

**Submission**

**No 15**

## **INQUIRY INTO INQUIRY INTO SUSTAINABLE PROCUREMENT**

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**Theme:**

**Summary**



New South Wales  
**TREASURY**

*Office of Financial Management*

NSW Legislative Assembly Public Accounts Committee  
*Inquiry into Sustainable Procurement*

***NSW Government Submission***

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## Executive summary

This whole-of-government submission to the NSW Public Accounts Committee Inquiry into Sustainable Procurement was coordinated by NSW Treasury.

Sustainable procurement is defined as “a process whereby organisations meet their needs for goods, works and utilities in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.”<sup>1</sup>

The procurement policy framework guides agencies with references to a range of policies and guidelines promoting sustainable procurement through each step of the procurement process. These are incorporated into government procurement systems, specifications and contracts.

The NSW Government Sustainability Policy (Premier’s Memorandum 2008-28) was announced in 2008. The NSW Treasury procurement policy framework refers to this policy to inform agencies of their obligations.

The NSW Government Sustainability Policy outlines how the government will lead by example in sustainable water and energy use, reducing greenhouse gas emissions, waste and fleet management and sustainable purchasing. To implement cost effective energy and water efficiency upgrades, agencies can apply to the NSW Treasury Loan Fund. The fund is administered by the Department of Environment and Climate Change and \$40 million is available annually. The 2008 Waste Reduction and Purchasing Policy (WRAPP) Progress Report<sup>2</sup> stated that the NSW public sector is on track or exceeding a number of NSW Waste Avoidance and Resource Recovery (WARR) Strategy 2007 targets.

Goods and services contracts can be accessed through smartbuy®, operated and maintained by the Department of Commerce, which has a greenbuy-sustainable catalogue to assist agencies to purchase sustainable products. Contracts which include sustainability elements include motor vehicles, fuel, fleet management, electricity, electrical products, computers, workplace supplies and waste management. Agencies must use state contracts, where available, to select suppliers and products from panels of approved goods and services suppliers.

All tendering processes for construction work include assessment of tenderers’ environmental capabilities, and all construction contracts incorporate stringent environmental management requirements. For major construction projects, contractors are required to have an accredited corporate environmental management system. Where design is involved, sustainability criteria form part of tender assessment and contract performance evaluation.

New South Wales contributes to a number of national sustainable procurement implementation projects, including standard sustainability specification criteria for suppliers, and product standards. These measures should increase incorporation of sustainable procurement by agencies where this is cost and performance effective within a value for money context.

NSW Treasury considers that agencies generally include sustainability considerations in their business cases. Gateway reviews of business cases include an independent assessment of the sustainability of a proposal.

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<sup>1</sup> Australian and New Zealand Government Framework for Sustainable Procurement (2007), Australian Procurement and Construction Council

<sup>2</sup> NSW Government Waste Reduction and Purchasing Policy (WRAPP) Progress Report 2008, DECC 2008/269, Department of Environment and Climate Change

## Overview

The NSW Legislative Assembly Public Accounts Committee Inquiry into Sustainable Procurement is examining the extent to which government procurement practices comply with policies and guidelines relating to environmental management. In particular it focuses on mainstreaming ecologically sustainable development in procurement.

In addressing the Terms of Reference this whole-of-government submission covers:

- a definition of sustainable procurement
- current policy and sustainable procurement practice in NSW
- policy implementation
- national and other jurisdictions experience
- instruments to promote sustainable procurement
- work in progress

To assist agencies make appropriate and informed procurement decisions that ensure best value for money and support the efficient and effective delivery of government services, NSW Treasury published the NSW Government Procurement Policy<sup>3</sup>. This overarching policy for procurement includes the Code of Practice and has the following key principles:

- value for money as benefits achieved compared to whole-of-life costs
- efficiency and effectiveness
- probity and equity
- effective competition.

This procurement policy applies to all government departments, statutory authorities, trusts and other government entities. The exception is entities subject to the State Owned Corporations Act but these entities are encouraged to adopt aspects of the reforms that are consistent with their corporate intent.

NSW Treasury is responsible for the NSW Government Procurement Policy and the State fiscal strategy. The Department of Commerce is responsible for procurement practice, including guidelines, procurement systems and whole-of-government contracts. The Department of Environment and Climate Change (DECC) is responsible for leading the NSW Government Sustainability Policy<sup>4</sup>, and its programs and reporting. Agencies are responsible for procurement implementation and outcomes.

Procurement policy can be used by governments as a vehicle to achieve broader policy objectives beyond the key principles. In these cases policy is developed by the agency expert in the subject matter, approved by government and then included in the NSW Treasury procurement policy and associated procedures.

Sustainable procurement is an example of using procurement policy as a vehicle to achieve the broader objectives of the NSW Government Sustainability Policy.

Sustainable procurement is on the agenda of all Australian jurisdictions. This is currently a major topic of interest for the Australian Procurement and Construction Council<sup>5</sup> (APCC). The APCC defines sustainable procurement as:

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<sup>3</sup> NSW Government Procurement Policy (2004), TPP04-1, NSW Treasury

<sup>4</sup> NSW Government Sustainability Policy (2008), Premier's Memorandum 2008-28

<sup>5</sup> The Australian Procurement and Construction Council (APCC) is a national reference body on government procurement policy advice, principles and best practice. NSW is a member of APCC

“a process whereby organisations meet their needs for goods, works and utilities in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.”<sup>6</sup>

This definition has been adopted for this submission.

Sustainable procurement by government provides value for money benefits in service delivery where this is cost and performance effective. The benefits include decreased adverse environmental impacts and more efficient use of public resources. Agencies assess the cost-benefit of sustainable procurement options in project business cases. The NSW Treasury Economic Appraisal Guideline assists agencies to assess value for money on a whole-of-life basis.

NSW Treasury considers that agencies generally include sustainability considerations in their business cases. NSW Treasury’s gateway reviews<sup>7</sup> of business cases include an independent assessment that the fiscal, social, economic and environmental impacts of the project have been demonstrated and documented and that the recommended option is least likely to deplete financial, community and natural resources.

Government procurement systems<sup>8</sup> for construction and goods and services, and government contracts always include environmental requirements in request for tender documents. Agencies must use state contracts, selecting suppliers and products from the panel of approved suppliers. These can be accessed through smartbuy®<sup>9</sup> which has a greenbuy-sustainable catalogue to assist agencies purchase sustainable products. For construction procurement, sustainability considerations are integrated into all project phases, from planning through options analysis, documentation, service provider selection, contract management and disposal.

Implementation of the NSW Government Sustainability Policy will ensure government agencies are more efficient in their own use of energy, water and vehicles and produce less waste as well as using the government’s purchasing power to drive efficiency and environmental sustainability.

Other jurisdictions have value for money approaches similar to NSW. Both Queensland and Victoria governments provide guidance material to assist agencies implement sustainable procurement within the value for money framework.

In addition to promoting markets for sustainable products through the government’s direct purchasing power, the main instruments to promote sustainable procurement include:

- raising awareness
- supplying information and training
- capturing opportunities
- reporting initiatives.

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<sup>6</sup> Australian and New Zealand Government Framework for Sustainable Procurement (2007), Australian Procurement and Construction Council

<sup>7</sup> Part of NSW Government Procurement Policy (2004), TPP04-1, NSW Treasury. The Gateway Review System is a series of structured independent reviews held at key decision points (gates) in the procurement process. The reviews assess the progress of projects against seven criteria: service delivery, affordability, value for money, sustainability, governance, risk management, stakeholder management and change management.

<sup>8</sup> Procurement system for construction and whole-of-government goods and services contracts, operated and managed by the Department of Commerce

<sup>9</sup> Smartbuy® is operated and maintained by the Department of Commerce

## 1.0 What is sustainable procurement

The definition the Australian Procurement and Construction Council (APCC)<sup>10</sup> uses for sustainable procurement has been adopted for this submission.

The APCC uses a United Kingdom definition for sustainable procurement in Australia:

“a process whereby organisations meet their needs for goods, works and utilities in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.”<sup>11</sup>

Sustainable procurement includes making procurement decisions that minimise adverse impacts on the environment, for example buying ‘green’ goods, building ‘green’ buildings with low energy and water usage, and engaging service providers committed to sustainability objectives.

This is consistent with the definition proposed by the United Nations environmentally and socially responsible procurement working group:

“Sustainable procurement is the process in which organisations buy supplies or services by taking into account:

- the best value for money considerations such as price, quality, availability functionality, etc
- environmental aspects ("green procurement": the effects on the environment that the product and/or service has over its whole lifecycle, from the cradle to the grave)
- the entire life cycle of products
- social aspects: effects on issues such as poverty eradication, international equity in the distribution of resources, labour conditions, human rights”<sup>12</sup>.

The benefits include decreased adverse environmental impacts and more efficient use of public resources.

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<sup>10</sup> The APCC is the peak council of departments responsible for procurement, construction and asset management policy for the Australian, State and Territory governments and the New Zealand government. The APCC reports to the Australian Procurement and Construction Ministerial Council (APCMC), comprising Ministers with direct responsibilities for procurement and construction matters. The APCMC is a Council of Australian Governments (COAG) Ministerial Council.

<sup>11</sup> Australian and New Zealand Government Framework for Sustainable Procurement (2007), Australian Procurement and Construction Council

<sup>12</sup> United Nations Environmentally and Socially Responsible Procurement Working Group at <http://www.sustainableprocurement.net/home2.html> accessed 6 March 2009



## 2.0 Current situation in NSW

Government policies provide the framework within which agencies operate to deliver cost effective services to the public.

NSW Government Procurement Policy provides the overarching policy for all procurement. Governments can use procurement policy as a vehicle to achieve broader policy objectives, where appropriate. In these cases, policy is developed by the agency expert in the subject matter, approved by government and then included in the NSW Treasury procurement policy processes. Sustainable procurement is an example of using procurement policy as the vehicle to achieve broader objectives. The NSW Government Sustainability Policy includes strategies and actions for sustainable procurement.

A key issue facing agencies is integrating sustainable procurement decisions into broader value for money outcomes on a full life cycle basis. Assistance is provided through the NSW Treasury procurement policy, guidelines and procurement systems managed by the Department of Commerce, and expert advice from DECC.

### 2.1 Roles and responsibilities

NSW Treasury is responsible for the NSW Government Procurement Policy and the State fiscal strategy. NSW Treasury's mission is to promote state resource management to achieve better public services and a stronger NSW economy.

The Department of Commerce is responsible for procurement practice, including guidelines, procurement systems and whole-of-government contracts. Within the Department of Commerce, NSW Procurement is responsible for:

- carrying out procurement on behalf of the Public Sector Service under the Public Sector Management (Goods and Services) Regulation 2000, through the State Contracts Control Board (SCCB). The SCCB is established under the Public Sector Employment and Management Act 2002. The legislation requires that probity is maintained in tendering and the tender selected is the most advantageous to, and best value for money for, the public sector service
- providing procurement advice to NSW Treasury and agencies in planning and managing the procurement of construction, goods, services, and information and communications technology
- supporting NSW Treasury in implementing the agency accreditation scheme, including the provision of a construction procurement system.

The Office of Public Works and Services (OPWS) within the Department of Commerce provides services to state and local government agencies in the planning, investigation, design, delivery, commissioning and maintenance of built assets and infrastructure, including water and wastewater infrastructure, public buildings and precinct/landscape planning. OPWS delivers these services through its business units including Project Management, Government Architect's Office, NSW Water Solutions and Facilities Management. The delivery of projects is managed through a project management system (the 'roadmap') which provides tools and guidelines for managing projects from initiation through development, implementation and finalisation. In its service delivery, OPWS complies with sustainability guidelines and policies as outlined in Attachment C.

The Department of Environment and Climate Change (DECC) is responsible for leading the NSW Government Sustainability Policy including management of the Waste Reduction and Purchasing Policy and the reporting of these policies. Whilst the Department of Commerce ensures correct procurement processes and incorporating sustainability into state contracts where appropriate, DECC supports the Department of Commerce in this role. In addition, DECC has developed its own sustainability action plan to ensure it is leading by example.

Agencies are responsible for procurement implementation and outcomes. Under the Public Finance and Audit Act 1983, agencies are required to be accountable and to use monies efficiently and effectively.

### 2.2 Policy and sustainable procurement practice (terms of reference 1, 2, 3, 4 and 5)

The NSW Government Procurement Policy<sup>13</sup>, based on best value for money, is the overarching policy for all procurement. Value for money is defined as the benefits achieved compared to whole-of-life costs. Other policy objectives include efficiency and effectiveness, probity and equity, and effective competition in government procurement. The Code of Practice for procurement as outlined in the NSW Government Procurement Policy establishes the standards of behaviour applicable to both agencies and suppliers during the procurement process. The Code of Practice requirements for environmental management seeks agencies to identify environmental opportunities and adopt measures to minimise risks and impacts.

The procurement policy requires agencies to undertake whole-of-life costing and use sustainable products where this is cost and performance effective. The policy emphasises proper up-front planning including rigorous business case assessments in procurement decisions.

The procurement policy framework<sup>14</sup> outlines a 10 step procurement process which guides agencies through each step of the procurement process from evaluation through to implementation and disposal. As well as identifying policy requirements, the framework references a range of guidelines which provide assistance to agencies to implement policy objectives. This includes the NSW Government Sustainability Policy<sup>15</sup> which outlines government action strategies and targets in sustainable water and energy use, reducing greenhouse gas emissions, waste and fleet management and sustainable purchasing. Agencies follow this general process and integrate sustainability considerations where appropriate in their procurement activities.

A number of guidelines are available to assist agencies implement sustainable procurement. These include Sustainable Development Guideline<sup>16</sup>, Environmental Management Guideline<sup>17</sup> for goods and services, and Environmental Management Systems Guideline<sup>18</sup> for construction. These guidelines provide process principles and best practice advice for incorporating sustainable procurement in agency activities.

The waste reduction and purchasing policy (WRAPP) is now part of the NSW Government Sustainability Policy. It requires all NSW State Government agencies and State Owned Corporations to develop and implement a WRAPP plan to reduce their waste, increase recycling and increase the purchase of recycled content materials nominated areas. Implementation of the sustainability policy will ensure government agencies are more efficient in their own use of energy, water and vehicles, as well as using the government's purchasing power to drive efficiency and environmental sustainability.

<sup>13</sup> NSW Government Procurement Policy (2004), TPP04-1, NSW Treasury

<sup>14</sup> The procurement policy framework, including 10 step procurement process maps are available from the NSW Treasury website at <http://www.treasury.nsw.gov.au/procurement/procure-intro> - these are being updated but the principles, for the purpose of this submission, remain the same

<sup>15</sup> NSW Government Sustainability Policy (2008), Premier's Memorandum 2008-28

<sup>16</sup> Sustainable Development Guideline, TAM04-13, NSW Treasury

<sup>17</sup> Environmental Management Guideline (2006), Department of Commerce

<sup>18</sup> Environmental Management Systems Guideline (1998), DPWS report number 97018

### TOR 1 Inclusion of environmental considerations in procurement plans, tender specifications, selection criteria, and decisions

For major projects, agencies develop evidence-based business cases<sup>19</sup> for submission to NSW Treasury to demonstrate the most effective option to meet a service need. An economic appraisal<sup>20</sup> assists efficient public sector resource allocation decisions, by systematically analysing all the costs and benefits associated with the various ways of meeting a service objective. This includes consideration of the environmental aspects of the options outlined in the business case.

Environmental considerations are assessed in agencies asset strategies as well as in each business case and independently reviewed in gateway reviews. NSW Treasury considers that agencies generally include sustainability considerations in their business cases.

Government procurement systems<sup>21</sup> for construction and goods and services, and government contracts already include environmental requirements in tender specifications. The Department of Commerce incorporates sustainability requirements in whole-of-government and client specific contracts for goods and services where appropriate. The Department has developed a series of templates for tender development and the evaluation for goods and services. The templates are comprehensive and in addition to providing links to procurement policies, require tenderers to provide information on a number of environmental issues. The government procurement system for construction contains contract templates, procurement practice guides and tools. The standard contracts for construction work include a range of environmental management requirements, as described below.

The Department of Commerce makes use of an electronic tender development and evaluation tool. This is a web-based single entry point for government agencies and suppliers to advertise, access and respond to NSW Government tenders. As part of this process tenderers for goods and services are required to provide information on the level of activity and support their organisation has taken on environmental issues. Detailed questions are asked about environmental responsibility and waste management, packaging, recycling components and the disposal of products.

Tenders which are not developed and assessed through the electronic process are also required to provide information on their environmental management system. Information is required on how the organisation promotes the development of ecologically sustainable development, evidence of their environmental management and performance capability and compliance with the government energy management policy principles.

Recent contracts where sustainability requirements have been incorporated include:

- motor vehicle contract – includes policies regarding reduction of greenhouse emissions by endorsing a cleaner fleet
- strategy for electricity contracts under development with GreenPower requirements being incorporated. Both Contract 776 and Contract 777 make provision for the supply of green power for use by government agencies for a minimum 6 percent and up to 100 percent of their total energy consumption

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<sup>19</sup> Guidelines for Capital Business Cases (2008), TPP08-5, NSW Treasury

<sup>20</sup> NSW Government Guidelines for Economic Appraisal (2007), TPP07-5, NSW Treasury

<sup>21</sup> Procurement system for construction and whole-of-government goods and services contracts, operated and managed by the Department of Commerce

- waste disposal – this is the integration of three waste contracts into one contract; general waste, recycling and secure destruction waste with the channelling a greater percentage of the waste into recycling rather than landfill to meet the government's waste reduction initiatives, whilst reducing waste disposal costs to government agencies.

While agencies must use state contracts, agencies select suppliers and products from the panel of approved suppliers. These can be accessed through smartbuy®<sup>22</sup> which has a greenbuy-sustainable catalogue to assist agencies purchase sustainable products.

Standard form contracts for construction contracts (and request for tender documents on which they are based) specify that contractors must actively pursue environmental sustainability. They include requirements to:

- maximise the achievement of ecologically sustainable development in design, construction and operation, including reducing pollutants, greenhouse gas emissions and demand on non-renewable resources such as energy sources and water
- not use chemical pesticides
- implement waste minimisation and management measures, including recycling, diverting from landfill, separating and streaming waste materials, lawfully disposing of waste, offering waste materials for recycling, and reporting regularly on the implementation of waste management measures in the form of a waste recycling and purchasing report.

On major construction projects contractors must comply with the NSW Government environmental management systems guidelines, which require as a minimum the preparation and implementation of a project-specific environmental management plan for each contract. Where contractors are required to undertake design, environmental sustainability requirements such as required energy efficiency ratings are specified.

Most tenderers for construction projects are selected from lists of pre-qualified contractors with proven environmental management capabilities. Tenderers are required to demonstrate satisfactory environmental management performance as a prerequisite to acceptance of a tender. For a construction contract valued at more than \$10 million, a tenderer will not be successful unless it has a corporate environmental management system accredited by a NSW government construction agency.

For projects with particular environmental needs and sensitivities, tenderer selection criteria will typically include environmental performance and/or understanding of the environmental or sustainability objectives of the project.

### **TOR 2 – Assessment and implementation of cost neutrality**

Procurement policy is based on value for money. Environmental considerations are generally included in economic appraisals undertaken by agencies in business cases for proposals.

In considering environmental considerations within 'value for money' the procurement process should be based on the concept of cost neutrality, i.e. substituting the use of products with lower environmental impact costs where the overall effect on the agency's business is cost neutral or favourable over the life of the product.

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<sup>22</sup> Smartbuy® is operated and maintained by the Department of Commerce

Agencies select sustainable products that are cost and performance effective. Under the NSW Government Sustainability Policy, water and energy efficiency improvements are required to be undertaken where that action will be cost effective. Cost effective is defined as having an internal rate of return of 12 percent where the additional cost of achieving higher ratings is assessed against water and energy savings.

To implement cost effective energy and water efficiency upgrades, agencies can apply to a NSW Treasury Loan Fund. This fund is administered by DECC and \$40 million is available annually. Where financial savings are made they may be retained by the individual agency (unless being used to repay borrowings from the NSW Treasury Loan Fund). DECC also administers the NSW Climate Change Fund to assist sustainability projects.

NSW Government procurement policies are an integral part of all tenders released by the Department of Commerce. All tenderers bidding for NSW government contracts are required to demonstrate support for environmentally friendly products and environmental sustainability, including their company's environmental policies, practices and procedures.

Contractors seeking to work on construction projects worth \$10 million or more, and projects under \$10 million if they are environmentally sensitive), are required to have a corporate environmental management system (EMS) accredited by a NSW Government construction agency. This ensures they have appropriate systems and the capacity to manage environmental issues.

During evaluation of tenders, responses are scored according to various non-price criteria, including degree of compliance with environmental sustainability over the whole life of the goods or built asset. The evaluation team includes the appropriate expertise in determining compliance with environmental standards, policies and procedures, with representation from DECC and other government agencies.

In accordance with the procurement policy, agencies base their procurement decisions on the principle of value for money over the life of the contract rather than lowest initial cost. This can include sustainability objectives. For example the motor vehicles contract included four key evaluation criteria: greenhouse minimisation, safety, supporting local industry and the total life cycle cost.

The importance of sustainability is shown by the commitment by the NSW Government to the introduction of hybrid cars. These are more expensive than passenger cars and cost the equivalent of a small to medium sport utility vehicle. However the benefit of these to the environment in cleaner air and reduced fuel costs has been given a higher weighting than cost alone. Accordingly all agencies with fewer than one hundred cars are required to have one hybrid vehicle. All agencies with more than one hundred cars are required to have 1 percent of their fleet as hybrid cars. Across the government fleet there are currently three hundred and seventy five hybrid cars, which is around 2 percent of the government fleet.

The government is adopting a more integrated approach to waste management. The Department of Commerce released a tender for integrated waste management on 28 January 2009. This contract amalgamates three current waste contracts. By consolidating these contracts it is anticipated a more integrated approach to the management of waste within NSW government bodies can be achieved. Previously waste and recycling services have been contracted with no focus on the interrelationship between the two.

The contractor must ensure that services provided under the integrated waste management contract address the requirements of all parts of the specification and comply with the NSW Government Waste Reduction and Purchasing Policy (WRAPP). The contractor is required to review these requirements annually and ensure any changes issued by DECC are incorporated into the reporting requirements of the contract.

Through this contract the government seeks to work with contractors to implement sustainability. The contract provides a focus on total resource management and the contractor is required to provide data which will assist with improved decisions on future waste and recycling services.

These strategies are consistent with the Australian Procurement and Construction Council Australian and New Zealand Government Framework for Sustainable Procurement. Individual agencies are to avoid any unnecessary consumption when purchasing consumables and manage demand to deliver the best whole of life value to NSW government.

### **TOR 3 – Integration of environmental considerations throughout the procurement process**

The procurement policy framework currently describes a 10 step procurement process which guides agencies, with references to a range of government environmental policies and guidelines, through the procurement process from evaluation to implementation and disposal. These include sustainable development guideline in total asset management and environmental management guidelines in the procurement process.

Sustainability and environmental considerations are included in business case assessments. Environmental considerations are incorporated in standard request for tender documents and contract including whole-of-government contracts.

Both the procurement framework and government procurement systems assist agencies to integrate environmental considerations throughout the procurement process.

NSW Treasury Gateway Reviews<sup>23</sup> are undertaken at key stages of the procurement process. The reviews provide independent assessment of critical success factors for the project including sustainability criteria and confirm that the benefits and impact of sustainable procurement have been identified and considered in the procurement process.

Business Case Gateway Reviews are required for all projects with an estimated total cost over \$10 million. 162 projects with a total value of \$11.9 billion have undergone gateway reviews mainly at the business case<sup>24</sup>.

The Department of Commerce is responsible for incorporating sustainability in state contracts where appropriate. Examples include (refer Attachment B):

- fuel – includes 10 percent ethanol blended petrol (E10)
- disposal of computers – when evaluating tenders, preference was given to tenderers offering a take-back scheme which was provided at minimal cost or free to customers
- fleet management – achieving 20 percent improvements in fleet environmental performance score including reduction in the percentage of large vehicles in the fleet from some 67 percent in 2004 to 34 percent in 2008
- integrated waste management – incorporates clean fleet requirements, detailed WRAPP reporting and monitoring requirements and mobile waste containers consistent with Australian standards
- workplace supplies – incorporates specifications for environmentally friendly products.

<sup>23</sup> Part of NSW Government Procurement Policy (2004), TPP04-1, NSW Treasury. The Gateway Review System is a series of structured independent reviews held at key decision points (gates) in the procurement process. The reviews assess the progress of projects against seven criteria: service delivery, affordability, value for money, sustainability, governance, risk management, stakeholder management and change management.

<sup>24</sup> 2008-2009 Budget Papers, BP4 chapter 2.3, NSW Treasury

The Department of Commerce, through the Office of Public Works and Services, implements environmental considerations for asset procurement from project initiation to finalisation through its project management system (the 'roadmap'). The roadmap includes:

- risk assessment
- stakeholder, community and agency consultation
- preparation of a project environmental management plan
- recognition of environmental planning and management issues in project design
- environmental impact assessment and project approvals
- inclusion of planning and environmental management information and conditions in tender contract documentation
- audit and other review of contractor environmental performance.

DECC is also an example of an agency implementing sustainable procurement, including:

- achieving an average environmental performance score of 12 out of 20 for its passenger vehicle fleet, as required under the government's cleaner fleet policy
- adopting the use of E10 in all its passenger vehicle fleet wherever it is available, with 20.6 percent of DECC's fuel usage being E10 in the last quarter (31 December 2008)
- reducing the need for air flights through initiatives such as video conferencing, online document sharing technology and greater use of teleconferencing.

#### **TOR 4 - Reviewing of procurement of products for which a recycled or more environmentally friendly alternative is available and removing any bias against environmentally beneficial products**

The NSW Government has committed to a number of targets and actions, captured under the NSW Government Sustainability Policy, directed at reducing the environmental impact of its own activities, including commitments targeting government energy use, water use, waste production and car use.

WRAPP helps agencies to evaluate and improve their procurement processes and purchasing decisions, enabling them to support environmentally friendly practices and also make cost savings. The NSW Government's Waste Avoidance and Resource Recovery (WARR) strategy (2007) provides a framework for maximising conservation of natural resources and minimising environmental harm from waste management and disposal of solid waste. Government agencies can contribute to the strategy through WRAPP.

Agencies are required to report to DECC every two years on progress in implementing their plans. Small agencies with fewer than 200 staff are now only required to report on WRAPP once every three years. DECC must report agencies' achievements in a whole-of-government WRAPP Progress Report, as well as in its State of the Environment Report. The 2008 WRAPP progress report<sup>25</sup> stated that for the period 2005-07, the NSW public sector is on track or exceeding a number of the targets under the waste avoidance and resource recovery (WARR) strategy 2007 for many of the major waste streams generated by it eg construction and demolition materials, paper and cardboard packaging. An audit of WRAPP, completed by the Audit Office of NSW in mid 2008, was positive in its assessment of the waste reduction and recycling efforts of government agencies and the WRAPP procedure.

<sup>25</sup> NSW Government Waste Reduction and Purchasing Policy (WRAPP) Progress Report 2008, DECC 2008/269, Department of Environment and Climate Change

The ability for agencies to purchase environmentally sustainable products, including recycled content products, has been strengthened through improved government procurement practices such as electronic purchasing (Smartbuy®) and whole-of-government contracting led by the Department of Commerce. These systems assist agencies to ensure that purchases made with public monies are sustainable.

Greenbuy forms part of smartbuy® the largest electronic government marketplace in Australia for government buyers. Greenbuy highlights the green or environmental features of products available on State Contract Control Board contracts and creates specialist catalogues. It displays visual images of the environmental criteria of products including energy and water efficiency ratings.

Greenbuy addresses environmental sustainability by recommending products that reduce the consumption of resources, abate the production of greenhouse gases and reduce the quantity of waste to landfill. The resource efficiency of these products also has financial advantages for recurrent budgets. These products use resources more efficiently and by using fewer resources they cost less to run, compared to other less efficient appliances. These products are frequently purchased in high volumes and common in office settings and conveniently available on State Contract Control Board arrangements.

The product groups include paper products, electrical products including refrigerators, air conditioners clothes dryers, electrical storage water heaters and dishwashers.

Greenbuy assist government agencies comply with their policy requirements relating to products purchased. It increases the purchase of sustainable products through highlighting sustainable products to help State Contract Control Board buyers, including non-government organisations make informed decisions.

Implementation activities include:

- assessing the need for a given purchase and whenever possible reducing consumption through demand management initiatives
- adopting a life-cycle costing approach to quantify the total cost of procuring products including operational performance, as opposed to only considering initial cost
- encouraging suppliers to be responsible for end-of-life product impact through extended producer responsibility programs and taking part in available government approved stewardship schemes
- supporting and stimulating long-term relationships with suppliers that adopt sustainable practices
- requiring suppliers to consider relevant government policy objectives that relate to particular community sectors including; apprentice training, opportunities for disabled or injured workers returning to work, Aboriginal and Torres Strait Islander people, consistent with international obligations on government procurement.

Both electricity contract 776 and contract 777 make provision for the supply of green power by government agencies for a minimum 6 percent and up to 100 percent of their total energy consumption. Under the NSW Government Sustainability Policy budget dependent agencies (other than Area Health Services) are required to buy 6 percent of their energy as green energy. To assist in meeting this requirement, and for reporting on energy targets under the NSW Government Sustainability Policy, the Department of Commerce has ensured that retailers are able to supply consolidated usage data for the whole of government. This is achieved as part of the tender process. The data is made available from the supplier to DECC to allow them to meet their reporting commitments. The Department of Commerce currently has a tender out to market for new or contemporary technology meters to allow for a web based review of energy consumption. This will provide real time data on energy consumption through web based access.



## TOR 5 – Validation of tenderers' environmental claims

Environmentally friendly products offered by tenderers must include verification with reference to relevant Australian standards, where applicable.

DECC supports the Department of Commerce in evaluating the environmental claims by tenderers. For example, for the recent workplace supplies contract DECC provided input to the specification for environmentally friendly products and supported the Department of Commerce in the evaluation of over 4,500 products. DECC also undertakes research into sustainability of products, for example it recently reviewed sustainable office paper options.

Greenbuy uses eco labels to annotate individual products on the smartbuy® product screens. For example with a refrigerator, Greenbuy gives the energy star rating label which displays the energy efficiency of the product. This shows how efficiently it uses electricity ranging from one star to a highly efficient use of electricity at six stars. The information is available on Greenbuy as a standard feature when government purchasers are sourcing products. In the main environmental information is on a separate screen behind each product listing.

Greenbuy displays the ratings of all products in a range, eg all refrigerators, so that buyers have the opportunity to make a comparative decision regarding some of the environmental features. Additionally buyers can search for all six energy star rated refrigerators available. This system is modelled on similar overseas systems including the USA and Denmark. However, Greenbuy is the first of its kind in Australia to use visual images to draw attention to the green features of products and also employ a detailed search facility for green features.

The attributes of a product are most commonly its environmental performance and are tagged using an "eco label". These tags certify one aspect of a product's performance or claim, eg energy efficiency. Essentially, these are labelling schemes developed either by government or industry groups, which use International or Australian standards to test a portion of a product's performance and certify the manufacturer's claims. The advantage of using eco labels is that a third party with expert knowledge and capacity validates a product's sustainable characteristics.

A selection of eco labels is used in Greenbuy including the following:

- energy star rating for electrical appliances
- water efficiency rating
- recycled content of products
- fuel efficiency of vehicles.

The support of suppliers is critical to establishing Greenbuy as part of the government response to environmental concerns. The system is reliant on suppliers providing accurate and up to date data on the environmental attributes of their products.

Motor vehicle manufacturers are required to report to the Australian government standards on their performance which leads to the issue of a green performance sticker. The Department of Commerce looks at the environmental performance of vehicles which are based on the green vehicle guide rating system.

A new accredited panel of motor vehicle manufacturers has been implemented which is designed to allow flexibility and adaptability to a dynamic and ever changing market place. Capped pricing and a Request for Quotation (RFQ) process are features of the panel. The government sector can now take advantage of the huge savings achieved through the new committed volume RFQ process for motor vehicle acquisition because since there is a committed volume for purchase there is the opportunity for a reduced capital cost.

For construction projects tenderers are required to nominate recent projects on which their environmental performance is checked and confirmed to be satisfactory. This is a mandatory step in the tender evaluation procedure.

Contractors seeking to work on major projects, which are projects of \$10 million or more, and projects under \$10 million if they are environmentally sensitive, need to have a corporate environmental management system accredited by a NSW government construction agency. An organisation's corporate environmental management system will be accredited if it meets one or both of the following requirements:

- it has been assessed or accepted by the relevant NSW government construction agency as complying with the requirements of the environmental management systems guidelines (in particular it must address the key elements described in sections five and six of the guidelines)
- it has been certified by an appropriately recognised third party body as complying with AS/NZS ISO 14001:1996 environmental management systems and the organisation can also demonstrate that the environmental management system addresses the specific requirements of the guidelines, in particular evidence of implementation.

For environmentally sensitive projects, tenderers may also be requested to support their tender offers with additional information demonstrating their understanding and expertise. This information is assessed as part of the tender evaluation to identify the most beneficial offer, that is, the one that offers best value for money in terms of whole-of-life costs, community benefits and minimising harm to the environment.

Construction work does not commence unless and until the contractor provides an acceptable environmental management plan. Compliance with environmental management plans is audited during the course of the work and instances of non-compliance are followed up. There are provisions in the standard form contracts that allow the agency to step in and rectify environmental non-conformance at the contractor's cost.

Conformance of performance with the contractor's corporate environmental management system (where the contract requires the contractor to have such a system) is also audited. Failure to comply with the plans and corporate system or to meet specified environmental and sustainability requirements give the agency reason to withhold payment until the failure is remedied.

The environmental management performance of contractors is monitored and, where the contract is managed by the Department of Commerce, it is reported to a central system that supports the contractor pre-qualification systems. Poor performance leads to reduced tendering opportunities, and at worst, to the contractor being placed on a 'review list' that may limit future work. Good performance in all aspects of construction, including sustainability, is rewarded. There is therefore an incentive for pre-qualified contractors to maintain, and improve, their performance.

### 3.0 National and other jurisdictions experience

Other jurisdictions have value for money approaches similar to NSW.

The Australian Procurement and Construction Council (APCC) is comprised of representatives from state (including NSW) and territory and New Zealand government agencies responsible for procurement. The APCC developed a principles-based framework to assist jurisdictions to implement sustainable procurement consistently.

The guiding principles contained in the Australian and New Zealand Government Framework for Sustainable Procurement<sup>26</sup> include:

- adopt strategies to avoid unnecessary consumption and manage demand
- whole-of-life value for money – select products with lower environmental impacts across their life cycle. This entails viewing the total cost of ownership and not just the initial cost, making evidence based decisions and verifying the sustainability credentials of products
- foster a viable market for sustainable products
- support suppliers to government who are socially responsible and adopt ethical practices.

Key factors to achieve successful implementation include: leadership and governance, organisational integration, policy and process development, monitoring and reporting. An APCC working group is currently investigating projects to assist implementation.

Both the Queensland and Victoria<sup>27</sup> governments have similar sustainable procurement practices as part of value for money considerations. These include actions and targets similar to the NSW Government Sustainability Policy.

The Queensland State Procurement Policy<sup>28</sup> promotes increased attention by agencies to sustainability. Similar to the United Nations approach, agencies should give consideration in their procurement decisions to goods and services that have a lower impact on the environment and human health than competing goods and services from suppliers, and that they are ethically and socially responsible in value for money assessments.

Similarly, a key principle of the Victorian government environmental procurement policy<sup>29</sup> is that “Departments are to purchase goods and services that have reduced impacts on the environment compared with competing products and services that achieve the same function and value for money outcomes.”

The policy provides guidance for Victorian government departments on how to embed environmental considerations into procurement decisions for goods and services consistent with the purchasing principles outlined in the Victorian Government Purchasing Board Procurement Policies, namely value for money, open and fair competition, accountability, risk management, probity and transparency.

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<sup>26</sup> Australian and New Zealand Government Framework for Sustainable Procurement (2007), Australian Procurement and Construction Council

<sup>27</sup> Sustainability Action Statement (2006), Victoria Department of Sustainability and Environment.

<sup>28</sup> State Procurement Policy (2008), Queensland Department of Public Works

<sup>29</sup> Environmental procurement policy (2006) Victoria Government Purchasing Board

The United Nations<sup>30</sup> (UN) procurement working group action plan for sustainable procurement is focused on five themes:

- information exchange
- development of joint procurement documents (e.g. product standards and best practice/convergence)
- capacity building (including awareness raising)
- research and studies
- measuring success of initiatives taken.

The UK National Action Plan on Sustainable Procurement<sup>31</sup> sets out six key recommendations:

- lead by example – provide a clear direction
- set clear priorities – develop an integrated sustainable procurement framework. Suggests incorporating the Gateway Process to seek to balance economic, social and environmental returns
- raise the bar – set minimum standards and new standards in priority areas to identify future sustainability needs
- build capacity – develop capabilities to deliver sustainable procurement. Effective training and clear guidance needs to be given
- remove barriers – implement whole-of-life costing with less focus placed on up-front costs
- capture opportunities – capture opportunities for innovation and social benefits and send clear signals to the market.

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<sup>30</sup> UN environmentally and socially responsible procurement working group at <http://www.sustainableprocurement.net/home2.html> accessed 6 March 2009

<sup>31</sup> UK Procuring the Future Sustainable Development Taskforce (2006)

## 4.0 Instruments to promote sustainable procurement

The UN identifies that the main instruments to promote sustainable procurement policies include raising awareness, supplying information and training (product criteria, manuals) and developing (internal or external) codes of conduct and reporting initiatives<sup>32</sup>. Capturing opportunities is a further instrument.

In addition to promoting markets for sustainable products through its direct purchasing power, the NSW Government is also driving change in markets through initiatives such as incentives for sustainable products. As an example, the washing machine rebate under the NSW Climate Change Fund was recently lifted from 4 star to 4.5 star water efficiency to further drive market transformation of this household appliance.

Agencies can also select suppliers and products from whole-of-government panel contracts of approved suppliers. These can be accessed through smartbuy®<sup>33</sup> which has a greenbuy-sustainable catalogue to assist agencies purchase sustainable products.

DECC's Sustainability Advantage Program<sup>34</sup> also assists agencies to incorporate sustainability principles into their purchasing decisions. The program forms a link between the supply chain and environmental impacts.

The program identifies key actions that consumers, business and government can take to help the environment and reduce consumption. Some of these include gaining senior management support and implementing green procurement initiatives, regularly reporting on successes and failures and being informed about the goods and services being bought. The biggest area of difference can be made by encouraging reduced consumption.

The program promotes agencies incorporating sustainability into simple procurement processes by:

- defining the need specification
- establishing potential sources of supply
- determining the procurement method and inviting quotations from suppliers.

The NSW local government sector is also supported through the sustainable choice program. Sustainable choice is a partnership project between the Local Government and Shires Association of NSW and DECC, aimed at providing local councils the tools, resources and support to increase the level of sustainable procurement in their organisations. The sustainable choice website<sup>35</sup> hosts a database of products (currently listing over 1000 products from 160 suppliers) featuring sustainability indicators that allows users to promptly determine and compare the sustainability benefits of different products. Through sustainable choice local councils are aware that sustainable purchasing is an effective mechanism to help them deliver other programs and activities such as energy and water saving plans, greenhouse and waste reduction strategies and community service and environmental obligations as well as help them meet their obligations under the Local Government Act 1993.

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<sup>32</sup> UN environmentally and socially responsible procurement working group at <http://www.sustainableprocurement.net/home2.html> accessed 6 March 2009

<sup>33</sup> Smartbuy® is operated and maintained by the Department of Commerce

<sup>34</sup> Sustainability Advantage Program, Department of Environment and Climate Change

<sup>35</sup> Sustainable Choice website ([www.lgsa-plus.net.au/sustainablechoice](http://www.lgsa-plus.net.au/sustainablechoice)), Department of Environment and Climate Change

## 5.0 Work in progress

Achieving sustainable procurement requires incorporating cost effective sustainable procurement principles at all stages of the procurement process.

NSW Treasury is streamlining the procurement policy framework to improve its usefulness and accessibility for agencies by identifying mandatory and guidance material at each stage of the procurement process. This includes updating the procurement policy to include specific reference to Cabinet approved policies which use procurement to achieve broader objectives such as sustainability.

As part of the commitment to the NSW Government Sustainability Policy, the Department of Commerce is undertaking a number of actions. These include:

- developing a standardised contract for default purchase of GreenPower
- including targets for GreenPower and recycled paper when negotiating tenders
- amending procurement contracts as they come up for renewal to enable agencies to purchase energy efficient products and appliances
- rolling out a communication program including purchasing guidelines, point of purchase information on the 'SmartBuy/Green Buy' website and education for agency purchasing officers will also be used to implement this initiative.

The Department of Commerce is working closely with the Department of Environment and Climate Change to ensure that they have information on contracts that are coming up for renewal in order to ensure that sustainable criteria are included in the specifications. In addition the Department of Environment and Climate Change is included on relevant evaluation teams to ensure that its expertise is part of the selection process.

New South Wales as a member of APCC also contributes to a number of sustainable procurement implementation projects. These include standard sustainability specification criteria for suppliers and product standards. Whilst in the early stages of development these projects are aimed at developing common sustainability criteria across Australia and New Zealand government procurement consistent with the ANZ Government framework for sustainable procurement<sup>36</sup>.

These measures should increase the adoption of sustainable procurement by agencies, where cost and performance outcomes are effective within a value for money context.

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<sup>36</sup> Australian and New Zealand Government Framework for Sustainable Procurement (2007), Australian Procurement and Construction Council

# ATTACHMENTS

## Attachment A – Terms of Reference

That the Committee examine the extent to which NSW Government procurement practices comply with policies and guidelines relating to environmental management, having particular regard to the mainstreaming of ecologically sustainable development in procurement, including:

- 1) inclusion of environmental considerations in procurement plans, tender specifications, selection criteria, and decisions
- 2) assessment and implementation of cost neutrality
- 3) integration of environmental considerations throughout the procurement process
- 4) reviewing of procurement of products for which a recycled or more environmentally friendly alternative is available and removing any bias against environmentally beneficial products
- 5) validation of tenderers' environmental claims
- 6) any other related matters.



## Attachment B – Examples of State contracts incorporating sustainability elements

### *Fuels contract*

Hundreds of organisations including Government departments, public sector agencies, education providers, hospitals and non profit organisations benefit through the sustainable procurement elements of this contract.

The contract allows for the supply of a wide range of fuel alternatives including unleaded petrol, premium unleaded petrol, ultra low sulphur diesel, liquefied petroleum gas, aviation fuel as well as bio-fuels including 10 percent ethanol blended petrol (E10) and bio-diesel in bulk and card formats. The products provide a range of price, performance and environmental benefits to clients.

The contract covers a wide range of suppliers. These include the major refinery marketers, Caltex, Mobil, BP, and Shell as well as smaller distributors including Manildra Park, United and The Biodiesel Station. This ensures that there is competition between the various suppliers.

Through aggregation the contract is able to deliver savings. The annual rate savings of approximately 3.1 percent are worth over \$12 million through discounts. This is equivalent to 5.0cpl on card fuels and 3.6cpl on bulk fuels. There are also annual process savings worth \$1million per annum through zero transaction fees.

Daily and weekly contract prices are verified to ensure that prices charged by suppliers are correct and are published on the Fuelnet website at [www.fuelnet.fueltrac.com.au](http://www.fuelnet.fueltrac.com.au)

The contract assists consumption management through comprehensive reporting. Fuel transaction data is available through a number of formats, free of charge, to import into Fleet and/or finance systems and reports are regularly available to clients.

Benchmarking has identified opportunities to enhance bulk fuel pricing through execution of an open tender with unbundled supply parcels seeking to enhance participation from emerging wholesale distributors and reduce exposure to oligopoly fuel supply markets.

### *Ethanol blended fuel*

The NSW Government is committed to increasing use of ethanol-blended fuel. To support the legislation, government fleet vehicles need to use E10 at least 20 percent of the time.

E10 is becoming available at more pumps every month, with Government contracted fuel providers now increasing their supply. Currently there are around 300 Mobil, Caltex and United service stations where you can fill up with E10.

E10 consumption through the 25,000 state fleet vehicles is monitored by the Department of Commerce and communicated monthly with key clients. In November 2008, utilisation of E10 had reached 19.5 percent.

*Fleet Management Strategy*

Greenhouse emissions from transport in NSW represent 14 percent of total NSW greenhouse emissions. Cleaner air and progress on greenhouse gas reductions is a priority of the New South Wales Government which has set a target of a 60 percent cut in greenhouse emissions by 2050 and a return to year 2000 greenhouse gas emission levels by 2025.

The Cleaner NSW Government Fleet Initiative was announced in November 2004. Ministerial Memorandum 2005-03 established the actions for agencies in accordance with the Cleaner NSW Government Fleet Initiative.

The Cleaner NSW Government Fleet initiative requires all general government sector agencies with more than 100 vehicles in their fleet to establish a Fleet Improvement Plan to meet specific targets for both noxious and greenhouse emission reductions. In 2006/07, StateFleet, Department of Commerce, began reporting the use of ethanol/petrol blend and premium unleaded petrol to give agencies more data on their CO2 emission levels. The Department of Commerce also developed a fleet improvement plan to meet the targets set for all government agencies.

Actions from the Initiative were that agencies were to achieve a reduction of 20 percent of greenhouse gas emissions by 2007/8 by meeting targets set using an environmental performance score from the Federal Department of Transport and Administrative Services (DOTARS) Clean Vehicle Guide. The Initiative identified savings in fuel costs, running costs and lease costs.

The environmental performance score is reported for whole of government, not individual agencies. Some parts of the fleet are primarily small car users whereas other parts of the fleet are commercial vehicles users. Vehicle selection is based on operational requirements. As such some agencies will individually have difficulty meeting the Government target.

At the 30th June 2008, the environmental performance score for the NSW Government fleet was 11.45. At the start of the program the Government fleet score was 9.55. This represents a 20 percent improvement since the commencement of the initiative. These scores are the measure used by NSW in scoring its fleet. Also, in order to achieve improved efficiencies in vehicle utilisation and cost reductions in agencies, there has been a significant increase in lease extensions by agencies. This has delayed improving scores by delaying the take up of new vehicles.

*Changes in fleet profile*

The Initiative has resulted in a significant change in the fleet profile over the past three years. The percentage of large vehicles in the fleet has reduced substantially from some 67 percent of the passenger fleet in 2004 to just 34 percent in 2008. At the same time the number of small and medium 4 cylinder vehicles has increased to represent about 66 percent of the passenger fleet. This change has delivered savings in both the capital expended on the fleet and the running costs associated with its operation by reducing fuel consumption.

Fuel efficiency in vehicles has also generally improved across the board with a large number of vehicles meeting Euro4 standards which is reflected in the EPS scores.

Given that there has been a 20 percent improvement in the whole of Government environmental performance score and fuel consumption is a major component of that score it is likely that, at a minimum, fuel usage has been reduced. Costs of fuel are relative to the price of fuel which has seen significant volatility in the last three years.

*Disposal of computers*

The personal computer and notebook computer contract, ITS 2007, is a whole of government contract which is part of People First, the NSW Government's ICT Strategic Plan. For the first time the Government has gone to the market as a single buyer, using purchasing power to leverage the best possible price for all agencies.

The Department of Commerce has introduced substantial environmental requirements in the contract by making the disposal of the equipment a fundamental part of the contract.

For ITS 2007 contractors were required to implement a take-back scheme for the disposal of unwanted computers. This entitles customers to return one unwanted computer of any brand and specification per new unit purchased. Each computer collected is assessed by the contractor for its potential to be re-used, recycled, dismantled or disposed according to the following hierarchy:

Re-used – while the computer may remain mostly intact, this may involve, cleaning, refurbishing, replacement of worn or damaged parts, minor modifications.

Recycled - may involve the dismantling of the computer to recover materials and components that are suitable for recycling with the aim of minimising the residual amount left over requiring disposal.

Disposal – only after computers have first been assessed for their potential for re-use and recycling, disposal is undertaken safely and only to an approved and licensed waste disposal facility.

When evaluating the tenders, preference was given to tenderers offering a take-back scheme which was provided at minimal cost or free to customers.

*Integrated Waste Management*

This contract incorporates Clean Fleet requirements, detailed WRAPP reporting and monitoring requirements and mobile waste containers (colours, markings and designation requirements) consistent with Australian Standard AS4123.7

*Workplace Supplies*

This contract incorporates specifications for Environmentally Friendly Products.

Attachment C – Department of Commerce (OPWS) incorporation of procurement policy and guidelines (Construction)

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
GC21 - Preliminaries Environmental Protection	<a href="#">6.1 Environmental Management Plan</a>	<p>Construction Environmental Management Plan prepared by Contractor must comply with the NSW Government <i>Environmental Management Systems Guidelines</i></p> <p>Implementation of a monthly report on project Environmental Management.</p>	<p>GC21 Contract requirement</p> <p>Public Works Management System ('<b>Roadmap</b>') - Requirement to monitor conformance with contract</p>	Prepares draft versions of these plans for guidance of construction contractors	
	<a href="#">6.2 Ecological Sustainable Development</a>	Apply strategies to maximise the achievement of ecologically sustainable development in the design, construction and operation of the Works, including reducing pollutants, greenhouse gas emissions and demand on non-renewable resources such as energy sources and water.	<p>Roadmap - Consult with agencies and stakeholders to Prepare and implement agency consultation plan to ascertain whole of government requirements and statutory approvals needed (including safety, environment, IR, Aboriginal, training and e-procurement).</p> <p>Develop concept design. – Consulting with designers and stakeholders to ensure a sustainable alternative is included.</p> <p>Requirement of PM EMS Environmental Policy</p>	Considers the issues of ecologically sustainable development for all its design work and recommends wherever possible the most sustainable option available e.g. Low energy wastewater aerations systems, photovoltaic power supplies	<p>Incorporates basic sustainable design measures in all of its projects as an integral part of good design practice.</p> <p>Encourages and assists client agencies to include higher levels of sustainable design.</p>

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
	<a href="#">6.3 Waste Management</a>	Implement waste minimisation and management measures during construction	GC21 contract conditions Roadmap - Check that the contractor has submitted documents including WRAPP reports	Identifies at the design stage ways to minimise or reuse waste materials	In refurbishments and renovations, GAO considers maximising reuse of existing structures where appropriate.  GAO planning also considers facilities for management of operational waste when the buildings are occupied.
	<a href="#">6.4 Pest Control</a>	Pest preventive methods must comply with AS 3660.1-2000  Chemical pesticides and termiticides are not to be used on new works			
<b>GC21- General Conditions of Tendering</b>	<a href="#">18 Environmental Management</a>	The Principal requires the Contractor to implement a systematic approach to the management of environmental impacts of the Contract.  Subject to the provisions of any relevant Statutory Requirements and the express provisions of the Contract, the Contractor must comply with the NSW Government "Environmental Management Systems Guidelines".  Where applicable, at least 14 days before starting Design and construction, the Contractor must document, submit and implement an Environmental Management Plan	PM Undertake an overview of environmental and statutory planning requirements and related risks including a risk register. (PEPO)  5.1 & 10.1 Check and update PEMP  PM ensure site specific EMP in place before work can commence. As per PM EMS under operational controls.	Introduces draft specifications for this subject	

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		<p>which complies with the NSW Government "Environmental Management Systems Guidelines".</p> <p>The Contractor must systematically manage its environmental management processes in accordance with the systems, plans, standards and codes specified in the Contract.</p>			
<b>Procurement Practices Guide – Procurement Method Selection</b>	<a href="#">2 Project Characteristics and Risks</a>	<p>The selection of a procurement method must take into account characteristics and constraints that are specific to the project.</p> <p>Environmental, heritage and archaeological issues are project characteristics that can affect the choice of procurement method include project complexities</p>	PM recognises the need to consider sustainability in the selection of procurement methods. This is detailed in PM EMS under Environmental Policy	Identifies these issues during the design phase through the preparation of environmental impact assessments	
	<a href="#">3 Risk Identification</a>	One of the primary objectives of construction projects is to safeguard the environment. Environmental risk should be assessed in the risk identification process.	Roadmap 5.2 Undertake an overview of environmental and statutory planning requirements and related risks	Identifies risk through formal risk assessments and environmental impact assessments for its clients	
<b>Gateway Review</b>			Clients (NSW Government Agencies) can engage OPWS in preparation of information for Gateway Reviews on request. This includes assisting client agencies prepare business cases, including budgets, financial assessments (life cycle cost analysis) and undertaking tender evaluations and pre-commissioning reviews.		
<b>Gateway Review - Strategic Review</b>	<a href="#">3 Sustainability</a>	A preliminary review must assess if the project has Economic, Social or Environmental impacts.			

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
<b>Gateway Review – Business Case Review</b>	<a href="#">3 Sustainability</a>	Business plan should show: <ul style="list-style-type: none"> <li>➤ Consideration of Social and Economic Impacts.</li> <li>➤ Consideration of suppliers and regulators.</li> <li>➤ Environmental impacts can be managed,</li> <li>➤ Uses of natural resources are minimised and recycled material used where possible.</li> </ul>			
<b>Gateway Review – Pre Tender</b>	<a href="#">3 Sustainability</a>	The proposal must consider social objectives, economic development objectives and environmental objectives in developing procurement strategy.  The proposal must show that environmental impact studies have been incorporated and it does not deplete the market.			
<b>Gateway Review – Tender Evaluation</b>	<a href="#">3 Sustainability</a>	Ensure environmental benefits identified in the planning stage are included in the recommended proposal. Ensure social, economic development and environmental costs have been considered. Verified that the recommended proposal indicates a good understanding of environmental requirements.			
<b>Gateway Review - Pre Commissioning</b>	<a href="#">3 Sustainability</a>	Confirm anticipated Economic, Social and Environmental costs and benefits.			

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
Review		Ensure EMP requirements fulfilled Ensure plans in place to manage adverse social and economic impacts.			
Gateway Review - Post Implementation	<a href="#">3 Sustainability</a>	Procurement plan must meet social, economic and environmental objectives. Where anticipated benefits have not been met, or adverse impacts are greater than anticipated, the reasons should be identified. Feedback to be provided to planners, to avoid repeating mistakes.			
NSW Government Sustainability Policy	<a href="#">Waste, Recycling and Purchasing Policy Strategy</a>	The implementation of the new Sustainability Policy will ensure Government agencies: <ul style="list-style-type: none"> <li>➤ consider sustainability in all relevant decision making;</li> <li>➤ reduce their greenhouse gas emissions;</li> <li>➤ are more efficient in their use of energy and water; and reduce wider environmental impacts associated with water and energy use;</li> <li>➤ meet the challenge of rising prices expected for energy, fuel, water and waste management;</li> <li>➤ are more efficient in their use of vehicles;</li> <li>➤ produce less waste and increase recycling in Government activities; and</li> <li>➤ use purchasing power to drive efficiency and</li> </ul>			



Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		environmental sustainability. The Policy incorporates the existing Waste Reduction and Purchasing Policy, the Sustainable Water Policy and the Cleaner Government Fleet Program.			
<b>Total Asset Management</b>			<p>OPWS uses TAM principles in its provision of services to Clients (NSW Government Agencies and Local Government). It can provide specialist services in such areas as heritage and valuing of conservation, energy management, water infrastructure and water savings.</p> <p>NSW Water Solutions provides TAMS services, software and consultation to agencies for the management of their infrastructure and assets.</p> <p>NSW government sustainability policies have been incorporated into the OPWS EMS.</p>		
<b>Total Asset Management (TAM) Sustainable Development Guideline</b>	<a href="#">1.4 Sustainable Development and the NSW Government</a>	<p>The NSW Government has the following key commitments:</p> <ul style="list-style-type: none"> <li>○ integrating environmental protection into all activities</li> <li>○ achieving greater social justice for all members of the community</li> <li>○ encouraging economic development and sustainable employment</li> <li>○ delivering more financially responsible programs that reduce public debt and unfunded liabilities.</li> </ul> <p>In addition to these commitments the Government is a signatory to the National Strategy for Ecologically Sustainable Development and in accordance with the Inter-</p>			

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		Governmental Agreement on the Environment, has adopted the four general principles of sustainable development.			
	<a href="#">2 Sustainable Development in the Total Asset Management process.</a>	<p>Sustainable development has been incorporated into each step in the TAM process and addresses the impacts and benefits of agency activities.</p> <p>Agencies are encouraged to develop an Asset Environmental Management Plan (AEMP) identifying agencies environmental impacts. <a href="#">Appendix B Asset Environmental Management Plan</a></p> <p>When identifying issues interaction with the environment must be assessed.</p> <p>When identifying impacts and benefits costs and changes to the environment must be considered.</p>			
	<a href="#">2.2 The Corporate Plan</a>	Sustainable development should be incorporated into Agencies Corporate Plan.			
	<a href="#">2.3 Service Delivery Strategy</a>	To fulfil secondary service obligations to sustainable development the Service Delivery strategy should provide strategies to deliver specific outcomes and include resources that may be required.			
	<a href="#">2.4 Asset Strategy Planning</a>	Within asset strategy planning, existing and future assets should be evaluated on their sustainable development value.			

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		Evaluation criteria, Asset service dependency, asset utilisation, Asset Location, Asset Capacity and Asset Functionality.			
	<a href="#">2.5 Capital Investment Strategic Planning</a>	The Capital Investment Strategic planning process is a system for selecting the best procurement option for capital investment projects identified by the Asset Strategy. Criteria for ranking project proposals should include Sustainable Development principles. Those projects that offer the greatest environmental benefits to the user group and the wider community should therefore be given high priority.			
	<a href="#">2.6 Asset Maintenance Strategic Planning</a>	The Asset Maintenance Strategic Planning process is a structured and systematic process aimed at ensuring that an agency's portfolio of assets remains appropriate and productive at the lowest possible long-term cost. Integrating Sustainable Development principles into maintenance planning relates both to minimising adverse environmental impacts of the asset, and ensuring all environmental benefits of the services delivered continues.			
	<a href="#">2.7 Asset Disposal Strategic Planning</a>	The Asset Disposal Strategic Planning process aims to ensure that an agency's asset portfolio comprises only those assets that			

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		effectively meet its service delivery requirements at the lowest cost to government. Assets are considered surplus if they are not required to deliver services or no longer contribute to Sustainable Development objectives.			
	<a href="#">Appendix F Existing Government Requirements</a>	<p><b>Comprehensive Environmental Impact Assessment (EIA)</b> An EIA will be conducted for all programs and projects and encompass all stages of asset development from inception through to operation and ultimately, decommissioning or demolition. All identified impacts will be eliminated or mitigated.</p> <p><b>Environmental Impact Statement (EIS)</b> An EIS must be prepared for proposals that have the potential to significantly affect the environment.</p> <p><b>Social Impact Assessment</b> The guidelines do not impose compulsory assessment requirements but provides agencies with tools to identify and evaluate the likely social impacts of policies and programs</p> <p><b>Waste Reduction and Purchasing Plans (WRAPP)</b> The Waste Reduction and Purchasing Policy require all</p>	<p>Roadmap – Preliminary Environment and Planning Overview and EIA studies are undertaken.</p> <p>EISs are prepared as required under the EP&amp;A legislation</p> <p>WRAPP plans are required of all contractors.</p>	<p>Provides advice on this subject to its clients Environmental impact statement</p> <p>Prepares EISs on behalf of local and state government clients for their water related infrastructure projects</p>	

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		agencies to develop and implement a Waste Reduction and Purchasing Plan.			
<b>Total Asset Management - Demand Management</b>	<a href="#">3 The Demand Management Process</a>	Knowledge of the true costs of providing services and operating assets - whether financial, social or environmental - is essential for sustainable service delivery.			
<b>NSW Govt "Environmental Management Systems Guidelines".</b>	<a href="#">1 Summary</a>	The guidelines apply to all government projects and activities concerned with demolition, building, landscaping, maintenance, civil engineering, process engineering, mining and heavy engineering. The driving force of these guidelines is to make environmental management a part of the culture of organisations in the construction industry.	The Project Management EMS Manual is developed around the NSW Government Environmental Management Systems Guidelines	NSW~WS is in the process of drafting an environmental management system for its internal operations	GAO has an EMS
	<a href="#">2 Government policy and its application</a>	All projects will require the preparation of an appropriate site-specific Environmental Management Plan (EMP) prior to the commencement of the relevant site works.  Contractors will be required to prepare an EMP as a condition of contract.  Contractors seeking to work on major	GC21 Contract requirement	NSW~WS prepares draft versions of these plans for guidance of construction contractors  NSW~WS also reviews these plans for clients	

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		projects will need to have a corporate Environmental Management System (EMS) accredited by a NSW government construction agency.			
	<a href="#">3 Accreditation of EMS's</a>	<p>Accreditation of contractor Environmental Management Systems (EMSs) is the responsibility of the NSW government construction agencies.</p> <p>Minimum accreditation criteria to be applied by NSW government construction agencies will be defined by the CPSC and updated from time to time. Agencies may include additional criteria.</p>	PM has an accredited EMS.	NSW~WS provides advice on this subject to its clients	
	<a href="#">4 Environmental Management Plans</a>	<p>An Environmental Management Plan (EMP) is a site-specific plan developed to ensure that all contractors and sub-contractors comply with the environmental conditions of approval for the project and that the environmental risks are properly managed.</p> <p>Government construction agencies will arrange for a contractor's Environmental Management Plan to be audited. This audit will involve an on-site verification that the plan is being correctly implemented.</p>	<p>Contract requirement.</p> <p>Roadmap includes Audit the Environmental, IR, Quality, and/ or Safety Management System of the Contractor</p>	<p>NSW~WS prepares draft versions of these plans for guidance of construction contractors</p> <p>NSW~WS also reviews these plans for clients</p>	
	<a href="#">5 Environmental Management</a>	An Environmental Management System (EMS) comprises those elements of an organisation's overall	Review of contractor EMS is conducted in the tender evaluation process.	NSW~WS provides advice on this subject to its clients	

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
	<a href="#">System</a>	<p>management system which ensure that environmental issues are identified and managed.</p> <p>A contractor's submitted EMS documentation is reviewed to ensure that it fully describes the requirements of the key elements of the project.</p>			
	8 What is Required of Agencies	<p>It will be a condition of all government contracts that the contractor prepares an acceptable site-specific EMP.</p> <p>Before site works commence The contractor must submit the EMP to the superintendent's representative before the relevant site works commence. This should operate by way of a contract hold point.</p> <p>As soon as possible after initial review of the contractor's EMP, the superintendent's representative should plan the audit requirements for the contract. A schedule of site EMP audits should be planned for the duration of a contract.</p> <p>Each agency must retain and centralise records of the environmental performance of its contractors, including:</p> <ul style="list-style-type: none"> <li>• EMS review reports,</li> <li>• EMP audit reports, and</li> <li>• comments by contractors on review and audit reports.</li> </ul>	Roadmap requirement	NSW~WS provides advice in this area to its clients	

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
	<a href="#">9 Audit Guidelines</a>	<p>An auditor appointed by the agency will manage auditing, but the agency will retain responsibility for managing communication with the contractor so that the contractual rights and obligations of the parties are not affected.</p> <p>The auditor will provide a written report to the agency on the contractor's compliance with the requirements regarding the Environmental Management Plan. Any irregularities found during the audit must be noted in the report.</p>	PM has prepared audit guidelines for use on its contracted projects		
	<a href="#">Appendix A ESD – NSW Government Commitment.</a>	<p>In support of these environmental principles, the NSW Government is committed to the following for its capital investment programs and projects:</p> <p><b>Comprehensive environmental impact assessment</b>, encompassing all stages from inception through to operation and, ultimately, decommissioning or demolition, will be conducted for all projects. All identified impacts will be eliminated (where possible) or mitigated.</p> <p><b>Environmental management principles and systems</b> will be integrated throughout the overall project lifecycle.</p>	PM follows these principles in delivery of capital works projects to its clients	NSW~WS provides advice on this subject to its clients	



Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		<p><b>Environmental awareness programs</b> will be implemented to ensure that agencies and contractors are able to fulfil their environmental management roles and responsibilities.</p> <p><b>Resource conservation and management</b> will be a key consideration at all stages from project inception through to operation and, ultimately, decommissioning or demolition. The key requirement for effective environmental management is that environmental issues must be identified, assessed and managed during every phase of a project's life: from inception through design, construction and operation to eventual demolition/disposal.</p>			
<a href="#">The Environmental Performance Guide for Buildings</a>		The Environmental Performance Guide for Buildings identifies and accesses the whole scope of environmental strategies that should be addressed over the whole life of a building project including Pre-design, Design, Construction, and Operations			GAO contributed to the preparation of the EPGB and its design principles align with the fundamentals of the EPBG.
<a href="#">NSW Waste Avoidance and Resource Recovery Strategy 2007</a>		The NSW Government has developed a clear commitment to achieving sustainable waste minimisation and resource recovery targets through to 2014, by the endorsement of the <a href="#">NSW Waste Avoidance and Resource Recovery Strategy 2007</a> . Under the Waste	WRAPP reporting requirements as part of GC21 contracts		

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
		Avoidance and Resource Recovery Act 2001, DECC has responsibility to implement the Strategy that changes the focus of waste management in NSW from disposal to waste avoidance and recovery			
<a href="#">Waste Reduction &amp; Purchasing Policy: A Guide For Agencies</a>		The WRAPP, established in 1997, requires all State Government agencies and State Owned Corporations (SOCs) to reduce waste and purchase materials with recycled content.			
	<a href="#">1.2 Requirements of the waste Reduction and Purchasing Policy.</a>	<p>The Waste Reduction and Purchasing Policy applies to all NSW Government agencies, except State-owned corporations.</p> <p>The policy requires each government agency to work towards becoming a model waste manager by:</p> <ul style="list-style-type: none"> <li>➤ avoiding the generation of waste</li> <li>➤ separating wastes generated for re-use or recycling</li> <li>➤ purchasing products with recycled content and low waste products, wherever these are cost- and performance-competitive.</li> </ul>	WRAPP reporting required of contractors.	NSW-WS provides advice on this subject to its clients	
<a href="#">Best Practice Management of Water Supply and Sewerage Guidelines</a>		The NSW Government encourages best-practice by all NSW Local Water Utilities to promote sustainable water conservation practices and water demand management throughout NSW.			

Policy/ Guideline	Clause/ Requirement	Implication	Department of Commerce - Office of Public Works & Services		
			Project Management	NSW Water Solutions	Gov't Architect's Office
	<a href="#">2 Best Practice Management</a>	Best-practice management involves a triple bottom line focus that provides a balanced view of the long-term sustainability of NSW water utilities.		This is a core area of NSW~WS activities, we provide extensive advice and consultancy services on all aspects of the best practice guidelines	
	<a href="#">2.2 Best Practice Criteria</a>	The community and governments are demanding increased accountability, increased levels of service and efficiency from water utilities. In addition, regulatory authorities are imposing more stringent environmental and health regulations. A Strategic Business Plan addresses these issues and provides a framework within which the Local Water Utility can provide these services in an efficient manner and can continue to improve its performance. Local Water utilities should contribute in the achievement of managing natural resources and the environment on a sustainable and socially responsible manner.		This is a core area of NSW~WS activities, we provide extensive advice and consultancy services on all aspects of the best practice guidelines	

