

AFAC Collaborative Purchasing Initiative

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Abstract

Background

Members of the Australasian Fire Authorities Council, (AFAC), have long recognised that significant financial and other tangible benefits could be realised if closer collaboration between member agency operational, procurement and technical departments was to occur. An independent study, instigated by AFAC in early 2006, highlighted that member agencies were all procuring similar products but doing so in isolation at significantly varying cost. It was also recognised that aggregated purchasing of commonly used items has the potential to not only provide cost savings but other benefits such as commonality and interoperability amongst member agencies. At a Council meeting held in May 2006 agency heads unanimously endorsed and agreed to support and promote what has become known as the AFAC Collaborative Purchasing Initiative, (CPI).

Intent

The primary intent of the CPI project is to facilitate a collaborative approach to the procurement of commonly used emergency service equipment by AFAC member agencies. As a result of the initiative it is expected that financial and other tangible benefits will be achieved by the aggregation of purchasing power and a significant reduction in the duplication of effort. A collaborative approach to doing business will also ensure that agency operational staff will be provided with the best resources and equipment available, and ones that meet nationally and internationally recognised standards.

Process

AFAC member agencies are part of greater government and as such any approach to collaborative purchasing needs to be designed and implemented to facilitate a cross jurisdictional approach to procurement. The CPI process is focussed on achieving this but is also focussed on ensuring that a competitive market place exists and that individual agencies retain freedom of choice in what they purchase. It is definitely not about 'Bulk Purchasing' where each agency is expected to purchase identical items to make cost savings.

The AFAC Collaborative Purchasing Initiative is based on a process that:

- Makes agency participation optional. There is no mandate for AFAC member agencies to participate in collaborative purchasing. If an agency elects to participate in a collaborative purchase they must commit themselves to the process and agree to abide with the outcome;
- Focuses on mass produced commonly used items such as cab chassis, pumps, certain items of PPE, foam concentrates and hydraulic rescue equipment etc in the initial stages of the project;
- Uses a 'Lead Agency' to conduct the procurement process on behalf of other participating AFAC member agencies;
- Uses pre-endorsed panels of suppliers for specific product categories with due diligence being conducted prior to a supplier being accepted onto a panel. Due diligence and panel review will be conducted on a regular basis;
- Encourages the use of AFAC standard specifications to underpin the procurement process. Value adding to baseline products, eg painting of a cab chassis, will be listed in the specification as an option;
- Encourages suppliers to work with AFAC agencies with the intent of tailoring their products to meet the specific needs of the emergency service agencies;
- Ensures that tender processes will be conducted on a regular basis so as to ensure a competitive market place is maintained and individual suppliers are not disadvantaged;

- Allows participating AFAC member agencies to participate in the tender evaluation process;
- Uses “Price Break” methodology in the request for quotation process to enable reduced pricing to be sought if agency purchases are aggregated;
- Allows each participating agency to enter into and manage their own contract;
- Allows each participating agency to procure any of the products quoted at the tendered price without any requirement to purchase the same product as any other agency.

Will it Work?

At the time of writing this paper the AFAC Collaborative Purchasing Initiative has been underway for approximately fourteen months. Even with minimal participation, savings in excess of \$600K have been achieved and this doesn't include the savings made on administrative functions.

The conceptual procurement process has also been proven to be effective by virtue of:

- Multiple agencies having participated in a single procurement process;
- A “Lead Agency” having conducted the process for other participating agencies using a pre-endorsed panel.
- Some, but not all, suppliers having offered “Price Breaks” depending on the quantity of product purchased.
- Participating agencies jointly conducting the tender evaluation process.
- Participating agencies having purchased different products at different prices from the one process.

An intangible but positive outcome from the CPI process has been the significant increase in communication and cooperation that has been occurring between agency technical and procurement departments and representatives.

Impediments to Success

The expression “One hundred years of tradition unimpeded by progress” is often used to describe fire services. This is a reflection of the strong culture and traditional values that exist within them. Whilst the expression may be seen as humorous by many it does have a degree of truth associated with it. Whilst great strides have been made in some areas the focus has generally remained on “doing business” the way it has always been done. For the CPI to succeed this focus will need to change.

Other identified impediments to success are reluctance on the part of middle management to embrace the concept of collaborative purchasing combined with varying State and Territory procurement legislation. Middle management can see the CPI as a challenge to their autonomy and control resulting in a lack of ‘buy-in’ on their part. Procurement legislation is often used as an identified impediment to participation yet invariably this is not the case especially when tangible outcomes can be demonstrated.

Conclusion

AFAC member agencies can gain significant long-term benefit from the implementation of the AFAC Collaborative Purchasing Initiative. It has already been demonstrated that financial and other tangible outcomes can be gained from participation in the process. The identified and trialled methodology has proven to be workable and provides flexibility of choice for participating agencies whilst also ensuring that a competitive market place is maintained. If the true benefit of the CPI is to be realised, and the CPI is to become successful in the long term, many cultural and historical values will need to be broken down and dealt with. AFAC member agency chief executives have stated their commitment to making the CPI project a success. Provided support remains strong, the approach remains flexible, consultation and communication between all stakeholders is encouraged and that there is recognition that the end goal will take some time to achieve, collaborative purchasing by AFAC member agencies is here to stay. Remember – If we always do what we have always done we will always get what we have always got. The time and opportunity is here for us to do it better.