

Online auction for contractors could be up for bids (UPDATE)

by Marie Rohde

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A Milwaukee alderman wants the city to treat project bidding in much the same way people sell items on eBay.

The bidding idea, which Alderman Jim Bohl will introduce to the Common Council on Wednesday, would let competitors for a city project view online what others are bidding and give them the opportunity to go lower to get the contract. It would be a departure from the city's closed-door approach when opening bids, Bohl said, and an opportunity to save money.

"It's a more competitive process that establishes a true market value," he said. "Around the country, it has resulted in major cost savings."

The ordinance could not require the city's purchasing department use the online bidding system. Still, Bohl said, he would want the ordinance to recommend the city use the process.

But there are no guarantees the auction approach would save the city money, according to some in the construction industry.

"The Army Corps of Engineers did a one-year pilot study and found no savings over typical bidding process," said Mike Fabishak, chief executive officer of the Associated General Contractors of Greater Milwaukee. "They also found that it can have an adverse effect on safety and work quality."

Still, Bohl said, the proposal is drawing attention from other members of the Common Council.

"I think that sends a strong message," Bohl said, adding the expected loss of state aid will make cost-cutting more important.

The procedure has withstood court challenges, the last in 2005, and the federal government now recommends its use, said David Wyld, professor of management at Southeastern Louisiana University and director of the Reverse Auction Research Center.

"It varies from agency to agency, but Customs and Border Protections is a strong user," Wyld said. "Even the Department of Defense uses it worldwide."

The concept, Bohl said, was proposed a decade ago in the Kettl Report, which is a set of recommendations made by the Blue Ribbon Commission on State and Local Relations created by then-Gov. Tommy Thompson.

Bohl said he was able to find only one state contract, let by the Department of Administration in 2001, using reverse auction.

"I found a press release that the state had saved 20 percent on a \$200,000 contract," Bohl said. "I haven't found anything since then."

Reverse auctions still play a relatively small role in government spending, but interest is growing, Wyld said.

"It's a combination of the technology getting better and budget pressures," he said. "It's a no-lose proposition. You're making sure the competition is open and free."

The process might work fine for buying concrete or computers, but that doesn't mean it's appropriate for construction projects, said Kevin O'Toole, executive vice president of Hunzinger Construction Co., Brookfield.