

Borderless buying

by Richard Bray

Keeping up with technology is difficult and expensive. It is hard to know what is available when and to determine what is needed today that won't be obsolete tomorrow. Purchasers are struggling to determine user needs and system specifications and to deal with tighter and tighter budgets in a rapidly changing environment. *Summit* thought there might be a lesson to learn from the group of western states that joined forces and developed a joint purchase agreement for information technology to address some of the issues they faced. Founded in 1993 by purchasing officials from the western United States, the 15-member Western States Contracting Alliance (WSCA) negotiates multi-jurisdictional contracts with vendors, with different states taking the lead in different sectors. The agreement was spearheaded by Terry Davenport, a procurement specialist with the State of New Mexico. Between October 1999 and December 31, 2000, US\$394,481,600 in purchases were made under agreements with Compaq Computer Corporation, CompUSA Inc., Dell Computers, Gateway Companies, Inc. and IBM Corporation. Davenport spoke with *Summit* writer, Richard Bray.

Summit How does the Western States Contracting Alliance prepare for negotiations with IT vendors?

TD We have a planning session every year and at the planning session we identify opportunities for cooperative purchasing at different levels. A lot is done just within the WSCA region. Five states might do something together or we'd do something within the multi-state region, or occasionally a national one. The computer contracts were a national contract sponsored by us. In any case, we identify a lead state and then we identify other states that want to contribute to the process either through their review of specs or advertising or by being a part of the multi-state evaluation committee. The lead state is responsible for conducting the procurement and administering the resulting contract and the other states participate. Different states lead on different kinds of things. Oregon last year led a multi-state effort on heavy equipment and front-end loaders, for example.

Summit There is a lot of communication involved in IT purchases, even within a single organization. Could you manage this without the Internet?

TD No. Absolutely not. The business model that I presented to the WSCA directors for approval was based on use of the Internet only. We required our contractors to have e-commerce functional-enabled sites for the administration of the contracts, with actual products, prices and those kinds of things. It wasn't optional – it was the only way this could work. Plus, I set up the admin side to administer the contracts. To do this otherwise would mean I would be on the phone all day, every day and that can't work.

Summit Did you look beyond the 15 WSCA members to additional purchasers at the time you negotiated with vendors, so others could join and increase the volume?

TD That's right. In the initial RFP we incorporated the provisions that allow us to do it as part of our bylaws. In the contract we also incorporated the ability for us to add other interested states by a vote of our membership.

Summit Are other states beginning to do this? Or are they just joining your agreement?

TD In this case – computer contracts – many of the states are joining. We have 20 states now using the contract on a statewide basis and we expect to pick up another five or six this year. They are saying, “Why bother when we can contribute our volumes and get better prices and we don’t even have to do our own processes.” But there are other cooperative ventures going on. I believe the state of Maine has done some cooperative ventures with software with six other northeastern states, and midwestern consortiums have been put together. The WSCA directors decided not to pursue a WSCA-wide e-procurement type system. Sometimes we just partner between states. Utah and Colorado got together and did a joint procurement for a selection process and several other states, including New Mexico, are allowed to use that contract as well.

Summit You have five major corporations on what we would call in Canada “standing offers.” Are “mom and pops” more or less automatically excluded?

TD We needed companies that could step up to the challenge of making this thing work on a national basis to deliver the products and service them. Even the ones we got, we stretched. We started out with just electronic catalogues and now we have very nice “configurators.” If you go on the Dell site, for example, you configure your system right there online. You can add peripherals and software, place your order online and pay with a purchase card.

Summit How does your discount system work?

TD The vendors competed for the original negotiated WSCA discount that establishes the baseline discounts on a single unit purchase. In many cases, that was 15 percent below what some people were already paying. Then, there are per-transaction-level discounts if you are doing a multiple unit purchase. In some of the contracts, we have built in volume discounts on number of units by level, where you can grow your discount in incremental steps up to an additional eight percent based on the number of dollars that you are spending at one time. The big counties, cities and schools were always able to get that per transaction volume discount price and still do but, when they make those purchases, their purchases go into the cumulative volume discount pool that drives down the discount levels for everybody. So there are certain pre-set levels based on cumulative volume of all the purchases we have across the country. When we hit a contractual trigger, suddenly the price drops for everybody from that day forward. We get them as we earn them.

Summit How big is the WSCA overhead in terms of people and budget?

TD Are you ready? Zero. No people. And we charge a very modest one-tenth of one percent as an administration fee. The idea I presented to the directors in 1999 was, let’s take our combined volume for state and local governments and let’s use that to drive the prices down for our schools so we can

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buy more computer equipment. We have put thousands and thousands of computers in schools because of these agreements.

Summit What equipment do the agreements cover?

TD Everything these manufacturers provide. IBM is the exception; we don't include their traditional mainframe products. Otherwise, all the servers, printers, PCs, laptops – anything they manufacture today and tomorrow will be covered in the agreements. And, as a new product rolls out their websites are updated automatically. When they do a price discount, it's reflected immediately. All we're asking the vendors to do is give us their administrative saving, in terms of low prices.

Summit That brings us to an estimate of the savings...

TD It varies. Because of the difference in contracts and locations, it is between five and 15 percent. In Colorado Springs or Denver, you wouldn't see 15 percent because they already had pretty good volume pricing but, in most of the states, our purchasers see significant savings.

Summit It sounds like a great project. How would you sum it up?

TD It has saved our state purchasers millions of dollars. We are getting prices for our computer products in our schools, cities and counties far below what we would ever see without this kind of combined leverage. The people in Nevada and Utah, and all the other people, know they are doing the very best job for the citizens of our states by bringing them quality, brand name computer products at the lowest prices in the country.

Richard Bray is an Ottawa-based freelance writer specializing in the IT sector. He has been published in magazines and newspapers in Australia, the United States and Canada and is now editor of *Ottawa Computes*. Before freelancing, he worked as a producer, reporter and senior writer for CBC in Toronto.