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GSA's reverse auction platform is changing the way in which federal agencies buy and contractors compete through the Federal Supply Schedule program

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This summer, the General Services Administration (GSA) launched a new online "eTool" that enables federal agencies to use a reverse auction process to procure basic commodities and services. The platform, ReverseAuctions.gsa.gov/, allows suppliers to bid competitively for government-contracting opportunities in real time, with the lowest bidder generally securing the work. While GSA has used third-party vendors, including Fed Bid Inc., to conduct such auctions in the past, this is the first large-scale reverse auction program run by the Government. This auction approach — which is essentially a lowest-price, technically-acceptable (LPTA) procurement with the pending low price visible to competitors during the course of the competition — has the potential to significantly impact the way that federal agencies purchase products and services through the Federal Supply Schedule (FSS) program.

The scope of GSA's reverse auction platform

GSA's reverse auction platform can be used for select GSA and Department of Veterans Affairs (VA) Multiple Award FSS Schedules and Blanket Purchase Agreements (BPAs), covering a broad range of IT products and services, office supplies, pharmaceuticals and medical equipment, and other products and services that federal agencies purchase frequently. Several prominent Schedules — such as GSA Schedules 70, 71, 73, and 75 and

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VA Schedules 65 I B and II A — are available through the program. The following is the complete list of the Schedules for which agencies can use the reverse auction platform:

GSA Multiple Award Schedules

- ▶ **23 V** – Automotive Superstore
- ▶ **48** – Transportation, Delivery and Relocation Solutions
- ▶ **51 V** – Hardware Superstore
- ▶ **56** – Buildings and Building Material/Industrial Services and Supplies
- ▶ **58 I** – Professional Audio/Video Telemetry/Tracking and Recording/ Reproducing and Signal Data Solutions
- ▶ **66** – Scientific Equipment and Services
- ▶ **67** – Photographic Equipment: Cameras, Photographic Printers and Related Supplies and Services (Digital and Film-Based)
- ▶ **70** – General Purpose Commercial Information Technology Equipment, Software, and Services
- ▶ **71** – Furniture
- ▶ **73** – Food Service, Hospitality, Cleaning Equipment and Supplies, and Chemicals and Services
- ▶ **75** – Office Products/Supplies and Services and New Products/Technology
- ▶ **78** – Sports, Promotional, Outdoor, Recreation, Trophies and Signs (Sports)
- ▶ **81 I B** – Shipping, Packaging, and Packing Supplies
- ▶ **84** – Total Solutions for Law Enforcement, Security, Facilities Management, Fire, Rescue, Clothing, Marine Craft, and Emergency/Disaster Response
- ▶ **599** – Travel Services Solutions

VA Multiple Award Schedules

- ▶ **65 I B** – Pharmaceuticals and Drugs
- ▶ **65 II A** – Medical Equipment and Supplies
- ▶ **65 II C** – Dental Equipment and Supplies
- ▶ **65 II F** – Patient Mobility Devices
- ▶ **65 V A** – X-ray Equipment and Supplies - Includes medical and dental x-ray film
- ▶ **65 VII** – In Vitro Diagnostics, Reagents, Test Kits and Test Sets

GSA intends to add more Schedules and BPAs, expanding the products and services that agencies can procure through the reverse auction process.

How it works

The National Information Technology Commodity Program, within GSA's Federal Acquisition Service, is responsible for administering the auction website. Federal agencies purchasing through the platform set the parameters for their auction, including the start time, end time, starting price, and target price. These buyers can set aside auctions for small businesses when appropriate. The reverse auction process is subject to the Federal Acquisition Regulation (FAR), as contracting officers that place orders through the platform must comply with all applicable FAR rules. The process, however, is designed to comply with the FAR subpart 8.4

ordering procedures by, for example, affording contract holders a “fair opportunity” to be considered for award.

The reverse-auction competitions are limited to existing Schedule contractors (or to BPA holders in the case of orders placed against BPAs). To participate in a particular auction, contractors must be registered in GSA's eBuy system.¹ Contractors registered in eBuy and qualified to provide certain Special Item Numbers (SINs) will receive email notification when an agency is conducting a competition for those SINs through the reverse auction platform. Vendors can respond to the solicitation and “bid down” prices in real time within the established auction period, revising the pricing until the auction is closed. The website utilizes an automated messaging system to keep vendors updated on the status of their bids and the outcomes of auctions.

The purchasing agency generally will place the order with the seller that submits the lowest-price quotation that is technically acceptable and compliant with the applicable terms and conditions. The platform is designed to retain at least some level of anonymity for bidding companies by displaying the lowest bid but not the name of the offering vendor, even after award.² In practice, however, companies often may be able to discern the pricing proposed by competitors. For instance, this might be the case in situations where two companies know or suspect that they are the only contractors able to or likely to submit a bid in response to a particular solicitation. Moreover, because the FAR requires agencies to report contract award data, including awards of orders placed under the FSS Schedules,³ it is unclear how GSA intends to retain anonymity when such data is made available to the public, as mandated by statute.

Benefits and criticisms

GSA's launch of the reverse auction platform comes at a time of fiscal austerity, when GSA and most federal purchasers are particularly cost conscious. Not surprisingly, one of GSA's primary goals is to allow agencies to leverage the new platform to drive down prices, reducing the Government's costs for procuring the types of commodities and services available through the GSA and VA Schedules. GSA also intends for the platform to reduce processing times and increase opportunities for small and disadvantaged businesses by fostering set asides for such companies. Further, GSA hopes that the platform, by capturing line-item purchase price data, will facilitate transparency and allow the Government to assess potential “strategic sourcing opportunities.”

Many federal agencies already have experience using reverse auction mechanisms. GSA claims that reverse auctions (through Fed Bid) have historically saved its customers up to 17 percent.⁴ GSA also recently announced that it expects to save US\$33 million over five years by using a reverse auction to purchase electricity for federal buildings in deregulated areas of Texas. If GSA's reverse auction platform is successful, that success could influence contracting methods used across the Government, with more agencies relying on auctions, especially in light of the increasing prevalence of LPTA acquisitions.

Support for the reverse auction approach is not universal, however. Some within the contractor community have expressed concern that a singular focus on lowering prices may increase the risk that defective products and counterfeit parts will be introduced into the federal supply chain. Further, in a highly competitive market that is increasingly driven by cost, contractors may be wary that the potential transparency of bidding through the reverse auction is akin to showing their "best hand." This could be of particular concern for more specialized SINs where there are a small number of vendors who consistently compete against one another for the same work. Finally, while GSA has embraced reverse auctions for the procurement of "non-complex" commodities and services, efforts to limit the practice in other areas are already underway. For example, on July 19, Rep. Richard Hanna (R-NY) introduced the Commonsense Construction Act of 2013 to restrict the Government from awarding some construction contracts using reverse auction mechanisms.⁵

The bottom line is that it appears that the Government is likely to continue expanding its use of reverse auctions, at least for the foreseeable future. Contractors that offer products and services on the covered FSS Schedules should understand the program and how it may affect their federal business. All contractors should be aware of this growing trend and appreciate the unique issues posed by reverse auctions as the Government employs this technique in new areas.

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