

E-Auction and Disposal

What is auction?

- Auction - Originated from Latin term 'Augeo' means 'I augment' or 'I increase'
- A process of selling or buying goods by obtaining bids from prospective bidders. To sell- Forward auction, to Buy – Reverse auction.
- Most suitable where:
 - ✓ price is the key to selection criteria
 - ✓ item is commodity product or service
 - ✓ large number of buyer/seller are available
- Example: In Railways- for scrap disposal

Types of auction

- **English auction** : Most commonly used, bids are received in ascending order.
- **Dutch auction**: Here, seller puts the highest bids and decreases until there is someone to accept his price.
- **Sealed Bid auction**: Similar to tenders, bidders don't know other's bids and submit only one bid.
- **Vickrey Auction**: Here, the highest bidder pays the price of second highest bidder's price plus some increment. Generally not in use.

Auction Preliminaries - Disposal

- Identification of materials for disposal
 - Items no longer useful
 - Scrap, Process waste having value
 - Obsolete, surplus, Left-over materials
 - Damaged, Repairable, Beyond economical repairs
 - Condemned Machinery & Plant – Working or Not
- Gathering, Documentation and Accounting
 - Segregation
 - Lot formation
 - Quality Description & Quantity estimation
- Examination & survey before disposal
 - Possible alternative internal usage

Auction Preliminaries

- Auction Catalogue
- Schedule of Auction
- Conditions of sale
- Registration of purchasers
 - Rules
 - Financial requirements – Fee
 - License requirements
- Earnest Money (10% of lot value)
- Reserve Price fixation
- Bidding platform
 - Bidding rules
 - Minimum bid, Minimum increment
 - Closing time, Auto-extension time and numbers
- Bid Decision

Sale of Scrap

- After receipt of materials in the depot, they are segregated and lots are formed.
- The same is offered for sale by including in the e-auction catalogue.
- After e-auction, the successful bidder is issued a **Bid sheet**
- After the purchaser deposits the BSV, **Sale Release Order (SRO)** is issued.
- Purchaser is **advised to lift the material**.
- The material is issued in presence of **witnesses of Accounts and Security besides Stock-holder. Gate Pass & Sale Issue Note** is issued.
- **Completion Report** after the sale procedure is completed.

Reserve Price

- Basis:
 - Market Information,
 - Past Rates
 - Condition of lot
- All Ferrous & NF Items
- Inspection
 - Tare weight,
 - Items excluded from delivery,
 - Net saleable weight,
 - Valuable items content

What is e-auction?

- Auction conducted electronically i.e. through Internet is called e-auction.
- Bids are submitted online through Internet.
- Bidders needn't to be present physically
- Rules of bidding can be prescribed

Benefits of e-auction?

- **To seller:**
 - Increased revenues
 - Optimal price setting
 - Removal of intermediaries
 - Better customer relationship
 - Lower transaction costs
 - Lower administrative costs
 - Increased transparency

Benefits of e-auction?

- **To buyer:**
 - Increased business opportunities items
 - Lower costs
 - Anonymity
 - Convenience
 - No threat of being physically prevented
 - Can bid for multiple auctions at a time
 - Time and spatial barriers removed

Constraints of e-auction?

- **In implementation:**
- Initial hesitation to change due to doubts, suspicion and investment.
- Dependency on common infrastructure like power, Internet connectivity etc.
- Challenge to educate all the users and develop trust.
- Development of suitable auction software.
- In railways case, nature of buyers business i.e. Scrap vendors (Kabadi's).
- Preparedness at buyer's end, their attitude towards change and trust in technology

Constraints of e-auction?

Possible frauds:

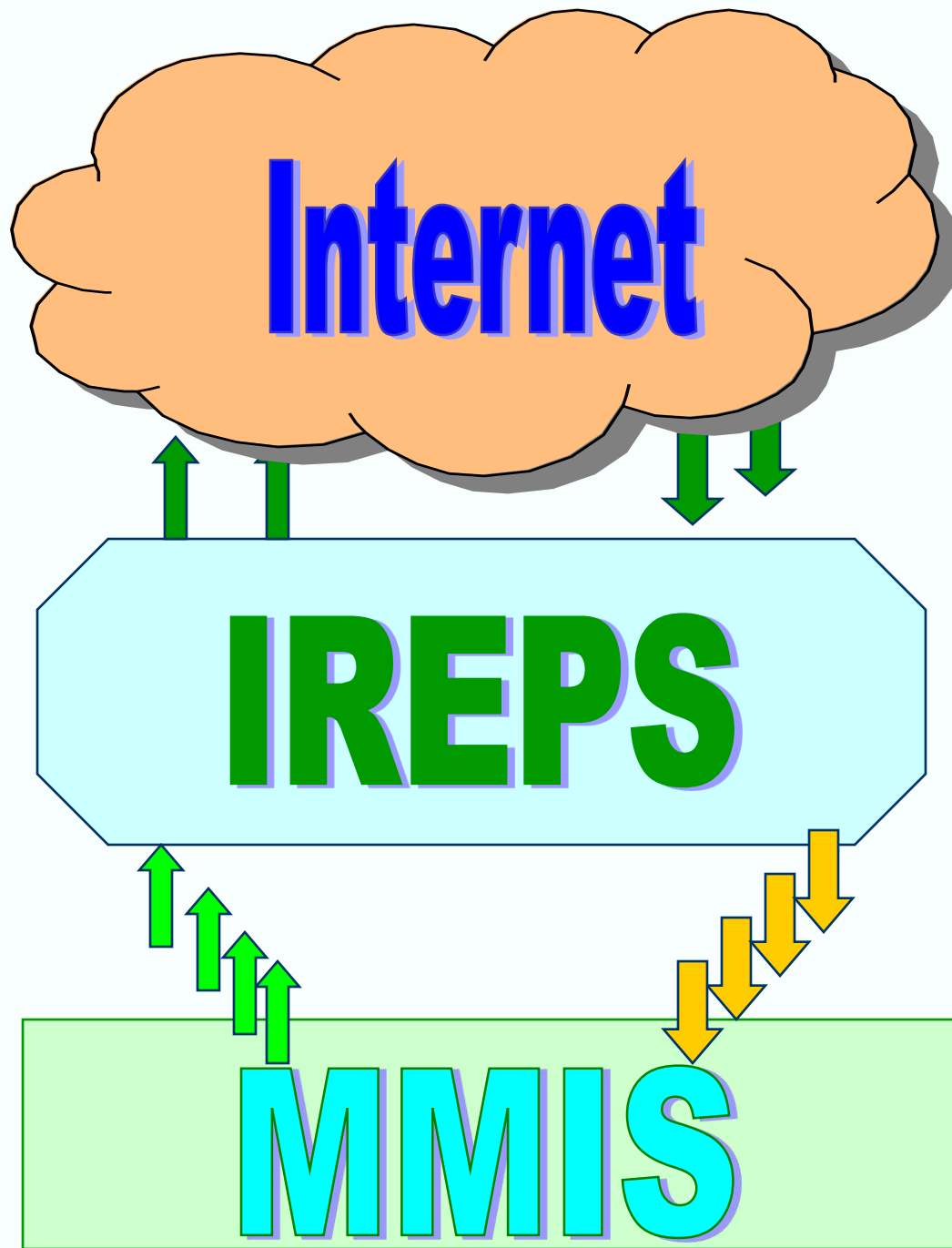
- **Bid shielding:** Bidders bid at a very high price when an auction begins; they pull out at the last minute, and the bidder who bid a much lower price wins.
- **Bid shilling:** Placing fake bids to jack up price (By seller).
- **Fake bidding:** Bidders fail to pay or lift the materials after winning the bid

Remedies against fraud

- **Bid shielding:** No provision for bidders to pull out from the auction.
- **Bid shilling:** Seller can not place bids.
- **Fake bidding:** No fake bidding as they:
 - have to register on the website with Digital Signature Certificates
 - require to submit an affidavit and one time entry fee
 - deposit EMD eq. to 10% of bid value
- Seller has facility to block any bidder.

E-Auction in Railways

- Hosted on the web site www.ireps.gov.in as part of e-Procurement System.
- Joint Procedure Order framed for policy guidelines / procedure for E-Auction.
- Application was released for Trial/ Testing to five Railways viz. NR,ER,SR, SECR, WCR on 30.04.10.
- Application is operating on pan Indian railway from June 2012



PRE-REQUISITES FOR BIDDERS

- Online and Manual Registration are available for bidders.
- Valid Class III Digital Signature Certificate, One time Registration Fee of Rs. 10,000, Valid Email ID.
- SBI Account with Netbanking for online registration and submission of EMD
- An Affidavit as per prescribed format duly notarized on stamp paper of requisite value.
- Personal Computer with browser IE 6 or IE 7 and Internet Connectivity.

Main activities

Activities by EPS Administrator:

- Creation of Depot under a Railway account
- Creation of Depot administrator
- Setting certain parameters globally e.g. Maximum cooling off period, number of maximum auto extensions etc.
- Approve bidder registration request
- Block / unblock bidders

Main activities

Activities by Depot Administrator:

- Creation of Depot users in his depot and Assigning roles and privileges to them
- Updating the profiles of depot users
- Entering / encrypting Reserve price and setting minimum increment for categories of items
- Block / un-block bidders.
- Monitoring the auction
- Deciding the bids (withdraw, accept or reject etc.)
- Signing the bid sheet
- Other functions of normal depot user.

Main activities

- **Activities by Depot users:**
 - Create, edit and publish auction schedule.
 - Create, edit and delete lots.
 - Create and edit auction catalogues.
 - Create auction header
 - Finalizing lots
 - Sequencing lots
 - Create bid sheet

Main activities

Activities by bidders:

- Submit request for registration.
- De-register himself.
- Subscribe/Unsubscribe To depots.
- Integrate Bank Account for Lien Management
- Mark/Unmark Lien
- Pay Standing EMD online thru SBI Netbanking
- Search/view and bid in e-auction
- View/sign bid sheet

Activities by Depot users

- Preparation of Auction Schedule by Depots and its publication.
- Preparation of lots and auction catalogue with facility to transfer data from MMIS at later stage.
- Pre defined six Scrap Categories for uniform reporting/ analysis.
- Depot Officer has flexibility to sequence category and lots within a category.
- Image of lot in JPEG format can be uploaded with lot details.

Auction Process ...

- Creation Of *Auction Catalogue Header* : defining the Type of Auction, Max Auto Ext., Cool Off period.
- **Inviting Bidders in the Catalogue.**
- Attaching File in catalogue .
- Blocking /Unblocking of Bidders by EPS Admin, Zonal Admin & Depot Administrators to bar the bidders from bidding.

Auction Process ...

- Inclusion of Lots in the Catalogue under step “*Lot Finalization Step*”.
- Sequencing and scheduling of Category and lots within the category under step “*Auction Sequencing*”.
- Catalogue Publishing by Depot user through his Digital Signature Certificate . Catalogue available to All kind of user including anonymous user after publishing.

Important Terms and Conditions of Auction

- Auction is on "**As is where is basis**" and it is presumed that the purchaser has satisfied himself in respect of quality and quantity before bidding.
- Auction Conducting Officer's decision shall be final in respect of **withdrawal of any lot from the auction**
- **Terms of payment**
- **On acceptance of e-bid, Earnest Money** of winning lot is transferred to Railway from Bidder from lien marked or standing EMD
- **Balance Money** has to be deposited **as per Time Schedule** given
- The time for making balance payment can be extended by the COS/CMM in some genuine cases but the interest is charged at the prescribed rate. In case the **Purchaser defaults**, the lot is **forfeited** along with the **Earnest Money** deposited.
- If the loading is by Railways, Loading charges are paid by the purchaser at the prescribed rate. In case crane is used for loading, crane charges are also paid by the purchaser
- In addition purchaser has to pay "**GST**" **at the prescribed rate**.
- Purchaser will be given **Delivery Order after he has paid the entire amount** as mentioned above. Based on which he can himself take the delivery of the lot or give the special power of attorney on a stamp paper of prescribed value to another person to take the delivery on his behalf.
- **Free time allowed for taking the delivery** is as under (including the day of auction)
- **Penalty for delay in lifting** the sold lot beyond the prescribed free time allowed is ground rent
- **No picking and choosing** is permitted while taking delivery. "Bundling" can be allowed only if it has been announced and permitted during auction.

Editing of Published catalogue

- Catalogue date timing can be postponed / preponed leading to generate corrigendum.
- Lot can be withdrawn only by Auction conducting officer.
- Those lots whose RP is not filled will be withdrawn automatically .
- RP filling/editing LAR filling can be done after publishing and before starting of Auction.

LAR Filling of Lots and RP filling

- Last accepted rates of a lot can be filled up to 5 times and these rates are available in Auction register. LAR of offline lots can also be filled.
- 5 Last rejected rates and highest among rest (if any) is automatically picked up from the system and available in Auction register.
- Reserve Price Filling for Lots and encryption and Signing of RP and saved in RP register.
- For opening the RP register the Decryption of same is required.

Bidding Process

- Bidders login and see E-Auction Schedule for Live Auctions in their home page on left navigation.
- Auction Catalogue shows details of various lots including Auction Start and Close Date/ Time. Bidder can select the lots for the bidding after click on “Enter” icon.
- After Entering Bidding password bidding can be done on lots.
- At the same time Railway user can login and Enter to that Lot and can see the Bidding.

Bidding Process ...

- Railway User can send the messages lot wise to bidders during bidding.
- Identity id hide during bidding, the bidders can see only his name while others will see as “Others Bid”.
- Different Lot Parameters, Time Left, Auto Extensions
- Current Time also available.

Bid decision & Bid Sheet Creation

- After bid is over Auction Conducting Officer will have the facility to decide on the awarding of that lot to highest bidder or rejecting the same.
- The decision can be taken Manually or Automatically.
- Automatic Decision force the Admin to apply the decryption key and then the lots are accepted and rejected based on above or lower than RP.
- In manual decision the Depot Admin Manually Accept or reject the Lots.
- Bid Sheet is Created and signed by concerned users.

Online payments through Lien Feature

- Money on which Lien is marked by the bidder will be blocked in Bidders SBI Bank Account and he will not be able to withdraw this Lien marked amount from his SBI account. The user can however release/modify the amount of Lien at later date subject to verification for availability of the same from IREPS only.
- This facility involves following two steps
 - Integrate Bank Account
 - Mark/Unmark Lien

STANDING EMD

Standing EMD is the amount deposited in the bidder's E-Auction account and used for the following :-

- Deciding the bidding limit of the bidder
- Auto deducting the Earnest Money for Lots awarded to Bidder.

Bidding Limit

Total Bidding Limit is the maximum Bid amount for which bidder can bid against any number of lots in E-Auctions of various depots of Indian Railways

Bidding Limit is 10 times the (Standing EMD + lien marked).

During live auction, the bidding limit will dynamically change based on status of bids

If the bidder is highest for any Lot appropriate EMD will be blocked and his bidding limit will be decreased; if the bid is superseded by another bid or rejected by Auction conducting officer, his blocked EMD will be released and his Bidding Limit will be restored.

USE OF MODERN TECHNOLOGICAL TOOLS

CCTV Cameras are installed in Scrap area for effective monitoring.



A View from CCTV





Thank You