

Submission

No 18

INQUIRY INTO INQUIRY INTO SUSTAINABLE PROCUREMENT

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Theme:

Summary



Inquiry into Sustainable
Procurement
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Australian Information
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submission
to the
Public Accounts Committee

Preamble

This submission represents the response of the Australian information and communications (ICT) industry represented by the Australian Information Industry Association to the Public Accounts Committee's Inquiry into Sustainable Procurement.

This submission has been prepared within the context of Information and Communications Technologies (ICT) goods and services, and the need for national consistency in sustainable procurement policies and conditions of all Australian government jurisdictions.

Summary statement

The Australian Information Industry Association (AIIA) is Australia's leading information and communications technology industry body, and represents almost 400 ICT companies, from individual incorporated consultants, small to medium enterprises to the world's leading multinational corporations.

The Australian ICT industry is very conscious of reducing the carbon footprint of its infrastructure and products – which form the foundation of modern business.

Moreover, the ICT industry strongly considers that information technologies are set to play an absolutely critical role in driving sustainable transformation across other industries.

In representing the Australian ICT industry, for many years AIIA has been engaged with governments and the community on the critical issue of collecting and processing ICT waste equipment. AIIA also supports government efforts to reduce greenhouse gas emissions and reduce carbon footprints across the economy generally. Furthermore, AIIA supports appropriate energy efficiency programs through relevant regulations and standards.

In addition to its interest and role in promoting the ICT interest and capability in environmental management, AIIA has a high level of involvement in, Federal, State and Territory Governments' procurement practices in the purchase of, and deployment of, ICT products and services.

The Association believes that the NSW State Government should actively consider and implement best practice procurement and by doing so, will effectively encourage healthy competition from suitably qualified suppliers, whilst reducing acquisition costs and meeting their requirements in terms of business outcomes, fairness or probity, and sustainable environmental management.

With respect to the Committee's inquiry, AIIA makes the following key points (which are discussed in more detail in the body of this submission):

- AIIA believes that the NSW State Government should actively consider and implement best practice procurement and by doing so, will effectively encourage healthy competition from suitably qualified suppliers, whilst reducing acquisition costs and meeting their requirements in terms of business outcomes, fairness or probity, and sustainable environmental management.

- AllIA does not support a NSW specific sustainability procurement scheme given the extensive development of a national approach through APCC and DEWHA. A national approach will avoid the developing situation of Australian ICT suppliers facing multiple demands and approaches when attempting to accommodate the various sustainable procurement frameworks and policies of the various Australian governments.
- AllIA is concerned for vendors offering 'environmentally sustainable ICT goods and services' will not receive adequate recognition through the procurement process that continues to reward lowest price over value for money.
- AllIA considers that the cost neutrality choice in current Guidelines erodes efforts towards the immediate introduction of sustainable procurement in NSW Government agencies. In addition, an appropriate understanding of cost neutrality must consider the amortization of the costs over 5-10 years, and not a simple price comparison between two items.
- AllIA considers that the reluctance of the NSW Government to licence intellectual property will reduce the range of environmentally sound or innovative ICT solutions for the government marketplace.
- AllIA makes a strong call to the NSW Government to avoid the past decade of fragmented approaches to e-waste policy, and to participate in the national approach particularly by adopting the industry's **Byteback** voluntary, industry-driven computer collection scheme.
- AllIA believes that appropriate monitoring should be introduced to cause NSW agencies to advise their performance towards substantiated sustainable procurement.

Background on AIIA and the ICT industry in NSW

The Australian Information Industry Association (AIIA) is Australia's leading information and communications technology industry body. AIIA's role is to lead and represent the Information and Communications Technology (ICT) industry in Australia to maximise the potential of the Australian economy and society.

AIIA's membership encompasses all sectors of the ICT sector including hardware, software, services and telecommunications. It has almost 400 member companies, including individual incorporated consultants, small to medium enterprises, and the world's leading multinational corporations. AIIA member companies employ over 100,000 Australians, generate combined annual revenues of more than \$40 billion (approximately 5% of GDP) and export more than \$2 billion in goods and services each year. AIIA's Board of Directors includes the Chief Executives of some of the world's leading global ICT and telecommunications organisations.

The ICT industry is an important component of the NSW economy and business environment:

- NSW accounts for 42% of ICT businesses and 40% of industry value-added output in Australia. Value added production by NSW ICT companies was just under A\$13 billion in 2002-03, with computer services companies contributing A\$5 billion.
- Leading global ICT companies in Australia based or headquartered in Sydney include Fujitsu, IBM, Microsoft, Oracle, Sun Microsystems, SAP, SingTel-Optus, Hewlett Packard, CSC, BenQ, Marconi, Nokia, Panasonic, Sercel, Sophos and Samsung.
- Over 133,000 people in NSW are directly employed in ICT occupations, about 35 per cent of the national total. This includes people in managerial roles, computer professionals and technicians, and electronic engineers/technicians and communication technicians.

New South Wales' prosperity is considerably governed, but is also enriched, by the products and services of our industry, and industries in NSW are achieving higher growth and productivity through the enabling technological innovations provided by the ICT industry.

Consequently, the NSW State Government must take a leading role in promoting and using ICT goods and services to stimulate innovation, competitiveness, and prosperity across all industries in New South Wales.

Procurement of ICT goods and services by the NSW Government

The Association advises the Committee that the Australian governments together form the largest ICT market in Australia, spending an estimated \$6 billion annually. The NSW Government is a large purchaser of ICT products and services, and is considered to purchase around 30% of ICT government procurement in Australia.

Through buying ICT products and services NSW Government agencies find they can provide a wide and diverse range of important services to NSW businesses, communities and citizens. In addition, ICT enables government agencies to have more satisfied business people, citizens and consumers.

Through ICT products and services, NSW citizens' well-being in terms of health, education and other life qualities are enhanced through the provision of better government services.

Through good use of ICT technologies, governments are able to help businesses to be more informed and successful. By effectively deploying and using ICT, government agencies improve the quality, timeliness and access of their services while keeping down service costs. Online education and learning services lead to a more productive workforce.

Through government ICT services, families and communities are able to participate fully in society's entertainment, sporting, and other social and family activities.

By using ICT products and services, governments can assist people and businesses in local and regional communities to gain access to education, health and other government services as well as grow local and rural businesses, local employment, and social communities.

AIIA and sustainable environmental priorities for ICT

Developing and promoting the environmental values of our industry is one of AIIA's top strategic priorities. There are two reasons for this.

- Firstly, the ICT industry is very conscious of reducing the carbon footprint of its infrastructure and products – which form the foundation of modern business.
- Secondly, information technologies are set to play an absolutely critical role in driving sustainable transformation across other industries.

The challenges are wide ranging. Environmental science is presenting mounting evidence of the changes we have to make as a community, and business and industry are at the heart of this change.

Government is responding with legislative change, legal scrutiny and quantifiable targets that will impact all levels of business, not just the large concerns that will be the first to adopt carbon trading schemes in our economy.

It is becoming increasingly necessary to demonstrate strong green credentials in order to compete successfully as a supplier in today's business environment. According to Gartner Research, one third of ICT organisations will include environmental purchasing criteria in their procurement plans by next year, and consider that trend will only increase. The end result is that green credentials are no longer a niche concern for ethical companies; they are now a mainstream issue and a financial imperative for modern enterprise.

A reliable ICT infrastructure will be a key requirement if Australia seeks to set up an emissions trading system as part of a global carbon market that is currently estimated to be worth \$60 billion US dollars each year. Software from our industry will deliver the tools to effectively track, report, trade and reduce carbon emissions across the economy.

The work of the ICT industry to reduce the carbon footprint of its own products is important, because information communications technology is now recognised as contributing between 2-6 percent of the world's carbon emissions.

According to current estimates, over \$800 million is spent on electricity bills to run computing equipment in Australia each year. Delivering better ICT products and infrastructure will have a direct impact on the carbon emissions of ICT businesses and a clear benefit to companies' bottom line, so it is a leading priority for our industry.

But the role of ICT goes far beyond the simple enablement of reliable reporting and responsible management of its own "two percent" contribution to carbon emissions. Information technology is set to transform the complex problems presented by the other 98 percent of the world's emissions – it is becoming known in our industry as the 98 percent challenge.

ICT is offering solutions that will deliver a better quality of life at the same time as CO2 emissions are reduced, and these solutions are not the planned developments for the next generation of technology. They are already in place, delivering successful results, and available to us now.

A recent study by the World Wildlife Fund examined the potential for global CO2 reductions from ICT use, and found that the strategic application of information technology will potentially lead to a worldwide reduction in carbon emissions of 1 billion tonnes by 2020. For government agencies, it means working smarter and embracing the strategic opportunities that technology is already providing us with.

Many of these will be readily applied to the business world. They include smarter work practices through telecommuting and virtual meetings. Smarter workplaces are now incorporating intelligent appliances and building controls and comprising e-commerce and electronic service delivery in their operations.

There is no single 'killer application' that will solve the problems of carbon emission in business and government organisations. But taken together, ICT can offer a range of solutions that will transform the sustainability of organisations' businesses. AIIA also supports the federal Government's efforts to introduce a carbon reduction scheme based on pricing and trading.

Taking a conservative estimate, it is possible to suggest that using ICT's goods and services can slash 1 billion tonnes of carbon dioxide from current global projected emissions. Even faster results are possible, and they depend on how successfully we implement public policies and private sector strategies that make the most effective use of the technology solutions that are available to us.

Best practice government procurement of ICT goods and services

As the national organisation representing the information technology and communications (ICT) industry of Australia, AIIA takes considerable interest in, and has a high level of involvement in, Federal, State and Territory Governments' procurement practices in the purchase of, and deployment of, ICT products and services.

The Association has enunciated four principles for the good procurement of ICT products, solutions and services by governments:

- government should maximise the efficiency and effectiveness of its spending on goods and services;
- there should be non-discriminatory open competition which permits unrestricted and universal access for suppliers and to buyers;
- the procurement process itself should be fair and transparent;
- purchasing decisions should be made on the basis of value for money, incorporating quality and range of service and the return on investment across the lifecycle of the good or service.

The Association believes that the NSW State Government should actively consider and implement best practice procurement and by doing so, will effectively encourage healthy competition from suitably qualified suppliers, whilst reducing acquisition costs and meeting their requirements in terms of business outcomes, fairness or probity, and sustainable environmental management.

Consistency of Australian governments sustainable procurement policies

Australian governments are large purchasers of ICT goods and services and their purchases have considerable environmental impacts.

Recently, most Australian governments have started to consider the need to introduce modifications or amendments to their procurement policies and practices to consider the environmental impact of their purchases of ICT goods and services. To this end, over the last five years, all Australian governments have created or augmented their procurement policies and have been implemented these to varying degrees.

The Federal Department of Environment, Water, Heritage and the Arts is about to release the sustainable procurement kit for federal government market for all purchased goods and services.

In 2007, the APCC tabled the Australian and New Zealand Government Framework for Sustainable Procurement (2007) for consideration by Australian, state and territory governments.

For NSW, the NSW Government Procurement Guidelines on Environmental Management was introduced in 2006 and provides directions to its purchasing officers to consider in their procurement obligations and decisions.

The result is that Australian ICT suppliers are faced with multiple demands and approaches when attempting to accommodate the various sustainable procurement frameworks and policies of the various Australian governments.

This situation is further complicated with the developments occurring in the USA and Europe where international standards are being created for the environmental management and product stewardship of ICT-related products. Many ICT suppliers operating in Australia have signed to these international standards. Local-based ICT companies must conform to these standards if they are to be able to export Australian developed and manufactured ICT goods to export markets.

AIIA recommends to the Committee to oppose the creation of an NSW-localised environmental standards and sustainability procurement schemes.

Environmental considerations in procurement plans, tender specifications, selection criteria, and decisions

The NSW Government Procurement Guidelines on Environmental Management was introduced in 2006 and provides directions to its purchasing officers to consider in their procurement initiatives and decisions. Purchasing officers are required to take these guidelines into account with other policies such as the NSW Government Procurement Policy, and the Code of Practice for Procurement.

AllIA welcomes the inclusion of environmental and sustainability considerations in the procurement process.

However, these considerations are to be considered in the assessment of 'value for money' and AllIA, on the advice of its members, has had long-held concerns over the NSW Government agencies giving little weight to 'value for money' evaluations and instead make decisions based on 'lowest prices'.

Major consumer electronics companies - many of them within AllIA's membership - are re-vamping their product lines to make disassembly for recycling, and the remaining disposal as easy, cheap, and safe as possible. Features like low or no-lead solder, modular electronics boards, snap-fit rather than glued joints, and instructions for disassembly make it easier for the dead product to have a new life. Whether as a repaired item with an easily replaced piece, a consumer disassembled and recycled piece, or one that can easily be scrapped out by more professional disassemblers, design for environmental purposes (DFE) is critical to future waste reduction.

Accordingly, AllIA is concerned for vendors offering 'environmentally sustainable ICT goods and services' will not receive adequate recognition through the procurement process that continues to reward lowest price over value for money. Our expectation is not that ICT goods, which meet environment standards at present, will be relatively more expensive due to higher component and manufacturing costs and at smaller quantities than those that are not. Rather, if the total costs of ownership (TCO) are considered, environmentally designed products will use less power and thus can save costs over the life of the product. Over time, more and more environmentally sound ICT goods will come into production and achieve efficient market penetration and acceptance.

The NSW Government Procurement Guidelines on Environmental Management does reinforce our concerns with its provisions that the value for money requirement should be

based on cost neutrality. AIIA considers that the cost neutrality choice erode efforts towards the immediate introduction of sustainable procurement in NSW Government agencies.

AIIA is also concerned that sustainability procurement practices will introduce further costs to the already high cost of tendering, compounded in part by the complexity and length of the process, effectively precludes even significant companies from entering the process.

In terms of a collaborative approach, AIIA considers that NSW Government agencies should work more closely with industry, particularly in the pre-tender stage to share and develop environmentally sound ICT goods and services that can be delivered, not only to NSW Government agencies but also into the wider Australian and international government marketplaces. The NSW Government Framework does not offer too many options for further collaboration between industry and government.

Intellectual Property

AllA regards sustainable procurement by Australian governments as a means of giving opportunities to Australian-based ICT companies to develop innovative ICT products and solutions to help both the public and private sector meet their environmental commitments and to reduce their carbon footprint. This will become increasingly important with the introduction of an emissions trading/tax scheme in Australia.

The APCC's Australian and New Zealand Government Framework for Sustainable Procurement recognised this opportunity in one of its key principles:

- Foster a visible Australian and New Zealand market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation and sustainability

However, the current default position of the NSW Government is to retain total intellectual property ownership. AllA would like to commend to the Committee the Victorian government's default position of allowing the supplier to retain the IP and we note that the federal government is currently considering this approach as part of the Gershon review.

AllA considers that the reluctance of the NSW Government to licence or grant away intellectual property will reduce the range of environmentally sound or innovative ICT solutions for the government marketplace.

AllA argues that for the majority of NSW Government procurements there is little or no need for the NSW Government to require full ownership rights. The vesting of such rights to commercialise in government (given the objectives of government) seems unnecessary and unduly restrains businesses that do business with government. The current default position of the NSW Government (to retain total IP ownership) is also seen by industry as an opportunity cost and so impacts that cost to government in any tender. It may also limit government's options with regard to what products or suppliers can be used on a project (eg some suppliers have conflicting policies) and this may mean the government will not be choosing from the best available products or suppliers.

The reduction of e-waste

Over the last 10 years, AIIA has been engaged with governments and the community on the critical issue of collecting and processing ICT waste equipment.

The result is **Byteback**, a voluntary, industry-driven computer collection and recycling trial underway in Victoria and represents the industry's preferred e-waste recycling model. Established in 2007 with Sustainability Victoria, Byteback is providing important data and informing the development of a national scheme.

AIIA is now seeking the cooperation of state and federal governments to develop appropriate national legislation to support this model.

The need for a national approach to a computer equipment-recycling scheme is critical. In this respect, AIIA is working closely with the Federal Government, particularly the Federal Department of Environment, Water, Heritage and the Arts and the Australian Government Information Management Office (AGIMO) and has welcomed the recent endorsement by COAG for a national approach to establish the vision and principles to underpin this national approach to computer recycling.

AIIA makes a strong call to the NSW Government to avoid the past decade of fragmented approaches to e-waste policy, and to participate in the national approach.

This will mean the NSW Government's approach to sustainable procurement in terms of e-waste must be cognizant of the need to achieve a national scheme.

Measurement and monitoring

AllA is concerned that there is relatively underdeveloped monitoring and reporting requirements in the various NSW procurement policies that require NSW agencies to advise their performance towards substantiated sustainable procurement. To some extent, this is a common factor with the other state and territory jurisdictions as well.

AllA believes that appropriate monitoring is essential for a number of reasons including:

- Ensures transparency of the tender, bid and selection process
- Introduces means to compare and contrast the environment credentials of competing ICT goods and services
- Clarifies the environmental standards being applied in the selection and implementation of ICT goods and services
- Provides opportunities to compare and assess relative performance of NSW agencies' sustainable procurement practices
- Introduces metrics to measure the performance of NSW agencies' purchasing officers, and recommends areas for additional training and education.

Summary

AIIA welcomes the opportunity to provide its views on behalf of ICT companies in NSW to the Public Accounts Committee.

For many years, AIIA has been engaged with governments and the community on the critical issue of collecting and processing ICT waste equipment.

Now with the need to reduce greenhouse gas emissions, the Australian ICT industry believes that it has the goods and services that can be deployed to reduce the production of emissions.

While NSW has introduced guidelines for sustainable procurement within government, AIIA considers that these policies and practice are not as advanced as other Australian jurisdictions, and we commend the Committee to examine the progress made to date by DEWHA and AGIMO in this area.

The NSW Government has the opportunity to take the lead in sustainable procurement for its agencies and to encourage the development of innovative products and solutions by the ICT industry in NSW.

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