

Examining the Efficiencies of Co-operative Purchasing Via the Internet in the Public Sector

a report by

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The governmental entities throughout Northern Nevada have enjoyed phenomenal success over the past 18 years through the use of co-operative purchasing. Almost all government entities in the area are participating members of the Northern Nevada Consortium for Cooperative Purchasing (NNCCP) ("the Consortium"). A vast array of products and services common to governmental entities are procured co-operatively, resulting in lower costs to the tax-payers and greater efficiency for each participating purchasing department. As e-procurement techniques and practices develop and solidify, these too will be incorporated by the Consortium members to guarantee maximum efficiency as well as lowest costs.

Background

The commonality of items and services purchased by governmental entities is noteworthy. In fact, in excess of 90% of the goods and services are the same from one governmental entity to the next. Several of the governmental entities in Northern Nevada recognised this potential cost-saving opportunity in the early 1980s, and they began discussions among themselves and with each other. Tenuous official contacts were made and a few bids were let with multiple participants to 'test the waters'. The results were very promising, with substantial savings as a result of the economies of scale.

In August 1984, almost all governmental entities in Northern Nevada approved 'interlocal agreements', whereby joint bids, requests for proposals (RFPs) and requests for qualifications could be let as a regular course of business. Further, each interlocal agreement recognised the actions(s) of one governing body (relative to the award of bids, RFPs and qualifications) as if they all had taken the same action. In other words, an award of a bid by the Washoe County Board of Commissioners would be recognised by the City of Sparks City Council and the City of Reno City Council, just the same as if they themselves had made the award.

This intergovernmental co-operation was greatly aided by the Nevada Revised Statutes (NRS) (State

Law). The NRS in Sections 332.195 (local purchasing) and 333.470 (state purchasing) recognised the 'right' of a local government to use any State of Nevada contracts, and, similarly, the State of Nevada may use any local government's contracts, provided the contracting supplier agrees to such use.

As a direct result of these actions, the NNCCP was formed in late 1984, and continues functioning well to date.

Opportunity

With so much purchasing in common, it makes sense to consolidate requirements on many levels.

First – Economics of Scale

All governmental entities use items such as batteries, light bulbs/tubes, gasoline/diesel fuel, heating oil, tyres, office supplies, paper, furniture, uniforms, sand/gravel, asphalt, cement, fertiliser, chemicals and many other products. Services in common include consultants, tank testing, laboratory testing, armored transport services, banking services, construction management services and many others. When several entities can combine their requirements, better prices due to economies of scale are a direct result.

Second – Better Use of Purchasing Department Staff

Since only one entity needs to prepare the bid/RFP documents and administer the process, staff members of the other purchasing departments are freed to pursue other assignments for their entities. Instead of each purchasing department writing and administering bids/RFPs for the same goods and services, now only one department has the responsibility. Annually, determination is made by the NNCCP as to which entities will bid/RFP for which goods and services. Thus, workloads are balanced between larger and smaller departments, and specific expertise can be, and is, applied to each procurement.



Third – Economies of Scale and Procurement Department Efficiencies

The tax-payers of all entities benefit from both the economies of scale and procurement department efficiencies thus obtained. Tax dollars go further and therefore tax increases need not be as frequent, while more and higher-quality programmes are enjoyed by the citizens of each participating governmental entity.

To avail themselves of these opportunities and advantages of co-operative purchasing, local governmental purchasing departments must be aware of many factors, not least of which is the local political 'climate'. Other factors for consideration are geographic proximity, purchasing laws, ordinances, regulations and policies, relative sizes and departmental sophistication, leadership, senior management's commitment, ethical considerations, compatibility of systems and technology and citizen perception, including the mass media.

If most of the foregoing are either supportive of the co-operative effort, or at least neutral (in contrast to being absolutely opposed to the concept), the proposition can be explored and perhaps (as in Northern Nevada) even experimented with in a pilot bid/RFP. If successful, proceed, remembering that each entity must 'give up' some perceived 'power'

and/or 'control' in order for the process to achieve its maximum potential effectiveness.

e-Commerce Enhancement

As e-commerce coalesces and solidifies, it can, and will, be applied to co-operative purchasing to enhance the benefits for all. Tenuous steps in that direction have already taken place with co-operative bids/RFPs advertised over the Internet. Orders against co-operative contracts are being placed electronically, and payments are also made electronically.

e-Commerce methodologies applied correctly to co-operative purchasing can do nothing except enhance the process, resulting in greater tax-payer savings and more efficient and effective use of governmental procurement resources.

Conclusion

A solid, legally based and politically acceptable co-operative purchasing arrangement must be in place before any e-commerce strategies or solutions can be applied. If all of the 'homework' is successfully completed first, then enhanced by e-commerce, the participating governmental entities will benefit themselves and their tax-paying citizens for many, many years, just as in Northern Nevada. ■