



## DECISION OF DIRECTOR OF DEVELOPMENT AND ENVIRONMENT

DECISION NO. 15/16 DE 217 DE

**SUBJECT: Disposal of Surplus Vehicles via EBay.**

### **Background:**

The council currently disposes of its surplus vehicles via Motor Trade Auctions around the southwest typically through British Car Auctions, and Manhiem, in compliance with Contract Standing orders. Whilst this is generally an effective method of disposal it rarely achieves best value to the council, as whilst these auctions can be attended by members of the public, they rarely are, and vehicles almost without exception end up with motor traders who sell them on for additional profit.

All vehicles have recognised trade and retail values which are marginally adjusted depending on the mileage and physical condition. The trade value is typically at least £1,400 less than the retail value. The council assets offered for disposal all tend to be in good condition often with well below typical mileages, making them prime candidates for an enhanced retail offering. Despite being in good condition the council often struggles to achieve little more than the lower end of the trade valuation meaning the council is potentially losing in excess of £1,400 per vehicle, plus auction fees.

Based on the disposal of an average of 20 vehicles per year the differences between trade prices and retail prices are often in excess of £30,000 per annum.

### **Recommendation:**

That the council trials EBay for the sale of its vehicles by public auction.

### **Reasons:**

Currently there are three vehicles that are coming up for disposal and it is proposed to use these for the purposes of the trial.

During the trial the following approaches may be trailed

### **Auction Format:**

- Listed with a reserve relating to the Trade valuation from Glasses Guide (industry guide to vehicle values which the council subscribes to on an annual basis)

- The auction will be for a 10 day period (maximum time available for auctions within EBay) to allow potential buyers the opportunity to inspect the vehicle at the Maintenance contractor's by appointment. A standard Terms and Condition of sale will be input on the narrative, and full service history and conditions will be shown on the vehicle.
- Failure to reach the reserve will result in 1 further listing with the reserve set at the Glasses Guide disposal price.
- Failure to sell at this point would result in disposal to trade auction at no reserve.
- No Vehicle or associated documents will be released until cleared funds are received.

**Fixed price:**

As above except

- Listed with a reserve relating to Retail valuation from Glasses Guide
- The auction will be for a 10 or 30 day.
- Option for bidders to provide a best offer price if they are not prepared to pay the listed price. If only a best offer price is achieved then this will only be accepted if it is considered to be at a reasonable level above the trade valuation.
- Failure to sell will result in 1 further listing with the reserve set at the Glasses Guide Trade price – either via the auction format or fixed price format.
- Failure to sell at this point would result in disposal to trade auction at no reserve.

Given the level of interest in council vehicles from local community organisations, and members of the public it is quite feasible that substantial interest will be generated through the use of E-bay.

Internal audit and corporate accountancy have been consulted and are happy for the trail to be undertaken.

**Financial Implications**

The table below sets out a general comparison between vehicle auction and e-bay fees.

| <b>Based on a listing price of £5,000</b>   |                                    |  |  |
|---|------------------------------------|--|--|
|   | <b><u>Vehicle Auction fees</u></b> |  | <b><u>E-Bay &amp; PayPal</u></b>                     |
| Transportation costs  | £100 - £200                        | Inspected / picked up from NS  | £0   |
| Entrance fees   | £100                               | Listing Fees   | £21  |
| Commission<br>2% of auction price   | £100                               | 1% of selling price capped at £50  | £50  |
| Miscellaneous fees can also be charged for non-start of vehicles, or storage fees of £20 per day when a sale exceeds 2 weeks. |                                    | If paid for with PayPal 3.4%+20p.<br>The council could also accept cheque or credit card payment through its normal payment channels | £170   |
| <b>Total</b>  | <b>£300-£400</b>                   |  | <b>£70-£240</b><br>depending on final payment method |

In addition to reduce fees the use of E-bay is considered likely to achieve higher final sale price, resulting in increased income to the council then that achieved through the traditional car auction market.

**Other Alternatives Considered:**

As part of the review process several options were investigated these included;

1. Continue with the existing arrangements but send vehicles further afield to areas such as London in a hope of achieving a greater return than the apparently suppressed market in the South West.
2. Offer the assets to a trade disposal specialist such as We buy any Car/Van, this would result in a guaranteed return typically 10% to 15% higher than currently achieved at auction, this method does offer a viable alternative with much less aggravation. A lot of vehicles sold in this way are then sent to trade auctions.

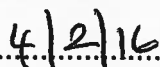
**Risk Assessment:**

With any auction, the council must ensure it complies with distance selling regulations, by describing the vehicle accurately and listing any known faults. North Somerset vehicles are inspected frequently and accurate records are kept of all repairs and defects. These records are something that is often overlooked when they are sold at Trade Auctions to the council's detriment.

There is a risk that a buyer may bid and not finalise the transaction. In these circumstances the vehicle could be re-listed or consideration could be given to selling to the next highest bidder.

Without trailing e-bay the council could miss the chance to improve the yield on its vehicles. By improving yield the council could reduce its borrowing costs on future purchases and reduce its future revenue budgets.

Signed.......... Director of Development and Environment

Dated..........

