Dear Sir/Madam,

**Re: Inquiry into Sustainable Procurement**

This is a response to the NSW Legislative Assembly’s inquiry into sustainable procurement, with reference to the NSW Government’s Procurement Guidelines on Environmental Management, its Procurement Policy and the Code of Practice for Procurement.

**Summary - the challenge**

The NSW Government’s guidance on procurement points in the right direction, but the specifications are rather vague. Only some illustrative examples are given, but no clear guidance is provided. Hence, the sustainable procurement process depends on the individual person in charge rather than clear decision making guidelines. The procurement process remains highly case dependent.

The challenge is to provide clear practical guidelines for each product category (e.g. photocopies, computer, printers, paper, furniture) that enables the sustainable procurement process for decision makers. These guidelines have to consider both economic and environmental considerations in an integrated, methodologically consistent manner. We make practical suggestions about how to do this.

**Status quo**

*Documentary basis*

The Code of Practice for Procurement outlines how the NSW Government will conduct its procurement activities when interacting with the private sector in the future. The NSW Government Procurement Policy establishes a comprehensive procurement framework which assists government agencies in the efficient delivery of services and ensures procurement strategies are consistent with the Government’s wider policy objectives. The policy provides an overarching framework for government procurement and is supported by the NSW Government Code of Practice for Procurement and a suite of guidelines which comprise the Procurement Manual. The material contained in these guidelines should be incorporated within an agency’s existing procurement practices. The extent to which these procurement initiatives are applied should be determined on a case by case basis.
Environmental aspects / sustainability
The ‘Environmental Management’ (2006) document highlights the need to integrate economic development, social programs and environmental management which have occurred largely in isolation from each other in the past, but these systems are interlinked and social, economic and ecological objectives are interdependent.

To achieve improved environmental performance the NSW Government requires agencies to mainstream Ecologically Sustainable Development (ESD) in procurement. All agencies are required to include ESD objectives in their corporate plans and subsequent business practices, including the procurement of goods and services. Therefore, products ought to be assessed equally and impartially on their demonstrated merits in terms of performance, cost and environmental impacts. Hence, guidelines aim to assist agencies and service providers to integrate ESD principles into the procurement and supply of goods and services, improve the environmental practices of service providers and agencies, minimise the detrimental impacts on the environment of products and services used amongst others (p. 2; Environmental Management, 2006). Environmental considerations in the procurement process are mentioned in general terms (such as using the highest possible recycled material content, avoiding waste, ensuring product re-usability, preferring energy efficient products (considering their manufacture and use), but remain rather unspecific.

In this context cost neutrality is mentioned: ‘In order to balance environmental considerations within ‘value for money’, the procurement process should also be based on the concept of cost neutrality. In other words, substituting the use of products with lower environmental impact costs where the overall effect on the agency’s business is cost neutral or favourable’ (p.4; Environmental Management, 2006). Examples are given of products and services:

1) that are better in environmental and economic considerations;
2) with higher initial capital costs, but lower costs during operations in the same business unit or somewhere else; and
3) which generate intangible benefits, such as public perception, are identified as having value equivalent to the extra cost of the product.

These aspects are a little further specified in Chapter 4 Procurement Process and Chapter 5 Environmental Procurement Considerations, such as office stationary, office equipment (photocopies, computer, printers, and furniture).

The solution
In order to overcome this challenge a life cycle approach needs to be taken with considers the entire life cycle of a product / service from cradle to grave. This approach is applicable on environmental impacts and economic considerations.

We suggest a staged approach for the successful implementation of sustainable procurement guidelines:

1) This approach should focus on key environmental aspects, such as energy consumption, greenhouse gas emissions and resource efficiency (this may be expanded later on) in order to apply ISO 14040 standards in a streamlined manner.

2) These key environmental themes should be then translated into clearer procurement guidelines considering existing international systems, such as energy star rating, European Flower, German Blue Angel.

3) For significant expenditure classes not covered by (2) above, depending on whether they involve a few high value investments or a large number of inexpensive purchases, NSW needs to either build a quantitative environmental analysis step into the procurement process or develop simple quantitative tools to assist officer-level decision makers with limited time and/or environmental expertise, so they can make informed decisions.

Examples drawn from our experience:
The Sustainability Assessment Program in the UNSW School of Civil and Environmental Engineering has proven it is feasible to improve guidance for government and industry in these ways. Examples of key recent projects are:

Guidelines for sustainable procurement:
- Development of the first sustainability framework for Australian water service providers (WSAA, 2008)

Quantitative analysis of major infrastructure investments:
- Analysis of biowaste management alternatives (Peters & Rowley, 2009)
- Analysis of future sustainable metropolitan water systems (Lundie et al., 2004)

Development of simple information tools
- Environmental Sustainability Assessment Tool for urban developments (Schulz et al., 2009)
- AirCon tool for commercial air conditioner selection (Lundie et al., 2008)
If you have any questions, please do not hesitate to contact us on 9385 5097.

Yours faithfully,
Sven Lundie and Greg Peters

References


Peters GM, Rowley HV (2009) Environmental comparison of biosolids management systems using life cycle assessment. Accepted for publication by *Environmental Science and Technology* 29 January 2009
