

Submission

No 7

INQUIRY INTO INQUIRY INTO SUSTAINABLE PROCUREMENT

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Theme:

Summary



DRAFT SUBMISSION REGARDING

NSW Parliament [Public Accounts Committee] Inquiry into Sustainable Procurement

DATE

13 March 2009

Draft Submission on *Sustainable Procurement*

Opening:

The Local Government Association of NSW and Shires Association of NSW (the Associations) are the peak bodies for NSW Local Government.

Together, the Associations represent all 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Land Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to NSW and Australian Governments; provide industrial relations and specialist services to councils and promote Local Government to the community and the media.

The Associations thank the Chair of the Public Accounts Committee, Paul McLeay MP for the invitation to make a submission concerning sustainable procurement.

The Associations have a vital interest in this issue because the local government sector in NSW spends approximately \$5 billion per annum purchasing goods and services. Much of this expenditure takes place using Prescribed Bodies such as Local Government Procurement and the State Contracts Control Board, which manages the Government Procurement Contracts of the NSW Department of Commerce.

Please note that this submission is being provided in draft form, in order to meet the Inquiry deadline. While the views reflect the policy positions of the Associations, full endorsement by the Associations' Executives will occur in April 2009. Any amendments will be communicated to the Inquiry Secretariat at that time.

Executive Summary:

Most NSW councils use Government Procurement Contracts to purchase a wide range of goods and services.

Increasingly, procurement is being harnessed to help deliver environmental goals. A number of NSW State Government policies and guidelines contain environmental objectives that potentially relate to procurement within the local government sector.

Despite this, there are currently few linkages between government policies, and Government Procurement Contracts. This makes it extremely difficult for Councils to use Government Procurement Contracts to comply with and/or help deliver government policy objectives.

Purpose:

The Associations note:

Inquiry Terms of Reference:

This inquiry was self-referred. Resolution passed 9/12/2008, Minutes No. 25, Item 4.

That the [Public Accounts] 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:

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

The Associations will deal with Terms of Reference a) and c) as these relate to State Government policies and guidelines that have a direct relationship to procurement within the local government sector.

We will not cover other Terms of Reference because the submission does not comment on the procurement practices of the NSW State Government.

a) inclusion of environmental considerations in procurement plans, tender specifications, selection criteria, and decisions;

Very few Government Procurement Contracts contain explicit environmental considerations or data. This makes it extremely difficult to make purchasing decisions based on environmental criteria using these contracts.

The Associations receive regular feedback from procurement officers in councils reporting that it is virtually impossible to locate sustainable products using the Government Procurement Contracts.

In many instances this results in councils choosing to conduct their own tender process where specific environmental criteria can be integrated into the tender and evaluation process.



The real area of concern for the Associations is where the State Government has explicit policies or guidelines with direct relevance to local government, but where Government Procurement Contracts make it difficult to comply with these directives.

The main areas where this occurs are in the areas of waste ministration, energy and water efficiency, greenhouse gas reduction and air pollution.

NSW Government guidelines covering these areas with relevance to Local Government include;

NSW State Plan

NSW Greenhouse Plan

NSW Waste Reduction and Purchasing Policy (WRAPP)

Action for Air

NSW Cleaner Vehicles and Fuels Strategy

Local Planning for Healthy Waterways

This list is not exhaustive and is presenting simply to illustrate the breath of State Government policies and guidelines that potentially relate to goods and services purchased by councils.

In many instances the ability of councils to pursue more sustainable procurement has a direct relationship on how effectively they can help deliver the objectives of Government.

Specific examples where Government Procurement Contracts actively undermine this process include;

Example 1 – Recycled Content Products

The *NSW Waste Reduction and Purchasing Policy (WRAPP)* is a broad reaching policy aimed at resource recovery and reducing waste going to landfill. Local councils manage much of the waste stream in NSW and play a central role in the implementation of this policy.

Virtually all councils have programs in place to promote recycling and the purchase of products containing recycled material. Unfortunately none of the State Government Contracts specify recycled content products. Contract 295 (*Floor Covering and Window Furnishings*) for example, has 21 suppliers many of whom supply floor coverings that contain recycled material - some actually specialise in recycled content floor covering.

Rubber, cork and many carpets today can be manufactured containing recycled material. Yet there is nothing in the contract to indicate this, or help the Purchasing Officer differentiate between products based on their relative recycled content.

The Contract provides detailed company specific information on delivery and installation, but no data on materials or environmental considerations.

This makes it extremely difficult to identify and choose flooring coverings using the Government Procurement Contract that would help implement the WRAPP Policy.



Example 2 - Vehicles and Fuels

The NSW State Plan says;

“Develop incentives to increase the rate or uptake of cleaner fuels and low emission vehicles.” page 119.

Many councils help pursue this objective by purchasing cleaner vehicles and fuels.

Most councils purchase both vehicles and fuels off Government Procurement Contracts. Unfortunately, neither Contract 366 (*Fuel and Associated Products*) or Contract 653 (*Motor Vehicles and Accessories*) provide key sustainability information that would help facilitate the uptake of more sustainable vehicles and fuels.

Contract 366 (*Fuels and Associated Products*) goes part of the way with the inclusion of ethanol and biodiesel and a clear indication of where each fuel can be purchased. This is both positive and useful.

Nevertheless, the Contract fails to provide critical information on the nature and source of the feedstock – the material from which the fuel is made. This information critical to assess the environmental benefits of any biofuel, and particularly for biodiesel in the current Australian context.

Different feedstocks have different environmental footprints and environmental issues. The impacts may be different for a fuel made from waste material feedstock (such as used cooking oil or agricultural by-product) compared to virgin feedstock which has been grown specifically for fuel production.

Some crops have significant biodiversity and habitat considerations - such as palm oil sourced from countries where rainforest has been cleared to make way for palm plantations.

Steep price rises in human food staples resulting from crop diversion (such as soybeans grown for human food diverted to produce biodiesel) may have social considerations.

All of these issues are important sustainability concerns that cannot be addressed without information on the precise nature of the feedstock and where it has been sourced.

It would be a relatively easy matter in the tender process to include questions on these issues, and for Contract 366 (*Fuel and Associated Products*) to include key information on feedstock, country of origin, etc.

These two examples highlight the lack of clear linkage between State Government policies and guidelines with a direct relationship to procurement, and the Government Procurement Contracts administered by NSW Commerce.

c) integration of environmental considerations throughout the procurement process;

The Associations have a long held position supporting a reduction in waste through greater product stewardship and extended producer responsibility.



The Associations have been pressing for firm ambitious targets for the recovery of recyclable material - substantially increased from current rates. These firm targets could complement sustainable procurement initiatives, with any additional costs being borne by manufacturers through the introduction of extended producer responsibility legislation.

The mandatory inclusion of recyclable content in products would have the benefit of creating a higher level of demand for post consumer materials (glass, plastics, metals). This would create a demand “pull” which would stabilise the market for recyclables (which has recently been subject to dramatic fluctuations). This would lead to a greater certainty in the recycling market and ultimately, better return rates.

In the area of procurement, clearly the inclusion of recycled content as one of the criteria for product selection would also assist towards this objective.

Conclusion & Recommendations

The NSW Government has a range of policies and guidelines relevant to procurement within the local government sector. Currently councils are hampered in their ability to help achieve the objectives in these policies due to the lack of clear linkages between Government policies and Government Procurement Contracts. Few Contracts have any environmental criteria or data.

This submission makes the following recommendations;

- That before each tender process for Government Procurement Contracts, the NSW Government assesses whether there are State Government policies or guidelines that may be relevant to that product. Where relevant policies and guidelines exist, these should be incorporated into the tender process through the inclusion of appropriate environmental criteria.
- Where appropriate and relevant, environmental data be included in Government Procurement Contracts to enable purchasing offices to differentiate between products using environmental criteria, and to clearly identify products that will help comply with and/or deliver State Government guidelines and policies.
- That the Government integrates sustainable procurement with waste reduction initiatives by pursuing increased recycling rates and content, improved product stewardship and extended producer responsibility legislation.