



2012 NASPO Cronin Award Nomination

Statewide Fleet Program “Direct Dealership Price Agreements”



State of Oregon

Submitted by:
The SPO Fleet Team -
Dave Reynolds
Josh Rogers

Executive Summary:

The process for purchasing Fleet vehicles in the past was a course which saw the State of Oregon continuously bidding vehicle requirements, or at the very least, rolling-over the contracted vehicles each model year. Normally the roll -over's would begin around the end of the model year and they would be executed by the beginning of the next model year, being the State Procurement Office we were unaware of the exact quantities so best efforts were made to keep the price down by specifying certain brands.

The old model year roll-over and bid efforts involved countless labor and over time hours to accomplish.

What was created: 9 to 14 complaints per day, sole source conditions, The State Procurement Office specified cars and trucks while not knowing the quantities to be purchased, ORCPP (Oregon Cooperative Procurement Partners, the State's local agencies) would rarely use the contracts due to limitations and cost. At one time we had 96 Price Agreements in place, during our evaluation phase it was determined that it cost the State of Oregon approximately \$2,000 per price agreement per year to manage, wrong vehicles being ordered, 3 months just to add a new vehicle, over \$15,000 for legal expenses for one ITB, 3 FTE (Full Time employees) to manage contracts.

Goals and Project Background: Goal #1 "Satisfy the customer with 1st time quality"

For this we had to understand the true causes, no one person or entity could provide the information we needed. On the other hand everyone involved could give us pieces of this puzzle whereas the team could quickly analyze where the problem areas are occurring and strategize on the solution. Thus, all involved needed to be interviewed, the manufactures, the dealers and the authorized purchasers, the answers from our questions had to be carefully categorized and built upon to develop the full picture and better questioning. The results of this benchmarking effort are annotated below. The final result was to craft Agreements that our customers would use by incorporating all of our data collected from the benchmarking efforts and enable users to purchase vehicles that better meet their business needs, leverage pricing, and maximize dollars. The Direct Dealership's new fleet methodology solved many problems:

- Reduce the number of labor hours spent managing contract, to the point one FTE could manage.
- Removed limiting specifications, which garnered the most inflexibility. And provide to the Authorized Purchaser any manufacturer (MFG) specific vehicle at the dealership to make the selection,
- Provide new vehicles that can be purchased day of availability, this was done by crafting our "evolving technology verbiage"
- Maintain and develop cost stabilization practices by incorporation of cost verification methods.
- Add dealerships in brown zone areas of the state, or those dealers historically left out of the bid practice to bolster competition.
- Gain the ability to purchase any model year vehicle, and off the lot to take advantage of fireside sales.
- Understand the true cost of a car, where do all of these costs come from and are they negotiable.

Initiatives / Innovations resulting from this project:

- **Identification of Rapid Spec:** This had to be one of the biggest discoveries in that the factory has/had predetermined option packages the identification of these packages reduced the need for separate option orders, in the past we would specify “Automatic Transmission” with rapid spec those predetermined packages reduced the cost for all options.
- **Incorporation of all new models and capturing evolving technology for all methods of propulsion:** this alone eliminated the need for new ITBs and amendments, and resulted in Oregon to be the first to have the electric car on contract.
- **Real time pricing at time of order:** During benchmarking efforts it was determined that MSRP fluctuates dramatically from the first of the model year (MY) to the close of order bank, many factors are involved with this MSRP fluctuation, understanding where the “cost’s” are generated from, and how the dealers arrived at the quoted price was key to the success of this program.
- **Standard Discounts:** The factory has standard discounts called concessions that reduce the cost of the vehicle. These concessions could also be negotiated depending on the Vehicle and other factors during the ordering process its basically up to the dealer on how low he can go or how much they want the order. It was also discovered that a authorized purchaser could obtain a larger price concession due to volume from the factory.
- **Ability to purchase off of the lot:** During the benchmarking sessions it was also determined that unplanned demand was never accounted for, during the end of a model year pricing for vehicles is dramatically reduced
- **Using the Manufacturers websites to build the vehicle (on demand specifications):** With this new methodology the authorized purchaser can provide very “Vanilla” Specifications or use the manufacturer website, the flexibility allows you to select a vehicle that is specified thru the factory or as minimum as a sedan or pickup
- **Used a traditional Invitation To Bid (ITB):** Creation of a template to reduce DOJ expenses
- **Use of a Market Basket in a excel spread sheet:** We asked the question, How did you arrive at your quoted cost instead of give us your cheapest price.
- **Evolving Technology:** This may be the first time this type of verbiage was used to capture and help steer sprouting technology

Transferability:

This contract is highly convenient we have current users throughout the western States, including but not limited to: ORCPPP’s, Indian Tribes, States of California, Washington and Idaho. The states of Florida, Georgia, Oklahoma, Arizona and Washington State have requested the documents to upgrade their fleet procurement programs. The Keys to its transferability are:

- **Practical ability:** This entire contract uses a ease of use and understanding approach to Fleet transactions; the 3191 report walks you thru step by step on how to obtain the best cost and works every time.
- **Used as a benchmarking tool:** Most program users (states and other localities) have legal requirements in place to check with the local dealer for price, this methodology has brought down the pricing to the lowest levels possible, to the point that the “non-contract dealers” or “off price agreement dealers” cannot compete.

- **Adoptability:** Some form or another of this program is being looked at for adoption by Arizona, Georgia and Washington State.
- **Flexible for other states as well:** General procurement guidelines were followed along with a standard ITB format, the competition is built in and guarantees the best price, it would even work for the Feds.

Service Improvement:

Fleet vehicle purchases have increased to all corners of the State, at one point the Spend was about 70% State agencies and 30% ORCPP this has now evened out to approximately 50/50 percent.

- **Authorized Purchasers given the greatest selection, by any given Manufacturer.**
- **Different Payment methods.**
- The ability to make decisions based on many factors and the Teams benchmarking data.
- **End of order bank stoppages,** with the ability to purchase off the lot and any model year vehicle (as long as it is new and made by the manufacturer the dealership supports).
- **Flexibility,** a fleet may be equipped for one model while the original State Contracts only had the State specified model in any given class on contract, it did not support some fleets equipment, the new fleet contracts eliminated this.
- **Loss of sales due to VCAF arrangement,** due to increase in volume DAS was able to reduce VCAF making vehicle sales more attractive from the contract.
- **RATE AND COST REDUCTION ACROSS THE BOARD,** with increased manufacturer incentives using the “Not losing a vehicle sale to another manufacturer” thought process.

The Fleet methodology was intended to solve these problems. By addressing and solving these issues, the value of the Procurement Organization is clearly demonstrated. It took several hours of research to create this program. It couldn't have been created without procurement staff involvement. The procurement/ fleet team developed and created the spreadsheet that resulted in a cost and price analysis that allowed the team to target the appropriate areas of negotiation, this analysis has shown pricing to be below GSA rates, 3% cheaper than neighboring states, and a 7.06% reduction for police vehicles.

Cost and administrative reductions and usage from neighboring states:

FACTS:

1. Most VCAF ever generated in 3rd quarter
2. Decrease of 64% DOJ Cost, next year 90%
3. Decrease of 61% in labor hours for Contract Admin next year 80 - 90%
4. Decrease in labor hours of 60% for 3191 Report
5. Over all new cost to last Price reduction: 3%
6. 7.06% Decrease for Police Vehicles "New Cost to Last"

7. 48% Reduction in Price Agreements

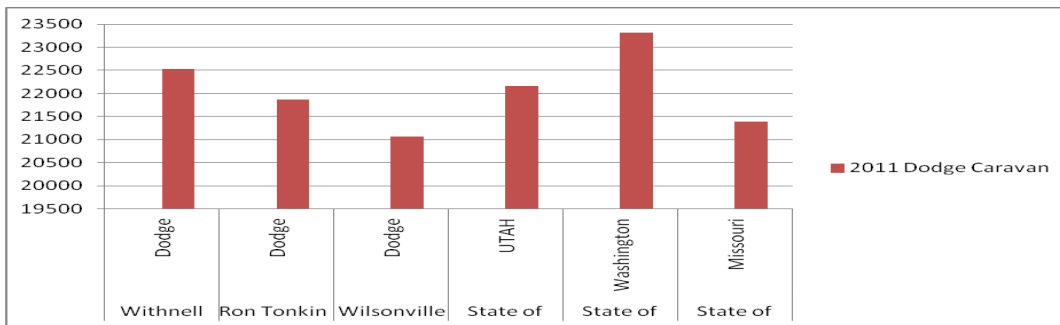
8. On average 2.9% Cheaper than neighboring states

9. Washington State, Idaho, Colorado, Arizona use contract as do a number of Sovereign Nations (Indian Tribes).

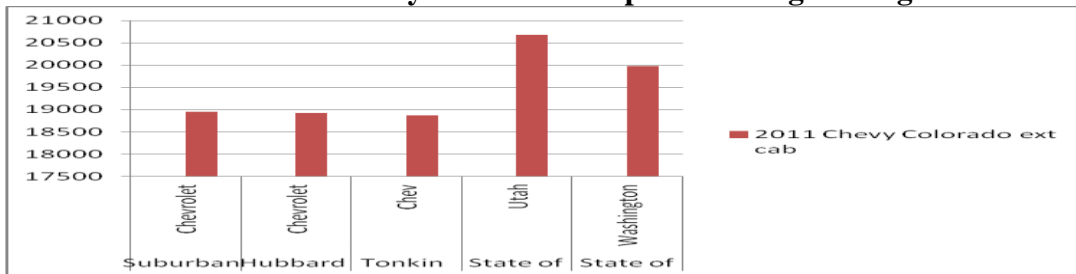
Option Price Reduction

Option Number	Description	Old Option Price	New FM price	% Reduction
14t	Trunk Pack	\$190.00	\$166.00	14.458%
177	Silicon hose clamps	\$320.00	\$279.00	14.695%
51a	Driver Side Lamp	\$190.00	\$166.00	14.458%
61H	deck lid replace	\$60.00	\$52.00	15.385%

Dodge Caravan compared to neighboring states



Chevy Colorado compared to neighboring states




Conclusion:

Thru continuous improvement and customer interaction we have also determined that the addition of training should maintain/preserve labor hours in State owned shops. State Fleet Managers wish to Piggy-back with dealer Fleet service personnel to have the same training.

Attachment 1 (Screenshots of the 3191 Index)

The 3191 Index (referred to as the 3191) is a quick reference Index, which lists the Price Agreements available from the State of Oregon’s Procurement Office, for use by all of the States Agencies, local governments, other States participating on our Cooperative procurement program and also sovereign nations. The Index has a “Best Practice” guide along with each Price Agreement number and contractors name for further examination on the Oregon Procurement Information Network (ORPIN) the States online procurement website.

 STATE OF OREGON INDEX OF STATEWIDE FLEET PRICE AGREEMENTS							
3191						Version 257	
NOTICE The 3191 is an Index <u>ONLY</u> you must use ORPIN and the Price Agreement numbers for specific information about the Agreements listed							
PA Start Date and End Date	VEHICLE CATEGORY/DESCRIPTION	CONTRACTOR	PA #	MAKE/MODEL	PA ITEM # - MODEL UNIT PRICE	2011MY Order Bank	2012MY Order Bank
09/30/2008 & 12/31/2013	POLICE MOTORCYCLE: BMW R1200RT-P	Beaver State dba: BMW NW - Eugene	8855	2011 BMW R1200RTP Police Motorcycle	1 - \$19,888.38	OPEN	CLOSED

Ordering Process for the Direct Dealership Awards

NOTICE: Any vehicles (including police packages) available to listed Dealerships from specified manufacturers (FORD,GM, DODGE, ETC) may be purchased.

Best Practice (User Guide):

- 1) Determine Need
- 2) Get Price Agreement numbers from 3191 and look up Price Agreements on ORPIN
- 3) Send a Quote to each applicable Dealership* (SEE NOTES BELOW)
- 4) Determine best overall cost Quoted**
- 5) Place Order

HINT: Using the determined Manufacturers Webiste (FORD.COM, CHEVROLET.COM, DODGE.COM, ETC.) Build the vehicle using the MFG's "Build Your Own" vehicle section. Once built to Specification, print the buildout sheet, scan and attach to email with all dealerships included in the email TO line. Press send. (An Email Fleet Contact list can be created for ease of process)

*Negotiation using the Quote process - The thought process is to Quote not only the specific manufacturer but also the entire list of manufacturers (MFG) able to provide comparable vehicles in the determined class (we call this the horizontal quote and vertical quote - up and down between dealerships of the same MFG and side to side between all MFG's). Notice each Dealership on your quote to the fact you are using the State of Oregon Price Agreements and that you are sending a quote to each MFG's dealership, if you so desire, also to the comparable vehicle MFG's with a vehicle in the same class. Example - midsize 4 door sedan, a quote to all dealerships within a MFG and also all MFG's able to provide a comparable midsize 4 door sedan. Even if a MFG is predetermined, a possible much lower price could be available for the same class of car by a dealership of a different MFG. At this point, a determination is made if the cost savings are the sole determining factor.

** Best overall cost should include: purchase price, delivery (if applicable), ect.

The Direct Dealership Price Agreements were established to provide State and Local agency customers with a broad selection of model vehicles and manufacturers in varied geographical locations throughout the State. These Agreements are in place to enable users to purchase vehicles that better meet their business needs, leverage pricing, and maximize dollars.

PA			
Start Date	Price Agreement No.	Contractor	Description
and			
FORD			
3/16/2010 3/16/2015	0426	Butler Ford Ashland Oregon	FORD - All Vehicles Available Email: mikecocchiara@butlerman.com
3/16/2010 3/16/2015	0427	Landmark Ford Tigard Oregon	FORD - All Vehicles Available Email: dfrezza@landmarkford.com
4/05/2010 4/06/2015	0429	Suburban Auto Group Sandy Oregon	FORD - All Vehicles Available Email: DJ@suburbanautogroup.com
4/29/2010 4/29/2015	0434	McRobert Motor dba Gresham Ford	FORD - All Vehicles Available Email: annette@greshamford.com
4/05/2010 4/06/2015	0435	Northside Ford Portland Oregon	FORD - Trucks and SUV's Email: stucker@northsidetrucks.com
VOLKSWAGEN			
3/10/2010 3/10/2015	0428	VW of Salem Salem Oregon	VOLKSWAGEN - All Vehicles Available Email: rropp@hondaofsalem.com
MITSUBISHI			
3/10/2010	TBD		MITSUBISHI - All Vehicles Available
CHRYSLER			
4/13/2010 4/13/2015	0432	Chrysler, Jeep, Dodge of Wilsonville Wilsonville Oregon	Chrysler Products - All Vehicles Available (to include: Chrysler, Jeep and Dodge Brands) Email: chuckb@cjdwilsonville.com
4/19/2010 4/20/2015	0442	Withnell Motor Co. Salem Oregon	DODGE - All vehicles Available Email: lisa@withnellauto.com
4/19/2010 4/20/2015	0443	Ron Tonkin Gladston Oregon	DODGE - All vehicles Available Email: kray@tonkin.com
GENERAL MOTORS			
4/12/2010 4/12/2015	0433	Hubbard Chevrolet Hubbard Oregon	CHEVROLET - All Vehicles Available Email: johnboy@hubbardchevrolet.com
4/20/2010 4/20/2015	0439	DSU Peterbilt & GMC Portland Oregon	GENERAL MOTORS - All Vehicles Available Email: bheinrich@dsutrucks.com
4/20/2010 4/20/2015	0440	Carlson Chevrolet Sandy Oregon	CHEVROLET - All Vehicles Available Email: dj@suburbanautogroup.com
4/20/2010 4/20/2015	0445	Ron Tonkin Chevrolet Portland Oregon	CHEVROLET - All Vehicles Available Email: jgeffen@tonkin.com
NISSAN			
7/21/2010 7/21/2015	0465	Ron Tonkin Chevrolet Portland Oregon	NISSAN - All Vehicles Available Email: jgeffen@tonkin.com
TOYOTA			
8/18/2010 8/18/2015	0480	Ron Tonkin Chevrolet Portland Oregon	TOYOTA - All Vehicles Available Email: jgeffen@tonkin.com

ADA ACCESSIBLE TRANSIT VEHICLES						
PA Start Date and End Date	VEHICLE CATEGORY DESCRIPTION	Contractor	PA	MAKE/MODEL		MODEL UNIT PRICE
02/17/2009 02/16/2014	Buses Shuttles Minivans	Schetky NW Sales	9703	Eldorado National/Amerivan	4/5 Pass	\$39,240.00
				MobilityWorks Van	5/7 Pass	\$43,643.00
				Eldorado National/V-shuttle	5/7 Pass	\$40,233.00
				Elkhart Coach/EC I	9/12 Pass	\$41,686.00
				Eldorado National/Aerolite	9/12 Pass	\$42,450.00
				American Coach/Crusader	9/12 Pass	\$55,871.00
				Eldorado National	12/16 Pass	\$43,901.00
				Elkhart Coach	12/16 Pass	\$43,809.00
				American Coach 23'	12/16 Pass	\$54,560.00
				American Coach 29'	16/30 Pass	\$107,177.00
				Eldorado National 29'	16/30 Pass	\$66,750.00
				General Coach, 26'	16/30 Pass	\$158,847.00
				Eldorado National, 29'	16/30 Pass	\$153,724.00
				American Coach 29'	25/35 Pass	\$107,177.00
				Champion, 28.5'	25/35 Pass	\$118,790.00
				Champion, 31'	25/35 Pass	\$160,414.00
				General Coach, 30'	25/35 Pass	\$162,280.00
				Eldorado National, 34'	25/35 Pass	\$158,697.00
				Eldorado National/XHF, 32'	33/36 Pass	\$248,924.00
				Eldorado National/XHF, 35'	36/44 Pass	\$252,466.00
Eldorado National / EZ-Rider II	33/36 Pass	\$312,523.00				
Eldorado National / EZ-Rider II	36/44 Pass	\$319,356.00				

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Tires, Tubes and Tire Chains			
PA Start Date and End Date	Price Agreement No.	Contractor	Description
Tire and Tubes			
8/19/10 2/21/2012	8619	Bridgestone/Firestone	Tires and Tubes
08/13/2008 02/28/2012	8649	Good Year Tire Co.	Tires and Tubes
08/13/2008 02/28/2012	8621	Michelin Tire Co.	Tires and Tubes
01/13/2011 01/03/2013	1549	Les Schwab Tire Co	Tires and Applicable Vehicle Services
Tire Chains			
1/02/2008 1/01/2013	7596	Security Chian Co.	Tire Chains: All except European Style
1/02/2008 1/01/2013	7597	Pewag Inc.	Tire Chains: European Style
Chemical Deicer			
PA Start Date and End Date	Price Agreement No.	Contractor	Description
1/02/2008 7/31/2012	7574	Dustbusters Enterprises	Liquid Magnesium Chloride Chemical Deicer

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PA Start Date and End Date				Law Enforcement & Emergency Vehicle Equipment			
Price Agreement No.		Contractor		Description			
LightBars & LightBar Accessories							
12/31/2010 12/31/2012	8685	Adamson Industries		Lightbars & Lightbar Accessories			
12/31/2010 11/28/2012	8682	Auto Additions		Lightbars & Lightbar Accessories			
12/30/2010 3/3/2013	9700	LSH		Lightbars & Lightbar Accessories			
Speed Detection Equipment & Accessories							
08/11/2010 08/11/2012	O454	Applied Concepts		Speed Detection Equipment & Accessories: Categories I & II			
8/11/2010 11/28/2012	O455	Kustom Signals		Speed Detection Equipment & Accessories: Categories I & II			
8/11/2010 9/14/2012	O453	Laser Technology		Speed Detection Equipment & Accessories: Category II			
Public Safety Radio Equipment							
09/28/2008 10/29/2013	4020	Daniels Electronics		Public Safety Radio Communications Equipment			
02/06/2008 10/29/2013	4008	Kenwood USA		Public Safety Radio Communications Equipment			
11/23/2005 10/29/2013	4018	Motorola		Public Safety Radio Communications Equipment			

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PA Start Date and End Date				Rental Car			
Price Agreement No.		Contractor		Description			
10/9/2008 10/18/2012	9950	Enterprise Rent-A-Car		Nationwide Vehicle Rental Services, Enterprise/National			
10/09/2008 10/18/2012	9949	Hertz		Nationwide Vehicle Rental Services, Enterprise/National			
PA Start Date and End Date				Fuel and Lube			
Price Agreement No.		Contractor		Description			
Bulk Fuel							
12/01/2008 11/30/2012	6306	Bretthauer Oil Co		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6307	Ezell Suty Fuel, Inc		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6308	Don thomas Petroleum Inc		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6309	Staub and Sons Petroleum, Inc		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6311	Triangle Oil, Inc		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6725	Bend Oil		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6726	Bymes Oil Co, Inc.		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			
12/01/2008 11/30/2012	6728	R. W. Hayes Co.		Bulk Fuel Deliveries for Diesel, Gasoline & Heating Oil			

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NOTICE: The Pricing below is intended for comparison purposes ONLY! The Prices are for the specific vehicles the State of Oregon had on contract for the 2010 MY. The data shows what was paid in 2010 compared to your received quote. (sidebar: the average increase before 2010 was an increase of 600.00 per model, each subsequent model year).

VEHICLE CATEGORY/DESCRIPTION	CONTRACTOR	MAKE/MODEL	PA ITEM # - MODEL UNIT PRICE
Four Door Sedans			
FOUR DOOR COMPACT SEDAN: Gas, LEV II	Landmark Ford	2010 Ford Focus S	2 - \$12,707.14
FOUR DOOR INTERMEDIATE SEDAN, AWD: Gas, LEV II	Landmark Ford	2010 Ford Fusion SE AWD	1- \$21,767.00
FOUR DOOR INTERMEDIATE SEDAN: FWD, Gas, LEV II	Landmark Ford	2010 Ford Fusion SE FWD	2 - \$16,438.49

New Contracting Process in Oregon Drives Down Vehicle Prices

The Oregon State Procurement Office used smart price and cost analyses to establish a list of dealerships offering the lowest net prices. As a result, net-to-buyer prices have rolled back to 2009 levels.

March 2012, Government Fleet - Feature

By Greg Hopkins



Pictured are "best value" vehicles purchase by Oregon state agencies: Honda Civic Hybrid, Honda Civic CNG, Toyota Prius, Chevrolet Volt, and a Dodge Grand Caravan flex-fuel vehicle.

Photo courtesy State of Oregon.

At a Glance

The new procurement process has resulted in:

- Net-to-buyer prices at 6 percent lower than neighboring states.
- Reduced administrative costs.
- Unlimited flexibility in new vehicle selection from qualified dealers.
- A simpler procurement process.

Procurement analysts from the State of Oregon have implemented an innovative and greatly simplified way to purchase fleet vehicles. By getting real-time bids from up to 14 dealers, fleet buyers are getting pricing barely above dealer costs. The result? State and local government fleet buyers are celebrating the lowest prices for cars, trucks, and vans west of the Missouri. Additionally, fleet buyers across the State have much greater flexibility in what they can purchase.

How the Process Works for Buyers

Fourteen dealerships around the state are on a list of qualified providers, chosen through a bidding process. The list includes Ford, Chevrolet, Chrysler/Dodge, GM, Toyota, Mitsubishi, Nissan, and Volkswagen. The dealers can sell any new inventory they have, including police cars.

To get price quotes, fleet buyers go to one of the manufacturer's websites and use the "build your own vehicle" feature. This virtual vehicle serves as the specs for the buy. Next, fleet buyers send an e-mail to the list of qualified dealers and ask for quotes for the type of vehicle they want. For the best price, they are encouraged to shop the entire list. Oftentimes, different vehicles fit the bill, creating competition not only among the same dealers selling the same make, but also dealers of different makes.

The process has shifted the dealers' business strategy. Since they are simply acting as a pass-through, their overhead for each transaction is low. Their game plan becomes maximizing volume. The old days of having inscrutable pricing structures along with lots of tack-on fees are gone.

Short-Listing Qualified Dealers

Dave Reynolds and Josh Rogers, State of Oregon procurement analysts, began by learning how the dealer price structure worked, including manufacturing incentives dealers receive for each vehicle sold. In addition, if a dealer's volume is high enough, there can be other incentives such as exclusive selling rights to rare and expensive cars in the new model-year. Reynolds and Rogers began to see how a high volume, low overhead process could work. The shift in thinking was enormous.

"I could see an entirely different way of doing business," Reynolds said.

The State could simply get out of the way and let the power of the free market drive the process. Customers could order what they wanted, when they wanted it, and prices could float like commodity spot prices.

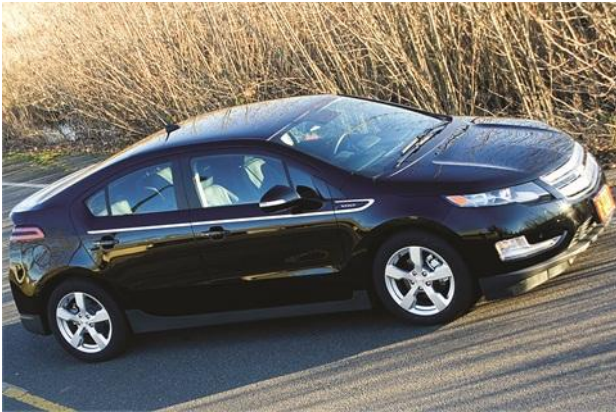
To get on the list of qualified dealers, dealers submitted prices for a list of fees such as dealer prep and servicing costs, discount from net invoice, dealer profit, etc. A market basket of vehicles was used for the bids. The dealers with lowest net cost for each region of the State were awarded a place on the qualified list. The fourteen dealers who made the list turned out to be an optimal size. More than that, the list gets bulky and profits among the dealers drop. Less than this, competition drops and some areas of the State might not be represented by a dealership.

Analysts review the list of dealers every five years, but can make adjustments, rebid, or renew as needed.

Analyzing Savings & Drawbacks

In 2011, more than 700 vehicles were purchased through this new contract. Net-to-buyer prices have rolled back to 2009 levels and are currently 6 percent lower than neighboring states. Because vehicle prices are real time, much like a commodity such as fuel, fleet buyers can place orders in August when prices are lowest. Dealers can also sell new vehicles from last year's models, which can save thousands.

"When we had the fixed price awards, these were done as soon as the new model year was available. The prices were highest then. The pricing structure favored the dealer, not the buyer," Reynolds noted. Worse, prices were locked for the entire model year.



Lowered vehicle prices have allowed state agencies to purchase more "green" vehicles, including the Chevrolet Volt driven by Governor John Kitzhaber. *Photo courtesy State of Oregon.*

Reynolds said lower prices have allowed for the purchase of more "green" vehicles due to the budget stretching. The Oregon Department of Transportation (ODOT) has five Chevrolet Volts, while the Department of Administrative Services fleet has a number of Toyota Prius cars, some CNG vehicles, and several vehicles that have a lower total cost of ownership and a higher initial purchase price.

Don Thomson, fleet/warehouse superintendent, City of Salem Fleet Services, added, "The new contracts provide hugely expanded flexibility in choices for fleets throughout the State. Before, we had a choice of buying what State agencies wanted, or going out to bid on our own. The comprehensive choices across product lines and options lists have markedly reduced our expenditure of labor on fleet acquisitions."



Lowered vehicle prices have allowed state agencies to purchase more "green" vehicles, including the Nissan Leaf operated by the Department of Transportation. *Photo courtesy State of Oregon.*

Even delivery fees have been eliminated. Recently a city government got the lowest bid from a dealership 300 miles away. The dealer delivered for free, a service for which, in the past, the city had paid a \$700 fee.

In spite of the increased competition and vehicle selection, the "build your own and order" process does have some drawbacks. Steve Blair, fleet buyer for the Oregon Lottery Commission, reported that

while there is added flexibility, this can cause more work to figure out options and to cross-reference option packages between manufacturers to obtain bids.

"It was easier in a lot of ways to just have a 'state vehicle' to choose from," Blair noted.

Reducing Administrative Costs

Agency administrative costs for the new contract have dropped significantly. "There's been at least a 65 percent reduction in administration time," Rogers said. "I spent around a quarter of my time working on model-year rollovers and price increases with the 49 fleet contracts in place before this new method."

Here's one example: Every time a new model was introduced, an amendment to the contract was required, about which the dealers always complained.

"We don't hear complaints like we used to," Reynolds said. "Dealers want the business. They have an incentive to be competitive in the market."

Now, when dealers call, it's because they want to be on the list.

Not only were there savings in contract administration, the entire vehicle procurement process was stripped down. In the old days, a committee spent hours haggling over exact specifications as detailed as inches of hip room. The specification committee no longer drives the process. "Fleet managers determine what they need," Reynolds explained.

Administration is further streamlined by a simple contract clause that extends the contract terms when new models are added. This has eliminated time-consuming contract amendments. The contract also makes it easier for dealers to delete a vehicle, such as the Ford Crown Victoria that is being phased out, and simply replace it with the new model.

What it Took to Get Here

When Reynolds and Rogers first proposed the new method, they were met with active resistance. A committee was in charge of making fleet decisions for the best interest of the state, and they basically told the procurement analysts what they wanted done.

"They were extremely resistant to the proposed changes to the contract. They told us the new process wasn't going to work. Prices would go up. We fought a lot of battles," Reynolds said.

The analysts examined the pricing structure for vehicles and determined how to better serve customers. Their persistence paid off when they were able to counter fears and false predictions with accurate information. "The resistance actually helped in the end. We were forced to do our homework," Reynolds said. "We also had management support. Without that, we couldn't have gotten the new process in place."

Envisioning the Next Steps

Reynolds and Rogers are already envisioning the next generation of the vehicle contract. Marketing efforts are always challenging, but ideally there would be an electronic marketplace to bring together

dealers and the buyers. Education efforts for both dealers and fleet buyers would be improved with such a website.

For now, an immediate win has been applying the model to other contracts. Reynolds has already morphed the contract model to lawn and garden equipment and has greatly improved availability and prices. More contracts like this are likely to follow.

Further Refining the Process

The State of Oregon Department of Administrative Services (DAS) purchased 302 vehicles through the contract in FY-2011, primarily light-duty vehicles.

Brian King, fleet manager at the DAS State Services Division for Oregon agreed that the new contracting method does require a little more work on the purchaser's side.

However, King said it is an improvement over the previous method of requesting bids for vehicles with specific specifications, which he found restricting. But, he added, the end result makes the additional work more than worth it, not to mention being able to streamline the process as the fleet gets used to it.

"We've pretty much got it down to what we need to do, and you can't argue with the results we're getting on price," King said. "A little more work to get much better pricing is well worth it."

In addition, fleet staff is working to further refine the process. In a recent case, when the fleet needed trucks with various specifications quickly, Kent Fretwell, fleet operations manager, went to the manufacturers and dealerships on the contract and asked for the price for a base truck, saying the State would pay factory-to-dealer invoice price for anything added to it.

"That speeded it up," King said. The staff found the process functioned so well, they are working with the procurement office to see if procurement specialists will request price quotes on base models on a quarterly basis.

"Then everyone using the contract can see it, rather than some of us doing the same things," King said. "Looking down the road, can we hone the process better so it works better for all of us?"

***About the Author:** Greg Hopkins is a procurement training coordinator, writer, and speaker at the Oregon State Procurement Office.*

<http://www.government-fleet.com/Article/Story/2012/02/New-Contracting-Process-in-Oregon-Drives-Down-Vehicle-Prices/Page/3.aspx>

Attachment 3 (Testimonials)

Below are some of the comments received by the Fleet Team about the new process.

Gentlemen,

I just read the article in Government Fleet Magazine about the new vehicle contracting process in Oregon, and found it very intriguing. We're currently reviewing our fleet acquisition, management and disposal process here in Florida and I would love to get a copy of your bid documents and contracts. Are they available online and if so could you send me a link, or e-mail the documents to me.

Once we've had a chance to digest them here, would you be willing to sit in on a phone conference with us to answer questions?

Thanks so much for your time,

Terry Cappellini
Associate Category Manager
Florida Division of State Purchasing

I'm really impressed that DAS was willing to step up and make a move this far removed from past practices. It's a level of service that has been a very pleasant surprise. Dave Reynolds and Josh Rogers have bent over backwards to explain how the new type agreements work, and to solicit feedback from fleet managers around the state. Some more education of dealer personnel might be helpful. We occasionally run into a dealer rep who has less knowledge of how the agreements work than we do.

The new contracts provide hugely expanded flexibility in choices for fleets throughout the state. Before, we had a choice of buying what State agencies wanted, or going out to bid on our own. The comprehensive choices across product lines and options lists have markedly reduced our expenditure of labor on fleet acquisitions. Jurisdictions also appreciate being able to buy on contract from dealers closer to their tax bases. --- Don Thomson, City of Salem Fleet Services

While I didn't think I would like the new way of buying cars, it's worked out to our advantage this year since our money was held up until it was too late to place orders. And we were only successful in acquiring five new Fusions because of YOU GUYS. Thanks so much!

Betty J. Cox
Purchasing & Fleet Services Coordinator Oregon Liquor Commission