

Submission

No 8

INQUIRY INTO INQUIRY INTO SUSTAINABLE PROCUREMENT

Organisation: Good Environmental Choice Australia
Name: Mr Ian Higgins
Position: Chief Executive Officer
Telephone: 6287 3100
Date Received: 17/03/2009

Theme:

Summary



Good Environmental Choice Australia

“ A commitment to credible product information
for sustainable development ”

The Committee Manager
Public Accounts Committee (PAC)
Parliament House
Macquarie St
Sydney NSW 2000

Thursday, 12th March 2009

Submission to the NSW Public Accounts Committee Inquiry into Sustainable Procurement

Dear Sir/Madam,

AN UNPRECEDENTED OPPORTUNITY

The current Legislative Assembly inquiry into Sustainable Procurement is an unprecedented opportunity to drive sustainable procurement by addressing the shortcomings of existing policy. Total non-defence procurement expenditure across all levels of government in Australia has been estimated to be in excess of \$50 billion (ACCI, 2003). NSW Government expenditure on products and services is in the order of \$10.5 billion per year, making it one of the larger single purchases of products and services in South East Asia (Good Environmental Choice Australia, 2004). Hence the NSW government through this purchasing power and sustainable procurement policy are able to profoundly influence the total environmental impact of the nation.

Good Environmental Choice Australia, with the support of our members, have played and continue to play an active role in the championing sustainable procurement by providing training programmes in sustainable procurement; licensing the Environmental Choice Australia label; administering a national database for sustainable procurement; reporting on the state of sustainable procurement in Australia; and lobbying government (please see the example letter attached).

CRITICAL ELEMENTS

GECA would like to highlight that the NSW Government Code of Practice for Procurement; the NSW Government Procurement Policy ('the Policy') and the NSW Government Procurement Guidelines - Environmental Management ('the Guidelines'), together lack the following critical elements which should be considered in any successful government sustainable procurement scheme:

- A method for assessing the relative contribution of environmental credentials in 'value for money' definition
- A mechanism for incorporating sustainability into day to day procurement choices; ensuring environmental information is available at decision making points
- Implementing a system for fair comparison of environmental attributes
- Providing references to example specifications
- Ensuring procurers are skilled or trained in recognising environmentally preferable attributes in procurables and risks associated with environmental claims
- Reporting on environmental wins alongside financial performance



Good Environmental Choice Australia

“ A commitment to credible product information for sustainable development ”

- Engaging suppliers and targeting major suppliers
- Identifying priority markets and monitoring success in those e.g. construction
- Minimum sustainability criteria for companies and an indication of 'preferable' sustainability criteria in order to provide a clear signal to the market
- Goals and reporting against these goals
- Assessment of key environmental impacts, risks and opportunities related to procurement of products and services
- Long term planning for improvements providing a clear signal to the market regarding the data and performance required over time
- Recognition of existing life cycle based accreditation systems in the absence of easily accessible life cycle impact data

Implementing the above critical elements will progress the government in overcoming the 'Barriers to Implementation' listed below.

BARRIERS TO IMPLEMENTATION

Currently there are significant obstacles to sustainable procurement which hinder the successful implementation of the NSW Government Procurement Policy. These obstacles occur either internally either in government policies, systems, skills or practices; or externally relating to suppliers, networks, buying groups and standards. Obstacles include information deficits; insufficient guidance; emphasis on cost rather than return on investment; market breadth and complexity; lack of minimum performance criteria; lack of reporting requirements. These where they relate to the committee's terms of reference are detailed below.

External Obstacles

Information deficits

RELEVANT COMMITTEE TERMS OF REFERENCE: a) *inclusion of environmental considerations in procurement plans, tender specifications, selection criteria, and decisions*; c) *integration of environmental considerations throughout the procurement process*; e) *validation of tenderer's environmental claims*.

- Little information on life cycle impacts
 - The NSW Government Procurement Policy (NSW Treasury 2004) requires that the procurer consider the environmental impact of a product or service across an entire life cycle. Similarly as do the Australian and New Zealand Government Framework for Sustainable Procurement (APCC 2007) and Victorian Government Procurement Policies (VGPB, 2007). While the intent of the policy is to be commended the mechanism for implementing the policy is not currently available. Most manufacturers, distributors and service suppliers are not currently assessing and monitoring the environmental performance of procurables across life cycles, nor monitoring the secondary impacts of products and services within their supply chains. One reason why these data are not available is that there has not been an emphasis on gathering



Good Environmental Choice Australia

“ A commitment to credible product information for sustainable development ”

this information in the past by government nor other consumers. Historically this information has not been available at point of purchase. In contrast the likely information sought is an ISO 14000 accreditation and EMS system; records of dealings with environmental authorities; Material Safety Data Sheets and corporate policies. These documents do not capture environmental impact information for fair comparison on a life cycle basis.

- Lack of clarity where information is available
 - Where information is available on environmental performance, this information may be incomplete. For instance the scope of the information may be partial or unclear i.e. available for a single stage of the manufacturing process only; or unclear as to which stages were included.
- Inability to assess credibility of information where information is available
 - Where the information is available and the entire life cycle has been considered, claims of environmental preferability may not have been independently verified e.g. marketing 'greenwash'.

Market Breadth and Complexity

RELEVANT COMMITTEE TERMS OF REFERENCE: *f) any other related matters*

- The size and breadth of industries which supply to government represent an opportunity and challenge in implementing the policy. Where resources are limited it is preferable to implement a targeted approach which firsts focuses on sectors where early and significant gains can be made. The UK Sustainable Procurement Taskforce, established in 2005, developed a sustainable procurement plan for the UK public sector (£150billion) by prioritizing sectors by subjective scores of risk; scope to improve; and buyer influence.

Internal Obstacles

Insufficient guidance

RELEVANT COMMITTEE TERMS OF REFERENCE: *a) inclusion of environmental considerations in procurement plans, tender specifications, selection criteria, and decisions; c) integration of environmental considerations throughout the procurement process*

The guidelines provide insufficient detail to guide decision makers:

- Discerning between competing products

The policy states that 'substituting the use of products with lower environmental impact costs where overall effect on the agency's business is cost neutral or favourable' (NSW Dept of Commerce, 2006). Guidelines are also provided on which environmental factors should be considered in procurement including: highest possible recycled content; waste avoidance; energy efficiency; low maintenance. Similarly, the Tasmanian Government procurement policies nominate specific environmental requirements i.e. avoiding known ozone depleting substances, giving preference to energy efficient and recycled/recyclable goods. The NSW Code of Practice for Procurement 2005 does not specify a mechanism



Good Environmental Choice Australia

“ A commitment to credible product information
for sustainable development ”

by which procurers can make fair comparisons between procurables where environmental information is provided by the supplier. The evaluation criterion is simply listed as 'tenderer's environmental management practices and performance'.

Emphasis on cost rather than return on investment

RELEVANT COMMITTEE TERMS OF REFERENCE: *b) assessment and implementation of cost neutrality*

- The policy states that 'substituting the use of products with lower environmental impact costs where overall effect on the agency's business is cost neutral or favourable' (NSW Dept of Commerce, 2006). Emphasis should be placed on return on government investment; rather than a simple cost comparison. Return on government investment may include inherent value of conserving the environment, and the deferral of costs across a number of factors relating to prevention of environmental impacts such as waste disposal; energy infrastructure; road infrastructure and rather than a simple cost comparison.

Lack of minimum performance criteria

RELEVANT COMMITTEE TERMS OF REFERENCE: *a) inclusion of environmental considerations in procurement plans, tender specifications, selection criteria, and decisions; c) integration of environmental considerations throughout the procurement process; e) validation of tenderer's environmental claims.*

- While Environmental Management System (EMS) certified under ISO 14001 is an important step but the performance attributes of a product of service being procured are not captured by the procurer simply by specifying the need for an EMS.

Lack of Reporting Requirements

RELEVANT COMMITTEE TERMS OF REFERENCE: *f) any other related matters*

- A requirement for public reporting is important in order to drive progress and ensure ongoing evaluation of the impact of the policy and guidelines.

We expect that these opportunities for leadership will be captured not in the least because Minister Carmel Tebbut is both the current Minister for Climate Change and the Environment, and the Minister for Commerce.

Thank you for considering our comments.

Regards,

Ian Higgins,
CEO GECA

Sonya Ku
Standards Manager GECA



Good Environmental Choice Australia

**“A commitment to credible product information
for sustainable development”**

REFERENCES

Australian Chamber of Commerce and Industry (2003) Environmental Purchasing by the Commonwealth, ACCI Submission to Environment Australia, ACCI

Australian Procurement and Construction Council (2007) Australian and New Zealand Government Framework for Sustainable Procurement, APCC.

Good Environmental Choice – Australia (2004) The State of Green Procurement in Australia, Australian Green Procurement, Good Environmental Choice Australia.

NSW Department of Commerce (2006) NSW Government Procurement Guidelines – Environmental Management', NSW Government.

NSW Treasury (2004) NSW Government Procurement Policy – Office of Financial Management Policy and Guidelines Paper, NSW Government.

UK Sustainable Procurement Action Plan (2005) http://www.eauc.org.uk/file_uploads/sustainableprocurementactionplan.pdf

Fax

Page 1 of 4

To: The Hon. Carmel Tebbutt,
Deputy Premier,
Minister for Climate Change
and the Environment,
Minister for Commerce

From: Ian Higgins
CEO
Good Environmental Choice
Australia

Fax: 02 9228 4855

Fax: 02 6287 3800

Phone: 02 9228 4866

Phone: 02 6287 3100

Date: 29 October 2008

Subject Urgent need for environmental sustainability considerations to be included in NSW Government Request for Tender (RFT) 0701189 (1006) – closes 6 November!

Dear Minister,

I'm pleased to attach a letter in which we seek your urgent assistance to ensure the NSW Department of Commerce includes criteria for environmentally sustainable procurement for the NSW Government Request for Tender (RFT) 0701189 (1006).

The urgency for action is that if the (RFT) 0701189 (1006) which closes on 6 November goes ahead as is, NSW will lose the opportunity to promote sustainable trade in the office equipment sector for another 5 years!

As you would know, the Queensland and Victorian Governments have recognised sustainable procurement as has the Ministerial Council of the Australian Procurement and Construction Council and the Chartered Institute of Procurement and Supply Australia. For NSW to do the same would be a tremendous plus for the environment.

Thank you for considering our request (attached).


Ian Higgins

Note: Hard copy posted 29/10/08



The Hon. Carmel Tebbutt,
Deputy Premier,
Minister for Climate Change and
the Environment,
Minister for Commerce,
Level 30
Governor Macquarie Tower,

Good Environmental Choice Australia
"A commitment to credible product information
for sustainable development"

Dear Minister,

NSW Government Request for Tender (RFT) 0701189 (1006)

I am writing to seek your support to ensure the NSW Department of Commerce includes criteria for environmentally sustainable procurement for the NSW Government Request for Tender (RFT) 0701189 (1006).

The urgency for action is that if the RFT 0701189 (1006) which closes on 6 November goes ahead as is, NSW will lose the opportunity to promote sustainable trade in the office equipment sector for up to another 5 years!

The c1006 category covers office equipment and supplies ranging from copy paper and toner cartridges to educational supplies, cleaning materials and furniture. It is vital that environmental considerations are taken into account in the purchasing of these materials. Standards exist in Australia and internationally which define environmentally preferable options for nearly all these materials.

As you would know, the Queensland and Victorian Governments have adopted sustainable procurement. The Chartered Institute of Procurement and Supply Australia has similarly recognized its importance. As an independent non-government-organisation, Good Environmental Choice Australia (GECA) promotes sustainable trade, and believes that it would be a tremendous plus for the environment if NSW acknowledged the importance of this issue and acted on it.

...2

In your role as Commerce Minister and member of the Ministerial Council of the Australian Procurement and Construction Council (APCC) you would also be aware that the APCC has developed the Australian and New Zealand Government Framework for Sustainable Procurement as a set of national and trans-Tasman principles to guide Australian State, Territory and Federal governments and the New Zealand Government in implementing sustainable procurement.

The failure of the NSW Commerce Department to include any criteria for environmentally sustainable procurement flouts these principles. For example, Principle Two of the Framework adopted by the Ministerial Council recommends that products and services be selected which have lower environmental impacts across their life-cycle compared with competing products and services.

The Council's recommended implementation activities include:

- Adopt a life-cycle (or total cost of ownership or whole-of-life) costing approach to quantify the 'total cost' of procuring products including operational performance, as opposed to only taking into account the initial cost.
- Ensure that decisions on sustainable values of products and services are evidence based.
- With all factors being equal in the purchase of a product, choose a product with the least environmental impact.
- Use of Australian Standards and New Zealand or International Standards Organisation (ISO) standards (where appropriate) to verify the sustainability credentials of a supplier and a product.
- Consider the environmental management practices of the supplier/manufacturer. Refer to benchmarking environmental management programs where practicable, such as Enviro-Mark NZ and ISO 14001.
- Refer to eco-labelling programs and government labelling programs to assist in assessing the environmental performance of products (Energy Star, Energy Rating Label, Water Efficiency Labelling Scheme, Environmental Choice New Zealand).

3.

- Give preference to products that are reusable, recyclable and/or contain recycled content where such products fit the purpose, provide environmental benefits and are of comparable cost and quality to alternative products.

If it is impossible to withdraw the RFT for redrafting, given the 6 November deadline, we would urge you to advise the Department to urgently include environmental sustainability criteria for these products, as part of the selection process for suppliers, ad interim, until the issue is fully addressed.

The current situation sees the NSW Government not only not setting the lead on sustainable procurement within the State, but also seriously lagging behind Queensland and Victoria.

We would, of course, be delighted to meet with you and to brief you further on this matter.

Thank you for considering our request.

Yours sincerely



Ian Higgins
CEO

29/10/08



Good Environmental Choice Australia

“ A commitment to credible product information
for sustainable development ”

The Committee Manager
Public Accounts Committee (PAC)
Parliament House
Macquarie St
Sydney NSW 2000

Thursday, 12th March 2009

**Submission to the NSW Public Accounts Committee Inquiry into Sustainable Procurement
Attachment: About GECA**

Dear Sir/Madam,

The following information provides some background regarding Good Environmental Choice Australia (GECA) in support of GECA's submission to the NSW Public Accounts Committee Inquiry into Sustainable Procurement. Please see GECA's general submission documentation which provides specific feedback regarding the inquiry terms of reference.

ABOUT GECA

Good Environmental Choice Australia (GECA) is a member-based, not-for-profit organisation established in 2001 for the purpose of recognising and promoting environmental excellence in products and services available to Australian customers.

GECA uses a Life Cycle Perspective

Australian government policies at both national and state levels highlight the need for incorporating whole of life cycle considerations in procurement. The ACCC in its clarification of the Trade Practices Act recently asserted the following:

'Claims should consider the whole product life cycle. When making claims about a particular characteristic or part of a product, you should also consider the whole product life cycle. The manufacturing, recycling, destruction and disposal process should be taken into account before making any environmental claims regarding the relevant characteristic or part.'

GECA licenses the Environmental Choice Label, the only environmental labeling program in Australia that indicates the environmental performance of a product from a whole of life cycle perspective. Over 274 products hold GECA licenses, representing over 150 international and Australian companies. This suite of environmentally preferable products and services provide an adequate range of goods to support the wide-ranging scope of a government sustainable procurement policy.

GECA administers 45 environmental standards

The Environmental Choice label is licensed to products that meet GECA's voluntary environmental performance standards which are developed in accordance with ISO 14024 criteria. GECA administers 45 existing environmental standards with an additional 5 scheduled for development in 2009. These standards are developed by the consensus of technical working groups comprised of a diverse range of participants from industry, environmental groups and other stakeholders. Products recognised by GECA under the Environmental Choice Label are assessed by auditors.

Internationally Recognised

GECA standards and the Environmental Choice Label are recognised both internationally and here in Australia. GECA is a member of the Global Ecolabelling Network (GEN), a not for profit association of organisations involved in third-party, environmental performance recognition, certification and



Good Environmental Choice Australia

“ A commitment to credible product information
for sustainable development ”

...Internationally Recognised Cont'd.

labeling. GEN was founded in 1994 to improve, promote, and develop the "ecolabelling" of products and services.

In addition GECA has mutual recognition arrangements with Green Seal United States; the Thai Green Label Scheme; the Taiwan Ecolabel Environment and Development Foundation, the China Environmental United Certification (CEC) and the Korea Ecolabel. GECA products are also recognised in contributing points in the Green Building Council's suite of rating tools.

Procurement Database

GECA also administers the Australian Green Procurement database, a product database of environmental products available to government procurers, GECA members and the general public. The database provides credible environmental information and has useful search functions which are suited to the needs of both government and building industry procurers.

Regards,

Ian Higgins,

CEO