

New buying methods saving state millions

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The Issue: The state Department of General Services says it has saved millions of dollars through changes in purchasing procedures, and expects to save much more.

Our Opinion: Gov. Ed Rendell is making good on his promise to find ways to trim the budget.

In these tough economic times, politicians running for public office promise to do their utmost to cut spending and trim operating costs.

However, once in office politicians frequently find the government bureaucracy overwhelming. Intentions to lower costs often fall victim to the well-entrenched, traditional way of doing things.

That's why the changes that have been made in the way the state buys the things it needs to operate and the savings they've generated are worthy of note.

As a candidate Gov. Ed Rendell, knowing that if elected he would be facing huge a budget deficit, promised to find ways to make the government operate more efficiently.

When he took office, Rendell gave the job of reining in the government's operating costs to Don Cunningham, who had been serving as mayor of Bethlehem before becoming the head of the Department of General Services.

Last month, Cunningham announced that those efforts were beginning to pay off.

Through the use of a method known as a reverse online auction, Cunningham said the state had lowered the annual cost of office supplies from the \$22.5 million that was spent last year to less than \$13 million.

A reverse auction is when vendors compete for a contract by trying to be the lowest bidder. In this

case, the auction was done on a special state Web site.

The new office-supply contract will replace an antiquated, inefficient and expensive system for supplying the operations of government, Cunningham said.

Previously, various state departments made most of their own purchases, often paying retail prices.

The \$9.5 million saved through this process is a good indication of how much more can be saved when applied to other goods and services.

In addition to the savings on office supplies, the state has significantly lowered the price on a number of other items by implementing a technique known as strategic sourcing.

Cunningham explained that strategic sourcing is little more than smart shopping. It's accomplished by analyzing how much money the state spends on various items, which state department buys them and who the suppliers are.

Armed with that information, the Department of General Services is in a better position to use its power as a bulk purchaser to secure better prices.

This year, by using this method, the state expects to save \$4 million on computer software, \$2.4 million on road asphalt, \$1.3 million on personal computers and \$1.1 million on vehicles.

Cunningham said that when strategic sourcing is applied to all of the items bought in large quantities, the commonwealth could save as much as \$100 million annually.

Of course, if the state saves millions of dollars on the items its purchases, that means that millions of dollars could be taken out of the state economy. However, Cunningham noted that the amount Pennsylvania spends on good and services is less than 1 percent of the state's economy.

Before implementing the new purchasing method, the state bought office supplies from 2,700 vendors, 1,800 of which did \$1,000 worth of business or less annually with the state.

Admittedly, saving \$9.5 million in a budget that exceeds \$20 billion isn't going to result in a tax refund any time soon. But to paraphrase the late Sen. Everett M. Dirksen of Illinois, a million here and a million there, before you know it, we're talking about real money.