Call list. Eight-hundred-seventeen telephone solicitors have access to the list. The list became enforceable on November 1, 2002. In November 2002, 1,521 complaints were received. 772 were received in December, and 218 in the first 27 days of January 2003. The daily average number of complaints is 84.5.

To date, the Attorney General has collected \$30,000 from four companies for violations to the Kansas No-Call Act. Mr. Molina answered questions on the national no-call list, consent judgements, and the spam

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 8:30 a.m. on January 28, 2003 in Room 123-S of the Capitol.

bill.

Chairperson Brownlee requested that the committee introduce an amendment to the No-Call Act that relates to small business salespersons to allow them more flexibility in their efforts to sell. Sen. Emler moved to introduce the bill. Sen. Jordan seconded. The motion carried.

John Houlihan, Department of Administration, Director of Purchases, testified before the Committee on reverse auctions and on-line bidding. (Attachment 2) Mr. Houlihan distributed copies of the Reverse Auction Pilot Project (Attachment 3) and details of the Reverse Auction Pilot Study (Attachment 4). Reverse auction is "a procurement process following procedures approved by the director of purchases where bidders are invited to bid on specific goods through real-time electronic bidding, with the award being made to the lowest responsible and responsive bidder; during the bidding process, bidder's prices are revealed and bidders shall have the opportunity to modify their revealed bid prices and bidders shall have the opportunity to modify their bid prices for the duration of the time period established for the bid opening."

The Division of Purchases conducted their first reverse auction on May 14, 2002, with patrol cars and gun racks. A second reverse auction was conducted in July 2002, with truck mounted paint strippers.

Chairperson Brownlee requested to introduce a bill on reverse auction, including competitive bid. Sen. Kerr moved to introduce the bill. Sen. Jordan seconded. The motion carried.

Senator Jordan moved to approve the minutes from January 15 and 16, 2003. Senator Kerr seconded. The motion carried.

The meeting was adjourned at 9:30 a.m.

The next meeting is scheduled for January 29, 2003 at 8:30 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: Tuesday, Jan. 28, 2003

NAME	REPRESENTING
BRYAN J BROWN	Consumer Protection Div, AG.
Teresa Salts	AG office
Phil [unclear]	AG
Louis Chalwa	Budget
Michael White	KCDAA
Charles Heath	Senator Emler
Jessica Zahn	Intern - Senator Wagner
Doug Smith	Pinegar, Smith & Associates
John Peterson	Ks Governmental Consulting
William W Sneed	SBC
Chris Grenz	Topeka Capital - Journal
Amber Kjelsrud	Senator Bhungard
Ernie Pogge	AARP
ERNEST Kutaley	AARP
Megan Chalfant	Burgess & Associates
WHITNEY E. WATSON	AG OFFICE
Chris Howe	Dept Division of Purchases
Ken Seiber	Acin Law Firm
Sandy Braden	NAFA
Bon Caches	Experian
Terry Leatherman	KCCF



PHILL KLINE
ATTORNEY GENERAL

State of Kansas

Office of the Attorney General

CONSUMER PROTECTION / ANTITRUST DIVISION

120 S.W. 10TH AVENUE, 2ND FLOOR, TOPEKA, KANSAS 66612-1597

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CONSUMER HOTLINE
1-800-432-2310

Testimony of
Joseph N. Molina, Assistant Attorney General
Consumer Protection Division
Office of the Attorney General Phill Kline
Before the Senate Commerce Committee
RE: Kansas No-Call Report
January 28, 2003

Chairperson Brownlee and Members of the Committee:

Thank you for the opportunity to appear on behalf of Attorney General Phill Kline today to provide this committee with an updated Kansas No-Call Act report. My name is Joseph Molina and I am an Assistant Attorney General for the Consumer Protection/Antitrust Division.

IMPLEMENTATION

Kansans overwhelmingly supported the enactment of a "no-call" law and this support lead to the passage of the Kanas No-Call Act, ch. 179, § 1-2 (2002 Session Laws). Following the passage of the No-Call Act, the Office of the Attorney General commenced negotiations with the Direct Marketing Association (DMA), seeking to conclude negotiations in time to implement the law by July 1, 2002. Unfortunately, negotiations with the DMA were terminated on July 5, 2002, due primarily to the DMA's inability to meet the 30-day registration deadline required by the No-Call Act. Members of the Senate Judiciary Committee and the House Utilities Committee were contacted and advised of the termination of contract negotiations with the DMA.

The Office of the Attorney General then began taking bids from other vendors pursuant to the Act, to effectuate a seamless transition from DMA to a new vendor. On July 7, 2002, a contract was reached with GovConnect to maintain the Kansas No-Call list. The one-year contract provides free consumer registration by phone and the Internet. Consumer registration was implemented on August 12, 2002, with a deadline of September 23, 2002, to be included on the first published list on October 1, 2002.

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The contract with GovConnect further provided telephone solicitors with access to the list via email or CD Rom. The cost to access the list is as follows:

- complete list with e-mail distribution, \$359.00
- complete list with CD Rom distribution \$399.00
- one area code with e-mail distribution, \$149.00; \$149.00 for each additional area code
- one area code with CD Rom distribution, \$189.00; \$189.00 for each additional area code

CONSUMER REGISTRATION

The registration period for the October 1, 2002, list commenced on August 12, 2002, and ended on September 23, 2002. In those six short weeks 397,697 Kansas residential telephone numbers were registered on the Kansas No-Call list. An additional 73,841 residential telephone numbers were registered on the Kansas No-Call list before the December 23, 2002, deadline for the next published list that became available on January 1, 2003. As of January 21, 2003, an extra 3,233 residential telephone numbers have been registered on the Kansas No-Call list for the April 1, 2003, list, bringing the total registrations to 474,771.

REQUEST FOR THE KANSAS NO-CALL LIST

493 individual telephone solicitors have purchased copies of the Kansas No-Call list. In addition one company purchased 324 copies of the list for independent agents of the company under the multiple list purchase discount rate. As a result, 817 telephone solicitors have access to the Kansas No-Call list.

COMPLAINTS RECEIVED

The October 1, 2002, No-Call list became enforceable on November 1, 2002. In November the Consumer Protection/Antitrust Division received 1521 No-Call complaints. Of the 1521 complaints received 361 were closed as not in violation of the Kansas No-Call Act. In December, 2002, the Consumer Protection/Antitrust Division received 772 No-Call complaints with 102 complaints closed as not in violation of the Kansas No-Call Act. And as of January 27, 2003, the Consumer Protection/Antitrust Division has received 218 complaints with 17 closures for not violating the Kansas No-Call Act. The total number of No-Call complaints for the first three months of enforcement is 2511 complaints with 487 closures.

A daily average of the number of No-Call complaints received in November comes to 84.5 complaints per day. In December the Consumer Protection/Antitrust Division recorded an average of 36.76 No-Call complaints per day. In January the per day complaint average is 13.8 No-Call complaints per day.

ENFORCEMENT ACTION

As a matter of enforcement policy, the No-Call Task Force calls the telephone solicitor within a day of obtaining or ascertaining the telephone number of the telephone solicitor to advise the solicitor a complaint has been received. At that time, the telephone solicitor is advised orally to cease and desist making unsolicited consumer telephone calls to residential telephone numbers registered on the Kansas No-Call list. Written cease and desist letters are also sent shortly after obtaining the telephone solicitor's contact information. These two notification methods are intended to give the telephone solicitor more than sufficient notice that it is in violation of the Kansas No-Call Act and to encourage compliance to avoid additional violations and civil penalties. The decrease in complaints received from November through January indicates our efforts have been successful.

This office has set a threshold of three complaints before a telephone solicitor is required to pay a civil penalty for violating the No-Call Act. Once a telephone solicitor has four or more complaints, however, a recommendation is made to prosecute the company responsible.

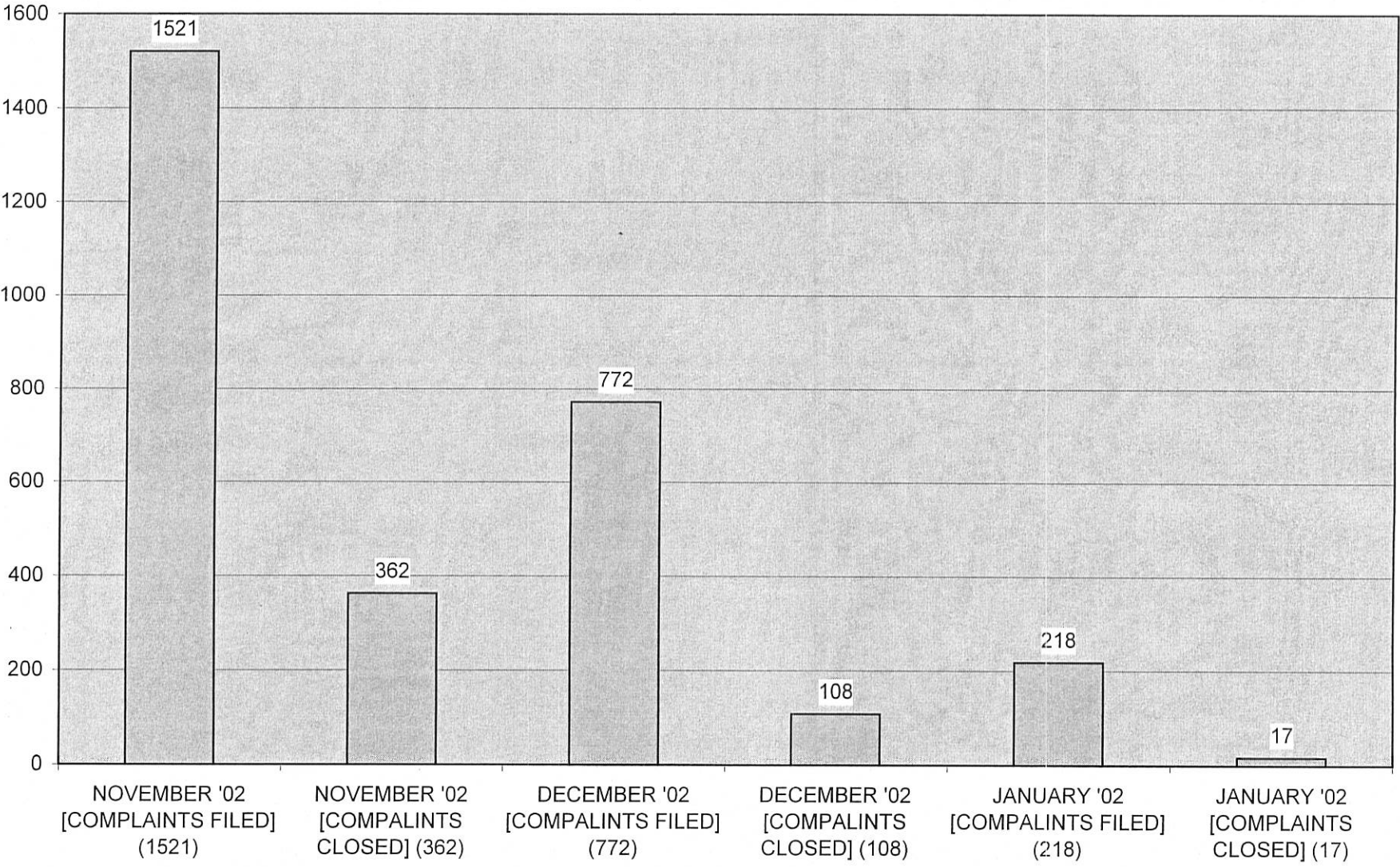
CIVIL PENALTIES COLLECTED

To date, the Attorney General is in possession of \$30,000.00 from four companies for violations to the Kansas No-Call Act. In addition, two cases have been verbally settled, and \$10,000.00 in penalties and fees have been agreed to be paid. Furthermore, 42 companies have four (4) or more violations. Authorization has been given to negotiate a settlement or file suit against 13 of these 42 companies.

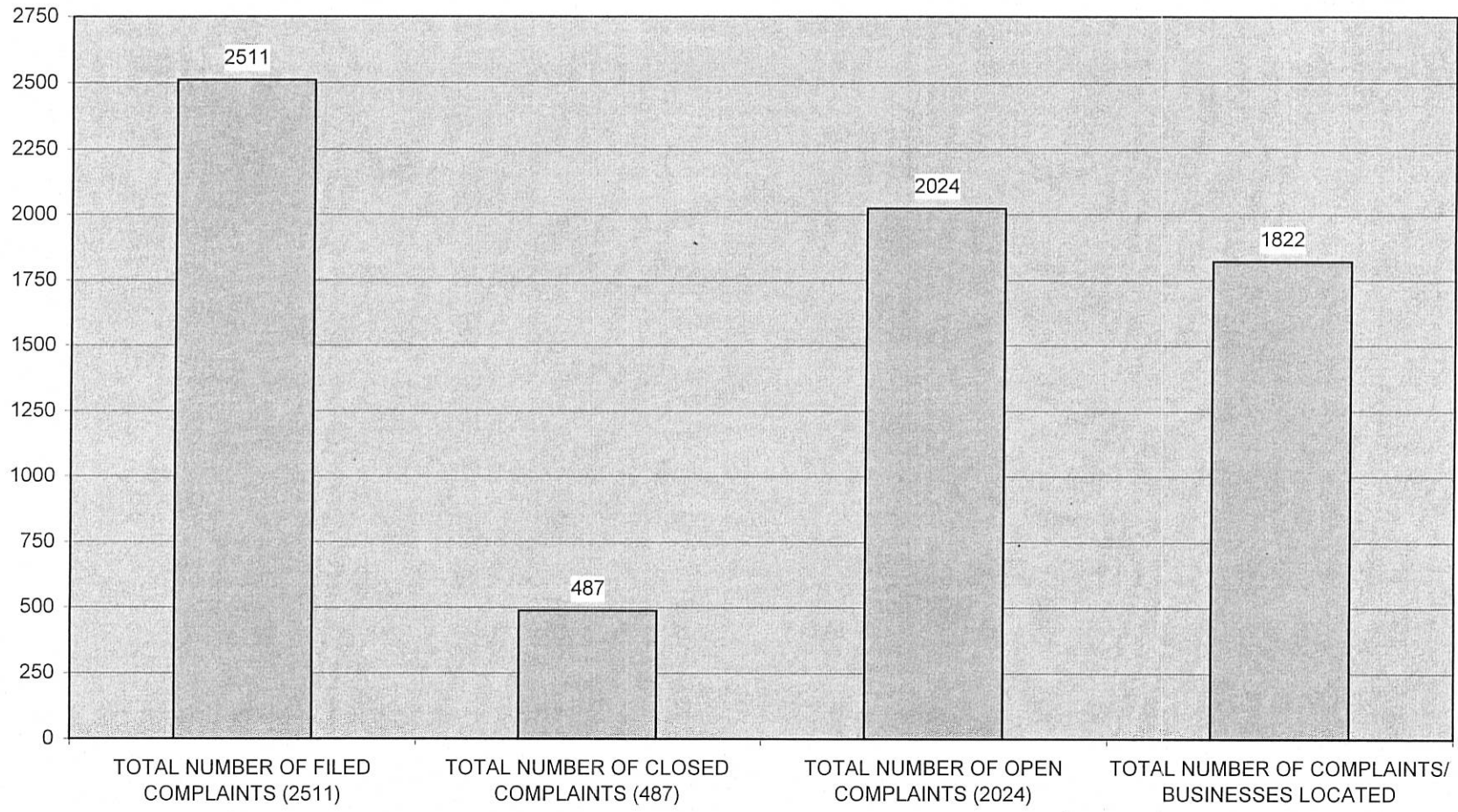
CONCLUSION

In closing, I would like to point out that the Kansas No-Call Act is a top priority of the new administration. The goal of the new administration is to protect consumers from deceptive and unconscionable business practices through a combination of firm but fair enforcement. This position will allow the continued pursuit of justice in the privacy law arena.

MONTHLY TOTALS FOR NO-CALL COMPLAINTS CASES CLOSED

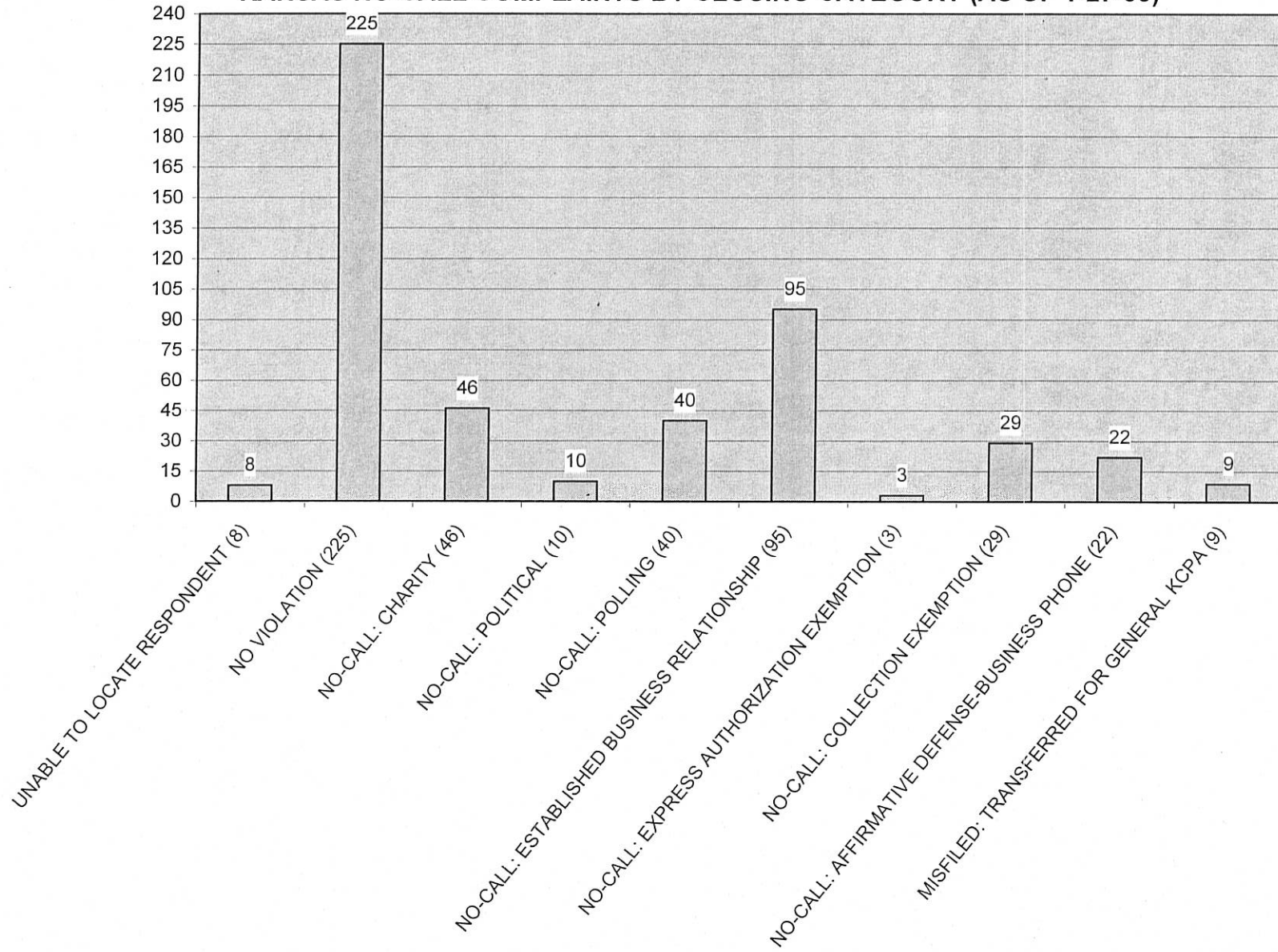


TOTAL NUMBER OF KANSAS NO-CALL COMPLAINTS (AS OF 1-27-03)



1-6

KANSAS NO-CALL COMPLAINTS BY CLOSING CATEGORY (AS OF 1-27-03)



SENATE COMMITTEE ON COMMERCE
TESTIMONY ON THE REVERSE AUCTION PILOT
January 28, 2003

Madam Chair and members of the committee. I am John Houlihan, the Director of Purchases. Thank you for the opportunity to speak on behalf of the Department of Administration about the reverse auction pilot study.

The reverse auction pilot study was established in accordance with House Bill 2119 that was passed by the 2001 session of the Kansas Legislature. The bill required the Director of Purchases to conduct a pilot study utilizing the reverse auctioning electronic procurement process for the purchase of selected goods or materials for one or more state agencies.

The bill defined reverse auctioning as "...a procurement process following procedures approved by the director of purchases where bidders are invited to bid on specific goods through real-time electronic bidding, with the award being made to the lowest responsible and responsive bidder; during the bidding process, bidders prices are revealed and bidders shall have the opportunity to modify their bid prices for the duration of the time period established for the bid opening."

In late 2001, eighteen proposals were received in response to a request for proposals (RFP) to provide reverse auction software services. In December 2001 a contract to provide these services was awarded to a company named MaterialNet. MaterialNet had experience performing reverse auctions for the private and public sectors.

A status report was submitted to the 2002 Kansas Legislature on January 15, 2002. Since no reverse auctions had been held, the report recommended that the pilot be continued through 2003.

On May 14, 2002, the Division of Purchases conducted the first reverse auction on behalf of the Kansas Highway Patrol for law enforcement vehicles. Five vendors had been prequalified and trained to submit reverse auction bids. Prior to the auction, one vendor elected not to participate because they did not like the reverse auction concept.

The auction was conducted live and on-line via the Internet using software hosted by MaterialNet. The benchmark to determine savings was a price received in response to a request for quotation (RFQ) issued in the fall of 2001. The RFQ included provisions to offer model year 2002 pricing for 2003 cars if the option was exercised by May 31, 2002. The 2002 price per car was \$21,027.

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The auction consisted of four lots of cars in different quantities, configurations and delivery requirements and one lot of gun racks for the cars. The auction was scheduled for 30 minutes but lasted 57 minutes because of an auction feature that automatically extended the time if a new bid was received during the last 2 minutes of the allowable time. One bidder stopped bidding early, but the other 3 continued until the end of the auction. The lowest bid per car was \$21,358. Since this was higher than the \$21,027 price received in response to the earlier RFP, the highway patrol elected not to accept the bid. Even though the auction did not obtain the lowest price it was considered a success because the software worked perfectly.

The second auction was conducted in July 2002 on behalf of the Kansas Department of Transportation. It consisted of 3 truck mounted paint striper used to paint stripes on highways. KDOT estimated that each striper would cost about \$300,000 and this became the benchmark price. Four vendors were prequalified to participate in the auction and were trained by MaterialNet. The auction was scheduled to last 15 minutes but lasted over 1 hour because of 199 automatic extensions. Two vendors continued to bid against each other until one dropped out near the end of the hour. The final low bid price was \$259,400 compared to our benchmark price of \$300,000. So we calculated the savings at \$40,600 per striper for a total savings of \$121,800. Again the software worked perfectly. We considered this auction to be successful both in the price obtained and the performance of the software program.

I feel the reverse auction pilot study was successful and I am recommending that the purchasing statutes be changed to allow the use of reverse auctions as determined by the Director of Purchases.

This concludes my prepared testimony and I stand for questions.



**Kansas Department of Administration
Division of Purchases
John T. Houlihan, Director**

Reverse Auction Pilot Project

Status Report to the Kansas Legislature

January 15, 2003

<http://da.state.ks.us/purch/ReportToTheKansasLegislature.htm>

Senate Commerce Committee

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Executive Summary

The Division of Purchases Reverse Auction pilot was established in accordance with legislation passed during the 2001 session of the Kansas Legislature. House Bill 2119 (included in Appendix A of this document) requests that the Director of the Department of Administration's Division of Purchases conduct a pilot study to evaluate reverse auction technology. A reverse auction is defined in the bill as "*a procurement process following procedures approved by the Director of Purchases where bidders are invited to bid on specific goods through real-time electronic bidding, with the award being made to the lowest responsible and responsive bidder; during the bidding process, bidders' prices are revealed and bidders shall have the opportunity to modify their bid prices for the duration of the time period established for the bid opening.*" The legislation prohibits the use of reverse auctions for services for construction projects, or for any other services.

Reverse Auction Services Contract

The Division of Purchases awarded a contract to MaterialNet Inc. in December 2001 after considering bids from eighteen (18) potential service providers.

Agency Surveys

Prior to awarding this contract, state agencies were surveyed to determine if any major equipment purchases were pending that could be successfully procured using reverse auctions. In addition, interviews were conducted with several other states with experience in conducting Reverse Auctions. The Division of Purchases also reviewed existing indefinite quantity contracts that are open to all state agencies to identify possible candidates.

Reverse Auctions Conducted

The Division of Purchases conducted two reverse auctions in 2002. The first Reverse Auction attempted to secure pricing for Law Enforcement Vehicles for the Kansas Highway Patrol. The second Reverse Auction sought pricing for Paint Stripers for the Kansas Department of Transportation.

Reporting Requirements

During the 2002 Legislative Session, Senate Bill 481 modified the reporting requirements to include written status report due on or before January 15, 2003 and another on or before January 15, 2004.

This report is issued by the State's Director of Purchases John T. Houlihan, and is intended to fulfill this legislative requirement. It provides explanation of what a reverse auction is, outlines objectives for the pilot project, and summarizes the activities undertaken since the passage of the reverse auction legislation. *It includes a recommendation to move beyond the "Pilot Project" phase by adding the Reverse Auction tool to the State purchasing statutes on a permanent basis.*

What is a Reverse Auction?

A reverse auction is a pricing tool for conducting procurement. A “traditional” auction consists of an item for sale by a *seller*, where *buyers* bid against each other and the item goes to the *buyer* bidding the *highest* amount. The term “reverse” auction is used to describe an event where a buying organization (in this case, the *buyer* is a state agency) puts out a request for quotation, and suppliers (*sellers* who can provide that item) bid against each other to determine the *lowest* price at which they will *sell* this commodity.

It is not a requirement of a reverse auction that it be performed either online or in a short time period, but in its most traditional use, the term refers to a “real-time” bidding event performed for several hours or less over the Internet using a secure connection with a pool of suppliers that have agreed to participate prior to the event, and have been pre-qualified and trained on the auction software.

As with any auction, the event can be implemented using a variety of bidding methods and strategies that may vary based on characteristics of a particular market or business environment. Most commonly, the amount of a bid is shown, but the supplier making the bid is given a code name, so that their identity is concealed during the auction. It is important to note that, like any award, other non-price factors are considered, and it is not always the case that the award will be made to the lowest bidder.

Initially, it is common for the software supporting the event to be hosted by a reverse auction services vendor in a secure environment available via the Internet. If the technology proves beneficial and the buying organization anticipates their use growing over time, a cost-benefit analysis may suggest that they purchase the software, host it internally, and provide training to suppliers without the assistance of a vendor so that they may eliminate the fees associated with holding reverse auctions. However, many private sector companies continue to use reverse auction service providers to host and manage reverse auctions with the idea of minimizing the technical risk and support costs while concentrating on their core competency – the purchasing function.

Objectives of the Pilot Study

The Division of Purchases has identified the following objectives for the pilot study:

Cost Savings

- Can cost savings be achieved? If so, does it appear to be likely that continuous cost savings can be achieved for the same commodity, or is the tool best used occasionally to benchmark pricing?
- What factors about a commodity make for a more / less successful reverse auction? Is it useful, for example, for smaller dollar or non-routine purchases?
- What, if any, additional costs may be incurred as a result of the reverse auction process?

Administration/Efficiency

- How easy/difficult is it for buyers and sellers to make use of this technology? What level of effort is required to administer a reverse auction (full service v. self-service)?
- How is the overall length of the procurement affected by using reverse auction technology? What tasks in the procurement process are made more simple/difficult by using this technology? New tasks required? Old tasks no longer necessary?

Reception by Buyer/Supplier Community

- What is the level of interest among state agency procurement officers and management in the technology?
- How do suppliers feel about using the technology?
- Are local units of Kansas government interested in participating?
- What reasons are given by buyers/suppliers to participate, or decline to participate?

Reverse Auction Services Contract Award

Contract Number 03719 for Reverse Auction Services was awarded to MaterialNet, Inc. on December 26, 2001.

The cost negotiated for a full-service auction is \$2,500 per auction, and the charge for self-service auction is \$1,500. There is also a provision for a secondary method of financing that involves a sharing of cost savings with no "upfront" fee.

The contract is available to all state agencies and local units of government, and all auctions are to be established and administered through the Division of Purchases.

In June 2003, the Division of Purchases exercised the option to renew the contract from July 1, 2002 through June 30, 2003. If the pilot is to be extended, or if the authority for the Division of Purchases to utilize Reverse Auction Services is made permanent, a new Request for Proposal will have to be issued by April 1, 2003.

Recommendation

Use of Reverse Auctions as method of procurement is gaining acceptance in many states and larger local government jurisdictions across the country, and is utilized by private corporations on a regular basis. We recommend that the Kansas Legislature take the steps necessary to statutorily incorporate the ability to perform Reverse Auctions into the Division of Purchases governing statutes.

Appendix A

Reverse Auction Procedures

Outline of Reverse Auction Procedures

- A. Discussion and agreement between the Agency and Division of Purchases regarding the viability of the use of the Reverse Auction procurement method for the transaction in question.
- B. Division of Purchases issues a Request for Quotation which includes:
 - a. An announcement that the State will use a Reverse Auction to obtain pricing;
 - b. A request for the vendor to submit information which will be used to pre-qualify potential auction participants
 - c. A request that pricing NOT be included in the response to the RFQ.
- C. Responses are received from potential bidders
 - a. Agency reviews the responses and in concert with the Division of Purchases, determine which respondents are qualified to participate in the Reverse Auction.
 - b. Qualifications include:
 - i. Vendor is a qualified distributor of the products specified
 - ii. Vendor agrees to participate in the Reverse Auction
- D. Contact is made with Reverse Auction Contractor and an Auction is scheduled, including a series of planning telephone conference calls.
 - a. Initial discussions are centered on the format of the auction, including:
 - i. Anticipated duration of auction event;
 - ii. Ceiling Price (can be an arbitrary figure, but is typically 10 to 25% above the anticipated cost of the equipment; a bidder must bid below the ceiling price to enter the auction).
 - iii. Reserve Price (a historical cost factor based on past transactions or estimates of what the equipment will cost today...the Reserve Price will be the ruler against which success will be measured).
 - iv. Basic item description / identification factors for each item bid (because of the limited amount of space on a computer monitor);
 - v. decrements (the minimum dollar amount by which a bidder must reduce their bid for it to register electronically)
 - vi. Auction extension requirements (a "take the lead" bid placed within the last two minutes of the auction will automatically extend the auction for an additional two minutes).

- b. Vital statistics (Name, Address, Telephone Number, E-Mail Address) are provided to the Reverse Auction Contractor so that training materials can be distributed and training sessions scheduled as needed.
- c. Once final approvals have been obtained from the involved parties, the countdown to auction begins. Approvals must be given by:
 - i. Agency
 - ii. Division of Purchases
 - iii. Vendor Community
 - iv. Reverse Auction Contractor

E. Auction Day:

- a. Division of Purchases Conference Room is set-up as a central viewing station for interested parties;
- b. Secure Remote Viewing is available for those not able to attend in person;
- c. An auction manager for the State of Kansas establishes a telephone link with the contractor in a separate room;
- d. Bidders begin to log onto the computer website hosted by the Contractor; presence of the bidder is evident on-screen;
- e. At the appointed hour, the auction begins;
- f. Bids are registered on-screen as the bidder submits a bid which is below the ceiling price (if not below the ceiling price, the bidder will be prompted as to why their bid is not reflected on-line);
- g. If a bidder encounters difficulty establishing an on-line connection:
 - i. Reverse Auction Contractor immediately attempts to contact off-line bidders by telephone
 - ii. Technical issues are reviewed; if no immediate solution can be found, a representative from the Reverse Auction Contractor will enter pricing by proxy from their command center.
- h. Bidding activity continues;
- i. After the auction reaches the "two minutes remaining" mark, any bid submission that changes the ranking of the two lowest bids received will extend the auction for an additional two minutes (if a bid is received 10 seconds into an extension, the auction clock is reset to 2 minutes);
- j. The Auction ends when no bids are placed during the final 2 minutes of the auction, or if the auction is ended by the Division of Purchases Auction Manager;
- k. An auction summary is available within minutes;
- l. Purchase orders are prepared after evaluation of the auction summary (if bid results are not favorable, a purchase order may not be prepared).

Appendix B

Summary of Reverse Auction Law Enforcement Vehicles Kansas Highway Patrol Kansas RFQ #04769

On May 14, 2002, the Division of Purchases conducted its first Reverse Auction on behalf of the Kansas Highway Patrol for Law Enforcement Vehicles.

In the weeks prior to May 14th, five (5) vendors submitted a response to our Pre-Qualifying Request for Quotation, and all five were judged to be qualified to participate in the Reverse Auction.

Immediately prior to the beginning of the auction, one bidder opted to withdraw from the process and not participate in the Reverse Auction because they didn't care for the format; they felt it was counterproductive. The vendor did note that they would have submitted pricing by sealed bid, if that option were available.

The performance of our contractor, MaterialNet, was phenomenal. In the days prior to the Auction event, they provided detailed planning documents with detailed progress notes and decision points. They were flexible when we needed to change the number of line items. They expedited the notification and training of the four vendors that were pre-qualified to participate in the auction. They walked us through the vendor interface so that we could experience the auction from the vendor's perspective. As the auction began, they were on hand via telephone and offered many hints and suggestions that improved the performance of the auction. They were prompt in contacting bidders when it appeared that they were either not on-line or were not participating. Overall the performance of the contractor exceeded our expectations and was beyond reproach.

PLEASE NOTE: In the Fall of 2001, a separate Request for Quotation was issued for 2002 model year vehicles. Contained in this RFQ was a condition that the vendor honor the final bid price for 2003 model year vehicles purchased through May 31, 2002. The results of the 2001 transaction became the measuring instrument against which the results of this Reverse Auction would be judged.

For **Item #1** (130 vehicles, staggered delivery), the price received via the Reverse Auction was a modest 2% higher than that which we received in the Fall of 2001 (\$21,448 vs. \$21,027). Admittedly, the difference (\$421) taken times the number of vehicles (130) was significant (\$5,473), especially in light of the fact that we had hoped for a lower price.

For **Item #3** (130 vehicles, single delivery), the price received via the Reverse Auction was even closer to the price received last fall (\$21,358 vs. \$21,027 - a difference of 1.5% or \$331). Given that the model year had changed (2002 vs. 2003) and six months had passed since the previous bid, we considered that price to be reasonably competitive.

As noted previously, the results of the Fall 2001 bid set the standard for pricing against which the results of the Reverse Auction would be judged. While the pricing received as a result of the Reverse Auction was competitive in its own right, the Kansas Highway Patrol made the right decision to take advantage of the lower price that was available from the Fall 2001 Request for Quotation.

Special Thanks to:

Division of Information Systems and Communications (DISC) for their technical assistance in the loan and set-up of computer and projector devices that were used to convert the Division of Purchases Conference Room into a central viewing station during training and on Auction Day.

A detailed summary of the auction results can be found at the following website:
<http://da.state.ks.us/purch/04769AuctionSummary.xls>

Appendix C
Summary of Reverse Auction
Paint Stripers
Kansas Department of Transportation
Kansas RFQ #04995

On July 9, 2002, the Division of Purchases conducted its second Reverse Auction on behalf of the Kansas Department of Transportation for Truck Mounted Paint Striping Equipment.

The Reverse Auction process is credited with saving the Department of Transportation over \$120,000 over the initial estimated costs of the equipment.

In the weeks prior to July 9th, four (4) vendors submitted a response to our Pre-Qualifying Request for Quotation, and all four were judged to be qualified to participate in the Reverse Auction.

Immediately after the beginning of the auction, it became apparent that one bidder was not connected to the on-line bidding site. MaterialNet immediately contacted off-line bidder by telephone. The technical issues were severe enough (and the auction short enough) that it became apparent that the bidder would not be able to attend on-line. A representative from MaterialNet signed into the Auction from the MaterialNet Command Center and entered bids into the auction on the bidders behalf.

The auction was completed in "textbook" fashion. As noted previously in this report, a bidder must enter the auction by placing a bid that is below the ceiling bid. With an expected cost of \$300,000 per unit, the first bids arrived in the neighborhood of \$328,000. The bidding continued at a fast and furious pace, eventually crashing through the \$300,000 reserve price.

As the auction entered the final two minutes of the original auction, the pace of the bidding was still very brisk. As the auction approached the one hour mark the bidding frenzy subsided, and the auction ended after 1 hour and 1 minute. Using the original estimate of \$300,000 and the final bid price of \$259,400, we calculated a savings to the Kansas Department of Transportation of \$40,600 on each Paint Striper, for a total of \$121,800 (14%) for all three units (excluding options).

The cost of the auction as set by Contract Number 03719 was \$2500. KDOT agreed to pay for the auction services in light of the savings generated by the process.

A detailed summary of the auction results can be found at the following website:
<http://da.state.ks.us/purch/04995AuctionSummary.xls>

3-9

Reverse Auction Bidding Activity Report							
Event:	Law Enforcement Vehicles						
	Kansas Highway Patrol						
Event Number:	4769						
Auction Type:	Reverse Auction	Explanations:					
Aggregation Type:	By Line Item						
Start Date:	5/14/2002 11:00:00 AM (EST)						
End Date:	5/14/2002 11:57:10 AM (EST)						
Event Duration:	0 Day(s) 0 Hour(s) 57 Minute(s)	The auction was scheduled to last 30 minutes, but with extensions, lasted 57 minutes.					
Buyer Extensions:	0	The Division of Purchases did not exercise its right to extend the auction (not necessary)					
Supplier Extensions:	23	Once the auction clock reaches 2 minutes remaining, if a bid is placed that changes who has submitted the top two bids, the auction would be extended. This auction was extended 23 times.					
Extension Type:	Take the Lead						
Extension Start:	2 Minute(s)	Extensions could not be granted until the the final two minutes of the original auction period.					
Extend To:	2 Minute(s)	(If another bid is received 10 seconds into the extension, auction clock reverts back to 2 Minutes.					
Reserve Price Visibility:	Disabled	(Bidders cannot view Reserve Price)					
Ceiling Price Visibility:	Disabled	(Bidders cannot view Ceiling Price)					
Transparency Type:	Full	Non-bidders have access to all auction data (access to the on-line auction is limited by invitation).					
Participating Supplier Bid Information							
Supplier Name	Heart Beat - Auction ExitTime (EST)						
Bob Allen Ford Inc.	5/14/2002 11:53:05 AM						
Extreme Ford	5/14/2002 11:57:02 AM						
Laird Noller Ford	N/A Laird Noller Ford opted not to participate in the on-line Reverse Auction						
Olathe Ford Sales Inc.	5/14/2002 11:56:02 AM						
Shawnee Mission Ford Inc.	5/14/2002 11:57:02 AM						

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Line Item: 1		Law Enforcement Vehicles, Staggered Delivery, Configuration #1				
Quantity:	130 Cars					
Reserve Price:	21,027.64	KHP Estimate of Equipment Costs				
Ceiling Price:	21,750.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.				
Minimum Decrement:	10	Bids must be lowered by amounts equal to or greater than \$10				
Take The Lead Decrement:	10	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$10.				
Final Bid Information Per Supplier for Line Item 1						
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids
1	Olathe Ford Sales Inc.	130 Cars	21,448.00	2,788,240.00	5/14/2002 11:40:07 AM	4
2	Bob Allen Ford Inc.	130 Cars	21,458.00	2,789,540.00	5/14/2002 11:39:04 AM	3
3	Extreme Ford	130 Cars	21,550.00	2,801,500.00	5/14/2002 11:33:19 AM	3
4	Shawnee Mission Ford Inc.	130 Cars	21,610.00	2,809,300.00	5/14/2002 11:07:00 AM	2
Total # of Bids Submitted:	12					
Line Item: 2						
Line Item: 2		Law Enforcement Vehicles, Staggered Delivery, Configuration #2				
Quantity:	20 Cars					
Reserve Price:	20,995.64	KHP Estimate of Equipment Costs				
Ceiling Price:	21,750.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.				
Minimum Decrement:	10	Bids must be lowered by amounts equal to or greater than \$10				
Take The Lead Decrement:	10	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$10.				
Final Bid Information Per Supplier for Line Item 2						
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids
1	Olathe Ford Sales Inc.	20 Cars	21,437.00	428,740.00	5/14/2002 11:41:24 AM	3
2	Bob Allen Ford Inc.	20 Cars	21,447.00	428,940.00	5/14/2002 11:39:52 AM	2
3	Extreme Ford	20 Cars	21,523.00	430,460.00	5/14/2002 11:33:31 AM	3
4	Shawnee Mission Ford Inc.	20 Cars	21,572.00	431,440.00	5/14/2002 11:08:57 AM	2
Total # of Bids Submitted:	10					

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Line Item: 3		Law Enforcement Vehicles, Single Shipment, Configuration #1				
Quantity:	130 Cars					
Reserve Price:	21,027.64	KHP Estimate of Equipment Costs				
Ceiling Price:	21,750.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.				
Minimum Decrement:	10	Bids must be lowered by amounts equal to or greater than \$10				
Take The Lead Decrement:	10	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$10.				
Final Bid Information Per Supplier for Line Item 3						
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids
1	Bob Allen Ford Inc.	130 Cars	21,358.00	2,776,540.00	5/14/2002 11:44:49 AM	3
2	Olathe Ford Sales Inc.	130 Cars	21,368.00	2,777,840.00	5/14/2002 11:42:56 AM	3
3	Extreme Ford	130 Cars	21,620.00	2,810,600.00	5/14/2002 11:05:26 AM	1
Total # of Bids Submitted:	7					
Line Item: 4						
Line Item: 4		Law Enforcement Vehicles, Single Shipment, Configuration #2				
Quantity:	20 Cars					
Reserve Price:	20,995.64	KHP Estimate of Equipment Costs				
Ceiling Price:	21,750.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.				
Minimum Decrement:	10	Bids must be lowered by amounts equal to or greater than \$10				
Take The Lead Decrement:	10	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$10.				
Final Bid Information Per Supplier for Line Item 4						
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids
1	Bob Allen Ford Inc.	20 Cars	21,347.00	426,940.00	5/14/2002 11:37:48 AM	2
2	Olathe Ford Sales Inc.	20 Cars	21,357.00	427,140.00	5/14/2002 11:37:05 AM	2
3	Extreme Ford	20 Cars	21,582.00	431,640.00	5/14/2002 11:05:40 AM	1
Total # of Bids Submitted:	5					

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Line Item:	5	Gun Racks for Law Enforcement Vehicles (Optional Equipment)					
Quantity:	150 Racks						
Reserve Price:	425	KHP Estimate of Equipment Costs					
Ceiling Price:	450	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	5	Bids must be lowered by amounts equal to or greater than \$5					
Take The Lead Decrement:	5	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$5.					
Final Bid Information Per Supplier for Line Item 5							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	
1	Olathe Ford Sales Inc.	150 Racks	210	31,500.00	5/14/2002 11:31:47 AM	1	
2	Bob Allen Ford Inc.	150 Racks	229	34,350.00	5/14/2002 11:40:58 AM	2	
3	Shawnee Mission Ford Inc.	150 Racks	450	67,500.00	5/14/2002 11:13:57 AM	1	
Total # of Bids Submitted:	4						

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Reverse Auction Bidding Activity Report						
Event:	State of Kansas Paint Striper Auction					
	Kansas Department of Transportation					
Event Number:	04995					
Auction Type:	Reverse Auction	Explanations:				
Aggregation Type:	By Line Item					
Start Date:	7/9/2002 11:00:00 AM (EST)					
End Date:	7/9/2002 12:01:22 PM (EST)					
Event Duration:	0 Day(s) 1 Hour(s) 1 Minute(s)	The auction was scheduled to last 15 minutes, but with extensions, lasted 1 hour and 1 minute.				
Buyer Extensions:	0	The Division of Purchases did not exercise its right to extend the auction (not necessary)				
Supplier Extensions:	199	Once the auction clock reaches 2 minutes remaining, if a bid is placed that changes who has submitted the top two bids, the auction would be extended. This auction was extended 199 times.				
Extension Type:	Top 2 Positions					
Extension Start:	2 Minute(s) Remaining	Extensions could not be granted until the the final two minutes of the original auction period.				
Extend To:	2 Minute(s)	(If another bid is received 10 seconds into the extension, auction clock reverts back to 2 Minutes.				
Reserve Price Visibility:	Disabled	(Bidders cannot view Reserve Price)				
Ceiling Price Visibility:	Disabled	(Bidders cannot view Ceiling Price)				
Transparency Type:	Full	Non-bidders have access to all auction data (access to the on-line auction is limited by invitation).				
Participating Supplier Bid Information						
Heart Beat Information						
Supplier Name	Heart Beat - Auction Exit Time (EST)					
EZ-Liner	7/9/2002 12:01:01 PM					
LaFarge Road Marking	7/9/2002 12:00:01 PM					
Linetech Design Mfg. LTD.	7/9/2002 12:00:05 PM Due to difficulties in attending on-line auction, bids for Linetech were entered manually by proxy.					
MB Company Inc of Wisconsin	7/9/2002 12:00:04 PM					

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3

Line Item: 1		Truck Mounted Paint Striper - Delivered to Hutchinson					
Quantity:	1 Each						
Reserve Price:	300,000.00	KDOT Estimate of Equipment Cost					
Ceiling Price:	380,000.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	200	Bids must be lowered by amounts equal to or greater than \$200					
Take The Lead Decrement:	200	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$200.					
Final Bid Information Per Supplier for Line Item 1							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	Proxy Bid User Name
1	MB Company Inc of Wisconsin	1 Each	259,400.00	259,400.00	7/9/2002 11:56:50 AM	26	
2	LaFarge Road Marking	1 Each	259,600.00	259,600.00	7/9/2002 11:56:11 AM	28	
3	EZ-Liner	1 Each	266,000.00	266,000.00	7/9/2002 11:31:40 AM	23	
4	Linotech Design Mfg. LTD.	1 Each	290,000.00	290,000.00	7/9/2002 11:16:51 AM	3	Chris Howe, DOP Buyer
Total # of Bids Submitted:	80						
Line Item: 2		Truck Mounted Paint Striper - Delivered to Chanute					
Quantity:	1 Each						
Reserve Price:	300,000.00	KDOT Estimate of Equipment Cost					
Ceiling Price:	380,000.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	200	Bids must be lowered by amounts equal to or greater than \$200					
Take The Lead Decrement:	200	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$200.					
Final Bid Information Per Supplier for Line Item 2							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	Proxy Bid User Name
1	MB Company Inc of Wisconsin	1 Each	259,400.00	259,400.00	7/9/2002 11:56:52 AM	28	
2	LaFarge Road Marking	1 Each	259,600.00	259,600.00	7/9/2002 11:56:14 AM	26	
3	EZ-Liner	1 Each	266,000.00	266,000.00	7/9/2002 11:31:44 AM	23	
4	Linotech Design Mfg. LTD.	1 Each	290,000.00	290,000.00	7/9/2002 11:16:58 AM	3	Chris Howe, DOP Buyer
Total # of Bids Submitted:	80						

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Line Item:	3	Truck Mounted Paint Striper - Delivered to Salina					
Quantity:	1 Each						
Reserve Price:	300,000.00	KDOT Estimate of Equipment Cost					
Ceiling Price:	380,000.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	200	Bids must be lowered by amounts equal to or greater than \$200					
Take The Lead Decrement:	200	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$200.					
Final Bid Information Per Supplier for Line Item 3							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	Proxy Bid User Name
1	MB Company Inc of Wisconsin	1 Each	259,400.00	259,400.00	7/9/2002 11:56:55 AM	27	
2	LaFarge Road Marking	1 Each	259,600.00	259,600.00	7/9/2002 11:56:16 AM	26	
3	EZ-Liner	1 Each	266,000.00	266,000.00	7/9/2002 11:31:56 AM	22	
4	Linetech Design Mfg. LTD.	1 Each	290,000.00	290,000.00	7/9/2002 11:17:06 AM	3	Chris Howe, DOP Buyer
Total # of Bids Submitted:	78						
Line Item:	4	Optional Night Illumination Device					
Quantity:	1 Each						
Reserve Price:	2,000.00	KDOT Estimate of Equipment Cost					
Ceiling Price:	3,000.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	20	Bids must be lowered by amounts equal to or greater than \$20					
Take The Lead Decrement:	20	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$20.					
Final Bid Information Per Supplier for Line Item 4							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	Proxy Bid User Name
1	MB Company Inc of Wisconsin	1 Each	111	111	7/9/2002 11:02:42 AM	1	
2	Linetech Design Mfg. LTD.	1 Each	400	400	7/9/2002 11:14:40 AM	2	Chris Howe, DOP Buyer
3	EZ-Liner	1 Each	500	500	7/9/2002 11:04:43 AM	2	
4	LaFarge Road Marking	1 Each	500	500	7/9/2002 11:25:49 AM	2	
Total # of Bids Submitted:	7						

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Line Item: 5		Optional Hand Held Paint Gun					
Quantity:	1 Each						
Reserve Price:	200	KDOT Estimate of Equipment Cost					
Ceiling Price:	700	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	5	Bids must be lowered by amounts equal to or greater than \$5					
Take The Lead Decrement:	5	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$5.					
Final Bid Information Per Supplier for Line Item 5							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	Proxy Bid User Name
1	EZ-Liner	1 Each	495	495	7/9/2002 11:16:22 AM	3	
2	Linotech Design Mfg. LTD.	1 Each	500	500	7/9/2002 11:15:01 AM	2	Chris Howe, DOP Buyer
3	MB Company Inc of Wisconsin	1 Each	600	600	7/9/2002 11:20:07 AM	2	
4	LaFarge Road Marking	1 Each	700	700	7/9/2002 11:02:25 AM	1	
Total # of Bids Submitted:	8						
Line Item: 6		Optional Laser Guidance System					
Quantity:	1 Each						
Reserve Price:	5,000.00	KDOT Estimate of Equipment Cost					
Ceiling Price:	7,500.00	A bidder must bid lower than the ceiling price to enter the auction. This number is an arbitrary figure.					
Minimum Decrement:	20	Bids must be lowered by amounts equal to or greater than \$20					
Take The Lead Decrement:	20	By pressing the "Take the Lead" button, a bidder will vault themselves into the lead by \$20.					
Final Bid Information Per Supplier for Line Item 6							
Rank	Supplier Name	Quantity	Unit Cost	Total Bid	Bid Time (EST)	Total Bids	Proxy Bid User Name
1	LaFarge Road Marking	1 Each	5,700.00	5,700.00	7/9/2002 11:23:16 AM	2	
2	Linotech Design Mfg. LTD.	1 Each	5,800.00	5,800.00	7/9/2002 11:15:27 AM	2	Chris Howe, DOP Buyer
3	EZ-Liner	1 Each	6,000.00	6,000.00	7/9/2002 11:09:24 AM	2	
4	MB Company Inc of Wisconsin	1 Each	7,500.00	7,500.00	7/9/2002 11:04:09 AM	1	
Total # of Bids Submitted:	7						

Reverse Auctions – Pilot Study

The Division of Purchases has identified the following objectives for the pilot study:

Cost Savings

Can cost savings be achieved? If so, does it appear to be likely that continuous cost savings can be achieved for the same commodity, or is the tool best used occasionally to benchmark pricing?

In the area of cost savings, the results of the two Reverse Auctions conducted thus far were mixed.

Auction #1: While the pricing received as a result of our first Reverse Auction was competitive in its own right, the transition to a new automobile model year was a complicating factor...we were comparing a 2002 model year price against a 2003 price.

Also, we sought competition between Ford Dealers; if a situation could be created where we could seek competition between two manufacturers (Ford and Chevrolet, for instance) the results may be different.

Auction #2: KDOT Paint Strippers - By auction's end, we had achieved a major savings (over \$120,000 total) compared to our estimated / historical / expected costs.

Most reverse auction users across the county speak of the effect of the "law of diminishing returns"...we feel that we might be able to improve on the price slightly, but we would not be able to achieve the same magnitude of savings again.

One central concern then becomes: Can the State of Kansas save enough money using the Reverse Auction tool to recover the costs of the auction? An analysis of this concern must be completed for each transaction for which a Reverse Auction is considered.

What factors about a commodity make for a more / less successful reverse auction? Is it useful, for example, for smaller dollar or non-routine purchases?

More Successful:

- Choose a commodity that is available in a competitive marketplace;
- The commodity must be simply defined and "homogeneous" in nature (each bidder provides a similar product, in the same price range);
- Educated and knowledgeable vendors who are accepting of the process and technology (some industries and small businesses are slow to take advantage of computer technology);

Factors which make for Less Successful Reverse Auction:

- Marketplaces with limited competitive opportunities (example: Ford vs. Ford – weak motivation for competition, Ford vs. Chevrolet – stronger motivation for competition);
- Some vendors feel that the process is cannibalistic...they usually prefer a sealed bid environment, even though that could be a win / lose proposition;
- Bidding products that can vary widely from manufacturer to manufacturer, and therefore vary greatly in price;
- Any marketplace where technology is only marginally accepted and / or utilized;

Senate Commerce Committee

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Attachment 4-1

What, if any, additional costs may be incurred as a result of the reverse auction process?

The current fee per auction is \$2500. **Other direct costs** might include any long distance telephone calls or purchase / rental of a video projector and laptop computer to create an auction "screening room" for Agency and DOP personnel. DOP has been able to borrow equipment from DISC to conduct its previous auctions.

Indirect costs are associated with the preparation for the auction; a commitment of time from Division of Purchases personnel and Agency representatives is required to conduct several meetings / telephone conferences with the contractor to develop the auction parameters.

Administration/Efficiency

How easy/difficult is it for buyers and sellers to make use of this technology? What level of effort is required to administer a reverse auction (full service v. self-service)?

Managing information is the challenge of reverse auctions.

The Agency / DOP must conduct some basic preliminary research to develop specifications and pricing history / expectations. In concert with the contractor, the Agency / DOP develop the data needed for the on-line auction interface. During the auction, it is important to monitor connectivity of bidders and to watch for obvious pricing errors.

The auction interface for the bidder is fairly simple. Detailed instructions and training (if necessary) are available from the contractor.

With experience, DOP could conduct its own auctions, using the contractor's website. In a self-service auction, DOP would coordinate the development of the on-line interface.

It would be cost prohibitive to attempt to lease or purchase the software. At \$2500 per auction, we could conduct dozens of auctions and still not exceed the cost of buying or leasing the software outright.

How is the overall length of the procurement affected by using reverse auction technology?

During the pilot project, the length of the procurement process has been longer than standard bidding methods. This can be attributed in part to our lack of familiarity with the process. -The second auction was conducted in a shorter time frame as we were more familiar with the interface development phase of the project.

What tasks in the procurement process are made more simple/difficult by using this technology? Are new tasks required? Do old tasks no longer necessary?

Identification and Selection of commodities which could be candidates for the Reverse Auction process can be a challenge.

Reception by Buyer/Supplier Community

What is the level of interest among state agency procurement officers and management in the technology?

Once the Reverse Auction proves its value through successful events, the "fear of the unknown" will dissipate. Many state agency procurement officers / business managers are interested in the concept, but in lean budget times, find themselves without commodity candidates for auction.

Another hesitation is in the cost of the auction. Agencies are concerned about whether or not they can recover the cost of the auction through cost savings.

Are local units of Kansas government interested in participating?

DOP has talked with a number of state governments and private corporations about Reverse Auctions, but have seen little interest from local units

How do suppliers feel about using the technology?

What reasons are given by buyers/suppliers to participate, or decline to participate?

In our first auction for law enforcement vehicles, one bidder was uncomfortable with the concept. He was willing to submit his pricing by sealed bid, but was concerned that the Reverse Auction might cut his profit margin too thin.

In our second auction, one bidder had difficulty maintaining an internet connection. He placed a couple of bids by proxy, but bowed out when he thought his profit margin was uncomfortably thin. He viewed the process as somewhat "cannibalistic" in that the undercutting of pricing would be detrimental to the industry as a whole (setting unrealistically low pricing expectations for future bids for similar equipment).

A bidder must be comfortable with the use of computers and Internet technology. Without that experience, the whole concept may appear to be somewhat foreign and daunting.