



This Bid's for You!

How online reverse auctions save taxpayers millions

Problem

Illinois needs more cost-efficient, quality-driven spending activity at the local and state levels of government. Illinois's state budget has exploded from \$24.7 billion in 2004 to \$32.2 billion in 2009, increasing nearly 30 percent over just five years. The state needs better spending practices, more transparency in the procurement process, and a tool to help avoid wasteful spending and root out pay-to-play politics.

Our Solution

Online reverse auctions make the state procurement process more transparent, foster competition, and help to eliminate pay-to-play, waste, and corruption. Online bidding would act as a deterrent of insider deals, so the brother or the cousin of some elected official wouldn't get business just because of personal relations (something all too common in Illinois politics).

Online reverse auctions are more than just an intriguing policy concept. Setting up a platform for both the public and private sector to administer an online bidding process, much like eBay, has already helped other states (including Indiana, North Carolina, Florida, Ohio, and Arizona) save millions of dollars. The idea behind online reverse auctions is simple: In order to get the desired level of service at the best price possible, the state should make contractors compete.

Why This Works

Other states have enjoyed substantial savings at both the state and local level as a result of making contractors bid for their business in online reverse auctions. Illinois would serve its families and taxpayers well and help alleviate

some serious budget problems by following the lead of other states that have implemented online contract bidding.

In January 2009, Chicago participated in a reverse auction event with a company called BidBridge, which provides the online bidding platform for contractors both in the private or public sector. Chicago held a bidding event to find the best deal on snow removal equipment for O'Hare airport, and awarded the winning bidder eight months after the auction on August 6, 2009.

By implementing a reverse auction bid instead of relying on its traditional sealed bid auction, Chicago saved taxpayers \$1 million for the O'Hare deal. According to a BidBridge press release, "The winning bid stood at \$19,586,940 – **nearly \$1 million less than a contested one-price format bid** that occurred several months before with the four same suppliers." This is just one example highlighting how Illinois could save tax dollars and streamline its procurement process into a more cost-efficient and quality-driven enterprise.

Chicago's **single** online bidding event saved it nearly 1 million dollars. Imagine how much the rest of the state and local government could save if they began using online reverse auctions.

If state and local government procurers took advantage of utilizing online reverse auctions for all projects, they would dramatically improve budget management, help keep costs down, and save Illinois taxpayers significant sums.

Learn more at www.illinoispolicyinstitute.org.