



AFAC Collaborative Purchasing Initiative (CPI)



AFAC Collaborative Purchasing Initiative

Background

- AFAC has 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.
- AFAC instigated an independent study into 'Bulk' purchasing. The study was undertaken by students from Worcester Polytechnic Institute in early 2006. The study identified that AFAC member agencies were procuring similar products but doing so in isolation and at significantly varying cost.
- 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).
- AFAC was unaware of a similar collaborative purchasing process, Fire Buy, being undertaken in the UK at the time the AFAC Collaborative Purchasing initiative commenced.



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Why do we need a Collaborative Approach to Purchasing?

“As nonprofits face reduced funding and greater competition for resources, the era of independent institution building is quickly giving way to collaborative relationship building.”

Fostering Sustainable Collaborative Relationships (From the Journal for Nonprofit Management, Vol. 3, 1999)
John Vogelsang, Associate Director, Support Centre for Nonprofit Management



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What is the intent behind the AFAC Collaborative Purchasing Initiative?

“Fire and Rescue Authorities can achieve significant efficiencies by aggregating their purchasing power, skills and resources to procure those items that are service specific. Collaboration on a national basis can help to raise standards of equipment for all firefighters, enable authorities to share reserves, reduce duplication in the field of technical services and save on the production of training material.”

Office of the Deputy Prime Minister, (UK). National Procurement Strategy for the Fire and Rescue Service: 2005-2008



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The CPI Procurement Process will:

- Focus 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;
- Use a 'Lead Agency' to conduct the procurement process on behalf of other participating AFAC member agencies.
- Use pre-endorsed panels of suppliers for specific product categories with due diligence being conducted prior to a supplier being accepted onto a panel with bi-annual reviews conducted.
- Encourage the use of AFAC standardised specifications to underpin the procurement process. Value adding to baseline products, eg painting of a cab chassis, will be listed in specifications as an option.
- Encourage suppliers to work with AFAC agencies so that products can be tailored to meet the specific needs of the emergency service agencies;



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The CPI Procurement Process will (cont'd):

- Ensure that tender processes can be conducted on a regular basis so that a competitive market place is maintained and no suppliers are disadvantaged.
- Allow participating AFAC member agencies to participate in joint tender evaluation processes.
- Use “Price Break” methodology that allows suppliers to offer increased discounts when purchases are ‘Bulked-Up’ or aggregated.
- Allow each participating agency to enter into their own contract and thereby allow them to directly manage it.
- Allow each participating agency to select and procure any of the products quoted at the tendered price without any requirement to purchase the same product as any other agency.



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Two Guiding Principles for the CPI Procurement Process

The process must ensure that a competitive market place is maintained.

Member agencies must retain flexibility of choice to meet their specific operational needs.

The CPI Process allows these Principles to be met.



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Can the preferred process actually work?

It already has!

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



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What has been achieved to date?

- **Collaborative Purchasing** provided a price advantage of between 12% and 30% on the purchase of cab chassis.
- **Collaborative Purchasing** provided a price advantage of between 18.5% and 30% on the purchase of pumps.
- **Collaborative Purchasing** provided the opportunity for one agency to by use another agency's contract to procure a specialist vehicle so saving on procurement costs whilst also shortening lead times.

Savings to date exceed \$1 Million



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Are there any other benefits to be gained?

Commonality and Interoperability. These are also key deliverables as common standards and specifications will lead to improved interoperability and enhanced purchasing power.

Examples

- If each agency using red vehicles used a common “Red” the opportunity for vehicles to be painted on the production line would be enhanced so potentially reducing costs. (Manufacturer indicates a potential saving of \$4,000 per chassis)
- If each agency used a common coupling, (There is no commonality in Australia) they would not only be better able to interoperate in times of emergency but would also be able to improve their purchasing power by aggregating hose purchases with other agencies.
- If each agency used common Wildland PPE with the same number and position for pockets and identical reflective striping significant cost savings could be made and lead times reduced.



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What are the Potential Impediments to Success?

Fire Service Culture & Tradition

Culture: is a shared, learned, symbolic system of values, beliefs and attitudes that shapes and influences perception and behaviour.

Tradition: A time-honoured practice or set of such practices.

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.



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Potential Impediments to Success, Cont'd:

Management

Senior management, (Council), have unanimously endorsed the **Collaborative Purchasing Initiative**. Those in middle management positions may not be so receptive as the initiative may be perceived as a threat to their autonomy and control resulting in a reluctance to willingly participate and a lack of ‘buy-in’ or ownership at their level.

Legislation

There may be an inability to identify and implement a common procurement methodology that is acceptable to the multiple jurisdictions involved in the project.



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Do agencies have to participate?

No!

Participation in the **AFAC Collaborative Purchasing Initiative** is optional.



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What else has, or is, occurring?

- A list of current agency contracts is being prepared including information as to whether these can be accessed by other AFAC member agencies.
- The NSW Department of Commerce has granted access to all NSW contracts for AFAC member agencies;
- Specifications common to all AFAC member agencies have been signed off for 11 items of PPE. A crew cab 4x4 rural tanker specification is close to completion.
- Agencies are being asked to report three monthly on upcoming tenders and the ability of other agencies to collaborate on those tenders.
- Significant progress has been made towards the adoption of common hose couplings. This will provide another opportunity for collaborative purchasing in the future.



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The creative process is the most terrifying part because you don't know exactly what is going to happen or where its going to lead. You don't know what new dangers and challenges you'll find. It takes an enormous amount of internal security to begin with a spirit of adventure, the spirit of discovery, the spirit of creativity. Without doubt, you have to leave the comfort zone of base camp and confront an entirely new and unknown wilderness. You become a trailblazer, a pathfinder. You open new possibilities, new territories, new continents so that others can follow.

Stephen R Covey



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Thank you

Questions?