Mandating Internet bids – easy and efficient for agencies and bidders

Needs analysis: *Agencies are hampered by the occasional paper bids that are submitted by contractors. They are looking for ways to move to Internet-only submission policies.* **Assistance provided:** *Info Tech provides various tools to help agencies mandate Internet bid submission, including bidder communications, bulk purchasing discounts, and internal justification documents.* **Results:** *Agencies show time and money savings by only supporting one efficient bidding method.*

Government agencies are being asked to do more with less – less staff, less money and less time. Simplifying the bidding process – an error-prone process ripe with paper piles – is seemingly a great idea for everyone. Agencies across the U.S. are gaining efficiencies using the Internet for exchanging bid information with bidders and for receiving bids. There has been so much success, in fact, that more than a dozen have gone from just allowing Internet bids to mandating them. How did they take this leap? Can your agency save money by doing the same?

The team at Virginia Department of Transportation (VDOT) made Internet bidding mandatory due to the savings in labor and the reduction of errors. "Implementing Internet bidding meant that our in-house data entry service was eliminated [including] the excessive man hours entering bids," said Barbara Scruggs of VDOT. "Processing bids electronically was much faster with fewer errors."

Heather Stinson of Michigan Department of Transportation (MDOT) agrees. "We also no longer pay a service to key the paper bids onto a disk following the letting," said Stinson. "Our staff time spent processing bids has been reduced significantly."

Stinson also points to another way of calculating the savings of Internet bidding – no longer having to throw away a low bid due to a technicality. "[Since implementing Internet bidding], we have not had a single low bid rejection of an electronic bid due to an irregularity," she says.

Prior to announcing the mandate, these agencies still had up to 40% of bids coming in on disk or on paper. Some phased in the Internet bidding mandate by first requiring Internet bids on contracts over a certain dollar amount threshold. This was the case at VDOT. "We decided to accept electronic bids only for jobs over $500,000. This eventually got everyone bidding electronically. After about a year and a half (or less) we made the move to totally electronic."

Other agencies just moved forward with an Internet bidding mandate for all bids. For instance, MDOT made an announcement at the end of 2004 and went totally mandatory with Internet bids in mid-2005.

MDOT was required to justify the mandate, but found it fairly easy to do with both agency officials and contractors. "The cost savings and increasing use of the Bid Express service were our justification for both agency management and the contracting industry," Stinson said. "Meetings with the contracting industry were held to provide the justification."

Scruggs of VDOT agrees. "The savings in time and money was an easy sell to management. The contracting community was in favor of it."

Juanita Moore of Florida Department of Transportation (FDOT) says no justification was needed since the move to Internet bidding had gone so smoothly and contractors were enjoying using the service. She simply gave everyone ample warning about the change. "Lead time was about seven months. I announced [via e-mail] in July for a January implementation." Surprisingly, agencies reported few issues with contractors

"Having one process to deal with saves everyone time and money. There is consistency and it makes your job easier and the contractors will do it no matter how much they complain initially. They will eventually see the benefits in this process."

Barbara T. Scruggs, Transportation Analyst
Virginia Department of Transportation

opposing the mandate. Most saw the benefits of using the system, but had more technical concerns about their own reliable Internet connections and/or computer availability. (Info Tech recommends bidders have a back-up Internet service provider for this reason.)

"Only a small percentage raised some concerns, but we told them we would be here to help guide them through the process," said Ms. Scruggs of VDOT. "I believe we handled only a couple of calls!"
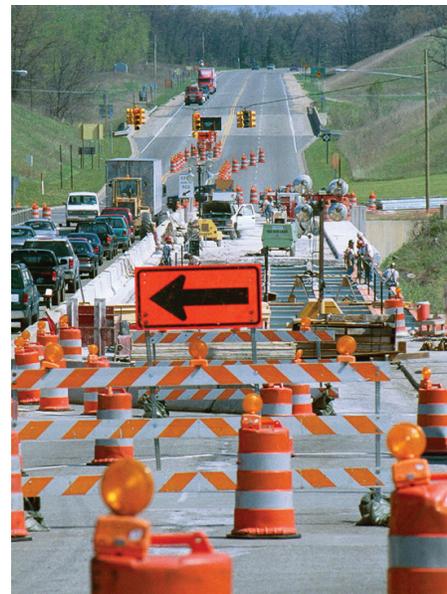
Moore of FDOT offers advice to agencies seeking to establish a mandate. "Offer training to the contractors, give adequate lead time, train the agency staff to handle questions, put 'practice' projects on the agency web site, and get your local contractors association 'on board' with the concept."

Stinson suggests approaching a mandate similar to the way most agencies implement Internet bidding. "Put together [a team] consisting of agency employees, representatives from the contracting industry, and both large and small contractors. Meet often and allow the industry to voice their concerns."

Agencies that have mandates in place agree that mandating Internet bidding ends up being a huge convenience for both bidders and the agency. They no longer have to make accommodations for both paper bids and electronic bids, and thus they streamline their process.

Tennessee Department of Transportation moved to mandatory Internet bidding in 2009. During the agency's first bid opening using American Recovery and Reinvestment Act (ARRA) funds in May of that year, 119 separate proposals were advertised. A total of 351 Internet bids were submitted, representing more than $1.2 billion. All bids were downloaded and the "apparent low bids" were posted to the Bid Express web site within a total elapsed time of 8 minutes. Speed like this was unheard of before Internet bidding.

"Having one process to deal with saves everyone time and money," said Scruggs. "There is consistency and it makes your job easier and the contractors will do it no matter how much they complain initially. They will eventually see the benefits in this process." •