

Good Practice Case Study

Lincolnshire Transport Services Group: On the way to saving £1.3 million ▼



Lincolnshire
COUNTY COUNCIL

Image courtesy of The Lincolnshire Echo

The drive for change ▼

In taking steps to challenge itself and effect change, Lincolnshire Transport Services Group has achieved significant savings in the past two years. The trial and subsequent introduction of e-auctions as a new model for awarding Public Service Vehicle contracts for school travel has already driven savings of more than £270,000 per academic year. This will total more than £1.3 million over a five-year period, across only 10 e-auctions.

“We didn’t have hard evidence, but we just knew that we could wield greater purchasing power

and bring about significant change in the way we were doing things. Using e-auctions has undoubtedly generated cash savings and therefore provided greater value for money for our residents, but it also benefits our operators and our own internal processes; ultimately, we believe that e-auctions have put everyone in a better position.”

Derek Thompson
Principal Transport Officer
(Development)
Lincolnshire Transport Services Group

Lincolnshire Transport Services Group: Taking a new route ▾

Lincolnshire Transport Services Group administers approximately 2,600 contracts and season ticket agreements and is responsible for the passage of around 26,000 pupils, students and adult social care passengers daily. They operate a rolling programme of tendering, which awards approximately 1,500 contracts per annum. Between 2002 and 2008, expenditure on school, college and social transport increased by 40% to over £30 million, with projections for 2008/09 set at more than £32 million.

Prior to the trial of the e-auctions, Lincolnshire Transport Services Group employed a 'traditional' tendering service for its transport contracts. The approved operator list, of approximately 400 companies, would be contacted by Recorded Delivery post when a contract was coming up for tender and returned submissions would be made by hard copy. This method was labour-intensive and expensive for both the Council and the operators.

The beginnings of change came in 2003 with the introduction of email

to deliver the tender information to the approved operator list. This very simple step drove down printing and collation costs, as well as reducing the potential for human error, which was inevitable when dealing with such huge volumes of information.

The introduction of email to the process demonstrated that just a very small adjustment could make a significant difference, both to working practices and to cost. The logical next step seemed to be to embed technology even further into the tendering process and at a meeting at the West Midlands Centre of Excellence in October 2006, Bravo, an e-auction supplier, ran a demonstration of its system, with the potential of gaining funding of £5,000 to run a trial.

After visiting and consulting with other authorities already undertaking a pilot with Bravo, including Worcestershire County Council and West Sussex County Council, a business case was drawn up and presented to Members, and the trial was agreed.

Mapping out success ▾

The first trial e-auction took place in January 2008. Prior to this in August 2007, communication with the operators began, detailing the intention to pilot e-auctions, the reasoning behind it and the potential benefits to all parties concerned. This open and honest communication has been consistent throughout the trial and subsequent implementation of e-auctions, which has undoubtedly assisted with the success of the project. Communication has included:

- Early notification of the e-auctions and advice for registration
- An update after the first e-auction, including dates for subsequent events planned
- Full detailed contract specifications circulated one month prior to each e-auction
- Free training via a dummy website and help desk set up by Bravo approximately 10 days prior to each e-auction
- A request for feedback after each e-auction

In addition, a break in the trial took place between November 2008 and November 2009 while a significant period of face-to-face consultation took place.

A total of 10 e-auctions have been run to date, using slightly different formats and models in the true essence of a trial. For example,

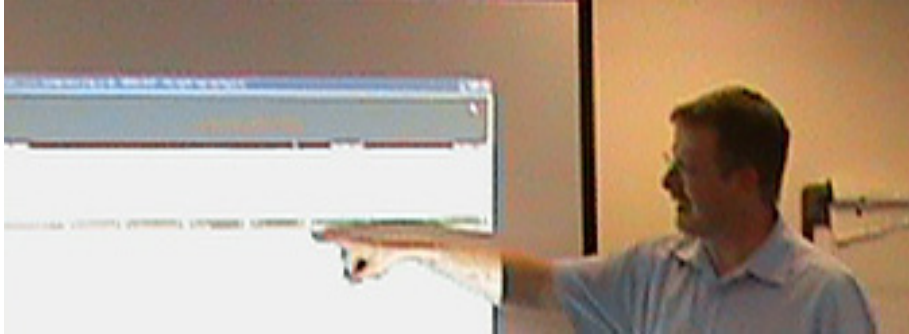
variations have included:

Type of transport being contracted: Both non-Public Service Vehicles and Public Service Vehicles were used

Geography: Some have been for specific locations e.g. Lincoln, some have been county-wide and some have been split by North or South of the county.

Pricing limitations: The initial e-auctions set the start price of the auction at the value of the current contract. Some included a 3.1% increase on the current value to take account of inflation, whereas others had no set start price.

Using a Pre-Qualification Questionnaire (PQQ): This was put in place on certain e-auctions where many operators could participate to try and ensure numbers were manageable (Bravo recommend an optimum number is between 20 and 30). However, adding a PQQ adds approximately one month to the overall timescales. After the trial it was agreed that e-auctions would only continue for Public Service Vehicles contracts, of which there are approximately 45 approved operators in Lincolnshire. Therefore PQQs are no longer deemed necessary.



Bus e-auction being held at Lincolnshire County Council

Mix of e-auction and postal tender: This model was following feedback from operators who wanted the option of either method. Post-auction it was decided that there would be no further mixed batches.

Of the 10 auctions held so far, the lowest decrease in costs has been 1.5%, when only four of the seven contracts were let. The biggest actual cash saving has been over £97,000 per academic year and the highest percentage saving 26.18%.

Top 10 tips for successful e-auctions ▼

Undertaking a substantial and lengthy trial from January 2008 to November 2009 using many different formats has allowed Lincolnshire Transport Services Group a full and rounded understanding of what works best in terms of e-auctions, with many lessons learnt for the future:

Consultation and communication is vital: It is imperative to communicate with contractors throughout the process, to be honest and clear on intentions. Without this, Lincolnshire's Transport Services Group believes it would not have gained the members' agreement. However, it stresses that consultation is not always easy and there may always be a minority of companies

that are disgruntled with change (and the disruption this minority can cause should not be underestimated).

Contracts awarded through e-auction have longevity: There was some concern that holding an auction would drive the price down to an unsustainable level, resulting in the winning operator terminating the contract after a short period. Contrary to this expectation, Lincolnshire Transport Services Group's experience is that retention levels through e-auctions remain unchanged from those established during postal tenders.

e-auctions allow operators greater focus and more effective resource planning: When operators bid for contracts using paper tenders,

the administration involved means that there is an unavoidable delay before they know whether or not they have been awarded the contract. In contrast, e-auctions are instantaneous as operators know immediately if they have submitted the lowest price or not. If they are successful, they can plan resource accordingly and if not they can shift focus to other contracts or short-term opportunities.

No starting price is deemed the fairest strategy: Lincolnshire Transport Services Group has trialled using minimum start prices on e-auctions. However, negative contractor feedback meant that it re-assessed this strategy. Having no starting price can increase the risk of protracted bidding, but is perceived by operators to be a fairer process as the successful bid is truly driven by market forces.

Team really needs to understand its market before e-auction: The e-auction process does not allow for composite bids to be made. Therefore, the team really needs to understand its market before it goes into an e-auction to ensure it is truly getting value for money from stand-alone contracts, and not foregoing the opportunity of one operator delivering multiple contracts for a reduced price.

e-auctions create a 'level playing field' for operators: Paper-based tenders are by their nature speculative and work best for those operators who have vast experience of the industry. Because e-auctions allow all participants to understand

where they rank in the tender process immediately, all parties are much more informed and can adapt accordingly.

Interaction during e-auctions is invaluable for both parties: Bravo operates a 'traffic light' system to show which operators remain in the auction. As Transport Officer (Development) Sandy Carruthers explains: "*The live helpdesk allows Lincolnshire Transport Services Group to check if operators leave through choice, or if there is a connectivity problem. Conversely, if operators identify a problem, they can contact the helpdesk and bidding can continue through this forum if necessary. This interaction allows the best, and fairest, result possible.*"

Time it right: The time of day that an e-auction runs is important to the contractors involved. For Lincolnshire Transport Services Group it would be financially beneficial to run two e-auctions in one day, but holding an afternoon auction can infringe on smaller contractors as they may need to be out of the office fulfilling a contract, for example as schools close for the afternoon.

Operating exclusively by e-auction is not yet feasible: The trial in Lincolnshire showed that e-auctions do not work for all contract areas. The three e-auctions for non-Public Service Vehicle contracts did not generate as much interest from operators and consequently not all the contracts were let. This may have been as a PQQ was required for non-Public Service Vehicle

operators. Lincolnshire Transport Services Group are using e-auctions for naturally expiring contracts; however there is currently no facility to accommodate Bus-Lincs services within e-auctions (this is currently being investigated by Bravo). Therefore, it is not currently beneficial to move exclusively to an e-auction model.

Don't close an e-auction down: If interest wanes on one contract, do not close the e-auction down. Often as operators drop out of bidding for one contract, they move to another contract area, creating renewed interest.

The next leg of the journey ▾

Lincolnshire Transport Services Group believes it has made much progress with the introduction of e-auctions, but recognises that it is still at an early stage on this journey. E-auctions are most definitely a part of the future, with approximately 140 contracts awarded in total via this method. The work done so far merely scratches the surface of the potential savings. However, as the trial proved, e-auctions don't work for all areas, so it is a case of working out where the focus should lie.

The aim for 2010 /11 is to deliver between eight and ten e-auctions at a total cost of £20,000, with each auction including between 12 to 15 contracts. In addition, Lincolnshire Transport Services Group wants to:

- Investigate how e-auctions can contribute to the wider corporate aim of communicating with customers (which includes operators) on a 24-7 basis
- Focus on generating savings and contributing to better ways of working

- Consult with other local authorities which have used e-auctions successfully in other areas, in order to share knowledge and identify further opportunities
- Monitor the industry: Other organisations such as Eastern Shires Purchase Organisation (ESPO) are now introducing e-auctions, so it will be interesting to understand different models and how they work
- Consider weekend e-auctions, to ensure operator services are not disrupted

As Derek Thompson concludes:

"We had no pre-conceptions or expectations about e-auctions. It was a genuine trial. I don't think anyone ever expected we would deliver more than £1.3 million of savings from just 10 e-auctions, so we know we want to continue, but we also know we need to progress at a steady rate. This is still a relatively new area and we know we've got to bring everyone along on the journey with us for it to truly reap benefits."

Notes ▾

East Midlands Improvement and Efficiency Partnership Case Studies

The East Midlands Improvement & Efficiency Partnership (EM IEP) is committed to celebrating the successful, innovative and imaginative project work that exists in the East Midlands region.

The EM IEP Support Team publish case studies showing how East Midlands councils are improving services, and delivering significant improvements and efficiencies.

The case studies are intended to inspire councils in the region, and indeed nationally, to transform services and benefit from the processes developed by those councils that have pioneered the way forward.

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