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From the Editor, July 2006

By Neil Markee, Editor-in-Chief

This month, Lloyd Rain completes his well-considered layman’s review of antitrust laws. If you have been around professional purchasing as long as Lloyd has, much of this may be a review for you. But I suspect there will always be enough turnover in your department to make a periodic review of the Sherman Act and Robinson-Patman prudent. These laws provide protection and they have teeth.

I didn't change a word in Stephen Mack’s article on inspired leadership and I'll probably hear from the "Brotherhood of Editors" if that sin of omission gets out. But I could see and hear Steve talking as I read his words and I got the message. There will never be a surplus of inspired leadership on campus or anywhere else.

The sidebar discussions that take place among small groups of members are one of the many unscheduled but major benefits of the NAEP Annual Meeting. This year, I listened in on discussions of the growing role of signing bonuses in contracting for products and services on campus. As in the sports world, we are talking about serious dollars here and there are serious issues involved.

If you missed NAEP in Baltimore this year, budget to go to San Jose in 2007. Just one signing bonus in a new area could pay your way for many years.
Commentary, July 2006

Signing Bonuses

By Neil Markee, Editor-in-Chief

No, we are not talking about the heaps of money sometimes paid to elite MLB, NFL, and ABA professional athletes for putting their signatures on the bottom line of multi-year contracts. This discussion is about the money paid up front to colleges and universities by suppliers in return for inking a contract or a contract extension and was one of the interesting and maybe even controversial topics of discussion during sidebar conversations at the 2006 NAEP Annual Meeting in Baltimore. And we are not talking about chump change. Seven-figure numbers were mentioned.

Although I don’t know the history of this practice very well, it may have begun with the upfront cash, scoreboards, and other benefits provided by Coke or Pepsi in return for signing an exclusive soft-drink contract covering several years. Around the country, colleges, universities and even public school districts have signed up and taken the money. Other than student protests centered on big-brother university inappropriately signing away what students see as their right to choose for a few shekels, and more recently concerns expresses over the nutritional content of the products sold, I have not heard or seen much that was really new about those deals recently. However, this is a frequent topic of discussion on the NAEP Listserv and remains a live issue.

Deciding what students will or should be able to buy on campus over say the next five years has proven to be problematical on some campuses and I’m sure most institutions will approach this issue much more gingerly than some did initially several years ago. However, in general I think it’s safe to say that within higher education at least we have found ways to make agreements of this sort work fairly well and we have developed and refined the required contract wording. At the Annual Meeting, I learned that the signing bonus approach has spread to other contracting areas.

One scenario might go something like this. A five-year contract for just about any fairly routine, ongoing acquisition is about to expire and, because the institution has been pleased with the supplier’s performance, they plan to exercise the first of two one-year options to renew that had been built into the original contract. They call the supplier in, thank her for providing better than expected service and indicate that the institution will exercise its right to renew for another year. Hearing that, and wanting to lock in what has proven to be a profitable relationship for her company, Madam Supplier asks if a two-year renewal is possible at this time and infers that she would be more than willing to share some
anticipated profits with the institution up front if that were to happen. In fact, in return for a two-year renewal now, the supplier will write the University a check for say, $50,000, right now. In other words, $50,000 for agreeing to do now what you are just about certain to do twelve months from now. Cash on the barrelhead for doing what you anticipate doing in any case sounds like one of those win-win situations you hear about, doesn’t it?

Here’s about another example. P-card service provider is committed under the terms of a multi-year contract to pay the university an annual rebate based of the dollar-volume handled during the preceding twelve months. After one year, hard-detailed data indicates that the university has exceeded expectations, service-quality feedback from end-users is positive, and the administration is very happy in the reduction in process cost. In fact, the institution is considering internal changes to encourage even more widespread P-card usage. For example, the dollar limit might be raised. P-card provider is sure that a substantial rebate will be earned over the remaining four years of the contract, can see nothing but dollar signs if the dollar limit is upped and, is more than willing to pay half the anticipated rebate up front if the change in dollar limit is adopted. More overall-volume and a higher average order are very attractive to P-card provider and the potential, substantial check in advance is equally attractive to the institution.

What, if any, are the legal/ethical issues? Building one- or two-year extension options into the contract to provide an incentive for the supplier to perform is routine and exercising those options is standard practice. No problem there. Right? But changing the conditions of the original contract by signing up for both optional years at once in return for a signing bonus may be an issue among tax-supported institutions in some jurisdictions, because this could be seen as a change in the contract originally posted for supplier consideration. Most private institutions would see this as a mutually beneficial change and would not have a problem with this arrangement. But some of their tax-supported brethren might, even though the ultimate length of the contract would not be altered and, after all, the change could be seen as a price reduction during the term of the contract. In fact, at the Annual Meeting, purchasing professionals from a few public institutions told me that just the extension outlined would be a problem in their state, even if no cash incentive were involved.

How about changing what may well have been an important element of the contract during the term of the contract by changing the P-card dollar-limit? If no payment were involved, I suspect any institution could make this sort of internal policy change without much more than a murmur from competing suppliers, unless the dollar-limit policy were a term spelled out in the contract. But if a policy change were adopted by a public institution in response to a payment made by an existing supplier, other suppliers might see this as an unfair attempt to avoid the requirement to competitively bid a new contract and demand the right to bid anew if the change is made. On the other hand, I think most private institutions would consider an increase in dollar-limit a year after the initial award as being well within ethical bounds.

How about adverse effects on the management of the contract during its term? Having taken a substantial payment upfront, the option to cancel for unsatisfactory performance could become difficult to exercise and the threat would lose credibility if all, or part of, the signing bonus would have to be refunded. I suspect few institutions would hold the cash in something akin to an escrow account until the contract is completed and they would have to write a check on their own account. Cancellation may be an all but unusable “nuclear weapon” option in any case, but the existence of the option probably does lend weight to the discussion when the supplier is called in to discuss poor performance.
As I sat down to keyboard this copy, I thought of another scenario nobody mentioned in Baltimore but where this signing-bonus approach might be tempting. As you know, there are consulting firms that offer to audit utility and freight bills in return for a share of the savings they hope to earn by finding errors made by the utility or freight Company and applying for refunds. Usually, they mention that experience with other similar institutions suggests that savings in the range of $XXXX might be anticipated. They typically suggest a “no cure-no pay” contract format, splitting the savings they realize in what might appear to be a no-risk arrangement for the institution. After all, what have you got to lose other than that your own self-esteem when you find out you have overpaid?

However, the institution will have costs associated with the disruption involved, whether or not the service provider finds any billing errors. Perhaps another consulting firm might offer a bigger percentage and/or prove to be more competent. It might be tempting to suggest that interested suppliers compete on the basis of how much they are willing to pay the institution up front for the right to mine their transaction file, whether or not they find any errors. The winning firm could then keep all of the savings they realize. Similarly, some consultants offer to manage your contract portfolio for a percentage of the savings their expertise produces. I wonder how much they would be willing to pay for the opportunity and what would happen to end-user satisfaction and relationships with suppliers?

What to do with the money actually realized is another issue. Keeping the money on deposit and dollying it out to end-users on a pro rata basis at the end of the period covered looks like an unworkable option to me. For a host of legal, ethical and practical reasons, putting it into the Purchasing Department travel budget is probably not an option and adding it to your retirement fund, though perhaps attractive, will not work either. In a tax-supported setting, the money earned might disappear into the state’s general fund—where it would be swallowed up—never to be seen again and provide little benefit or incentive to the institution. One person told me that on his campus the money is directed to campus-wide improvements in the service provided by purchasing. I don’t know which services he had in mind but, properly presented, that seems workable. At a research institution heavily supported by federal grants and contracts, accounting for and allocating the money could be an administrative nightmare, and I wonder how that works.

I don’t know how well this approach has become entrenched within higher education and I need a briefing on how this might work out in practice. During a discussion with a supplier in the exhibit, I was asked if this wasn’t some sort of kickback. I didn’t see it as that but I suspect he did. And I suspect he was wondering if it would take more than just good performance to earn an optional extension, if seeking additional consideration at renewal time became the norm. What’s happening on your campus?
Commentary, July 2006

For What It’s Worth—Inspired Leadership

By Stephen Mack, C.P.M., Director, Procurement & Contracting Services, University of Arizona

During the past year, I have written several columns on leadership. It is a trait that is often discussed, articulated in writings, and yes, even debated, as we try to capture its essence in our lives. During the recent Annual Meeting in Baltimore, I had the opportunity to take my beautiful wife, Rosita, to Washington D.C. for her first visit to our capital city. We were both awed and inspired by the stunning architecture and humbled by the ideals represented by these magnificent monuments and museums. Traveling through the Mall, we arrived at one of my favorite places in Washington, the Lincoln Memorial. As I read Lincoln’s inspiring words of equality and justice, the eloquence of his words and the significance of his message, which have not diminished with time, resounded deeply within me. When he spoke about equality for all, regardless of skin color or national origin, many believed he was on the fringe. Lincoln was a leader in every sense of the word, and he paid the ultimate price for refusing to compromise on his core values.

As we descended the steps of the monument, we came to the first landing and saw the stone marker indicating the spot where another great leader, Martin Luther King Jr., ignited the nation with his immortal “I Have a Dream” speech. I was moved as I remembered this groundbreaking speech and, more importantly, when I contemplated the meaning of his words and the courage of his actions. It would be impossible to have a discussion about leadership without including this man, who was so instrumental in providing the direction and uncompromising leadership that compelled us as a nation to engage in the hard work necessary to move out of our comfort zone of complacency with the status quo toward a position of inclusion and diversity.

I will admit that I was personally on the wrong side of history during this time. I wouldn’t suggest that I was racist in anyway, but, like the majority of people in the country at the time, I believed that the road of patience and longsuffering would lead to integration, and I did not understand or agree with Dr. King’s movement. Boy, how wrong could I have been? One of Dr. King’s greatest strengths was that he saw the vision and relentlessly pursued it.

“I have a dream that one day this nation will rise up and live out the true meaning of its creed: ‘We hold these truths to be self-evident: that all men are created equal.’ I have a dream that one day on the red hills of Georgia the sons of former slaves and the sons of former slave-owners will be able to sit down together at a table of brotherhood. I have a dream that one day even the state of Mississippi, a desert state, sweltering with the heat of injustice and oppression, will be transformed into an oasis of freedom and justice. I have a dream that my four children will one day live in a nation where they will not be judged by
the color of their skin but by the content of their character. I have a dream today...When we let freedom ring, when we let it ring from every village and every hamlet, from every state and every city, we will be able to speed up that day when all of God's children, black men and white men, Jews and Gentiles, Protestants and Catholics, will be able to join hands and sing in the words of the old Negro spiritual, "Free at last! Free at last! Thank God Almighty, we are free at last!"

Like Lincoln, Dr. King also paid the ultimate human price for his convictions as he fell to a crazed gunman bent on destroying the movement, but it was too late. King had already created the critical mass that allowed his dream to take root and grow. In my opinion, we still have much work to do, but we are certainly significantly ahead of where we were in the 1960s.

During the annual meeting there were any number of sessions related to leadership, and there seems to be an increasing demand for commentary and discussion of this important topic. There are many places to look for inspiration when searching for examples of leadership, but both Martin Luther King, Jr. and Abraham Lincoln embodied the essential ability to visualize what could be and the strength to overcome all challenges. They certainly didn’t wait for a consensus before taking the reins and exhorting the masses to follow them.

Every year when I attend the annual meeting I come away with several new ideas that I can implement at the University of Arizona, but I must say being in the place where one man’s vision was expressed and another man’s vision is honored was a remarkable experience that I will not soon forget.
Commentary, July 2006

Antitrust Laws, Part 2
Understanding Antitrust Laws

By Lloyd Rain, Purchasing Link Contributing Editor

Of all the numerous laws regulating commerce and economic behavior in the United States, the antitrust laws are the least understood. Many small businesses still believe that these laws apply only to Microsoft and other large corporations. This is not true.

The primary objective of the antitrust laws is to eliminate practices that interfere with free competition in the marketplace. From a business perspective, the goal is to promote a robust and competitive economy, one in which each competitor has a full and equal opportunity to compete on the basis of price, quality, and service. This philosophy has resulted in the highest quality goods and services at the lowest possible price and a vibrant American economy.

The Sherman Act

The primary federal antitrust statute is the 1890 Sherman Act. Section 1 of the Act prohibits every contract, combination, and conspiracy in restraint of trade.

As a general rule, agreements between competitors are the most dangerous and the most suspect types of conduct under the antitrust laws. These are often called "horizontal agreements," because competitors are at the same level within the chain of distribution (manufacturers, distributors, wholesalers, retailers, etc.). Where competitors agree on price, or on the manner in which the goods or products are sold or distributed, such behavior will be found to be a "per se" (or automatic) violation of the antitrust laws. Once the behavior is found to exist, liability is presumed. There are no meaningful defenses.

Horizontal Agreements

Horizontal agreements are limited to a relatively short list of activities. Those that the U.S. Supreme Court has found to have major anti-competitive impact include:

- **Price fixing**, where a group of competing buyers agree on a price they will pay to their suppliers, or where a group of competing sellers agree on a price that they will charge to their customers (one variation of price fixing is bid rigging, where competitors who are bidding on a contract agree in advance on the prices to be bid and who, ultimately, will be the successful bidder).

- **Agreements to divide markets** or allocate customers, where competitors agree on which of them will sell a product in a particular geographic market, or to certain accounts: such conduct impedes open competition.
**Price maintenance arrangements** in which a seller and buyer (usually not between competitors) fix the price at which the buyer will resell the product—antitrust laws generally presume that a buyer can resell goods free from any price-related restrictions.

**Some Extended Options for Targeting**

Most other types of business behavior are analyzed under the antitrust laws pursuant to a "rule of reason" test. This involves an examination of the market shares or economic power wielded by the parties to the agreement. Additional scrutiny is directed at "vertical agreements." These are understandings between business entities at different levels within the chain of distribution. Such conduct includes:

- **Group boycotts**, where competitors limit access to a supply or a market and thus inhibit another competitor from competing. When the boycotting companies possess a dominant position in the market, this can become a per se violation.

- **Tying arrangements**, where a seller will sell its product only if a buyer agrees to purchase another product as well. Again, this can be a per se violation if dominant market power can be shown (typical is Microsoft’s inclusion of its Internet Browser with the sale of its Word Processor).

- **Territorial and customer restrictions**, such as exclusive territories, and the like. {This is why there is such a current flurry about discounted sales—in which the wholesaler is forced to reimburse the retailer for the “discount” of a “sale” price!}

It continues to baffle me why the government permits so many “protected territories” to exist—territories in which buyers are permitted to purchase from only one sales agent; thus, effectively fixing prices throughout the nation and completely eliminating competition on a given product.

**The Issue of Price**

Competitors must also generally refrain from exchanging price information. If exchanges of such information are found to be part of a pattern or practice between competitors, or part of an agreement, a per se charge might be levied. Commonly, it is inferred that the exchange of price information is merely a prelude to price fixing.

**The Issue of Monopoly**

The other major part of the Sherman Act, Section 2, prohibits monopolization and attempts to monopolize.

Unlike Section 1, these offenses do not require an agreement between two or more parties. Unlawful monopolization generally exists when a business possesses monopoly power, or the ability to control prices to exclude competition, and engages in the willful acquisition or maintenance of that power.

In any monopolization inquiry, it is necessary to determine the "relevant market" by which monopoly power is to be measured. This relevant market is defined by both product line and geography. The geographic market will be that area in which customers of the product look for sources of supply.
Once the relevant market has been defined, the analysis then turns to evidence of monopoly power. While market share is a primary indicator, factors such as barriers to entry, outside regulation, and competition in related markets are also considered.

Should monopoly power be found, the inquiry then turns to whether that power has been acquired or maintained willfully, as distinguished from growth resulting from a superior product, business acumen, or historic accident. There is criminal conduct if business activities are found to be predatory, exclusionary, abusive, or unreasonably restrictive.

In addition to Section 2, the antitrust laws contain requirements designed to prevent mergers and acquisitions that may be anti-competitive in nature, or which may otherwise promote a monopoly.

A Combination of Travesties

The Sherman Act is both a civil and criminal statute. Civil actions are usually undertaken by the FTC. Criminal violations are investigated and prosecuted by the Antitrust Division of the United States Department of Justice. Potential criminal penalties include fines up to $10 million for a corporation and $350,000 for an individual, together with imprisonment for up to three years.

Most of the noncriminal enforcement of the Sherman Act is carried out through private civil litigation. Antitrust litigation is generally protracted, expensive, and highly disruptive for the parties involved.

The Robinson-Patman Act

In 1936, Congress further enhanced existing antitrust legislation with passage of the Robinson-Patman Act — designed to assist small businesses by preventing "price discrimination" and characterized by the same item selling at various prices in order to manipulate some aspect of the market, like maybe putting a competitor out of business.

The Act does not prohibit all price discrimination—only those practices that have an effect on competition. Just because there are price differences does not automatically mean there is unlawful price "discrimination." Under the Act, price differences become suspect whenever the effect of those differences may substantially lessen competition in any line of commerce, or tend to create a monopoly.

Generally, the test is not whether the pricing practices have injured a particular competitor, but whether the overall level of competition in a particular market or industry has been impacted. Thus, in a highly fragmented market, with no true dominant player, a violation of Robinson-Patman would be unlikely. Under Robinson-Patman, both the seller engaging in price discrimination and the favored buyer receiving lower prices are liable for monetary damages. This can make life potentially difficult for a buyer that has successfully negotiated a low price, only to find later that those favored prices are suspect.

Robinson-Patman Defenses

There are several broad defenses to Robinson-Patman.

The "quantity discount" defense provides that pricing practices based upon differences in the cost of manufacture, sale, or delivery resulting from quantity purchasing, may not violate the Act. Price differentials need to be justified by clear evidence of cost savings and mathematical justification.
It is also permissible for a seller to have different pricing structures based upon distribution services. It is generally permissible to charge different (lower) prices to wholesalers than to retailers to account for these distribution services.

The Act also permits a seller to "lower" its price to meet an equally low price being offered by a competitor. In order to qualify for this "meeting competition" defense, a seller must be able to establish that it has lowered its price in good faith in order to remain competitive.

The Act also includes a defense for price differences resulting from "changing conditions." The primary purpose of this defense is to permit a seller to dispose of goods where economic losses are imminent because of deterioration or perishability, obsolescence, distress sales, etc. Price differences resulting from obsolescence, perishables reaching expiration, and seasonable goods all clearly fall within this defense.

In addition to price discrimination, Robinson-Patman also makes it unlawful for a seller or buyer to give or receive compensation for placing or obtaining an order for the purchase or sale of goods (i.e., kickbacks, gifts, discounts on other transactions, etc.).

Some Examples of Recent Antitrust Cases and Rulings

One of the most perplexing areas of anti-trust law is the issue of setting national and regional standards. There are numerous associations in America that set standards for various aspects of manufacturing, construction, and business operations. Some typical ones are the American Bar Association with its Model Procurement Code, the International Code Council with its Construction Code, the American Society of Automotive Engineers, which sets numerous standards for sizes of nuts and bolts, types of oil and a multitude of other items, and even the American National Standards Institute, which sets standards for just about everything. There is always a danger that such standard-setting organizations can overstep their boundaries with respect to antitrust issues, and indeed some have. Here are four recent issues dealing with standard setting organizations and how the Federal Trade Commission (FTC) and the Supreme Court have dealt with them.

Allied Tube & Conduit Corp. v. Indian Head (486 U.S. 492, 1988)

A manufacturer of plastic electrical conduits, Indian Head, asked a major standard setting association, the Fire Protection Association, to certify its product in the National Electrical Code as a safe electrical-wiring product. Although a private entity, the National Electrical Code is a well-respected guide that all states have adopted into law. At that time, the only approved electrical conduit was made of steel. The members of the steel industry, manufacturers of steel conduit and their sales representatives, led by Allied Tube, decided to defeat Indian Head’s application. They recruited new association members whose only function was to vote against Indian Head’s application. The steel conspiracy ultimately recruited 230 new members and defeated Indian Head’s application by 4 votes, 394 to 390.

When the action finally reached the U.S. Supreme Court (after an Appeals Court found in favor of Allied Tube and then a District Court found in favor of Indian Head), the Court first described the risks and benefits associated with the standard-setting process. It observed that private standard-setting associations often have economic incentives to restrain competition. After all, an agreement on a product standard is implicitly an agreement not to manufacture, distribute, or purchase other types of products. But the Court also noted that private associations often promulgate perfectly legitimate standards based on objective criteria for reasons of prudence and public safety.

The court insisted that industry standard-setting activities be conducted in a non-partisan
manner. Simply because an association has a set of rules in place is no guarantee of fairness. Rather, an association's rules must contain safeguards that prevent economically interested parties from skewing the decision-making process. Ruling—in favor of Indian Head (with two dissenting judges who based their dissents on the supposition that a ruling in favor of Indian Head would have every standard-setting organization in the nation running for cover from antitrust action).

**FTC v. Indiana Federation of Dentists (476 U.S. 447, 1986)**

A dentists' federation adopted a rule prohibiting its members from giving copies of patient x-rays to insurance companies. The Federation did this even though patients wanted their dentists to provide the x-rays to insurers to facilitate benefits payments. The FTC brought a case against the Federation and issued a decision finding the conduct unlawful. The Federation sought review in the court of appeals, which overturned the Commission's decision. The FTC then appealed to the Supreme Court.

In its opinion, the Supreme Court recognized that the dentists' joint refusal to provide the insurance companies with the x-rays resembled a group boycott, and that group boycotts traditionally have been viewed as per se illegal.

The Indiana dentists argued that their restrictions on giving insurers x-rays were designed to assure adequate dental procedures. The Court not surprisingly concluded that the Indiana dentists had improperly substituted their view of what was best for consumers for the preferences of the consumers themselves. Such an agreement violates antitrust's **rule of reason** by limiting consumer choice and impeding the ordinary give-and-take of the marketplace. Ruling in favor of the FTC.

The Supreme Court was notably skeptical of a private organization's effort to substitute its view of social policy for competition as the guiding force in our economy.

**Dell Computers, Inc. Consent Order; Docket C-3658 (consent order, May 20, 1996)**

The case of Dell Computers provides an interesting example of how a member of a standard-setting association, by abusing neutral procedures, can gain a special competitive advantage for itself in a highly technical issue of which the public would be totally unaware.

In this case, a standard-setting association for the personal computer industry was developing a standard for a device called the "VL-bus." The bus is a mechanism for transferring instructions between the computer's central processing unit and its peripherals. Dell's representative, like other members of the computer association, filed a form indicating that he knew of no patents or copyrights that the VL-bus design would violate.

For this reason, the association selected the VL-bus design standard over other options. Once that standard became well accepted and over a million computers incorporating the new standard were sold, Dell asserted that the bus standard infringed a Dell patent. The FTC reviewed a complaint by competitors and concluded that Dell's conduct would give it undeserved market power. The Commission obtained a settlement with Dell that prohibited Dell from enforcing its patent rights against computer manufacturers using the VL-bus (It's remarkable to me that Dell thought it could get away unnoticed with what I see as clearly underhanded conduct).

**The Internet Domain Name Registration System**

The FTC also advocates on behalf of sound self-regulatory efforts. Recently, the FTC staff ruled on a proposal to privatize the Internet Domain Name Registration System.
The National Science Foundation holds the current contract for registering domain names, but the contract is about to expire. When that occurs, private firms could compete to register and administer domain names. However, to eliminate chaos, those firms could be permitted to create a not-for-profit association that would operate much like an industry standard-setting body by providing orderly domain-naming systems and associated technical services.

Staff observed that some cooperation is essential if the Internet is to work. It noted that creating a not-for-profit association to coordinate private conduct in providing technical services could be especially useful in maintaining a stable system of addresses. The staff suggested that cooperative efforts are likely to yield efficient and nondiscriminatory technological standards if (1), there are net benefits from standardization; (2), each party's benefits exceed its costs; and (3), no party has a vested interest in any particular standard. Although government could oversee such coordinated conduct, industry participants could probably bring more expertise, speed, and flexibility to the system.

The FTC therefore endorsed the proposal with emphasis on the adoption of proper safeguards such as fair and open procedures for making decisions, requirements for recording the bases of decisions, and a mandate for including diverse economic interests on the association's board.

End

Lloyd Rain retired as Purchasing Director of Lane Community College in October 2003 and is now the principal of Lloyd Rain Associates, a firm that provides solicitations for public agencies (www.rainassoc.com).
July 2006

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From the President

85th Annual Meeting Overview

It is hard to believe that it has been almost two months since NAEP’s 85th Annual Meeting and Exhibition in Baltimore, Maryland. I hope that many of you were able to attend, as this year’s meeting presented many opportunities for attendees to continue their professional, community, and
collaborative development. The meeting was well attended by more than 520 fellow procurement professionals, who were treated to keynotes by John G. Miller, QBQ, who spoke about “Making Personal Accountability a Core Value” and Mary Flynn, Disney Institute, who shared the Disney approach to “Change Management—Who Wants to Change Anyway?” And what about the very first live pre-proposal conference, “Strategic Sourcing for Technology,” conducted by Dick Scharff and Mary Sue Goldwater of E&I Cooperative? This was a great practical learning experience for so many of us who attended. In addition, there were some 30-plus concurrent sessions, followed by interactive activities in the evening. The supplier exhibits were some of the best, with 142 exhibit booths from 104 exhibitors, along the concept of Corporate Showcases in the exhibit hall. Overall, they were very successful.

With all this, before we know it, Lorelei Meeker, Indiana University, and her program committee will have the program for the 86th Annual Meeting—“Ambient Leadership”—ready for us. The 86th Annual Meeting will be held March 25-28, 2007 in San Jose, California. So mark your calendars today!

**Leadership Forum**

This was the third year of the Leadership Forum, where NAEP Regional leaders came in on Saturday prior to the Annual Meeting to share their knowledge and to gain additional training. The forum was definitely interactive, with about 40 attendees attending different workshops on regional meeting planning and development that concluded with everyone participating in a consensus process for stronger and better fall regional and district meetings.

**Awards Ceremony**

During the 85th Anniversary and Awards Banquet, some of our best were recognized for their contributions to their institutions and/or NAEP by Awards Committee Chair Lorelei Meeker, Indiana University. The recipients for this year’s awards were:

- **Distinguished Service Award - Robert Ashby**, University of Nevada, Las Vegas (retired) For extraordinary service to one’s institution, the higher education community, the Association, or the purchasing profession
- **Professional Prospective Award - Michael LaGrassa**, Woods Hole Oceanographic Institute (retired) For the most valuable article published in the 2005 NAEP Educational Procurement Journal
- **Nancy Tregoe Scholarship - Eileen Miller**, Chemeketa Community College
  To provide professional development opportunities for a current member who has made contributions to NAEP and E&I
- **David H. Lord E&I Cooperative Purchasing Award - Guy DeStefano**, Indiana University, (retired) For exceptional contributions to E&I over a comprehensive period of time through volunteerism in the area of Cooperative Purchasing.

**New Committee Assignments**

Numerous people have already expressed their willingness to help with the NAEP Committees. There are six standing committees working on specific charges this year and I wish to acknowledge and thank those volunteer members with “IT” who have agreed to Chair or Lead Co-Chair these committees.

- **Awards**: Nancy Brooks, Iowa State University
  Combined Professional Development and Electronic Communications: Sandy Hicks, University of Colorado
- **Cooperative Purchasing**: Linda Collins, University of California–San Diego
- **Editorial Board**: Mike Chmielewski, Law School Admissions Council
- **Membership**: Denise Finn, Yavapai College
- **Nominating**: John Klopp, University of Iowa
Ad Hoc Committee Assignments: This year there are two ad hoc committees that were created to work on specific issues or opportunities that may exist and the following volunteers with “IT” have also agreed to Chair these committees.

Sustainability Program Committee: Ray Jensen, Arizona State University

Scholarship Committee: John Klopp, University of Iowa

I would also like to thank the many volunteers with “IT” who will be working on these committees as well to all of the Regional Officers and Regional Committee members for your efforts in each of our NAEP Regions.

After all it is the volunteers, along with the support and guidance of the National Office, that continue to assist your association on “Staying the Course” with Professional, Community, and Collaborative Development. Consider becoming engaged as a volunteer and help lead the way.

In closing, I would like to take this opportunity to thank John Klopp for his leadership and dedication over the past two years to your association. John has helped NAEP navigate some difficult waters during this time, his untiring approach, willingness to consider all the options and his ability to collaborate with various fractions has allowed him to emerge as one of the pillars of your association. John—THANK YOU.

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Call For Programs: 2007 Annual Meeting

National Association of Educational Procurement, Inc.
San Jose, California For application form to submit programs at NAEP’s 2007 Annual Meeting & Exposition, click here

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Calendar of Events

September 27-29
PROCUREMENT ACADEMY TIER I: FOUNDATION
Renaissance Tulsa Hotel, Tulsa, Oklahoma

September 28, 2006
EDUCATIONAL WEBCAST—”Spaces Matter: Aligning Your Campus Environments & Your Strategic Plan”
Educational Webcast

September 28~Mark Your Calendar
Spaces Matter: Aligning Your Campus Environments & Your Strategic Plan

Faculty Deb Moore, Executive Editor of College Planning & Management Magazine;
In 2005, college construction totaled more than $14.5 billion dollars. Are you leveraging your new and renovated space to your university's fullest advantage?

2005 will be remembered as the year of cataclysmic natural events that took a toll on the nation’s infrastructure. Construction inflation, which had been rising at a manageable 3–4% a year, rose more than that in the last 3 months of 2005. Even with increasing inflation, completed 2005 college construction came in at a whopping $14.5 billion dollars—the highest one-year total in our nation’s history.

Higher-than-ever expectations from today's students and their parents, increased competition for faculty and dollars, rapid changes in technology, diverse learning and teaching styles, more pressure to measure results—these are just some of the critical issues colleges and universities are facing and what they are hoping that this mammoth expenditure in construction will deliver. Institutions of all types and sizes are looking for new ways to be closer to the cutting edge, and facilities are a bigger-than-ever part of the solution.

**Who Should Attend**

- Academic
- Campus Planning
- Faculty
- Administration
- Design
- Human Resources
- Admissions
- Development
- Procurement
- Business
- Facilities
- Student Services

**What You Will Learn**

- The kinds of spaces that appeal most to today's students and faculty.
- How to transform underused spaces.
- Ideas for increasing the strategic value of your classrooms, offices and the often-overlooked areas between them.
- How institutions such as Northern Arizona University, Tarrant County College, and the University of Connecticut are leveraging their facilities in unique ways to get the results they're after.

**About the Faculty**

Deborah P. Moore is the executive editor/publisher of College Planning & Management and School Planning & Management magazines. Prior to joining the magazines, Deb spent 20 years as Director of Operations for the Council of Educational Facility Planners International. Deb has written many articles and presented to many groups on the impact of facilities on education.

Ed Roy, National Workplace Consultant for Higher Education at Steelcase, Inc. is part of a team that conducts observational research into teaching styles and learning behaviors at colleges and universities throughout the United States and Canada. He is a presenter in programs administered by the Interior Design Continuing Education Council and the American Institute of Architects Continuing Education System.
Socially Responsible Purchasing

Heatin’ Up the Campus with Alternative Fuels

Bates College to Heat Residential Houses with Biodiesel

Bates College has begun heating 12 of its student residences with B5 a blend of petroleum heating oil with 5 percent biodiesel. Bates has started with B5 because of warranty issues on its burner equipment. The biodiesel, which comes from American Alternative Energy will cost the college roughly the same as straight No. 2 heating oil. In related news, a group of students and faculty is exploring producing biodiesel from cooking oil discarded by the college’s dining services. Colby College and the University of Southern Maine are also heating biodiesel. http://www.bates.edu/x117462.xml

Mixed Fleet Soon to Fill up at Hydrogen Fueling Station at Penn State

The only hydrogen fueling station currently located in Pennsylvania is on Penn State’s University Park campus, where efforts also are under way to develop a mixed-vehicle fleet, including two cars, a bus and vans, to demonstrate hydrogen's potential. By the end of the summer, Penn State’s Hybrid and Hydrogen Vehicle Research Center (HHVRC) will have a transit bus and a University maintenance van operating on a hydrogen/natural gas blend along with a fuel cell car operating on pure hydrogen. http://live.psu.edu/story/18174

Rice University Producing and Using Biodiesel on Campus

Students in the Rice University Biodiesel Initiative are producing biodiesel from waste vegetable oil generated on campus. Rice's maintenance workers are using a 20% biodiesel blend in their mowers. The group is working to expand biodiesel use on campus to Rice shuttles and other vehicles.

http://www.westuexaminer.com/articles/2006/05/26/memorial/community/comm18.txt
http://cohesion.rice.edu/CentersAndInst/EESI/emlibrary/RUBIs_Real_Theory_2.mov

East Carolina University
to Use Ethanol in Campus Vehicles

This summer, East Carolina University will begin fueling campus vehicles with gasohol, a mixture of 90 percent gasoline and 10 percent ethanol. The change will result in a reduction of almost 11,000 gallons of petroleum per year. Other changes that are planned to further reduce petroleum usage include switching to remanufactured lubricating oil for university vehicles and switching the Student Transit System busses to biodiesel.

http://www.ecu.edu/cs-admin/news/releases/2006/05/053106ethanol.cfm

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MEMBER NEWS

Tina Hunt has resigned as President of the Delaware/Pennsylvania/West Virginia Region. In accordance with NAEP bylaws, the Board of Directors appointed Thomas J. Fogarty, Executive Director Business & Auxiliary Services, Harrisburg Area Community College, as Interim President. Vira Hormick, Associate Director eBusiness Purchasing Services, University of Pennsylvania, has been appointed as Interim Vice President.

Keith Hickman has joined the staff at Texas State University-San Marcos Purchasing Analyst. His primary duties will include administering the Texas State P-card program and the Central Order On-Line (COOL) system for ordering office supplies on-line.

Vikki F. Ross has left the University of Texas Medical Branch for a position as Director of Purchasing at University of Texas Health Science Center San Antonio.

Eddie Jackson, Associate Director Small Business Procurement Services/SBLO, Renssalaer Polytechnic Institute, announced his retirement as of the end of June. He worked at RPI for 19 years and was an active member of NAEB/NAEP for 17 years.

The Top 10 Things That Every Customer Wants from You

Whether they are fully aware of it, or know it or say it...

1. They want it to cost less money, even if it's already value-priced.
2. They want to it act faster/immediately.
3. They want it to come to them/be delivered.
4. They want it to be replenished/updated/upgraded/replaced automatically and consistently.
5. They want it even before they know it's available or that they even need/want it.
6. They want it pre-customized to fit their unique needs.
7. They want it to come pre-assembled and ready to run; no instructions or thinking needed.
8. They want to be able to return it with no hassle; a solid/flexible guarantee.
9. They want it to work perfectly and beyond all expectations.
10. They want to feel good about using it/being a customer of yours.
Quote of the Month

Nearly all men can stand adversity, but if you want to test a man’s character, give him power.
—Abraham Lincoln