

Procurement of Special-purpose road passenger-transport services A Home School Transport Service - Northamptonshire County Council

About this Best Practice Case

Providing Home School Transport in an efficient way proved to be more and more difficult in Northampton as the number of children requiring transportation increased. In particular, this case shows how they used the so-called reverse electronic auction tool, instead of conventional procurement methods, to reach a lower price with more flexibility within the contract framework, whilst retaining the quality of the transport services. They also managed to reduce the time needed for the procurement significantly.

Title: United Kingdom-Northampton: Special-purpose road passenger-transport services
Cluster Topic: Mobility Services
Procedure: Open Procedure via the tool of Electronic Reverse Auction
Country: UK
Procuring Authority: Northamptonshire County Council, department of highways,
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TED: 2013/S 171-296504

Northampton: Procuring a Home School Transport Service Contract via the Reverse Auction Tool

Key Points

- Using the reverse electronic-auction proved efficient for tendering a service contract that gave Northamptonshire County Council the maximum value for money, whilst maintaining the quality via quality checks.
- Significant cost savings were achieved through the use of a multiple operator framework contract and reverse e-auctions. The first reverse auctions held in 2010 led to a saving of 30% compared to contracts tendered in previous years.
- The procurement process tendered reverse auctions for 129 routes. Mini competitions were also carried out for other routes throughout the duration of the framework agreement. Over 150 operators were awarded a framework contract.
- The reverse electronic-auction is a quicker way to procure contracts which saves resources (time) of the public authority.

The Procurement Objectives

Brief description

The main goal of cities, regions (and also of the parents), when it comes to the transportation of the children to and from school, is the safety of the children, followed by the flexibility of the transport solution offered and by environmental goals. As an example, in some cities the majority of parents drive the kids to school with a private car. This leads to more safety issues, especially in front of the school where traffic is increased, to more congestion and it is a transport mode that causes a high level of CO₂ emission. Therefore many public authorities invest in alternative transport modes (biking, walking to school) or a School-Bus Service.

There are large differences in the use of School-Bus Services between the European Member States, which is caused by various factors. For example in the Netherlands about 70% of the students from 12 to 17 years of age choose the bike for the journey to school. Reasons are the relative short distances to school, the save bike lanes and the flatness of the country.

Also in the UK a high amount of students uses the bike to go to school, but the School Bus is also very important. Factors like educational policies and school location influences the transportation policies. In the UK the so-called integrated school system leads to schools offering a range of educational opportunities. To be efficient, high numbers of students are required and thus large school-building complexes. These complexes need much space and

are therefore often built outside the city. This leads to larger transportation distances which makes a bike less attractive.²¹

Northamptonshire County Council also faced other issues like the increasing costs for the existing service contracts they had, because the number of children requiring transportation was strongly increasing. This was triggered by a general increase in the school population in combination with the fact that available schools are often more distant. In addition, there is a trend that more and more parents are choosing not the nearest school, but a preferred more distant school, which leads to longer travel distances for the students.

Reasons for this procurement

Faced with this situation Northamptonshire country Council was looking for a new way to procure a Home School Bus Services. It wanted a quicker way to procure contracts with more flexibility when the students travel needs change, whilst retaining the quality of the services.

The new contracts should:

- i) have a total value (budget) excluding VAT between 48,000,000 and 88,000,000 GBP;
- ii) keep the level of quality;
- iii) lower the time needed for the procurement process itself.

Innovative Aspects

The procurement process itself was innovative. The tender process improved the ability to gain value for money through the reverse electronic auction. The costs for the council were reduced and the flexibility within the contracts was increased.

In this best practice case the innovative aspects are in the innovative tender process, rather than in an innovative solution. There was an initial pilot phase to determine the feasibility to use reverse auctions in this case. E-auction training was carried out prior to the first real e-auctions in 2010. Advertisements and articles were placed in local papers and newsletters were sent to all operators to achieve a maximum level of participation.

The Procurement Process

In preparation for the tender Northamptonshire County Council carried out an “e-auction training”. Advertisements and articles were placed in local papers and newsletters were sent to all operators to stimulate them to participate.

To guarantee the quality of the services, at first all participating suppliers are put through the usual quality checks to ensure they are were capable of providing the service through the framework contract. Once they were through this stage they were qualified for bidding in the e-auction platform. This A can be described as kind of similar to Ebay only revers bidding was used: the lowest bit is winning.

²¹ De Boer/ Van Goeverden 2008: School Travel as a product of school system, school location and transport strategies, Association for European Transport and contributors, p. 2.

A Multiple Operator Framework Contract was used, which means there is one overall contract, but multiple operators tendered for small parts of it (sets of individual routes). Operators bid for part of the Framework Contract, not to provide the full service for all routes. There was an extra tender for each of the routes delivered as “call-offs”, which was also part of the overall framework contract. This means that for each route there was a separate reverse e-auction, which also gives SME’s the opportunity to participate, as they do not have to deliver all routes. All e-auctions were carried out within certain time limits.

Procurement Procedure and the Reverse Auction as tool

Key Reasons for using the reverse electronic auction

The Reverse Auction itself is just one tool within a normal open procurement procedure. The main reason for using this tool and the open procedure was that it looked like a very straight process of procuring that seemed to offer the flexibility needed.

The reverse auction in short

The key element of the reverse auction is that the role of the buyer (public procurer) and the seller (supplier) is reversed. In an ordinary auction, also called forward auctions, “buyers compete to obtain a good or service by offering increasingly higher prices”. In the reverse auction the suppliers compete against each other and the one who offers the lowest price for the same service wins the tender. Within procurement this decreases the price of the service or product one wants to purchase.

The contract award criterion of the tender was “the most economically advantageous tender”. The main criterion was achieving the lowest price (80 %), but there was also a criterion on quality (20 %) evaluating a few qualitative aspects of transport solution offered.

Pro and Cons of the Reverse Electronic Auction

There are several positive aspects, due to the reverse auction and the used procurement approach:

- it enabled Northamptonshire County Council to advertise locally to achieve a high participation;
- it enabled clear and very objective criteria that every supplier that participated had to meet;
- especially the time savings of the procedure itself was great, because the electronic way reduced paper work and the awarding decision could be taken in weeks instead of months;
- also the opportunity to award the lowest-cost provider while retaining a minimum of quality criteria for the suppliers is a positive aspect of the reverse auction.

One other positive side of reverse auctions is that an e-auction might be an opportunity to break cartels, because it might open the market for smaller suppliers through breaking down

the contract into small parts that also SMEs can fulfil as well as its down-pricing components.²²

On the negative side is the fact that the procurement process clearly suppressed innovation. There is no negotiation, not adoption of solutions and only already available options were considered.

In the future this might be solved via the so-called “[total transport pilot fund](#)”, which is used to give local authorities in England the opportunity to try new and better ways of delivering joint-up (more public authorities join each other to deliver a service together) local transport in rural an isolated areas.

Key Results

The procurement process put out to tender reverse auctions for 129 routes. Mini competitions were also carried out for other routes throughout the duration of the framework agreement. Over 150 operators were awarded the framework contract.

Contract tendered

As mentioned significant cost savings were achieved through the use of a multiple operator framework contract and reverse e-auctions. The first reverse auctions were held in 2010 and made a saving of 30% on contracts tendered in previous years.

The contracts tendered were short term (less than 3 years) service-contracts, with the possibility of one year extension. The reason for the short term contracts is the noticed change in demand for journeys year by year. The revers auction proved to give this flexibility and possibility to re-tender on a regular basis, because it does not require a lot of resources to do a reverse auction. This maintains competitiveness and if there are issues with an operator, who is not delivering a good service these can be addressed, easier as the fear not to get extension, or the public authorities can simply contract another supplier after 3 years.

The methodology was first piloted in 2010 by Northamptonshire County Council and has since also been used for procurement of telecommunication services by the County Council. The approach has also received interest nationally. Several councils came to inform about the auctions and to share good practice and experiences.

²² Purchasing Auctions. 2017, What is a reverse auction? URL: <http://www.purchasingauctions.com/what-is-a-reverse-auction/>

Key Lessons Learnt

1. The reverse electronic auction can lead to more flexibility in terms of re-tendering after 3 years, in case the supplier is not fulfilling its contract well or in case the demand is changing.
2. The procurement tool used can lead to significant cost savings.
3. A multiple supplier contract framework can help SMEs to participate.
4. The reverse electronic auction as tool within the open procedure is not very open for innovation and only allows integrating quality requirements to a limited extent.
5. Procuring, with the help of an electronic auction tool, can lead to a significant reduction of purchasing time.

References and Further Information:

1. PurchasingAuctions. 2017, what is a reverse auction?

<http://www.purchasingauctions.com/what-is-a-reverse-auction/>

- 2.) European Commission 2008, Guillame Leduce, Road Traffic Data: Collection Methods and Applications, Working Paper on Energy, Transport and Climate Change N.1. p.2.

<http://ftp.jrc.es/EURdoc/JRC47967.TN.pdf>

2. Information on the Total Transportation fund: <https://www.gov.uk/government/news/76-million-for-local-transport-in-rural-and-isolated-areas>

3. De Boer/ Van Goeverden 2008: School Travel as a product of school system, school location and transport strategies, Association for European Transport and contributors