REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

INQUIRY INTO SUSTAINABLE PROCUREMENT

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At Sydney on Thursday 13 August 2009

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The Committee met at 9.30 a.m.

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PRESENT

Mr P. E. McLeay (Chair)

Mr G. A. McBride
Mr P. R. Draper
Mr N. Khoshaba
Mr A. J. Roberts
Mr J. H. Turner

SUZANNE GAI LITTLE, board member, Sydney Metropolitan Catchment Management Authority, PO Box 3720, Parramatta, New South Wales 2070, sworn and examined:

CHAIR: Before we start I ask everyone to please turn off their mobile phones as phones operating even in silent mode can interfere with Hansard's recording equipment. I thank the representative of the Sydney Metropolitan Catchment Management Authority for appearing today to provide evidence to the Public Accounts Committee's inquiry into sustainable procurement. In what capacity are you appearing before the Committee?

Ms LITTLE: My role as one of the several members of the board is to direct the strategy of the organisation.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information that you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. I invite you to make a brief opening submission.

Ms LITTLE: I am a scientist and I have been fortunate enough to live in an era where I became one of the pioneers of a new profession, environmental science. That degree did not exist when I was at university. It is an extremely young profession. I have spent more than 30 years as an environmental scientist in various capacities, both in the public and private sectors, and notably the highlight of my career was as the environmental director for the Sydney Olympic Games. Other organisations I have worked for include the Environmental Institute of Australia and New Zealand, which is the institute representing this new profession. I served a term as the Australian vice-president. I have also worked for a certification company, SAI Global, as its environmental market leader, and I have worked for several consultancies, in particular for Maunsell, the designer of a lot of roads and bridges in New South Wales. I was the sustainability principal for that company. Another organisation was the Electricity Commission of New South Wales, where I spent nine years as the first environmental scientist in their power station business.

CHAIR: Thank you. You have quite a breadth of experience and knowledge that I am sure we will benefit from. As you know, our inquiry is focused around procurement. In general terms we think the Government has quite appropriate and what appear to be strong environmental policies around procurement. We are not sure whether that is matched by the practice and how those policies are applied. That is what we hope to gain knowledge of and you may be able to benefit us in that area.

Mr GRANT McBRIDE: You mentioned that you were the environmental director of the Olympic Games. The Olympics were seen as a success in regard to the environmental aspects associated with them, and the world standard. Where have we gone since then?

Ms LITTLE: The main lesson learnt from the sustainability aspect of the Olympics, the green Olympics, was considered by those environmental practitioners that took part in it to be its procurement success and the tendering process that was used to procure venues that were all built to the best practice standard at that time for sustainable development. That took more than just a few years before the Olympics—it was almost all of the eight years in preparation—but it gradually turned a written document, which was the environmental guidelines, into 20 built structures that were of the highest level at that time, in 2000, in terms of sustainable development.

Mr GRANT McBRIDE: And where we are now—the progress from there to here, in terms of government?

Ms LITTLE: I will speak about professions first because I know that each of the different professions is employed in the State Government bureaucracy. The environmental profession has found a basis and is now starting to get established. As I said, it is an extremely new profession. The construction profession has taken on green credentials in a very positive way and a lot of construction now is done with great regard to sustainable principles. However, the procurement profession has not incorporated the lessons learnt from the Olympics and even though procurement in the tendering process was regarded as the best green outcome of the Olympics, the procurement profession has not taken it up. There has not been as much traction in procurement as there has been in the other two professions.

Mr GRANT McBRIDE: I read a comment in which it was said that the standards of procurement in relation to the environment are not to the same standards as other States in Australia and also internationally. Is that right in relation to comparable countries?

Ms LITTLE: The procurement profession itself is relatively new so I would not point out any particular State as being ahead of any other State. I think it is a problem with the profession and their coming to terms with where they need to be to implement the policies that are given to them by employers and governments.

Mr GRANT McBRIDE: What would be your recommendations in terms of the profession?

Ms LITTLE: The profession's leadership level of course is well aware of this. Its chartered institute, which represents the procurement profession, is making a lot of headway in terms of documents and training. That organisation is the Chartered Institute of Purchasing and Supply of Australia and New Zealand. They are certainly leading it and doing the best they can, but they are made up of their many thousands of members, so while they lead it is a matter of the profession adopting what has been recommended at the leadership level of their profession.

Mr GRANT McBRIDE: What does that mean in practical terms?

Ms LITTLE: Training courses, conferences and a synergy between other organisations that are also interested in this, such as the Government body, the Australian Procurement and Construction Council, which is regarded as the highest level public body for the procurement profession in Australia. There is a lot of synergy between that Government council and the Chartered Institute and they put out documents, not necessarily as joint documents, but there is a lot of collaboration between those two organisations to lead the profession. Sustainable procurement is one of those matters that they want to lead the profession into.

Mr PETER DRAPER: Thank you for sending that training manual, it is very comprehensive and excellent. We were under the impression that you developed that because of some gaps. Could you tell us a little about the gaps and how you are going about trying to address them?

Ms LITTLE: Because my profession is so young and the procurement profession itself, while a little bit older, is relatively young in terms of having a university degree basis and chartered institute basis, I could see there needed to be a reaching out between the two professions so that environmental scientists could explain science to procurement people and procurement people could come to us with their problems. They have to buy everything from Olympic stadiums to pens. I could see that the reaching out and cross-referencing between the two professions was definitely needed because sustainability goes across disciplines. With my more than 30 years of having been in both the public and private sectors and having seen the difficulties at first hand, I designed a training course on sustainability for procurement professionals and started that two years ago.

The gaps in the knowledge that I saw were things like the fact that procurement is still basically done on the basis of cost-benefit analysis. That is measured in units of economics, so nearly everything is converted to a dollar value. The other two professions, environmental science and construction, have moved on to another form of analysis, life cycle analysis. That takes the whole time frame of a building or a product and looks at the costs over that time frame. Life cycle analysis itself is a scientific tool; it has an international standard and it has a basis, and it looks at everything from the raw materials through to production, maintenance and decommissioning. It can be applied to a product, a substance, as well as being applied to a building. Life cycle analysis is a very different and more advanced way of measuring things than cost-benefit analysis.

Mr PETER DRAPER: Have many people in government procurement taken part in this training?

Ms LITTLE: I have trained probably about 150 people who came to my courses. Mostly in the early days, in 2007, they were early adopters: people who, in their profession, could see that this is the way forward and they just got it. They found me. In 2008 it started to move on to word of mouth: procurement directors asking their staff to attend. Now in 2009 we are continuing with moving into not exactly the mainstream but into more of the ordinary procurement professional rather than the early adopter or the most senior person in an organisation.

CHAIR: Do you use a process where you price whole of life as a cost on a purchasing decision or do you use a matrix, such as a balanced score card? Yesterday, Treasury gave a submission where it announced the

Barangaroo decision of the two preferred tenderers to go forward. Obviously, it is construction and not just procurement. Treasury published the matrix on which the final decision was made with the two proponents. It included design having a weighting of 35 per cent, financial return and risk 35 per cent, sustainability 10 per cent, delivery and planning 10 per cent, marketing 5 per cent and capability 5 per cent. It actually published the criteria and the weightings that have been and will continue to be used to develop the site. That is one example of a published matrix and, therefore, put into the balance. The alternative is do you price the cost of life as part of it?

Ms LITTLE: What you have just described is a set of criteria with a weighting for the purpose of selection.

CHAIR: Yes.

Ms LITTLE: That is fairly normal in procurement. When I refer to life cycle analysis, I am referring to a scientific tool. If you turn to page 34 of the training manual that I sent as an attachment, there is an example of it. It is quite a scientific exercise. There are no dollar units involved; they are in units of mass, length and time. That analysis is done by a technical or scientific person in accordance with an international standard. What comes out of that is an understanding of the energy, water, waste, biodiversity and ozone depletion—quite a large number of factors that could be affected by whatever it is the analysis is looking at. It can be very simple. On the next page of my manual, for the purposes of the training I give a life cycle analysis of a paper cup versus a plastic cup. So, it can be done on a very simplistic level or it can be done comparing two types of buildings. That is a very technical exercise. The next step from that is to then have a look at the dollar value. If that can be put on the energy, the water, the waste, there can be an attempt to turn that into dollar values. But as for weighting, that is a lot way further down the chain when you are up to the point of selecting a successful tenderer.

Mr JOHN TURNER: On your analysis, I guess by the nature of science, it is not totally definitive? Somebody else could have a different view of the value or of the method of assessing the relative values that you have done? Is it fluid at the moment across the board or is there some gelling of views in relation to it?

Ms LITTLE: Being a scientific tool, the first thing is that there is no weighting. That can be done later during the selection process in procurement, but while it is still in the scientific stage there is no weighting given. So there is no value judgement given between, say, global warming and ozone depletion. The results are done in accordance with a standard method, which is endorsed by the international standards organisation. To the extent that anything can be reproducible, that is the method that is used. The outcomes really are only different depending on how much time and effort is put into it by the scientist.

CHAIR: In general terms, from your experience are procurement officers general level clerks, accountants or are they now procurement specialists?

Ms LITTLE: Procurement is becoming a profession in the true sense of the word of having university degrees, training courses, professional development, regular conferences and a chartered institute. It is establishing itself on a very sound basis.

CHAIR: Obviously that would lead to further rigour and understanding of value versus cost efficiency?

Ms LITTLE: Yes. To the extent that the guiding principle in most procurement decisions is value for money, my estimation is that that will move on as the profession matures and there is more training and more graduates are coming into the profession. I believe the next step will be sustainable procurement.

CHAIR: Do you think the profession is organic and, therefore, has its own innovations, leaps and success stories or is there a need for more direction or regulations in government?

Ms LITTLE: I think there is just a need for more knowledge. I have been very impressed with the calibre of the people that have come to my course. These people usually have no background in science or technical matters and in half a day I can explain an introduction to environmental science that gives them enough of a grasp for them to then be able to apply it when they go back to their workplace. The problem is not lack of skill or not understanding or anything of that nature. The problem is simply that the knowledge of one

profession needs to be passed over to another profession. This is something that our millennium needs to face with quite a number of professions: the knowledge of one needs to be shared with the practice of another.

CHAIR: Are you familiar with the concept of the State Contracts Control Board's purchasing process called smartbuy?

Ms LITTLE: Yes.

CHAIR: The additional package is called greenbuy. For example, if you are a government agency and wanted to buy office chairs, you go to smartbuy. You have to use the contract and there may be a selection of chairs. As an alternative, you can go to greenbuy, which is also a government contract that has the best of class when it comes to sustainability. Is that familiarity high within purchasing, particularly of government agencies or government procurement officers who come to your training?

Ms LITTLE: It has never been mentioned, but then I have people who come from every State. So it would not necessarily be mentioned. The reason why that is not high on the thinking of the people who come to my course is because that is a single-issue approach or one issue at a time type of approach to the purchasing of green products. While it is a very good starting point, it is quite modest. It is quite a novice level. The approach of taking a life cycle analysis look—not necessarily all the technical detail, but having that approach—and relying on the writing of criteria into the request for tenders and the purchasing orders is a much more holistic and much broader approach than the sort of tips and strategies that are mentioned in smartbuy or those sorts of websites.

CHAIR: I guess from your submission there are two approaches, one is either for purchasing officers to choose the greener products or get the tenders right and they will select only a certain benchmark level?

Ms LITTLE: Yes.

CHAIR: Do you recommend that work should go into the inputs, that being the tenders, or the outputs, that being the selection?

Ms LITTLE: The difficult thinking and the serious work is in the writing of the request for tenders. Because my course is based on a systematic approach, what I do is help procurement professionals who are already working with a procurement management system. As a profession they are very systematic people. I help them insert sustainability criteria into their existing management systems. That means then that sustainability is in there with the other sort of considerations that they would have, which would be cost, quality, experience and those sorts of matters. Sustainability criteria are missing at this point in a lot of requests for tenders and that is where the work needs to be done.

Mr NINOS KHOSHABA: In your submission you wrote that the Olympic Co-ordination Authority used the probity of the New South Wales Government tendering process to procure 20 venues that were required by the New South Wales State Government to be built as sustainable developments. Your role as the environmental director at the Olympic Co-ordination Authority was to help marry the environmental guidelines with a very robust tendering process. Out of the 20 venues, is there one that stands out and, if so, can you tell us why that was more successful than the others?

Ms LITTLE: I think that the Olympic stadium stands out. During the request for tender the people involved, which were both engineers and procurement professionals as well as environmental scientists, did not prescribe what they wanted. They asked for achievements to be delivered, but they did not tell the construction industry how to build. I think that difference between asking what you want as opposed to telling people how to deliver what you want has been a big improvement in tendering in general in recent years. The way it was particularly done well in the Olympics was that during some life-cycle assessment type analysis, before there were any drawings or any request for tenders it was realised that the largest material, in terms of dollars as well as volume, that would be needed to build the Olympic Stadium over a period of its lifetime, which is 30 years, would not be concrete or steel or glass, it would be water. With that realisation then the request for tender asked for water conservation to be part of the structure. As a result, there are now four very large reservoirs around the structure built into it and the roof serves as a catchment to fill those reservoirs. We are talking megalitres of water stored within the building.

Mr NINOS KHOSHABA: On the same subject of the 20 venues, looking back is there one that you think could have been handled better and maybe we have learnt some lessons from that?

Ms LITTLE: The one that was the most difficult for the New South Wales Government was due to its politics rather than its construction and that was the volleyball arena on Bondi Beach. Because it was a temporary structure to be built and then dismantled, the sustainability aspects were focused on the decommissioning of the structure. All the same effort went into life-cycle analysis, requests for tenders, including sustainability criteria selection based on the normal spread of costs and durability—or at least temporary durability—and environmental criteria. But it was an extremely challenging building because it was to be built and then dismantled very quickly. That one was a difficult ask.

Mr NINOS KHOSHABA: You also mentioned in your submission the tendering process being very robust. My understanding is that all tendering processes should be very robust, so what exactly do you mean by that? Were there any differences in your tendering processes compared with the normal tendering processes?

Ms LITTLE: Yes, there were a lot of reviews during the process. It is a knee-jerk reaction to think that reviews are slowing things up when you are going through the improving on a document and rewriting the request for tender and reconsidering the weightings or the criteria, but the time saved by doing these regular reviews turned out to be worth any delay in progress because when the request for tender went out, the architects, the construction companies, then knew very clearly what was required and they brought their expertise into the how and the methodology of delivering the structure.

CHAIR: Thank you very much, Ms Little. We very much appreciate your expertise and the clarity you have brought to the Committee. We thank you for your time.

(The witness withdrew)

LEIGH JAMES MARTIN, Environmental Adviser, Total Environment Centre, Level 4, 78 Liverpool Street, Sydney, affirmed and examined:

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. I invite you to make a brief opening statement.

Mr MARTIN: I thank the Committee for this opportunity to appear. The issue of government procurement is a very important one and it is certainly one of strong interest to the Total Environment Centre. Governments by their nature are large consumers and large purchasers of goods and services that have the potential to have a significant environmental impact. So by focusing on making procurement more sustainable governments have the capacity to significantly reduce their own environmental footprint. But, more than that, the size of the market power that governments insert by the nature of their procurement spending is such that they have the capacity to drive market improvements that will result in progress towards sustainability throughout the economy. So not only can governments insert a positive influence by addressing their own impact but their actions have the capacity to drive further change throughout the community. So it is encouraging that the Committee is focusing on this matter. I would also like to add that in addition to our submission we have produced a report which is an analysis of the procurement policies of the Commonwealth Government and the governments of all the States and Territories in Australia, and I am happy to provide a copy of that report for the Committee. It is also available on our website.

CHAIR: I think in your submission you provided a summary of that.

Mr MARTIN: Yes, and I have a more extensive copy here that I can provide. We are in a situation where this is a fluid issue. There have been developments since we produced our report and, as I have said on a number of occasions, I would be very happy for my report to become quickly obsolete. I acknowledge there has been some progress in New South Wales with the New South Wales Government's sustainability policy. I think that incorporates some positive elements. Certainly there is a long way to go. There has been progress made but we still have a very long way to go and this is part of that exercise.

Document tabled.

CHAIR: I guess that is part of the challenge. You said it is organic and ongoing and changing and you said that it is an e-document as well. The balance, of course, is once you start putting red tape and rules and regulations around it then it might stifle innovation. The Committee is mindful of that balance as well. Having said that, you have provided some very useful issues for us to take up.

Mr JOHN TURNER: In your submission you note that the value of the guidelines on environmental management is weakened by the requirement that environmental considerations within the value-for-money requirements should be based on cost neutrality. Can you explain why?

Mr MARTIN: I think the problem is that environmental considerations can be subsumed by other considerations, particularly price. Policies, not just in New South Wales but in other jurisdictions, as they currently are arranged, provide that environmental considerations be considered as part of the value-for-money assessment. But there is a lack of clear guidance in how that should be done in terms of what criteria should be assessed and what to do if a product or a service may not necessarily be the cheapest option but may offer superior performance in terms of its environmental impact.

So there is a lack of clear guidance. In the absence of a clear guidance the traditional dominance of price will always be difficult to overcome, and it is not just a difficulty that procurement officers have—those people who are making the assessment of tenders—ultimately, the decisions they make need to be defended down the decision-making chain. At some point in time we all understand that there are pressures on government budgets, there are pressures on agency budgets, and there will always be that pressure to pursue the cheapest option, because it is a compelling case that an agency will always seek to reduce its upfront spend. I am concerned that as things are currently arranged it is difficult in some cases to make the case for sustainability within that framework. So I think there needs to be clearer guidance and also training for people who not just have immediate responsibility for procurement agency-wide training so that people all along the decision-making process understand the importance of those environmental considerations.

Mr GRANT McBRIDE: In your submission you say that New South Wales is lagging behind other jurisdictions in terms of procurement policies. Could you give us some examples of that or why you make that statement?

Mr MARTIN: I would qualify that statement by saying that some of the things that are contained in the New South Wales Government sustainability policy address some of those problems. I would point out that one of the problems with New South Wales is the lack of reporting frameworks and the lack of clear targets. An example I might provide of a jurisdiction which is beginning to incorporate those things would be Queensland where their procurement policy requires agencies to select a number of environmental targets for their procurement and to report against them. I would qualify that by saying a weakness of that is that there is a list of targets. Agencies are allowed to choose a number of targets from those, and of course there is always the danger when you allow an agency to choose which targets it reports against that the targets that are chosen may be those that the agency is most confident it will perform well against. But, nevertheless, there are elements of that framework which I think could be recommended to other jurisdictions, subject to some qualifications about improvement that would be needed.

CHAIR: What are the types of targets they have set?

Mr MARTIN: There are targets such as waste reduction and energy efficiency. There are also targets in terms of how an agency might conduct training and reporting throughout its operation. So there are both specific targets and also organisational targets.

CHAIR: This is around purchasing or do you mean around government agencies?

Mr MARTIN: This is around government procurement.

CHAIR: We have WRAP and things like that.

Mr MARTIN: Yes, this around government procurement in Queensland. One of the other things that weakens that framework, and I would apply this comment to other jurisdictions, is that it applies only to budget agencies, so State-owned corporations are not captured. Obviously, a very large part of what governments do is carried out by State-owned corporations, and to the extent that they are outside the procurement framework or outside sustainability policies it diminishes the strength and the influence of those policies.

CHAIR: We are not about to nationalise our energy company. There is an argument about State-owned corporations and I think Premier's memorandums in New South Wales usually reflect that and they ask and strongly encourage State-owned corporations to comply. I think if someone wants to do an analysis you would find that most do comply even though they are not obliged to. When we look at procurement what we have seen, very much in general terms, are reasonably sound policies but we are yet to discover the practices. Queensland is starting to measure the outcomes. Do you know if these outcomes focus on procurement or are they, in government terms—

Mr MARTIN: I am sorry, I did not hear you.

CHAIR: Are these measurements on procurement terms or are they on general operation of budget agency terms?

Mr MARTIN: I think they relate specifically to procurement. However, I would say that generally they are broad categories. Agencies are allowed to select which ones they choose and how they report against them, which obviously diminishes their strength. There has been a natural tendency for agencies to select those targets that are of greatest interest to them. There is always a danger that they will select those targets against which they are already performing well anyway.

CHAIR: And not focus on other targets?

Mr MARTIN: Correct. The philosophy behind that is that is allows agencies to have some flexibility in their approach to sustainability, recognising that no two agencies are necessarily alike. But, as I said, there is a risk that some areas will not be focused on as strongly as perhaps they might be.

Mr PETER DRAPER: You undertook a detailed examination of procurement processes in all the jurisdictions. How difficult was it to obtain that information?

Mr MARTIN: It was not difficult in that most governments publish their procurement policies. So it is a simple matter of public record. Many of those documents—

Mr PETER DRAPER: You said most governments and not all.

Mr MARTIN: Many of those documents are available online. However, it is harder to obtain data on performance relating to procurement. Policies are easy to obtain but the performance of government agencies against procurement is harder to obtain. That is partly because for many there is no specific or sustainable procurement-reporting framework. It is captured by general agency reporting requirements in annual reports, but it is not always clearly identifiable how an agency has performed in relation to sustainable procurement.

Mr PETER DRAPER: Is the process transparent in New South Wales? Do other jurisdictions do it better and make information accessible better than New South Wales?

Mr MARTIN: Generally it is not terribly transparent anywhere at present. We do not see a clear and consistent reporting framework across agencies and jurisdictions. To the extent that some agencies will report performance in relation to procurement it may be different to how other agencies report it, so it is difficult to compare performance and to benchmark it. I think that weakens our ability to assess progress relating to procurement. There is good progress in some of the policies that have occurred over recent years but it is harder to get handle on what is happening with the practice.

Mr PETER DRAPER: What recommendations would you make to improve accessibility and transparency?

Mr MARTIN: It is important for agencies to be required to report clearly on the sustainability of their procurement practices. It is important that there be a degree of external review of that reporting. That could be a function for auditor-generals departments to perform. That would allow decision makers to get a better handle on how agencies are performing. If an area is subject to targets, reporting and auditing, it tends to focus the mind on those who are being assessed to perform better.

CHAIR: One of the challenges is: How do you report? Do you report that environmental considerations were taken into account and you give it a tick, or do you give it a sustainability rating? On Monday Barangaroo Australia issued a press release that referred to the virtues of the two proponents moving forward and stated:

> We are also now publishing the selection criteria and their weightings which have, and will continue to be used, to assess the developer's proposals.
>
> The six selection criteria and the weightings are:
>
> - Design (35%)
> - Financial return and risk (35%)
> - Sustainability (10%)
> - Delivery and planning (10%)
> - Marketing and promotions (5%)
> - Capability (5%)
>
> This means that Barangaroo can have a positive ecological footprint being:
>
> - . water-positive ...
> - . zero waste ...
> - . carbon neutral ...

Is that a good model for agencies or purchasing policies to put criteria and weightings upfront?

Mr MARTIN: It is difficult for me to comment on the Barangaroo result, as I have not had a chance to analyse it. It is important for clear criteria to be delineated against which goods and services will be assessed in the tendering process. That also provides producers with clear guidance as to what they should been seeking to submit. What is required are clear targets within a sustainability framework of the desired performance, and reporting against how those targets have been achieved or where performance might not have met those targets.

CHAIR: At the moment the procurement policy states, amongst other things, that you have to take into account environmental, social and economic outcomes?

Mr MARTIN: Yes.

CHAIR: Overall bidding firms and environmental management are considered and you have to consider a raft of other criteria. Do you then report that all those things were considered, or do you put a weighting on it?

Mr MARTIN: I think you need to report performance within those criteria and not just state that they were considered. The way in which you weight things will vary according to circumstances and other desired outcomes. If you report performance within those categories you get a clearer and more objective view of how performance is going. I endorse the comments made by an earlier witness regarding the use of life cycle assessment. It is a tool that enables those things that are not necessarily upfront price considerations.

It allows externalities to be factored into the decision-making process in a way that is not always necessarily the case. Often it is a challenge. How do you price those non-price factors? How do you price cleaner air? How do you price a reduced demand for water? You can do it but at the moment it is difficult to do. Life cycle assessment provides a method for considering those factors that at the moment tend to be subsumed by the more narrow economic considerations.

CHAIR: Some agencies have referred to the virtue of it in relation to public-private partnerships or in relation to construction, I have not seen many life cycle costs in general procurement. At the moment procurement officers have to pick the cheapest option unless they can justify otherwise.

Mr MARTIN: That is correct.

CHAIR: Another way of looking at it is that they have to pick the greenest, unless they can justify another way of looking it. Would you endorse that?

Mr MARTIN: I think that is a reasonable assessment. At the moment there is an assumption that green is more expensive. I do not think that that assumption is valid. Sometimes green might be more expensive initially. Obviously, if it is cheaper initially, it will be selected anyway because it happens to be cheaper. Sometimes green may be more expensive initially. However, over the life cycle of a product or a service, when you consider all those other factors the case for sustainability becomes compelling on economic grounds. At the moment I think your statement is reasonable. You consider the cheapest option or you make a decision that you will pick the green option and then look for the cheapest green option. I think the two need to be integrated better. Life cycle assessment provides a mechanism for doing that.

Mr NINOS KHOSHABA: Can you tell us a bit about the Total Environment Centre? How big is your company and how many staff are working there?

Mr MARTIN: It is a non-government organisation and its main focus is environmental advocacy. We have around a dozen people working at the moment but that varies from time to time. Some people work on projects and other people work on campaigns. We also have a corporate engagement program known as Green Capital, which works with business to improve its knowledge of sustainability and to improve sustainability practice. We are not a company per se and we are not a corporate enterprise; we are a not-for-profit organisation.

Mr NINOS KHOSHABA: How long has this not-for-profit organisation been operating?

Mr MARTIN: I believe since 1972. I have not been there for the whole of that time.

CHAIR: It is fantastic that you are on the other side of the coin—transparency in the Total Environment Centre.

Mr MARTIN: Our director, Jeff Angel, has been with the organisation for all but one of those years and for at least half that time as director. We have been involved in environmental advocacy and environmental campaigning. We have certainly been strong advocates for sustainability for a number of decades.

Mr NINOS KHOSHABA: Who looks after your tendering process? I assume that someone in your organisation orders photocopy paper, pens or whatever.

Mr MARTIN: Sure.

Mr NINOS KHOSHABA: Does someone look after that process? To whom would that person report? Is that part of your company's policy?

Mr MARTIN: An administrative officer reports to our director. I cannot give you detailed information on how that person does that because it is not something for which I am responsible. As an organisation we seek to reduce our environmental footprint. For instance, we seek to offset travel by staff, we seek to minimise that travel and we seek to utilise public transport in preference to private transport. We have practices in our own office such as the reuse of office paper. When you receive mail from us you will see that we have reused an envelope and crossed out the previous addressee. The Total Environment Centre, which is a relatively small organisation, seeks to factor those things into its operations. I have no doubt that we could probably do better.

Mr NINOS KHOSHABA: Is that process reported?

Mr MARTIN: We produce an annual report. I am not familiar with the contents of it but it is on our website.

Mr NINOS KHOSHABA: You mentioned in your submission that the lack of reporting requirements was a weakness of current policy. I thought that having said that your company would be involved in that process?

Mr MARTIN: I am not familiar with it, as I do not deal with the internal running of the Total Environment Centre. However, we produce an annual report that is available on our website. To the extent that it is covered it will be in that annual report.

CHAIR: Thank you Mr Martin. We appreciate your submission, which was helpful to the Committee and, in particular, the further submission that you tabled—an extension of what was summarised in your statement and that gave us a bit more detail and background. We thank you for your time and for your contribution.

Mr MARTIN: It was my pleasure.

(The witness withdrew)

IAN ARTHUR HIGGINS, Chief Executive Officer, Good Environmental Choice Australia, PO Box 4140 Weston Creek, Australian Capital Territory, sworn and examined:

CHAIR: Thank you for appearing today and for giving evidence to the Public Accounts Committee inquiry into sustainable procurement.

Mr HIGGINS: Good Environmental Choice, which is a non-profit organisation, has its main office at the moment in Canberra, which is located with other community groups in Weston Creek Primary School.

CHAIR: Mr Higgins, are you appearing before this Committee as the chief executive officer of Good Environmental Choice?

Mr MARTIN: Yes, as the chief executive officer.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege. You are protected from legal or administrative action that might otherwise result in relation to the information you provide. I point out also that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. I invite you to make a brief opening address.

Mr HIGGINS: Good morning, and thank you for inviting me. As others have noted, your inquiry into sustainable procurement is an unprecedented opportunity to drive sustainable procurement by addressing the very many shortcomings of existing policy and, particularly, practice. The New South Wales Government through its purchasing power, as Mr Martin suggested, is the largest purchaser of single products and services in the country; hence, this purchasing power and sustainable procurement policy are able to profoundly influence the total impact on the nation. As you know, we are not living sustainably. In 1990 we passed peak fish, which is the point where the natural world was not producing sufficient fish for our needs. We are facing peak oil in the near future, and, of course, peak carbon, or climate change if you like. I am saying that for a perspective.

Procurement is now seen as a much more important part of what we all need to do, so that people in the community know that their purchasing decisions can dramatically favour the environment. That was the 2009 research by the Moby Group in Melbourne, which shows that 80 per cent of consumers know that their purchasing power can be a profound move for the good of the environment. However, they are crying out for empowerment, and that empowerment comes through information. Of course, the greatest threat to all that is green wash, which is the deliberate use, or lack of information, or deliberate misinformation, on green products. The most important responsibility for the Government is to lead green procurement, because it is the role of Parliament and the Government to act in the public good. If you do not do it broadly, then it is not done well.

In my current life and as the former head of sustainability and sustainable energy in the New South Wales Government, and before that in the Sustainable Energy Development Authority [SEDA], the primary ingredient missing over the years has been political will; the profound obstinacies of Treasury and commerce departments to allow green procurement to happen. To say that government green purchasing cannot be done in New South Wales is nonsense. I was responsible for the Australian Building Greenhouse Rating Scheme [ABGR], and of course the then Premier, Premier Carr, had just announced that government tenancies would prefer to have higher rated ABGR tenancies. So through that action, by stating what the Government required or wished for, led to a profound change in what was offered to tenants in the broad area; because the Government was demanding a higher level.

To my own organisation particularly, Good Environmental Choice Australia [GECA] offers a life cycle-based eco-label. We have about 45 standards. Against those standards, products and services are assessed by an auditing company. We now cover about 750 product ranges, covering more than 1,500 products that range from nappies to panel board to cement, so there is a range of tested products that have a kind of HeartSmart tick on them, which indicates that the research has been done for people who want to buy those products and want to act in the interests of the environment.

Probably there is a great opportunity for eco-labelling to be much bigger and broader and have a broader church in Australia. Of course, we would be delighted if government joined us in this exercise in a collaborative way. Clearly, eco-labels are a critical part of the solution to some of the questions that you are asking. Just thinking of solutions, some six steps would be for the Government to take steps to avoid green wash

by validating tenderers' claims by requesting independently certified product where possible, for example. That would ensure that environmental claims are requested, and then to train procurement professionals in understanding the risks of environmental claims; to undertake the study of the environmental impact of government procurement with the aim of identifying key focus areas requiring greater attention; to leverage the trend towards centralised procurement; to consult with us, for example, on the experience we have in both product certification and training; and probably more than anything is to publicly release what the Government wants from its suppliers' documents, so the industry responds to market signals.

If you identify the key outcomes you want from suppliers then you will find, as Ms Little suggested, that you will have suppliers delivering buildings or structures in the way that you want and in the way in which the environment would benefit. This inquiry has the opportunity to really move green procurement up the level of hierarchy and the issue is not so much the degree of difficulty of how to do it, but rather one of willpower.

CHAIR: To balance what you are saying, do you think there has been some progress?

Mr HIGGINS: In policy, yes. I remember the triple-seven contract that the Government had with retailers for its electricity supply. In that contract, for example, there was not, and I still think there is not, any penalty if the retailers cannot supply the required amount of green power. Often green power was not supplied with any penalty. The issue really is to clearly state what you want. In a Wal-Mart document that I saw recently, Wal-Mart in the United States is requiring its suppliers to answer 15 questions. It can be that simple as a way to start on the sustainability journey.

CHAIR: You said there should be a move towards centralised procurement strategies because you believe that strengthens the system?

Mr HIGGINS: Yes, and also the opportunity to offset what savings you may make and to use some of those savings. If the environmental preference does involve higher costs then a procurement officer, a bit like the Federal Government appointing a procurement guru to oversee it and make sure the information flow is there. There is an opportunity in centralised buying.

CHAIR: Evidence from the former Department of Environment and Climate Change was that it does have a centralised purchasing contracts board, and all government agencies are obliged to purchase from it, unless they seek exemption. And those exemptions are few and far between.

Mr HIGGINS: Unfortunately it is not a single bullet solution. You cannot do it just by centralised procurement, but that is one of the steps that help. You have to have criteria, training and other aspects.

CHAIR: The Department of Environment and Climate Change appeared on all of their panels and reference groups. It says that it successfully adjudicates on behalf of sustainability issues. Have you ever been invited to participate on a reference group?

Mr HIGGINS: No.

CHAIR: Obviously you make your company available?

Mr HIGGINS: Yes, indeed.

CHAIR: You have an accreditation program of your approved products?

Mr HIGGINS: Yes.

CHAIR: Do any, and if so how many, of your products are on government procurement lists? Or are they mainly for domestic consumption?

Mr HIGGINS: We accredit the products, not the company. It is then up to the purchaser to request that third-party independent certification that we offer.

CHAIR: Are they mainly retail products that can be bought in a grocery store?

Mr HIGGINS: No, they are not. About two-thirds of them are involved with the building industry. Good Environmental Choice Australia [GECA] is non-profit. It is the normal growth of not-for-profit organisations, so we are moving from having a founder who then did both auditing and the standards together to now better governance of separating so that the auditing and standards writing are separate. As we develop, that distinction is increasing. But we have not been invited to assist the New South Wales Government. We have made submissions to it, for example in suggesting that requests for tender include criteria. But we have not been heavily involved.

Mr PETER DRAPER: Previously you mentioned your involvement with SEDA. For the benefit of Hansard, what is SEDA?

Mr HIGGINS: I am sorry. SEDA is the Sustainable Energy Development Authority of New South Wales, which started in the mid or late 1990s and I guess is being reinvented now under Senator Hill. It is a kind of enabler. It was there to assist the take-up of both renewable energy and energy efficiency.

Mr PETER DRAPER: I read with interest a letter you sent in October 2008 to the Minister for Climate Change and the Environment, and Minister for Commerce requesting that a tender be amended. The tender was for the supply of office equipment and the letter asked that it be amended because it did not include an environmental criteria. What response did you receive to that letter? What ultimately happened to that tender?

Mr HIGGINS: We have had no response. I understand that the tender went through.

Mr PETER DRAPER: Goodness me!

CHAIR: Evidence received yesterday was that the tendering had opened and started, but they have not responded to you?

Mr HIGGINS: No.

Mr JOHN TURNER: When you accredit the product, how is that accreditation generated into the public arena?

Mr HIGGINS: It is life cycle based. We write the standards based on International Organization for Standardization, known as ISO 14024. It is a life cycle-based eco-label, a type one eco-label. There are equivalents in other countries such as the Nordic Swan in Scandinavia and the Blue Angel in Germany. We are part of a global network called GEN, a Global Eco-labelling Network, which is a non-profit organisation. In New Zealand, Good Environmental Choice New Zealand is a government organisation. We write standards and have auditors to assess the products against those standards. We aim at the top end. So, rather than being a minimum performance standard, it is a top end. We aim for the top 20 per cent, to try to promote environmentally preferable products and services.

Mr JOHN TURNER: If I were a procurement officer, how would I know about that? Do I have to walk in and see a sign?

Mr HIGGINS: A tick, just like the HeartSmart tick. The end result is that you are assessed by the auditor and if your product makes the grade against our standard there is an Environment Product Declaration [EPD] created, which says that the product makes it. That goes onto our website and onto our procurement section of our website, and is rewarded through a licence. We charge the manufacturer a licence fee, which is our only source of income, and we then apply a tick.

CHAIR: It is a branding exercise.

Mr HIGGINS: Yes, it is. It is a mark

CHAIR: You make a virtue of it, just as you have your "Australian Made" label.

Mr HIGGINS: Like the Heart Foundation's heart-smart tick, which is a red tick.

Mr JOHN TURNER: Say I am a procurement officer from another company that wants to buy something that has your tick. You have your website. Is there any other way that I know you have ticked it, other than on the product? How do you advertise your wares other than on the website? Is there a fee or anything involved to access that expertise and reasons why you have given them the tick?

Mr HIGGINS: Absolutely. I will take the fee part first. The fee is 8.02 per cent of the turnover—and companies provide a turnover declaration—which is capped. The total cap is $40,000. We have a very close function with the Green Building Council. At the moment, we are the only certifier for products which automatically make the tick for the Green Building Council's star-rating system, but you also can go directly to the Green Building Council and apply that way, or you can get a GECA tick, which is what Fuji Xerox and Laminex do. We have major companies which are licensed to use our products.

The beauty of a tick is that it gives people reliable information, particularly if it is from an independent non-government organisation. It gives people reliable information without them having to do all the research themselves. Hence I say that eco-labelling is a large part of the solution to the issues that government faces in procurement.

CHAIR: What other reporting you do? You are critical of the government's reporting. You say there is a requirement for public reporting because it is important to drive the progress and to ensure ongoing evaluation. How would you describe the current reporting? Can it be improved?

Mr HIGGINS: Again, if we take the government energy management policy, you have to have measurement first and then you have to have reporting. The solution to the questions that you are looking for are not single ones. I think that you need probably half a dozen steps. Wal-Mart is handling it by saying, "Here are 15 questions: Have you measured your corporate greenhouse gas emissions—Yes or No? Do you have the location of the facilities that produce your products? Have you had your goods third-party certified?" At least there is a standard set of questions against which government could assess its tenders. They are not complex. I am not saying that that is the Rolls-Royce model. I am saying let us take the complexity out of this issue and say that starting somewhere is better than worrying too much about getting the whole process right—the aim of course being life-cycle assessment at the end.

CHAIR: I am not trying to put words into your mouth, but is the value-for-money definition in our contracts a way of balancing environmental sustainability outcomes by putting in a price of life cycle, or is there another way of doing it?

Mr HIGGINS: I am not a technical person. Let me leave that to technical people. But can I answer it by saying that from the Australian building greenhouse rating point of view, when Premier Carr said that he would like government tenancies to reach three or three and a half stars and then increase them, initially the leases were perhaps slightly more expensive. But you find now that the environmental savings on water, energy and on greenhouse in fact have not only delivered a higher level of lease, but have delivered it at the same cost.

I do not think there has to be this financial trade-off all the time. I think that has been what departments, or whatever they are now called, and Treasuries have been stuck on. But the world has moved a long way from being able to hold up the barrier of using price against these sustainability issues that we are facing. Over the last few years we have had Treasuries costing emissions trading schemes so that the vision of what is the cost, which is the only criterion that we have, has moved dramatically. I think the world has moved dramatically. Here is the opportunity for your Committee to move this dramatically by introducing simple, sensible, largely idiot-proof guidelines which can be achieved. The starting point does not have to be rocket science.

CHAIR: As there are no other questions, I thank you for attending. We appreciate the expertise you have brought to the Committee, particularly in your submission. We thank you for that as well and for the time you have taken today. We very much appreciate that.

(The witness withdrew)

(Short adjournment)

GREGORY MICHAEL PETERS, Senior Lecturer, School of Civil and Environmental Engineering, University of New South Wales, affirmed and examined:

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. Would you please make an opening statement?

Dr PETERS: Right. We at the Sustainability Assessment Program [SAP] are interested in this inquiry because this is an area in which we have been working for some years. Specifically we have been working on the kinds of information that you require in order to make decisions that are more sustainable. This type of information has changed over the last, let us say, 10 years. There has been a lot of development in terms of the information tools available to decision makers. Whereas previously one might have hoped that if a product had the moniker "recycled" or even "recyclable", or if it contained biological ingredients rather than those produced by more industrial means, you might have hoped that was more sustainable and you were able to make a sustainable decision based on those kinds of labels.

Things have changed a lot. We now recognise that sometimes in the name of recycling, products and materials are shipped around the planet several times in order to achieve that recycled status, with consequent emissions associated with that transportation. We know that biofuels have been produced by deforesting vast tracts of Indonesia and endangering our nearest ancestors, the orang-outangs. We are aware that putting on a bio-label or a recycled label is no longer enough. We need quantitative tools that assess the environmental significance of these choices rather than just a qualitative tool.

A lot of work is being done on this at this time because sustainability assessment has become a multi-issue, quantitatively assessable kind of question. For example, the building industry has made an investment with a total budget that is approximately $1.6 million in contributing to a national life-cycle inventory database initiative being run by the Australian Life Cycle Assessment Society in collaboration with the CSIRO. This is an attempt to try to provide good basic data for people who want to make decisions about the relative sustainability of building products rather than relying on schemes currently available that are sometimes quantitative and sometimes very qualitative assessment procedures. This will be a big chunk of information that will inform the next generation of building sustainability assessment tools.

The water industry is doing something similar. I would say that they are not quite as far down the track, but recently they clubbed together to co-fund an Australian Research Council linkage project at the University of New South Wales campus to try to understand the relative sustainability of the different treatment chemicals used in the production of water and the treatment of waste waters. By the development of these kinds of datasets, we can enable these sustainability assessments to happen on a quantitative basis and much more cheaply and easily than is currently the case.

This is an area in which my group has been working. There are already a number of things we have been able to deliver that have made it feasible for some people to make more sustainable decisions. This is not just advertising: there are other people, too, who are capable of delivering these kinds of services. I think that for the next generation of sustainability assessment and sustainable procurement procedures to be integrated into government, we need to be thinking about quantitative tools and how they can be built into decision-making processes.

CHAIR: Thank you. That was excellent.

Mr GRANT McBRIDE: Unfortunately my colleague Mr Roberts is not here and has to be elsewhere at the moment. He always makes the point that if you cannot measure it, you cannot manage it. The point that you are making about qualitative versus quantitative is an issue of concern to me in terms of making those assessments. This is basically the first time someone has come in and taken a focus on quantitative information rather than the other. Even in our government, we have the State Contracts Control Board and we have an evaluation committee. Questioning yesterday of the Department of Commerce in terms of evaluation revealed there is little or no quantitative advice taken in that process. Can you give us some examples of the research you are doing, and how it translates into some sort of quantitative information that can be used in the procedure of making a procurement decision?

Dr PETERS: I think I would illustrate this by two examples that are at either end of the scale of the size of the decision. With a single project in which you have a large amount of money that you need to spend to deliver some kind of infrastructure, you can warrant a detailed analysis of the environmental performance of alternatives for that service or that project. At the other end of the scale where you have perhaps a lot of very similar decisions being made about some small expenditure, then it is difficult to justify a full-blown sustainability assessment every time and it is all about instead providing some sort of tool that individual government officers can use by tapping in a few numbers to check something and decide what the best option is.

In the first case I could give examples of some pioneering work at Sydney Water in collaboration with the University of New South Wales. We looked at the relative sustainability of different biosolids—sewage sludge—treatment, and management alternatives, and we looked at the possibility of drying the biosolids using biogas produced from treatment of the sewage versus what was at the time the current favourite of mixing it with quicklime (cement) and causing a chemical reaction of stabilisation through that means. Because we took into account the production of the materials, which is the quicklime and producing it is an energy-intensive process that also blows off a carbon dioxide for every calcium oxide you get, or, if you like, the scope 3 emissions associated with the process. You can identify more holistically what is the more sustainable process.

We showed that there was clearly benefit from getting that biogas and using it for the drying process because not only do you get the benefit of reducing the amount of water that is being trucked to town parks, interstate, or over the mountains—we have been sending biosolids long distances in trucks and the content was 60 per cent water—but also you get the benefit of avoiding this highly greenhouse intensive precursor to the alternative process. That is an example of a reasonably detailed study that we undertook several years ago. At the other end of the scale—and I will stick with the water industry—we have produced a tool to enable people involved in property development or water cycle planning within water companies, or government officials, for example, to quickly assess alternatives for water cycle management for new urban areas.

You might ask the question: Is it better to me to install rainwater tanks at every house, or to install a grey water system? Or would it be better for us to have a kind of centralised recycled water delivery system like we have at Rouse Hill or at some particular location? We have created a simple tool in Excel where people can put in how many people are going to live there—there could be boxes for some of the alternatives—and get a quick answer for a decision that will be made in a lot of different times and in different circumstances. In that case it is focused on Melbourne but we could easily make the same sort of tool for New South Wales and Sydney. That is an example of a tool that is useful for informing a lot of similar decisions qualitatively on the sustainability of alternative options.

CHAIR: Do you do this kind of thing for pens?

Dr PETERS: Sure.

CHAIR: Chairs.

Dr PETERS: Yes.

CHAIR: Only you put in the whole-of-life costs?

Dr PETERS: Yes.

CHAIR: That is the challenge, getting all the inputs—

Dr PETERS: The tool I have mentioned does not cover those things—it is just about water industry decisions—but it is feasible to create such tools for a wide variety of purposes.

CHAIR: Is the challenge now that there are just not enough inputs?

Dr PETERS: Designing such tools requires two things; one is the fundamental data. There is some data around for some of these things—I think pens would be easy because there is not much in them. You also need a good dialogue with the intended end users of these tools. It is quite easy to make tools that no-one can use, or you need a PhD to use them, or they just do not answer the questions that people are asking.

CHAIR: Or you need to contact the University of New South Wales Sustainability Assessment Program for the answers?

Dr PETERS: Our competitors in Melbourne do a similar thing.

Mr NINOS KHOSHABA: Who is your competitor in Melbourne?

Dr PETERS: The Centre for Design at RMIT University.

Mr GRANT McBRIDE: Let us go back to talking about the sludge. Can you put a dollar value on that in the process?

Dr PETERS: The types of assessment—

Mr GRANT McBRIDE: If you wanted to make a comparison at the end of the day as to which one you wanted to choose there will be environmental components that go into that but how do you get a number or an index to say you should use one rather than the other?

Dr PETERS: We are not fans of monetisation so the idea of trying to put a dollar value on every environmental—

Mr GRANT McBRIDE: I apologise but at the end of the day someone pays for it?

Dr PETERS: Yes. They need to consider the price and they need to consider the environmental damage or otherwise associated with the products. I would not try to pull those two things into dollar terms. What I would suggest is that we conduct quantitative assessment of both things and then draw them together in what we call a multi-criteria assessment [MCA] framework. If there are only two issues "multi" sounds like too many. In the environmental field there would be more than just greenhouse, there would be the carbon footprint, the greenhouse gas life-cycle assessment, the water footprint and there may be other emissions to consider as well. It is a product that has some sort of toxic emissions to the environment at some point in its life cycle.

You might have three environmental parameters and a cost assessment, and maybe some other parameters as well, and you have got to try and bring these things together. It is impossible to avoid human values at some point in that step. The point is to make explicit what those values are and where they fit into the process. Things like exhibit A would be the sustainability framework for the water industry. This is something we developed for the Water Services Association of Australia [WSAA]. This outlines that sort of process where you consider as much quantitative data as you can handle, and you can find, and draw the different parameters together at the end, empowering the person to make a decision with enough information. That gets away from the situation we currently have where usually we do not consider a lot of the non-cost criteria at all. I think that is my answer to your question.

CHAIR: Would you like to table that document?

Dr PETERS: Does that mean giving it away? I guess so. I will have to get another one but I can give you that.

CHAIR: Do you have another one?

Dr PETERS: No.

CHAIR: Was it your production or someone else's?

Dr PETERS: This particular thing is bound and printed by WSAA but I daresay I can get another one.

CHAIR: If it was published here we will have a copy.

Dr PETERS: If you promise to use it I will give it away.

CHAIR: If it was published in New South Wales then there will be a copy here in our library.

Dr PETERS: It was probably published in Melbourne. How about I promise to get you a copy?

CHAIR: Thank you.

Mr JOHN TURNER: In your submission you state that the challenge is to provide clear, practical guidelines for each product category that enables sustainable procurement processes for decision-makers. I presume you are concerned about the vagueness of the guidelines. Would you like to enlarge on your comments in that regard?

Dr PETERS: I would have to say that in the process of putting in our submission we were not able to review all of the per-instrument or per-statutory authority guidelines that are out there. Looking at the three documents, which were part of the setup of this Committee, it seemed to me that the code of procurement says a few nice words that are contained in the policy, or vice versa. They mention the environment a few times and say some nice things about it but there is not really any way of making a decision informed by environmental issues using those. Whereas the environmental management procurement guidelines is the best of these three things and starts to embody a bit of the staged approach that we are talking about. Even though it talks about certain types of labels and ensuring that computer equipment has a standby mode and that sort of thing it does not apply any quantitative standards. It does not say you must have three stars or you must have a greenhouse emission that is less than a certain numerical figure per hour of use or something like that. It does not go quantitative and it does not tell people what the Government's requirements are. It just sort of says: Here are some things you should think about.

Prior to being a university academic I used to work in a government body and my experience was that there are so many issues and demands that are placed on decision-makers that without some fairly clear guidance, qualitative issues just tend to be left aside. I think people could use something that is more quantitative than this. I also think it makes a nice statement in chapter 5 paragraph 2 about checklists that can be used by agencies if information from scientific studies or a life-cycle analysis is not available but we do not know when such detailed studies or such life-cycle analysis should be done. I would think that it would be good for government bodies to know if they are going to spend, let us say, above $50 million on some project then they should do a full life-cycle assessment or if they know they are going to spend over $5 million on something that they should do at least a carbon footprint—which is sort of your junior life-cycle assessment. I think this could be made more quantitative and more useful to people trying to make decisions irrespective of the other guidelines available to individual institutions.

CHAIR: I guess that is the challenge of the Committee. We are concerned that whilst the policy appears to be sound we are unsure of the application. They say you should take into account social, environmental and financial impacts but we also wonder how that will conflict with what is the best value for money, if people are choosing the cheapest price instead of doing those other things. That is what the Committee is coming to terms with. The Committee is concerned as to how to get more quantitative analysis and how it can be measured, and which part should be measured. You are suggesting if there is a benchmark over a certain spend then that is when you would insist on a certain level of analysis provided by, I presume, the bidders?

Dr PETERS: I would think you could set up at least a stronger guideline that was based on that because usually when some project is in the initial planning stages you will have some idea of budget. If it is going to be an enormous project then, first, you can afford to spend a bit more time thinking about the environment and, second, it is more likely that there would be some significant damages to consider in terms of the environmental burden of the project. I think that is a useful trigger in a decision-making process about whether to do a life-cycle assessment [LCA] and what level of LCA to do.

CHAIR: Obviously that has to be balanced. Later we are to hear evidence from someone at the Council of Small Businesses of Australia. From discussions we have had with them they say if you start putting too many regulations on then small businesses are locked out of the process; you have to be a big multinational to be able to participate and defray those costs. Do you have a response to that?

Dr PETERS: I agree with what they are saying in principle. That is why I am saying you want to make sure that the amount of environmental investigation is proportional to the budget associated with it. You are not going to have a small business delivering a $500 million government capital works project. In that situation you would expect a higher level of scrutiny of the potential environmental issues. Let us say someone is supplying some small government body with pens; you would hope that the Government was able to provide the level of

assessment required there. Pens are so generic that you could hopefully have a government-wide pen tool where you could just dial up a ballpoint or a felt tip, or whatever it happened to be, and you could work out the relative merits of different products without putting the burden on to the small business supplying it.

CHAIR: Once you have that pen matrix—what did you call it, multifunction?

Dr PETERS: Multi-criteria assessment.

CHAIR: —you would then have a weighted index at the end with points?

Dr PETERS: Yes.

CHAIR: You are then saying that the value of that informs the purchasing officer on their decision?

Dr PETERS: Yes.

CHAIR: It is then up to the agency to choose which ones they purchase but they should be fully aware?

Dr PETERS: Yes.

CHAIR: Is your argument that it is about awareness or—comparing that with your earlier comments—once you accept a level benchmark, presumably within class, then you must hit pens at maybe an 80-point index, for example, before you are allowed to purchase?

Dr PETERS: It could work that way. You would hope that there was continuous improvement going on so hopefully each time a big decision needs to be made there would be an update of the information being used to make that decision—maybe your 80 points from four years ago might not be worth that much any more because pens had improved—taking both cost and the other aspects of performance into account. Clearly you are not going to go for the most environmentally preferable product that costs many times more than the less desirable alternative, but both of those things need to be taken into account.

The advantage of having an MCA is that the decision-makers can say that they thought the environmental issue was worth half of the decision score, and you can clearly identify how much. In that case half of the weighting has been given to environmental issues. Maybe it is less: maybe it is more. At least it is there and it is clear both to the people who might be reviewing the decision and also to the people supplying the goods. The market can then respond and say it appears that government wants a better pen and as it is a big buyer it will make sure it has something that pleases them.

CHAIR: There are two parts to what you are arguing: first, you should measure it on a point system and, second, you should review your contracts periodically in order to keep with up with changes?

Dr PETERS: I think there might be a zero step as well here, which is that in order to set the priorities—we keep mentioning pens but maybe it is not pens; maybe there are a number of other things that are more important in terms of the environment.

CHAIR: We are interested in purchases as opposed to construction in accordance with our terms of reference.

Dr PETERS: Okay, because some of these documents talk about construction.

CHAIR: Yes.

Dr PETERS: What is the biggest purchase we are talking about?

CHAIR: We want to steer away from the construction industry, so purchasing of ICT, desk chairs, contracts.

Dr PETERS: What I was going to say would still be relevant. There is a zero step where you review all the purchases. If you could get a big database of all the Government purchases across agencies and identify

what they were at least at some sort of product class level and their energy consumption during use or their use of other resources during operation and their ultimate disposal—an overall picture—you would be able to identify whether pens were a bit ticket item or whether it would be a better idea to focus on photocopiers or something else. I think there needs to be an overview where you set the priorities and then these two approaches, the detailed study and the decision informing tool development activities I am talking about, can be focused on the things of most merit rather than just the things there are most of.

Mr GRANT McBRIDE: You could basically do an environmental profile of the product, be it a pen, and compare that with other pens. Then, when the price factor comes in you can give it a weighting of whether the environmental component is significant in terms of the purchase, and therefore pay more.

Dr PETERS: Yes, see whether it is worthwhile.

Mr GRANT McBRIDE: Which can be done on a larger scale as well. We are just trying to manage it on our scale at the moment.

CHAIR: Thank you, Dr Peters. We appreciate your making time to appear before the Committee and also your submission.

(The witness withdrew)

MICHAEL HEDLEY, New South Wales Executive Director, Australian Information Industry Association, 98 Albion Street, Annandale,

SEAN CASEY, Government and Commercial Business Development Manager, Intel Australia, 111 Pacific Highway, North Sydney, appearing for the Australian Information Industry Association,

LORETTA FRANCES JOHNSON, General Manager, Policy and Government Relations, Australian Information Industry Association, 39 Torrens Street, Braddon, Australian Capital Territory,

RAMSAY DONALD MOODIE, former director of corporate affairs and currently consultant to Fuji Xerox Australia, 101 Waterloo Road, North Ryde, appearing for the Australian Information Industry Association, and

JAYE AMBER RADISICH, Chief Executive Officer, Council of Small Business Organisations of Australia Limited, 166 Glebe Point Road, Glebe, affirmed and examined:

CHAIR: Before we start with questions I ask everyone to turn their mobile phones to silent and if you must have them on please keep them away from the microphones because the interference will cause the wise words you say to be silent on the recording. I welcome the representatives of both the Council of Small Business of Australia and the Australian Information Industry Association. Thank you for appearing today to provide evidence on the Public Accounts Committee's inquiry into sustainable procurement. I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. I now invite the two organisations to make a brief opening statement.

Ms JOHNSON: By agreement, Chair, with my colleague Ms Radisich, the Australian Information Industry Association [AIIA] will make an opening statement and then my colleague will follow. I thank the Chair and members of the Committee for inviting AIIA to address you today. We certainly welcome this opportunity to provide evidence to the Committee's inquiry into sustainable procurement. As you know from our submission, AIIA has for many years now been actively involved in this debate at a strategic level and at a practical level, that is collecting and processing e-waste through our byteback program, advocating design for environment principles and urging a nationally consistent policy approach to waste management.

To that end we are currently actively involved in the Environment Protection and Heritage Council's [EPHC] national waste framework, having recently responded to the Federal Department of Environment's draft national framework. We are also currently in consultations with Minister Garrett's staff and officials on the regulatory impact statement on e-waste for computers and televisions. That said, we are completely supportive of a nationally consistent approach to sustainable procurement, end-of-life product management and government practices which will drive industry towards better design for environment. AIIA also supports the Federal Government's current efforts to reduce carbon emissions through a pricing and trading scheme.

I turn now to the specific terms of reference that the Committee has stated. In regard to (a), AIIA supports inclusion of environmental considerations in New South Wales Government go-to-market documents. We consider this is a critical facilitator of design for environment trends because a large and demanding consumer, like any government, can push and drive the industry towards more efficient product design and manufacturing processes. In relation to cost neutrality, we welcome the recognition in the guidelines that cost neutrality is more than mere product-to-product cost comparison and in fact must consider total cost of ownership and amortisation. If, however, the concept of cost neutrality can be used as an excuse not to consider the more sustainable product on the basis of price alone, AIIA would be concerned.

Throughout the procurement process AIIA supports the continued integration of environmental considerations including, if appropriate for the particular case, the assessment of carbon footprints, corporate social responsibility, packaging sustainability and, as I have mentioned, design for environment.

On the issue of recycled Information and Communication Technology [ICT] product, in this regard, at least for a Government user, it can be problematic because of the rapid rate of technology improvement, energy efficiency developments and hazardous material improvements in the more recent product rather than the recycled product. These characteristics are frequently only to be found in the latest releases of product, so a recycled product for a demanding user may be cheaper and may be socially desirable but could draw more

power. Power usage, power-down facilities and minimum energy performance standards or requirements are, as I have said, associated more with later developments in technology not recycled products. This is not to say that recycled or alternative products do not have a market in government. Perhaps we can discuss that later in relation to those agencies that could use that profitably.

AIIA supports validation of industry claims in this area and would suggest the adoption of internationally accepted self-certifying environmental standards, such as EPEAT [Electronic Product Environmental Assessment Tool] or ECMA [European Computer Manufacturers Association]. On the issue of environmental claims, I draw the Committee's attention to the Australian Competition and Consumer Commission [ACCC] guidelines on green advertising, so-called greenwash. We also support the ACCC guidelines to suppliers on green advertising. The EPEAT or ECMA approaches have been adopted at Federal level by the Department of Environment with some success. Most recently their terms and conditions in the 2008 managed services request for tender [RFT] mentioned the EPEAT international standard as a requisite for criteria in the tender and met with no pushback from the industry at all.

I would also like to draw to your attention, if the Committee does not already know, that the Australian Procurement and Construction Council [APCC] is currently rolling out the Australian and New Zealand Government Framework for Sustainable Procurement. New South Wales is a signatory to this council, as you are probably aware, and we are working closely with the APCC on this framework. I am happy to table that document if the Committee would like to read it. I would also like to bring to your attention that the Australian Government Information Management Office, a sub-office of the Department of Finance, will shortly release a green ICT procurement kit. We are not privy to the clauses or the content of that kit but it may be helpful to the Committee to have access to that when it is available.

The Australian Procurement and Construction Council [APCC] also has provided AIIA with the most recent document it has on assessing a supplier's sustainability credentials. The Australian Information Industry Association notices from your environmental management document that there are some very good environmental sustainability credential guidelines, very similar to this document here. I am happy to table it. Please bear in mind that it has not been to the APCC's board yet, so possibly cannot be made public until that board has approved it. They are sustainability credentials, which AIIA would urge the Committee to look at and which we do support.

Document entitled Australia-New Zealand Government Framework for Sustainable Procurement tabled.

Document entitled Assessing a Supplier Sustainability Credentials tabled.

CHAIR: We will keep the contents of the second document private.

Ms JOHNSON: Thank you, I appreciate that. Perhaps my colleague from the Council of Small Business of Australia [COSBA] would like to follow on.

CHAIR: Ms Radisich?

Ms RADISICH: Thank you. First of all, we appreciate the invitation to present today. We have not been particularly active in our relationship with various States. We have really operated more on the national level in the last number of years. So this is a good opportunity for us to form a better connection with all of the States but, most importantly, here today in New South Wales, which is, of course, a large State in that 30 per cent of all small businesses in Australia are actually located here. Procurement is something very important to us and it is an area in which we have just begun embarking on additional work. We have had some early discussions with the Department of Industry Innovation Science and Research [DIISR] at the Federal level, which is very keen to influence the procurement policies federally throughout the various departments to try to improve the access of small businesses to government work, which is incredibly important given the size of government work at the Federal level but also in the States. Those discussions are in their early phases.

Whilst the DIISR is very keen to influence change and perhaps encourage cultural and attitudinal change amongst the entire Commonwealth, there are different procurement policies in every department, whether it is defence, education, health and so on. I think that will make their job very difficult, which will in fact make our job quite difficult to convey our messages across that whole of government. Hopefully, New South Wales will be better organised and your fine work through the Public Accounts Committee will be

eagerly adopted by all other departments or at least mandated from above—one or the other. In terms of sustainable procurement, there are a number of aspects that are related to small businesses. I was quite interested to hear the speaker before we came along. I am not quite sure where he was from.

CHAIR: The University of New South Wales.

Ms RADISICH: He put forward a number of interesting concepts, some of which were relevant to our area, in particular the whole-of-life cycle analysis of different products. For the information of the Committee, we have recently been in touch with a group called the St James Ethic Centre. I do not know if it has made a submission or presentation. It has actually received about $2 million worth of Federal funds to develop a tool to help small businesses specifically identify their whole-of-product life cycle costs and impact on the environment, the economy and the social aspect. So, tools may already be in existence or being developed, which might be able to help you in the future. Perhaps one of the most important aspects of sustainable procurement from a New South Wales and small business point of view is the jobs aspect. I guess this would apply most predominantly to areas in western Sydney.

We think that if there are less onerous barriers to entry for small business to access government work, then the triple bottom-line benefits, particularly in the areas of social benefit, would be significant to the community and, consequently, to the economy. We can probably come to that a bit later with your direct questions. Before I conclude my opening remarks, we think there is a role for government to act as a leader in this area. If the bar is not raised higher by government, then there will not be any incentive for small businesses or anybody else to strive to produce better or more greener products. Having said that, one thing small business is completely adverse to is having constantly changing goalposts. If there is a shift towards trying to attract small businesses to actually apply for government contracts—I will have something to say later on the proportion of work involved in making the application versus the value of the work that is accessible—make it clear, make it simple and make it known. That is something that small business can digest and work towards.

CHAIR: Thank you for your introductory remarks. I thank the Australian Information Industry Association for its very comprehensive submission, which was received yesterday. We will now proceed with questions.

Mr GRANT McBRIDE: The Australian Information Industry Association [AIIA] submission says that the Government should implement best practice procedure. The key principles to the Government's procedure and policy are value for money, being the benefits achieved compared to whole-of-life costs, efficiency and effectiveness, probity and equity, and effective competition. The Government also implements a gateway review system, of which you are most probably aware, to ensure that these principles are upheld. My question is—and do not hold back, this is your chance—how is the Government failing to meet this best practice?

Mr MOODIE: I probably need to give the Committee a little bit of background. We have $750 million of turnover and 1,600 employees Australia wide. We sell things from little printers that nestle on a desktop up to five tonne production printers that do bank statements and utility bills, but the mainstream of our business really is the multifunctional device that is around every office corridor, whether it be in government business or academe. Just as anecdotal observations, I had a chat yesterday to Bob Bentley, our New South Wales manager for government, and asked him what was he seeing in recent times in terms of recognition of sustainability in a deal across the desk. His response was, "The eyes just glaze over. Price is the only relevant concern." I guess that has always been our concern at Fuji Xerox. We have lobbied this issue of sustainable procurement by government for a long time. It is an oversight that we have not made a submission to this Committee inquiry. Our position always has been driven by the fact that you have a lot of companies out there in the community wanting to do the right thing and we need to drive a wedge between those that are prepared to be sustainable and those that are not. Government procurement practice was a very powerful tool for creating that wedge. As we move forward, perhaps hopefully into a regulated extended producer responsibility regime, that will go away to some extent, but it is still a powerful drive. Government business is a big element of business. If it is buying sustainably, that is a powerful driver for the sustainability agenda.

CHAIR: So you think signalling by price only does not encourage your company?

Mr MOODIE: We made our commitment at a strategic level that ultimately you will recognise us for what we do because lots of these things have got to be done really strategically. You have to be thinking 5 and 10 years out. That is our position that we have committed. It does not buy us anything—oh, that is not true. We

once had a customer ring us up and tell us that they bought because of our sustainability credentials, but only the once. Generally it counts for very little.

CHAIR: Perhaps they purchased another product? Do you argue that you have the most sustainable product on the market?

Mr MOODIE: It is a very tough market. The multifunctional device market has probably seven suppliers in it, so it is a tough price market, but I think we are probably the most sustainable, particularly as we have committed to take all of our product back at end of life and recycle it to recover 99 per cent of resources. That is a very expensive operation and it is one of those commitments we have made strategically with the long term in mind with both resource efficiency and carbon footprint considerations in mind. We are committed to it and we need to maintain certain levels of price and so on to achieve that outcome. We stick to our guns. Hopefully we will be recognised in time.

CHAIR: What is your take-up in the domestic market?

Mr MOODIE: In terms of market share—

CHAIR: No, not in market share, in return of products?

Mr MOODIE: It is something that we are not actually measuring absolutely at the moment. We are putting in place a mechanism to do it. Our model is largely direct to business customers and largely by leasing. So, it is quite a controlled-type turnaround.

CHAIR: Potentially it could be 100 per cent?

Mr MOODIE: It could potentially be 100 per cent. No, it will never be 100 per cent. It cannot be 100 per cent, but it will be up in the very high numbers.

CHAIR: Is that only commercial and not domestic?

Mr MOODIE: We are largely in commercial. We have a very small element that finds its way into households.

CHAIR: Does anybody else want to comment?

Mr CASEY: With Intel we do not sell anything directly to the Government. It is really our components that are in a lot of PCs. So we would be a significant part of the PC industry.

CHAIR: It is on the inside, is it not?

Mr CASEY: That is right, Intel on the inside. I work with a lot of government and commercial accounts and one of the things we talk about is really this concept also of the total cost of ownership of the platform. We estimate that it can be three to five times the acquisition costs. If you are looking for room for improvement or some ideas, in a procurement process you have that visibility of decisions you are making about how they impact the bigger costs, which is the deployment cost in the field and managing the device. I think the procurement desk seems to be price driven, but I think you need to look at expanding that model and asking what is the total cost of ownership over the life of the product and get a better measure of that. To give you some examples of what people are doing, our government department is looking at adding the energy cost of running the device as the price of the device. But I think that can be expanded even further in your management, that is, the power of management, remote management, travel, support and all that stuff. When you factor in that expanded view, you might start to get a better return on the dollars for government. But it is not just the acquisition cost. It might be a higher cost, but it is really understanding the savings. That forces you to reach into the cost in the departments. To me the two are quite separated. You have the procurement, it goes over to the department level and then they have to manage the devices.

CHAIR: So if computer A boots up 10 times faster than computer B presumably it will use less electricity?

Mr CASEY: Yes, it can be. It is probably more on the power management of the devices, that is, being able to turn them off, saving support costs. A lot of this can be reducing footprint in terms of people, that is, travel time to remotely service if your organisation is spread out. If I can have some additional capabilities and save people from driving out to a facility and driving back to go do a service call, that is a big impact than just the additional few bucks up-front for the cost of the device. I think it is kind of understanding the impact of the decisions on that level.

CHAIR: Government, like a lot of organisations, has a challenge in pricing the functionality of products. Every mobile phone comes with a variety of functionality in it and they are given to a bunch of Luddites and all we do is press answer and send. You cannot price those products on a product, you could only, I would imagine, do that after the fact.

Mr CASEY: I think probably a lot of what I see relates not to the end user, but to what the IT guy managing the fleet can do. So it is more the IT department and his ability to better service the devices across the fleet on a large scale. It is not necessarily changing the end-user behaviour; it is more like the capabilities that you are giving to the IT departments to allow them to more smartly manage the PC fleet. It is actually improving operating expense of the IT departments.

CHAIR: I would be curious to get your and your colleagues' views on—taking up the point of Ms Radisich earlier—if we start putting in that regulation and red tape and binding it up like that, you are a very fast moving industry and need to stay ahead—and you will be ahead of our curve—but then the flipside is you need to be able to respond in your own niches as well. So do we start putting in regulations, do we start doing policies like we have now or do we start to build in benchmarks and matrixes where you say this is the minimum level that we get to? Because once we start to put in a benchmark people might game down to it as opposed to reaching beyond.

Mr CASEY: Some of the benchmarking that I have seen is where a government actually tries to set a low bar on price. If you just think of procurement, it is this value-based pricing. They intentionally set the bar low so they can get low-cost devices. If you are talking about additional capability, I think they are kind of selling them short about what they could get out of the platform in terms of if you look at management capabilities that you are not getting as a result.

CHAIR: I was thinking more along the lines of, let us keep it really basic, a contract that says if you want to provide a printer then the default is to be double-sided printing or it has to be able to take recycled paper, for example—putting that into the contract as opposed to just saying the contract should say you should have good environmental outcomes. What do you do? Do you set the limits from our contracting end or do you reward innovation at the other end?

Mr MOODIE: I think principle-based stuff is probably best, that you do not want to get down to the nuts and bolts. The reality is in the tendering process you do. The stuff that you are talking about there, which is pretty superficial stuff really, with respect, is easy to specify and should be specified, but it is deeper down. The devil is in the detail always in this stuff; it is in some of the wondrous stuff that my colleague over here was talking about—the ability to control a fleet of multifunctional devices from a central computer, all that sort of stuff.

My concern in the end is I think we do everything by dollars—we buy by dollars, we reward people by dollars, we insent people to buy things and insent them on the dollars that they save—and because of that principle-based stuff does not get adequately considered. I have always held the view that until such time as we are prepared to say some broad guidance of, "Okay for a maximum sustainable solution we are prepared to pay X per cent more", that until we have that as guidance to the people that are managed by dollars we will never get the right outcomes against the principles that we all want to excel on.

CHAIR: And that should be done by costing the benefits or putting a penalty—

Mr MOODIE: I heard the last witness when I was listening from the back and I could hear lots of scientific approaches to how one might create a rating system to rate these things. I guess I had always thought of it in more general terms of just saying okay we are prepared to pay 5 per cent for the most sustainable solution, without saying that you accept 5 per cent; it is just some guidance for the people that are managed by dollars so that they know in finding the best sustainability solution they have got some latitude in terms of price and are not always being driven by price all the time. The multifunctional device contract by New South Wales

had 11 suppliers in it up until December last year. It was cut back to three on a very aggressive price hurdle that was a case of, frankly, it is not a sustainable price and it does not adequately take account of the fact that there are many other things that you need to consider in getting the right result. You have got to consider total cost of ownership and other implications. It is not all in the print price as it was in this case, it is in how well this product interfaced with some of your other technologies, how well does it enable you to make the transition from hard documents to soft documents, a whole lot of issues like that.

Mr GRANT McBRIDE: Previously we heard from Dr Greg Peters from the UNSW. He was, for the first time, giving us some guidance in how to put a value—I am not saying whether it was dollar or whatever—and how you measure your sustainability components so that at the end of the day it has got some measure, some index, some point score—whatever. But to actually make a purchasing decision you have to have an argument that sustains it. It is not just totally qualitative; you need to have some quantitative process. He was indicating that today and that is the first time we have had anyone appear before us taking that approach. If you could give us some idea on how to work out—and that is what the chairman was saying earlier—how we put a value to that component you are talking about, life cycles and all that sort of stuff?

Mr MOODIE: It is really, really hard. Some of it is subjective and in the end I think on these value-based things one has to do it on a subjective gut-feel sort of basis, that you have got to give people a framework of principles and some guidance on pricing so that they can comfortably make decisions knowing they are falling within the ambit of what you want to do, and that you cannot do it precisely in the end. Whilst I love that sort of scientific approach and a whole lot of categories and allocating numbers on a scale of one to 10 for each of the attributes, you end up with a complex little monster and it might not necessarily catch it all in the end anyway. I think it is better with the high-principle stuff that to get a sustainable outcome we are prepared to pay a small premium.

Mr GRANT McBRIDE: There is a capability to do it, from what he was explaining earlier today. He also made the point that at the end of the day it is going to be a judgement, but at least when you are making that judgement you can compare your product with his product.

Mr CASEY: I think there are some things, some tools maybe, to help out, but we are working on in the industry things like PUE in the data centre.

CHAIR: What is that acronym?

Mr CASEY: It is power utilisation efficiency, I think. It relates to your ratio of, like, your air conditioning power to your use for compute power in a data centre. It is how well that is designed. I think it is actually sustainable application of technology beyond just the procurement. But the procurement guy has got to understand how it is going to be applied and the potential benefits if it is applied properly.

CHAIR: Do you rate that, for example, the power utilisation efficiency, as a star product or do you say that per hour it uses X kilowatts of electricity and therefore as a consumer we can choose which one we are going to use, or do you say it is a three-star and then you presume your competitors are going to put their ratings as well?

Mr CASEY: PUE is in the context of a data centre and it is how that gets applied. I think you are doing the right things when you are looking at some of the energy stars when you are looking at the device, like the standards that the industry is coming up with. If you look at the back of your document the one that they highlight is kind of the checklist in the back of it, which is a lot of things they should be looking for. But the industry encapsulates that in EPEAT. So a lot of those same criteria—we look at hazardous material, into life, into your packaging, kind of cradle to the grave stuff—all of that is encompassed, and that is what EPEAT is trying to accomplish. You talk about the weightings and where the environment gets lost. How do you weight each of those individual line items? Maybe it is looking to those standards, harmonisation of the standards. But that becomes a device that quantifies that laundry list for you.

CHAIR: Whether it is industry or government. I guess your argument is we have never put it into the specifications for tender or are you suggesting that industry can regulate it?

Mr CASEY: I think industry is doing this. I think the industry is actively involved in developing some of these environmental standards. The industry collectively is really putting our effort behind that. But where government can help is, like, no we are going to demand that. I am thinking that is where you set the bar high,

the environmental standards that are being adopted; you should not be looking at the lagging edge. We want the latest stuff. If you look at energy stars it is typically the top 25 per cent of the products for energy efficiency. That is one example. But it aims to be the lead not the lag.

Ms JOHNSON: This EPEAT standard, as I mentioned in my opening address, has been used at the Federal level successfully by the Department of Environment in one tender only so far, and EPEAT, as Mr Casey has indicated, is an internationally accepted self-certification standard, which a lot of European jurisdictions now use. It can be validated, it is tabular, and it can easily be used by government agencies either as a guiding principle or, as the Department of Environment mandated last year in their managed services RFT, you must be self-certified to an EPEAT standard.

CHAIR: Why EPEAT over ISO, for example?

Ms JOHNSON: EPEAT is a particular standard for desktops and laptops. It is quite narrow and therefore very focused. Our discussions with the Department of Environment and other centralist agencies at the Federal level would indicate that EPEAT seems to be on the way up in terms of the standard that Federal government agencies are going to adopt.

CHAIR: Ms Radisich, did you want to say something?

Ms RADISICH: Not on the standards but generally. I have just been listening to what the representatives from AIIA have been putting forward and it has occurred to me that in fact the products are essentially coming from big business, in at least the discussion we have had so far. But the question for government is where do you want to buy the products from? Do you want to buy them directly through a bulk purchase arrangement with a company such as Fuji Xerox or in downtown Tamworth do you want to be able to get it from the local guy who has got his family there and his kids in the school and he is the retailer and he can do the government ordering and he can be there to supply residents as well rather than just have a courier bring things in from the big boys? That is one question that we could discuss.

The second thing is in terms of who actually provides the labour or the human resources to install and service and maintain and update all this equipment, all the capital that we are talking about. What I believe is that small businesses are not engaged enough by this or any other government in the country in order to undertake those functions and that there is a great deal more potential for that to occur and in fact a great deal more benefit that would accrue if you adopt a triple bottom line accounting approach to that sort of procurement.

Mr HEDLEY: I wish to add to that comment. The Australian Information Industry Association [AIIA] has been concerned about small business in regional New South Wales. It has been concerned about some of the changes that have been happening with the overall procurement framework related to sustainable procurement. That is causing problems, in particular, for our large suppliers who use regional small businesses. These provisions are now making it less advantageous for them to use regional business to service and sell their products. It is a matter of concern to us; it is not just a matter of sustainable procurement. We are looking at sustainable businesses in regional New South Wales.

Mr MOODIE: I also wish to add a further comment.

CHAIR: We might move on, if you do not mind.

Mr NINOS KHOSHABA: As you are aware, this Committee has received several submissions and it has met with many organisations. Most of them are happy with the Government's guidelines on procurement and they believe it is pointing in right direction. However, some have criticised this Government for being a little vague and they have said that there is a lack of clear guidance. Mr Moodie, I refer to your earlier statement that it was better not to make it too specific. I tend to agree with you, especially when we are dealing with things such as computers and when not just energy efficiency is involved. It could also involve the maintenance and life expectancy of that product. It involves a number of issues and also cost factors.

Earlier Ms Radisich referred to making guidelines clear, simple and known. I agree with your comments but other groups are saying, "We are happy with the Government's guidelines on procurement but they are a bit vague and we want more guidance." They are saying that we should make those guidelines more specific and you are saying that we should not make them too specific. As Mr Casey said earlier, technology changes rapidly. I would like you to confirm your comments. Do you think it is best to leave the guidelines as

they are and to give purchasers or the people looking after this area more power to consider each request on its merits rather than having set guidelines?

Mr MOODIE: I will contradict myself. I am a great believer in lots of guidelines because they inform you and help you to understand the high-level principles that are above that. We have talked a lot about the total cost of ownership and the total cost of a life cycle analysis type approach. You mentioned maintenance and the use of the product over life. If you examined one of our multifunctional devices you would find that about 35 per cent of the carbon footprint of a product relates to a customer's use of that product. It is a big element and getting into the detail of it is quite complicated. It is not supplier controlled.

If you have an interest I can table a case study that is a good example of government buying with some of these sustainability principles in mind. Last year the Roads and Traffic Authority bought a lot of gear having regard to sustainability principles and, in particular, its carbon footprint. When a modern, multifunctional device is running and copying that is equivalent to 29 75-watt light bulbs running. It has three step-downs in it, sometimes four, down to a standby mode from which it can warm up in about 45 seconds. Once it is down at that standby mode it is equivalent to only one 75-watt light bulb running.

If you are using that device as a printer—so you are printing from your desk to a printer at the other end of the office—by the time you get to the machine it has warmed up and printed your job. If you are using it as a copier you have to wait while it goes through a 45-second warm up. The point I am coming to is that, ultimately, the best savings in this sort of situation can be engineered when supplier and customer work closely together to optimise the utilisation of the power management facilities, or the control facilities, within the product.

Mr NINOS KHOSHABA: Having said that you would probably agree that most good suppliers would already provide details of the positives in their tenders?

Mr MOODIE: Absolutely. They would emphasise the positives and try to sell on a sustainability basis.

Mr NINOS KHOSHABA: There might be things that are not addressed in the guidelines—things that the supplier might introduce.

Mr MOODIE: Earlier I mentioned the Roads and Traffic Authority case study. I am happy to table a copy of that case study because we have published it for the benefit of our broader market.

CHAIR: Thank you.

Mr MOODIE: It involves doing a carbon assessment of the total document requirements of that business. It resulted in a huge savings of carbon—13 tonnes for the month.

CHAIR: Would you table that document and read out its title?

Mr MOODIE: It is entitled "Case Study—The Roads and Traffic Authority. Fuji Xerox."

CHAIR: Do you have any examples of your dealings with a superior or more sustainable product that you have classed down in order to meet a price?

Mr MOODIE: No.

CHAIR: Does any other party wish to make any final remarks?

Ms RADISICH: There are several things to which I would like the Committee to give consideration during its deliberations. What is your definition of "value for money"? I suspect that you will find—and you might be interviewing Treasury officials—that no matter what is written and no matter what is stated policy, the fact is that most Treasury officials consider value for money to equal price. That is a problem that all governments face, and I doubt whether yours would be any exception. There has to be a significant change in that definition to include whole of product costs as well as consideration for triple bottom-line accounting.

Government leaders and Treasury must commit to that and procurement officers in all departments need to be educated about what is important when they are procuring goods and services. There is scope for

leadership from government in improving the benchmarks that standard suppliers have to meet, that is, whether or not their products are green. In our opinion a discount from the Government should also be available on those tender prices for small businesses that contribute more to the economy, to our social fabric and to the environment by procuring from it rather than from large multinational organisations. Discounts should be given to them for that. You can encourage greener and better product solutions by having that available. I also encourage you to support a buy local policy so that regional and remote communities can be supported through the government procurement process. Thank you for inviting us to give evidence to your Committee.

CHAIR: Thank you.

Ms JOHNSON: I agree with my colleague on my right from the Council of Small Business of Australia in relation to the two burdens on the regulatory framework of small and medium enterprises [SMEs]. We would not support that. More than 50 per cent of our members are SMEs so we do not want to give the impression that we are simply arguing from the big end of town. Having said that, I also implore the Committee not to lose sight of the fact that, as the Chair mentioned earlier, this is an industry that more or less is well ahead of the game. Many of these environmental and sustainability improvements have already been made and continue to be made because they are driven by global standards.

As Mr Moodie indicated at the opening of our hearing today, procurement and leadership by government can separate the sheep from the goats when it comes to those who are prepared to take that leap into designing their product in a more sustainable manner. In the end they will be the ones who win. For those who are not prepared to take that leap we believe there should be an underpinning of the regulatory framework to stop the free riders in any producer responsibility organisation [PRO] or extended producer responsibility [EPR] scheme. But, as I said, we are not advocating a burdensome regulatory framework for SMEs because we believe that they have an important role to play in this marketplace.

Ms RADISICH: I concur with everything that Loretta just said.

Ms JOHNSON: We are in violent agreement.

CHAIR: I appreciate the fact that witnesses have agreed with one another. Thank you for appearing before the Committee today. The Committee appreciates your time.

(The witnesses withdrew)

KOK WAH BOEY, Environmental Manager, Hewlett-Packard Australia Pty Ltd, 353 Burwood Highway, Forest Hill, Victoria, and

ARI PALANDJIAN, Industry Standards Server Product Marketing Manager, Hewlett-Packard Australia Pty Ltd, 410 Concord Road, Rhodes, New South Wales, sworn and examined:

CHAIR: I welcome the representatives from Hewlett-Packard Australia. Thank you for appearing today to provide evidence to the Public Accounts Committee inquiry into sustainability procurement. In what capacity are you appearing before the Committee?

Mr BOEY: I represent Hewlett-Packard Australia Pty Ltd at this hearing.

Mr PALANDJIAN: I represent the TSG Division of Hewlett-Packard, which is the enterprise range of products within Hewlett-Packard for Australia and New Zealand.

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. I invite you to make a brief opening statement.

Mr BOEY: Thank you for giving Hewlett Packard the opportunity to attend this hearing. Hewlett Packard has been the leader in environmental responsibility for decades. Our effort for innovation and environment has been a longstanding commitment and not a recent trend. In 1957 Hewlett Packard incorporated the global citizenship with a focus on the environment in one of its corporate objectives. Hewlett Packard takes the life cycle approach to keeping the design for environment for our products in terms of design for environment, manufacture, use and end of life. We are committed to providing products and services that are environmentally sound and safe throughout their life cycle. For this hearing Hewlett Packard has provided a green guideline with the key principles and advice for our customers on how to purchase environmentally sound products throughout their life cycle.

CHAIR: The policy guide that you have provided to the Committee is printed in black and white, we do not have a green one. This document is for potential customers, can they download it?

Mr BOEY: This document is available to all our customers not only in Australia, but worldwide.

CHAIR: It is global?

Mr BOEY: Yes.

CHAIR: Is it mainly for your commercial customers or also domestic customers?

Mr BOEY: It is more generic, in a sense. It could be used for both commercial as well as small and medium enterprises. However, if a consumer-customer wished to have a look into it, they are welcome to go through the material, especially in the eco-product attributes that show the design attributes that are incorporated into our products. Basically this document provides the environmental information, which is the environmental attributes such as Energy Stars, Blue Angels, and—

CHAIR: The Committee will send you a copy of the transcript, which you can amend later.

Mr BOEY: The others are international standards and eco-labels, which help the customers understand the products' attributes.

Mr PALANDJIAN: If I could add to that?

CHAIR: Certainly.

Mr PALANDJIAN: Part of the reason for the document is that different vendors have a different percentage of research and design that goes into the design characteristics of their products. Hewlett Packard is

very proud of the amount of research and design that it puts into the development, and ground-up design of its range of products from the printing device all the way up to its server and storage devices as well, obviously including desktop and notebook. It is fair enough that over the decades, based on customer need and government need and so on, the need to be green and the carbon footprint has certainly accelerated. Over the last decade it has certainly accelerated and become a major consideration. Part of that has also influenced the design at the chip level. My Intel colleague, who was talking previously, was talking about that. The combination between Hewlett Packard and its suppliers at that level is quite entrenched. I will also make a statement around the economics of information technology [IT] over the last decade. We look at three variables and break them down into capex and opex—

CHAIR: Try to use as few acronyms as possible. They refer to capital expenditure and operating expenditure?

Mr PALANDJIAN: Yes. If we go back a decade and look at IT procurement, the capital expenditure component of acquiring hardware was much greater as a percentage of the costs versus the power cooling costs and management costs. What we are seeing 10 years forward in 2009 is that that has actually flipped on its head. We have seen the capital expenditure component of IT procurement decline as a percentage of the economics of hardware versus the power cooling and management costs, which have more than tripled in proportion. That would be a fair trend. We do not see that slowing down or changing any time soon.

CHAIR: Obviously you do not cost that as the product provider; the consumer costs those things. Do you then assist in providing those costs? Do you provide them with a matrix for example? Or do you just understand for the consumers that their operating expenses far outstrip the capital expenses?

Mr PALANDJIAN: I will answer that in two ways. There is investment in the management software, as an example. My Intel colleague was talking about remote management and energy efficiency of the hardware. Today the servers are about 30 per cent more efficient than a year ago, and they perform more than twice the capability of the servers from a year ago. The types of conversations we have with our customers are to look at their asset fleet. I can give a perfect example. A customer has a server fleet that is three to four years old. If you can image a data centre with 12 racks of fully populated servers, they can replicate that same compute power today with one rack of server. If you can imagine the power savings between the equipment of four years ago and that of today, it is quite dramatic.

They are the types of conversations we have with our customers today. I guess hand in hand with it is not only about being green, but also in terms of adding a margin to their bottom line. Those two variables, those two things, go hand in hand. That is part of our value proposition when it comes to consolidation of data centres, consolidation of servers, and so on. With software, in terms of management reducing that operating expense piece there is also capital expenditure from reducing the fleet of servers, reducing maintenance, reducing power consumption, reclaiming lost floor space and real estate that may also happen within a data centre, and so on.

Mr ANTHONY ROBERTS: Welcome gentlemen, and welcome from Victoria; I thought I recognised the accent—definitely from Victoria. To the person best able to answer this: What is your perception of the extent to which environmental concerns are incorporated into the sustainable procurement practices of New South Wales government agencies? Could you possibly reference those experiences in other jurisdictions that could help identify areas and ways in which New South Wales is getting its procurement practices right, or maybe some areas that it could possibly improve?

Mr PALANDJIAN: Yes. Obviously there are a number of contracts, ITS 2007, ITS 846 and so on. We find as a vendor that the tender process and specification process is quite prescriptive. Basically, it comes down to a price discussion at the end of the day. What is not reflected in the tender process itself is the difference in cost associated with designing. I will reference the research and development comment I made previously, the difference in cost between designing it and manufacturing a product that is more energy efficient than others. From the criteria or the evaluation criteria that is managed through the tender process it is quite restrictive and limits the value that the vendor can actually deliver to government.

Mr ANTHONY ROBERTS: Do you want to add to that, Mr Boey?

Mr BOEY: No, just to summarise that, Hewlett Packard is thinking that governments should move away from price to value for money onto the cost of ownership, which my colleague from Intel was talking

about. That is the cost of ownership, whereby we should take into consideration the whole life cycle of the product, not the initial cost.

Mr ANTHONY ROBERTS: Effectively, from what I heard yesterday and earlier today, if it comes down to first, a Hewlett Packard Australia product, and secondly, a Joe Bloggs Australia product, where the Hewlett Packard product might be greener—and the costings thrown around yesterday were that maybe that was $350—and the Joe Bloggs product that is not as green was $340, there is an emphasis more on price when it comes to selecting?

Mr PALANDJIAN: Absolutely, that is what we see. Hence, in response to that, we will need to propose a product which we would recommend and a product that meets the tender requirement to its minimum level.

Mr ANTHONY ROBERTS: Do greener and more sustainable products tend to be more expensive than less green or less sustainable products?

Mr PALANDJIAN: There is not one way of answering that question. In the newer technology that we are seeing today, there is a myriad of sensors, for example, within the server infrastructure itself. The job of that sensor is to monitor the amount of power that is being consumed and basically throttle up or throttle down, depending on the optimum temperature. Today we see a lot of vendors cooling down the server infrastructure, or their PC or desktop, more than it needs to be cooled down. The sensors actually manage that, so the device itself consumes less power. If I were to turn that around, it is a fundamental design parameter that, sure, at a research and design level would have an assessment to get to that point, that is basically designing a more efficient product. On the one hand, yes, you could argue that there is more investment to get to that point.

Mr ANTHONY ROBERTS: With respect to your experiences in government procurement, when it comes to going to tender within the criteria that is set out, does it set out, for example, that it wants a computer and will base its decision on 50 per cent price, 10 per cent sustainability and 5 per cent something else? Is that your experience?

Mr PALANDJIAN: I have seen that, but seldom. It is more based on specification, price, service capability, warranty coverage, and so on.

CHAIR: Mr Boey, have you found that different jurisdictions have different sustainability requirements? If so, what are they?

Mr BOEY: Mr Palandjian will answer that from a business perspective.

Mr PALANDJIAN: Certainly at the State level we are seeing variances and differing standards by State. Certainly at the local government level it is more an acknowledgement and requirement to meet more aggressive environmental type of standards. It is disjointed, there is not one standard. Above and beyond that, there are international standards, like Energy Stars and so on, that we generally associate ourselves with.

CHAIR: Presumably you would be ahead of the curve when it comes to sustainable outcomes, anyway. I imagine that we have not set any standards that you cannot compete in. Is that safe to say? The question is: Are we pushing the envelope?

Mr PALANDJIAN: I would say that we come down to the requirements of the benchmark that the Government actually sets. We have products that far exceed that.

Mr BOEY: HP itself believes that we should harmonise and recognise international standards—for example, those that are already in existence, like Energy Star and Blue Angel, on which HP has been working with government agencies to come up with these high standards. We believe that there should be some harmonisation and leverage-based existing standards, and we should not come up with additional requirements.

CHAIR: We should not reinvent the wheel?

Mr BOEY: Yes. Harmonise the standards.

Mr GRANT McBRIDE: When you are going through the sales process, are you dealing with the State Contracts Control Board at that level, or are you dealing with departments individually? Is it a State contract?

Mr PALANDJIAN: There is not one answer.

Mr GRANT McBRIDE: You have done both, though?

Mr PALANDJIAN: Yes, absolutely.

Mr GRANT McBRIDE: In terms of both, is the situation that you referred to before, which is the priority given to sustainability. Is it the same, or is it that the control board is more demanding and departments are not, whatever, and you can say, "Well, it's all different." But, is it?

Mr PALANDJIAN: There is not one standard, no.

Mr GRANT McBRIDE: There is no consistency. Is that what you are saying?

Mr PALANDJIAN: There is no real consistency.

Mr GRANT McBRIDE: At either level?

Mr PALANDJIAN: Correct.

Mr GRANT McBRIDE: And you deal at either level?

Mr PALANDJIAN: Correct. I think the people we typically deal with are the people who are evaluating the tender response. They are typically contract negotiators. I guess they are good at negotiating on terms and price—they are very good at negotiating on price! That is what it comes down to.

CHAIR: Is that what it comes down to? Because of the people you are dealing with in procurement, it is all about comparing the numbers, sharpening pencils and measurements?

Mr BOEY: Yes.

Mr PALANDJIAN: Yes.

CHAIR: Because sustainability indicators are not at the pointy end or in a new policy set and because they are not finite or cannot be measured, therefore they are not driving the decision making at the end. Therefore if we were to put into a matrix that price is only a component of it, then would you not be dealing down on points and the price would be only a component? Conversely, would that lead to providing a bigger weight for environmental outcomes when you have punishments for not meeting points? Forget that question—delete! I will leave that.

Mr PALANDJIAN: Let me say this, if I may: if there was guidance coming from above in terms of more stringency or other variables for the contract administrators and negotiators to consider outside the price, that would help to redirect their focus. I think it is a good thing.

Mr PETER DRAPER: Correct me if I am wrong, but you are supplying to meet a minimum standard of sustainability and everything is very much driven by the price component? There is a capability to deliver a much higher standard, so should the focus be moved away from this price-driven process?

Mr PALANDJIAN: Yes, absolutely. If I may rephrase that a little bit—we are driven to meet a minimum specification.

Mr PETER DRAPER: But you always meet the minimum, not what you are capable of?

Mr PALANDJIAN: It is a matter of cost.

Mr PETER DRAPER: Yes.

Mr PALANDJIAN: Obviously, we are competing with the other vendors. If we spec up a box, which costs us more, there is little room for us to be able to meet that price, so it just comes down to profit and loss.

Mr PETER DRAPER: In the procurement process, you mentioned there were differences between the other States and New South Wales. Does any one stand out as doing it particularly well in comparison to the other jurisdictions? What I am trying to find out here is: Are we leading the way, dragging our feet, in the middle, or should we be looking at other jurisdictions for examples of how to improve our processes?

Mr PALANDJIAN: I do not think I am in a position to answer that question.

Mr ANTHONY ROBERTS: Following on from that—not necessarily jurisdictions in this country, but what about jurisdictions overseas?

Mr PALANDJIAN: I think there is certainly leadership in Europe, particularly in countries like Switzerland and Sweden.

Mr BOEY: Yes.

Mr PALANDJIAN: In those countries there are environmental practices even for power generation and power supply that are completely at the opposite end of the spectrum. Even if we look to our cousins in New Zealand in terms of power supply or power stations and in terms of the proportion of green power that New Zealand is able to supply within the power grid, it is diametrically quite the opposite to what we see in Australia.

CHAIR: Thank you, gentlemen. The submission you have provided to us is very helpful. The Committee certainly very much appreciates the time you have made available today. We think you have provided excellent feedback for us and you certainly have assisted us in our deliberations. Thank you for making your time available to us today and thank you for your submission as well. Would you like to make a closing statement?

Mr PALANDJIAN: Yes, please. From a Hewlett-Packard perspective, I will give an example of what the company has been through over the last 10 or 15 years through various acquisitions when Hewlett-Packard acquired Compaq and quite a few other organisations. If we look at the IT infrastructure that HP had, with 85 data centres spread throughout the globe, it went through quite a defined data centre consolidation initiative. Today we have six data centres, of which three mirror three, so there is significant redundancy in both. All six of them are essentially established in the US.

This is the type of story that is interesting because we saved 33 per cent in terms of our carbon footprint and achieved significant savings, in terms of billions of dollars, in terms of the IT infrastructure that is used to run the HP network. This is the type of journey that we have been on as an organisation that, obviously, is publicly listed as well. HP at some point would love to have that type of high-level discussion about the journey on which we can take our customers, and we do that every day through consolidation, driving efficiency, and driving a reduced carbon footprint. That example of the 12:1 ratio is certainly possible today with the standard that we have from a technology perspective. I guess we are moving away now from, "Here's the price of the box. Here's the spec that we need to achieve to meet that price." It is a high-level discussion that at some point we would like to have with government.

CHAIR: I think that was a very powerful example that you gave. Thank you very much.

Mr PALANDJIAN: Thank you very much.

(The witnesses withdrew)

(Luncheon adjournment)

ROBERT JOHN VERHEY, Strategy Manager—Environment, Local Government and Shires Associations, 28 Margaret Street, Sydney; and

SEB CRAWFORD, Project Officer—Sustainable Choice Program, Local Government and Shires Associations, 28 Margaret Street, Sydney, affirmed and examined:

CHAIR: Before I resume the hearing I ask everyone to turn off their mobile phones because phones operating, even in silent mode, can interfere with Hansard's recording equipment, particularly if the phones are close to microphones. I welcome representatives of the Local Government and Shires Associations. I thank you for appearing today to provide evidence to the Public Accounts Committee's inquiry into sustainable procurement. I draw your attention to the fact that your evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. I invite you to make a brief opening statement.

Mr CRAWFORD: The Associations thank the Committee for the invitation to attend today's hearing and for the opportunity to present the views of local government. We note that the Committee has the Associations' submission. Without revisiting its contents, there are one or two points in opening that we would like to reiterate. Local government has a vital interest in this issue because New South Wales councils spend approximately $5 billion a year purchasing goods and services. Much of this takes place through New South Wales Government procurement contracts.

Local government, State Government, and both small and large businesses increasingly are using their procurement spend to help deliver sustainability outcomes. Whether we are talking about improved water and energy efficiency, closing the loop on recycling and waste, or achieving better value for money on a life-cycle basis, sustainable procurement is becoming an increasingly important element of best practice management. Many State Government policies and guidelines reflect this.

Unfortunately the linkages between these policies and relevant government procurement contracts often are weak. The Associations' submission gives some examples of this and we can discuss others in the session today. The Associations would like to note for the record that sustainable procurement is a new and emerging area for us all. The State Government is not alone in grappling with these issues, and local government, too, is struggling with how best to integrate sustainability into established procurement systems and procedures.

One of the ways in which we are doing this is through the sustainable choice project, which is a joint initiative with the Local Government and Shires Associations and the Department of Environment, Climate Change and Water. The program is designed to support and promote sustainable procurement through the use of tools and resources for councils, and has had some significant successes. We can talk further about these today as well.

Finally, we would like to briefly mention the opportunities presented by better integrating sustainable procurement with the State's waste reduction initiatives. This could be done by pursuing increased recycling targets, prescribed minimum recycled content for certain products, improved product stewardship, and extended producer responsibility legislation. We can also discuss these initiatives further today, if the Committee wishes.

Mr GRANT McBRIDE: You mentioned that you use the State Contracts Control Board in terms of procurement associated with different councils. Can you give us some idea of how you find that relationship and in terms of the guidelines associated with those contracts?

Mr CRAWFORD: My understanding is that the relationship is solid. It varies enormously from council to council. Across-the-board most councils would use contracts in some instances for some products. So as a sector, they are very broadly used; but which contracts are used by which councils varies enormously. Broadly my understanding is that the relationship is very successful.

Mr GRANT McBRIDE: But in terms of the guidelines associated with those that we have mentioned in terms of sustainability, et cetera?

Mr CRAWFORD: Again, it varies from contract to contract and depends on what individual councils are looking for, but we could give you some examples of individual contracts where perhaps there is insufficient environmental data within some of those contracts. Would that be helpful?

Mr GRANT McBRIDE: Yes, exactly. Could you give us an example?

Mr CRAWFORD: Sure. One example is contract No. 1008 for travel services. This is mostly for airline travel services. Contract number 1008 is for domestic travel, and it has an associated contract for international. That contract does not mention carbon offsets, for example, even though most of the domestic airlines offer a carbon offsets scheme. However, one does not. If you are a procurement officer who is trying to use that contract to identify which airline is able to offer you the sustainability product, it is hard using a contract. That is one example.

Mr GRANT McBRIDE: Right.

Mr CRAWFORD: Telecommunications contract No. 2360 is another example. This one is for a broad range of services that include mobile phones—both the handsets and the service itself. There is no mention in that particular contract of take-back at the end of life or recycling. This is a good example because it is actually a very new contract. You expect that contract to be integrating some of the latest thinking around recycling and take-back at end of life. Again, there are a lot of suppliers under that contract, some of which participate in programs such as the Mobile Muster, which is a recycling program for mobile phones, but my understanding is that some of them do not. It may not be that the Mobile Muster is necessarily the mechanism that local government would apply in using those suppliers to recycle their mobile phones; but again it is just hard for a purchasing officer to know, based on information that is within that contract. I can give you other examples.

CHAIR: Two examples are fine.

Mr GRANT McBRIDE: That is fine.

CHAIR: We get the point. They are great examples.

Mr PETER DRAPER: Many of the submissions we have received have noted that there is a lack of clear guidance for purchasing officers, which means that they do not understand what weight to give to environment, how to assess environmental claims, or how to engage with the suppliers. To your knowledge, have councils implemented training strategies for purchasing officers so that they can improve their knowledge about how to carry out those functions?

Mr CRAWFORD: That is one thing that we have done, for example, through the Sustainable Choice Program. We have a training course that we run for council staff. There is a module within that for tendering. So far it has been delivered to over 300 staff from 28 councils. We talked through all of those issues. Ultimately many of those issues are guided by an organisation's own policies and the objectives on how they prioritise different issues. But taking it down to the next level from that—if policy, for example, prioritises water saving or energy saving, the challenge then for the procurement staff is how to assess that in relation to a particular product. There are different kinds of tools and resources, eco-labels and rating schemes, et cetera, that we talk about. Certainly the Sustainable Choice Program is one of the ways in which local government is out there working with staff and running training for them.

Mr PETER DRAPER: I have seen the newsletter. You mentioned 28. How many councils are you looking after?

Mr CRAWFORD: So far there are 47 councils, which is almost a third of New South Wales councils who have formally joined the program. But the tools and resources that we have through that program are available for all councils to use, irrespective of whether they are a formal member or not.

Mr PETER DRAPER: And you are encouraging the other councils who are not part of this program to become part of it?

Mr CRAWFORD: Absolutely.

Mr PETER DRAPER: With good success?

Mr CRAWFORD: Sure. The rate of growth has been solid. The program is now three years old. Councils have been progressively joining throughout that period, and they are still joining. We are out there encouraging them to join.

CHAIR: What are the types of things you have in your sustainable contract module? Do you talk about whole of life or do you talk about contract specifications?

Mr CRAWFORD: We certainly include whole of life. Life-cycle costing is one of the biggest challenges for staff trying to assess this sort of stuff. In terms of tendering though—there are a number of different subjects and modules within that training but if we just look at tendering—we unpack it right before we even get to, for example, the tendering process and look at demand assessment. For example, is it necessary to buy the product in the first place? Are there new technologies or systems or ways of doing things that enable us to do it differently? It is looking at that sort of stuff. Market research is critical in this area. It is a very rapidly moving area with new innovations and companies constantly coming up with new products and services.

So it is critical in the sustainable procurement area to really research the market if you are going out, particularly for a product that may be you will only go out every two, three or five years in a tender-type process, market research is critical. It is taking staff through the importance of that and the way that we do that, through to the development of the specifications for the tender documents, through the evaluation of that and right through to even the development of the contract to ensure that a lot of those sustainability considerations that have been integrated into the tendering process make it through into the contract—so they do not just get left off after the tender.

CHAIR: Do you recommend a balanced scorecard approach or a matrix to value the sustainability components or do you recommend benchmarks so that they have to achieve a certain level before they can even be considered?

Mr CRAWFORD: Again I come back to the importance of an organisation's policy because that is ultimately where you set what is important and prioritise for your organisation. In some instances it may be at the policy level where—using the example of whitegoods where we have got an established rating scheme, as we all know, when you buy a washing machine at the supermarket—we decide we will look at no less than four star whitegoods, for example, in which case it is a clear benchmark-type situation. But there may be other instances where the organisation has got, for example, a greenhouse reduction policy in place and there might be a whole range of ways in which they are trying to achieve that, so then a matrix approach might be more appropriate where we look at trying to achieve it incrementally through different kinds of procurement with different products.

CHAIR: Can you give us an example, particularly if you are dealing with the State Contracts Control Board, of any contracts that do not provide adequate environmental information or weightings? You gave one example before about mobile telephones.

Mr CRAWFORD: Many of them do not provide enough environmental information. Again it varies from council to council but I am sure there are instances where all of them at some point have not provided as much information. But what is a fair and reasonable amount to expect in that document? You cannot expect the contract to provide all the environmental data for every product—that is simply not practical or feasible. It is about trying to balance at that point how much can be put in there that is going to be really helpful for the officers trying to make purchasing decisions and yet practical for those that are developing contracts?

CHAIR: Do you find in the training that you do that people struggle with the notion of best value for money compared to better outcome?

Mr CRAWFORD: Absolutely. I mean the market system is focused on purchase price. Often it is about keeping purchase price low, even if that distorts other input prices throughout a product's life. Most people in their jobs are time poor. Few people have got the time that they ideally would like to be able to really unpack all of the costs through a product's life. So invariably we are forced into the purchase price being the single most important issue. Now it is not always the only issue. There are many cases where the life-cycle costs are taken into account—vehicles are probably the best example. Most fleet managers are very familiar with considering all of those input costs like registration, tyres, fuel and depreciation and that sort of thing. So

vehicles are an example where we do look beyond just purchase price. But there are many products where the purchase price really is the sole determinant.

Mr ANTHONY ROBERTS: You stated that councils often conduct their own tender processes so they can capture their own environmental data—which is something that we have seen that the State Government does not necessarily do at this stage—and are able to quantify that. I keep saying that unless you can measure you cannot really manage. Can you provide us with an example of when this has been done, including how the council tender process differed to maybe the State's tender process?

Mr CRAWFORD: As I said in our opening statement, we are all grappling with this stuff; it is new for all of us. I think that is fair to say for most council's certainly as well. But one example is in the area of printers. I can give you an example of two recent tender processes that I am aware of: Ashfield Council and Campbelltown City Council, and the sorts of things that they considered in their tender process. So they certainly looked at compatibility with recycled papers; they looked at whether or not the suppliers participated in a toner cartridge recycling program; they included things like air emissions, ozone emissions and VOC emissions from those units when they are in use; the durability of the units, how long they would last; to what extent the suppliers were able to work with them as a council to keep those units working longer, so longer life; take back at end of life, so it was not just about taking them back but asking questions about recycling, about what happens with recycling, where it is recycled; packaging, what kind of packaging the units come in and what happens to the packaging after it has been discarded; ISO 14001, which is a universal international environmental standard; stipulating double-sided printing; stipulating that the units were able to default from black and white to colour and from higher resolution to low resolution; and mechanisms to use less ink or cheaper inks and those sorts of things. That is an example of the sorts of things those tenders included.

Mr NINOS KHOSHABA: You mentioned that 47 councils are members of this Sustainable Choice program. You also mentioned that other council's could access the information. What additional benefits do the members of those 47 councils receive compared with the ones that are non-members?

Mr CRAWFORD: The program is basically designed around awareness raising and building the capacity within individual councils. So it is about skilling the staff up on sustainable procurement. What are the benefits? Why are we doing it? Giving staff the tools to do that. The sorts of tools it provides them with is a website which acts as a portal to a variety of different things. One of the key things that council staff told us is that it is hard to locate products in the market. So we have developed an online database where they can search for products. So if you were a council staff officer about to renovate this room and you were looking for floor covering and paint you could search for those products and up would come a list of companies that could provide you with more sustainable products in that area.

We have developed some product briefing sheets so that you can download the sheet for floor coverings and that will tell you the state of play, or the key environmental impacts of that particular kind of product, where best practice is at the moment and the sorts of products available. Some of those briefing sheets even have little template tender clauses. These are the kinds of questions that you might want to think about asking suppliers and potentially even incorporate into your tender document.

Mr NINOS KHOSHABA: Do non-members have access to that information?

Mr CRAWFORD: Yes.

Mr NINOS KHOSHABA: What is the benefit of being a member compared with not being a member? What information can member councils get compared with those councils that are not members?

Mr CRAWFORD: We work much more proactively with those councils. I personally, for example, would go out to the council members and work with their staff in a very hands-on way. Forming a working group is one of the things that we ask member councils to do. That is about getting a really interdisciplinary group of people, so you have your finance manager, your procurement manager and your environmental manager all sitting down together on a regular basis, whether it is monthly or whatever, and actually working with the council and that team of people. That is the sort of thing we do with our member councils as opposed to non-member councils.

Mr NINOS KHOSHABA: You also mentioned training courses provided to staff of those member councils. Are there any training programs or awareness programs for the suppliers so they are familiar with what

is expected from them when they put in a tender? Apart from the tender are any programs, pamphlets or whatever available to explain to the suppliers what is expected of them?

Mr CRAWFORD: Certainly Sustainable Choice does not offer that training. I understand that there are other people in the market like Good Environmental Choice Australia that have training courses available like that.

Mr VERHEY: If I might pick up on something raised there. It is probably worth stressing that this particular program differs from others in that there is no financial relationship between the suppliers and Sustainable Choice. So there is no discount for the people who buy off that database. To get onto that database you have to fulfil a set of criteria but we do encourage councils to make their own investigations to decide which is the best one to go with. For example, when buying from a local supplier there are lots of environmental benefits as well as local economic benefits.

CHAIR: Thank you for the clarification. You have provided very particular and concise information and the Committee thanks you for that. Your written submission has been very helpful as well. The Committee appreciates your contribution.

Mr VERHEY: Thank you.

(The witnesses withdrew)

PETER WILLIAM WELLINGS, General Manager Infrastructure Contracts, Roads and Traffic Authority, 101 Miller Street, North Sydney, and

RODNEY KENNETH TOUT, Director Corporate Services, Roads and Traffic Authority, 101 Miller Street, North Sydney, sworn and examined:

CHAIR: I welcome you both and thank you for appearing today to provide evidence in the Public Accounts Committee inquiry into sustainable procurement. I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of Parliament and an offence under the Parliamentary Evidence Act 1901. Would you like to make a brief introductory statement?

Mr TOUT: To put the RTA into perspective for the purposes of today's meeting of the Public Accounts Committee, we are an organisation of some 7,000 effective full-time staff spread across the whole of the State. Our critical roles are in the procurement of road infrastructure, including enhancement, maintenance and traffic management of the State road network. We are also involved in the regulation and registration of over five million vehicles and 4.5 million drivers in this State, and in ensuring road safety in the State of New South Wales. We are the lead agency for Government under the New South Wales State Plan for road safety.

For today's purposes the role of the RTA really relates to procurement of road infrastructure, procurement of road maintenance and procurement and operation of traffic and road management systems, and we procure and deploy office and administrative support systems that support those core business services of the organisation. We operate and impact across the State and obviously we attempt to operate in accordance with sound ecological sustainability principles. By that I mean the social, economic and environmental elements of ecological principles.

CHAIR: We are happy to limit your evidence to those areas you suggested because you are an agency, a customer, and your Minister was one of the first to respond to us, and we thought we would encourage that punctuality by having you appear before us. We thank you and your Minister for your promptness.

Mr GRANT McBRIDE: Do you have a written sustainable procurement policy at the moment?

Mr TOUT: We have a draft. The RTA operates under a range of strategic plans that go to environmental issues. We have a water management plan, a waste management plan, a heavy vehicle emissions reduction plan et cetera. We are in the process of developing an overarching plan, which is at draft stage, and it is a sustainability plan for the RTA that tries to align all those individual plans and form an umbrella so that we can consistently go forward to get a more sustainable RTA.

Mr GRANT McBRIDE: I understand the operational plan, but what about for purchasing?

Mr TOUT: We have a procurement plan. As I said before, you probably have to look at the RTA as two beasts: one relates to road infrastructure delivery procurement and the other is administrative procurement. There are a number of different plans that guide each part of that business.

Mr GRANT McBRIDE: Still, when you are purchasing something you are one organisation and there is a chief, not two chiefs that I am aware of.

Mr TOUT: Correct.

Mr GRANT McBRIDE: In terms of having a policy that is actually called "purchasing", does that policy reflect sustainability in its principles?

Mr TOUT: The overarching sustainability plan does. All of the plans are aligned with that.

CHAIR: Can you give us some of the elements of that plan?

Mr TOUT: Yes I can. We made a bit of a list and we were going to provide a document to the Committee but we have not quite finished it. We listed what the elements of the sustainability plan were.

Mr GRANT McBRIDE: Are you saying there is a whole of department sustainability plan?

Mr TOUT: There is.

Mr GRANT McBRIDE: And there is one component, which would be for purchasing, and others for, say, construction?

Mr TOUT: It tends to cover various environmental issues in relation to procurement, whether that is energy, water, or materials selection. It covers the full gamut of the different areas, such as equipment and those sorts of processes. Relevant elements relating to energy in the plan are to reduce energy use associated with RTA streets signals, buildings and heavy vehicles; to achieve light environmental performance scores; to achieve building energy ratings for all of our buildings of more than 1,000 square metres; and to procure four-star minimum electrical appliances. In relation to water it involves preparing and implementing water management plans for road construction, road maintenance and management of RTA properties, use of water efficient fixtures and fittings, installation of rainwater tanks, reducing potable water consumption across the organisation, and achieving a water ratings of 4.5 stars or better for all offices of over 1,000 square metres. It involves developing a sustainable supply chain strategy for the organisation; research and development into emerging road construction materials that have high recycled content and low embodied energy; maximising use of products containing recycled materials with low embodied energy; considering the whole-of-life impacts of goods and services procured by the RTA; minimising use of products that are known to be environmentally damaging or unhealthy to humans; and maximising the purchase of goods and services from local Australian suppliers and/or suppliers who can verify their products are produced in a sustainable manner.

All general printed material is to meet a set of minimum specifications in terms of recyclable material. Seventy-six per cent of asphalt purchased is to contain recycled content. In waste management, disposing of materials to landfill is a last option; using constructional landscape materials such as asphalt, concrete, steel and aggregates et cetera that contain recycled materials where they are cost and performance competitive; increasing the recovery and recycling of office wastes, including paper, recyclable containers and toner cartridges; minimising environmental impact associated with disposal of electronic equipment, such as computers; recovering 76 per cent of vegetation, concrete, steel and aggregates for use by 2014; recovering 95 per cent of all asphalt and virgin excavated natural materials; resale or return of 95 per cent of all electronic equipment, such as computers and mobile phones, for reuse, dismantling and recycling, by 2014. In relation to biodiversity, in designing and constructing roads the RTA will, in order of priority, avoid impacts on biodiversity in the first place through route selection planning and design processes; mitigate impacts by limiting biodiversity loss; and where residual impacts on biodiversities remain these impacts will be offset through provision of appropriate biodiversity offsets. They are the key elements of that covering plan.

CHAIR: I noticed you put in certain benchmarks to enable a fit, I presume, so you do not say 100 per cent of asphalt but 76 per cent of asphalt. I presume that with small batchings you do it how it comes or—

Mr WELLINGS: It is not practical to recycle all asphalt. When asphalt is removed from a road pavement it is mixed with other materials and therefore not suitable for recycling. A reasonable target is a large proportion of that.

CHAIR: How do you measure that? Do you measure it or is it a target?

Mr WELLINGS: We would not measure our targets. That is based on weighing trucks and measuring road surface areas and calculating volumes from those.

CHAIR: Do you report against those targets?

Mr WELLINGS: We have some annual reporting targets, not against all the ones that Rod just mentioned but some of them.

CHAIR: Internally or externally? Do you report in your annual report?

Mr TOUT: We report on most of them internally and some of them externally.

CHAIR: Can you explore that further? Which ones do you choose to report externally? Is it because you are obliged to or is it because you meet your targets?

Mr TOUT: No, we report on a number of these things. We had a target of a 15 per cent reduction in potable water use by 2010-11. We report the target for that. We have achieved a fairly substantial decrease in relation to our office areas. We use about 114 megalitres of potable water in our maintenance activities. We do not yet have the metrics around calculating how we are reducing that but we have introduced strategies to reduce it through reuse of effluent, capturing of groundwater and installation of rainwater tanks. We did a trial, which we reported on, at Ballina depot and Wyong depot. We installed rainwater tanks and reduced our potable water consumption by 76 per cent. That was in 2006-07, from memory. Last year we implemented another five of those and this year we are implementing another 18 because we know we can achieve a very substantial reduction in use of potable water. We are moving towards a target and reporting what we can capture and articulate. We will get better at putting those metrics around it in order to be able to measure that target efficiently.

CHAIR: What about your purchasing? You mentioned you hoped to reuse or send back 95 per cent of your ICT.

Mr TOUT: All of our computer equipment goes for resale. We put it to auction. We have implemented strategies in relation to procurement of, say, desktop computers. When we changed our screens in 2008 we intentionally went looking for low energy screens. We implemented LED screens, which gave us a decrease in energy use of about 50 to 60 per cent. We put that entire computer fleet to auction as it rolls over and try to maximise its use. At the end of the day, four or five years down the track, those computers will probably wind up in landfill, but we try to at least buy the most energy efficient, environmentally friendly product we can and maximise its useful life as best we can. The only alternative is not to buy computers at all, which is not a practicality in this day and age. We recycle many other products. We manufacture numberplates and we recapture 200,000 of those each year and recycle them. We now use recycled paper and 95 per cent of paper used in the RTA, with the exception of publications, is recycled. That is up from about 46 per cent in 2006-07.

CHAIR: Do you find the State Contracts Control Board allows you to meet all your objectives or do you have to go outside?

Mr TOUT: We purchase some administrative items from the State Contracts Control Board. Where they are not available we have an accreditation through the Department of Commerce to do our own procurement to an unlimited amount. We use State Contracts Control Board contracts where they are available.

CHAIR: Is that sufficient to meet all the targets you have set?

Mr TOUT: Generally speaking. Sometimes it is about the way you implement it, not just about the contract. There is a range of vehicles in State Government contract, for example. We look at the green fleet guide that is put out by the Commonwealth Government, which defines the environmental performance of a vehicle, and we actively try to acquire those vehicles that best meet the environmental outcomes we are after through State Fleet under the State Government contract. It is not necessarily the contract itself. We are leveraging the bits we want out of that contract to help us achieve our objectives. That goes for other things as well.

CHAIR: Let us take your recycled paper, for example. Does there have to be a policy decision to move towards that level of recycled paper and therefore do you justify the cost, if there is an additional cost, by meeting the policy objective?

Mr TOUT: There was an issue at one point where the cost of recycled paper was fairly prohibitive, but like all changeovers in technologies things start to become cheaper as you go forward. In either 2006-07 or 2007-08 we went through a strategy of reviewing all of our printers, photocopiers and fax machines et cetera. We went to the market to try to find an improved product that would deliver us a better outcome than the one we had. We were able to reduce the total number of assets or pieces of equipment we had in our fleet and we got better environmental performance out of what we ultimately selected, which was a set of multifunction devices. We ran the Fuji Xerox carbon calculator over those devices and the estimate is we saved about 13 tonnes of carbon emissions per month, or 156 tonnes per annum, by utilising that equipment as opposed to what we had. But those particular machines happened to function extremely well on the green WRAPP paper. Again, the two things came together. The paper costs are reduced. We were able to leverage up some equipment, which gave us

some very strategic advantages from an environmental perspective. That equipment worked extremely well on that type of paper as well. I am not certain we actually faced an additional cost overall when we put those two things together. I think that is perhaps one of the things that people need to realise. Sometimes they are not frank costs, particularly if you are looking at the whole of life of a product, if it is more than offset by your operational costs. I think a very good example of that was that we replaced 50,000 incandescent globes with LEDs. They use 11 per cent of the energy with a standard incandescent lamp. That is fairly significant. The life of the incandescent lamp is also one year. The average life of an LED is seven. The implications for maintenance in relation to just the implementation of that product, whether the LEDs cost you 10 per cent or 20 per cent more, was totally irrelevant.

CHAIR: Potentially 700 per cent more?

Mr TOUT: Exactly. The overall benefit to it is a 90 per cent reduction in energy consumption and a 700 per cent improvement in relation to maintenance over the life. Sometimes you have got to look at the trade-offs. It is not just a one-way street of costs.

CHAIR: With purchasing decisions do you frequently run this kind of analysis or do you only do it if a supplier comes to you with a new product and says, "Look at this, we've got a new LED traffic light system. Why don't you try that? It will save you a fortune?"

Mr TOUT: We consciously try to identify what are the opportunities. In the administrative area—I will leave the construction side for Peter—we established a strategic procurement group three or four years ago. It was set up for the purpose of trying to reduce the cost of procurement, but we have used it more strategically than that. At any point in time when a new contract is emerging we put together a group of users and our strategic procurement people. They sit in front of a whiteboard and they start from scratch: What is the true business need for the organisation? What are the opportunities to get better value? By value I am not just talking dollar value; I am talking about the true value for money equation, which does mean environmental issues as well as costs, and social impacts.

CHAIR: Do you put a dollar value on that or just a weighting?

Mr TOUT: Some of them are hard. I mean, they might have only been weightings in an assessment process rather than a dollar value. Sometimes it is very difficult to weigh up the true impacts of it. The other element is—I suppose this is one of the big difficulties that exist across government—that quite often it is very hard to test the claims of the people providing the goods to you. We do not have scientists and laboratories that can run around and test some of those claims. We obviously look at what research exists, but that is a really tricky point in all of this. Unless you have third-party accreditation, you are in a sense relying on the claims of the provider, unless somehow it proves itself to not be as they represent. But we do rely on them.

CHAIR: Do you rely on third-party accreditation like ISO?

Mr TOUT: Where it exists, but it does not exist in too many places. It does exist in relation to recycled papers and a few other things. We have set standards in relation to dyes, inks, adhesives and what should be in those materials. Generally they would be compliant. By and large you are reliant on what the suppliers are telling you is the content. Again, the other trade-off is there. We talk about computers. You could buy a potentially low-energy computer that was even cheaper and represented true value. Perhaps the materials it is made of become a long-term worse option for landfill than a more expensive computer that is not as energy-efficient. Some of those things you really do need the scientific analysis. We do not have that capability and I do not know any agency that does.

CHAIR: Perhaps DECC?

Mr TOUT: I am not certain about that. They may in respect of certain elements, but when you think about the full range of goods and services that are required across government, there would not be any agency in government that would be across that range.

Mr NINOS KHOSHABA: Mr Tout, earlier you mentioned some initiatives as part of your draft policy, some of which included buildings over 1,000 square metres. Is there a reason it is 1,000 square metres? Should we not be looking at all RTA buildings?

Mr TOUT: It was a government target. The Government's policy is to achieve a certain star rating in respect of a certain square metreage of buildings. You could take it further. There is no embargo, but that step one was to look at those larger spaces and bring them up to standard first. We have had a bit of success with that in terms of bringing those forward. Two of our major buildings are approaching certainly on the four-star level. We moved some people from Blacktown to Parramatta a couple of years ago. The energy consumption dropped. I actually might have made a note of that; it was a very substantial reduction. When we were at Blacktown we were averaging 861 megajoules per square metre per annum. We relocated to Parramatta, made some adjustments. We got it down to 530 megajoules per annum per square metre. Similarly, with the relocation out of Centennial Plaza we pulled our megajoules per square metre per annum down from 636 to 376. Those sorts of initiatives are pushing us towards achieving those targets.

Mr NINOS KHOSHABA: Whilst I understand many RTA projects obviously involve ensuring that the road is strong and safe enough, whether it is a road, bridge or whatever, can you think of any difficulties the RTA would face if it had to adopt a mandatory sustainable procurement policy?

Mr WELLINGS: I think the question there is what the policy says. I do not think we have any objection to that. It is whether it actually assists you in identifying and adopting environmental sustainable solutions or if it just gets in the way of them. It is really important to understand what we are entering into. Because we have roads and bridges that are designed to last 100 years or more in really tough conditions, we have to have really tight standards and specifications with what we use. We encourage the use of all sorts of alternative materials and new technologies, but before we use them in our projects we want to make sure they are right. So, having a drive to do it in a hurry because there is time spent in research, if we have policies that allow us to accurately assess new materials, that is fine.

Mr TOUT: Can I just add to that?

Mr NINOS KHOSHABA: Yes.

Mr TOUT: The other issue is that different projects have different issues. It is not a one-size-fits-all solution. If you look at the bridges over the Karuah mangroves, for example, there was an issue of trying to preserve an environment and not endanger it by building a bridge. The real issue there was a design solution in building the bridge in situ on the bank and pushing out over the mangroves so that you do not impact on the mangroves themselves. In another case, if you pick up the Kiama bypass, the solution there was that there was an opportunity to use hundreds of thousands of tonnes of crushed slag as part of the road base. That was a different opportunity in that particular project. I think the problem with talking about sustainability is—

CHAIR: Is that a good or bad thing?

Mr WELLINGS: That is a good thing because the slag is a waste product. It is produced at Wollongong at Port Kembla. It is transportable economically.

CHAIR: Because it is close by?

Mr WELLINGS: But you could not mandate the use of such material with a wider radius because you are actually using energy to transport it and it becomes counterproductive.

Mr TOUT: One is a design solution, which is really the environmental sustainability question. In the other case it is use of recycled materials. That is probably the difficulty with one-size-fits-all type solutions. You really have to look at what it is you are trying to procure and the opportunities in relation to that procurement.

CHAIR: Quite a few people have made that point; do not wrap us up in red tape and say this is the answer.

Mr TOUT: I think what people could benefit from, to be quite frank, is better information and better practice. What are the success stories across government? The RTA has one strength in that procurement is almost part of its core business because it delivers infrastructure. Therefore, it has support staff that can benefit from the lessons learned at the front pointy end of the business. We have specialist environmental people engaged from whom you could take advice. Because of the nature of the beast, we have people who are highly trained in those areas. Other organisations do not have that luxury. Their core business has got nothing to do with procurement; that is an aside. When they come to procure they really have got nothing to go on. It is what

they think is a good idea on the day. If they had access to what are best practices, what do people like the RTA do, what do people like Sydney Water do, what do the health services do, what are their successes, it might help encourage their thinking. The other thing is probably training of procurement officers so that they start to think outside the square a little bit and get to know what other people are doing. There is now a Certificate IV course for procurement. It only touches on the environment marginally, but better procurement. If you think about procurement properly, environment will always be a consideration. But you have to be aware of it in the first place and what opportunities might exist.

CHAIR: Those two points raised are very poignant to the information we are seeking. Thank you for that extremely good advice. Is there anything further you would like to say in closing?

Mr TOUT: Not particularly.

CHAIR: Thank you for attending today. We very much appreciate it, particularly your expertise.

(The witnesses withdrew)

PAUL NEVILLE HOPKINS, Chief Procurement Officer, Department of Education and Training, 35 Bridge Street, Sydney,

IAN KENNETH JAMES, Tender Officer, Department of Education and Training, 35 Bridge Street, Sydney, and

PETER ALLAN TROY, Senior Strategy and Contracts Analyst, Department of Education and Training, 35 Bridge Street, Sydney, affirmed and examined:

CHAIR: Welcome and thank you for appearing to provide evidence at the Public Accounts Committee Inquiry into Sustainability Procurement. I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected against legal and administrative action that might otherwise result in relation to information you provide. I should point out also that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. Would you care to make a brief opening statement?

Mr HOPKINS: I just have a couple of paragraphs here that I felt may be a good preamble about education and procurement. The Department of Education and Training is a large organisation whose efficient management requires a level of devolved operational responsibility. Accordingly, many business and development objectives are implemented directly from office and business unit level. Procurement is a function whose activity has been historically and broadly devolved. The executive has recognised the need for evolvement to a more coordinated approach to procurement across the organisation in order to better leverage the spending power of the department, establish product and service standards, and for monitoring expense management performance. Accordingly, the procurement directorate was established with the objective of reducing costs, improving product and service quality, implementing relevant government policy and delivering of social equity across schools in purchasing their requirements. The directorate has been fully operational for just over 12 months. Sustainability is a key area of the department and it has been actively incorporated into the school curriculum. It is delivered operationally as business level initiatives and supported essentially with procurement advice and products such as contracts, process advice and cost analysis. I just composed that a little while ago to set the scene a little bit as to how it works in DET.

Mr PETER DRAPER: The submission that you put in, which was very good thank you, notes that the department follows "the standard assessment process, which is to purchase the most sustainable product where it is cost neutral or favourable". By "cost" do you mean the initial purchase price or is it something else that you consider?

Mr HOPKINS: That is a fair question. In procurement, price means, if you like, the retail or the acquisition price. Cost for us is the acquisition price, the operating cost and the disposable costs. So it is the total life costs or the life cycle costs, as they are always called. So whenever we use the word "cost" that is what we mean.

CHAIR: So price is one thing, cost is another?

Mr HOPKINS: Cost has a component of price and has everything else.

Mr PETER DRAPER: All the other whole-of-life contributions. Where does the department find information regarding the environmental credentials of the products that you are buying so that you can determine which one of those is more sustainable than another?

Mr HOPKINS: Like most buyers we take the first level of information from the suppliers themselves. They are looking to enhance their product and their reputation and they provide us with information about sustainability issues and environmental issues. We also make sure that we ask for that information whenever we put a tender out or request a quote or work through the Department of Commerce, we insist that it is in there as well. There are eco-label accredited organisations, as you would know, some with regard to water and electricity usage in white goods. There are ISO standards, which is about the process. We refer to all of those and use third parties.

Other than that, like Rod Tout before me, we are left to trust the validity of what is submitted by the supplier. But where it is crucial to us we will undertake site visits or we will use third-party testing organisations

to validate the claims. This could be the longevity of light bulbs; it could be the service to maintenance ratios for copier products and so forth.

Mr GRANT McBRIDE: What is the total of your procurement annually?

Mr HOPKINS: Spend?

Mr GRANT McBRIDE: Yes. How much do you spend—that is a good way of saying it?

Mr HOPKINS: It is about $1.3 billion.

Mr GRANT McBRIDE: In total?

Mr HOPKINS: Yes.

Mr GRANT McBRIDE: You are saying that you devolve the actual expenditure to the school or the principal or whatever? What percentage of your total costs—

Mr HOPKINS: The budget of DET is around about $11 billion and there is about $1.3 billion involved in goods and services expenditure. About $800 million of that is in capital and the remaining $600 million, roughly, is involved in goods and services. The majority of that expenditure is managed by contract but a lot of procurement, as you probably heard from other professionals, does tend to be situational, and so a lot of schools who may be buying perishables who want to support initiatives of their community will make choices that are maybe not exactly in line with what the contract would request of them but it is in line with their purchasing delegation to make decisions within their delegation where they believe this is the right decision for operational efficiency. So the expenditure level it is very hard to say. I would say that most schools and TAFEs and corporates work within the guidelines and the contracts we put in place and therefore hundreds of millions of dollars would be spent under contract.

Mr JOHN TURNER: When you say "under contract", would that contract be, say, Centro you contract much of the stuff with, and if so, what directive do you give to Centro in relation to sustainable procurement or do they try and sell their wares to get the contract on their ability to purchase sustainability?

Mr HOPKINS: I am not quite sure what you mean by Centro? Centrally?

Mr JOHN TURNER: Who is your main contractor to schools—the Dutch company?

Mr HOPKINS: You mean in the facilities management area?

CHAIR: Are you talking about maintenance?

Mr JOHN TURNER: I am talking about the provision of stationery and—

Mr HOPKINS: Corporate Express?

Mr JOHN TURNER: That is right. I do not know where I got Centro from.

Mr HOPKINS: Corporate Express is one of those contracts. There are two types of contracts, I would suggest to you, one is from Commerce, which is the State government contracts that we use, and then there are specific contracts to DET. Many of those specific contracts are still undertaken underneath the State contract; in some contracts they are arrived at separately because of a particular client requirement DET has. Corporate Express is a contract supplier that was arrived at under an RFQ—request for quotation—under the State contract number 506, which is still current and under extension. They provide office products—stationery-based products. That contract has more in it and other parts of that contract are provided from the State contract and they are items like educational supplies, arts and craft products, scientific products, and they have been provided by what was Q Stores—bought out by OfficeMax. That contract was a different contract; it was established by Treasury. When they sold Q stores there was a commitment given on behalf of the government that DET would purchase goods to a certain level of expenditure off that contract.

Mr JOHN TURNER: In relation to Corporate Express, does the Department of Education direct them in the manner in which they are supposed to buy their product—

Mr HOPKINS: Schools?

Mr JOHN TURNER: Yes. As far as sustainable procurement goes, somewhere in that contract with Corporate Express there is a clause that says they must buy sustainably procured items?

Mr HOPKINS: That schools must buy or Corporate Express?

Mr JOHN TURNER: That Corporate Express supply to our schools.

Mr HOPKINS: What we do is make sustainable products or green-based products known to the schools and they are offered as choices on most occasions. Sometimes we will have a product where it will be specified but most of the time it is optional, and why it is optional is because it costs more—on most occasions. Costing more sometimes is incremental, but with our scale of expenditure incremental is significant. I will give you an example. One of the examples is paper, which is a classic recycle issue. Recycled paper retails for around about $5.26, $5.28, something like that, on contract.

CHAIR: Per ream?

Mr HOPKINS: Per ream—500 sheets. Schools are also buying imported paper off the same supplier for around about $4.06. So we are talking about a 28 percent difference in cost. We have 2.4 billion sheets that are used every year. For us to put everybody—that is the issue about if we mandated this situation—that would cost us $10 million extra year just in using paper. There are many more examples of that. Recycled paper, waste. It used to be a big market in the international area where they take scrap paper away and they would make new paper products. They would take that for free; they would come and pick it up. It was a resource for them that they could get for nothing and they were happy to pick it up. The international market collapsed under the GFC; they will no longer do it for free, they will charge you to pick it up. So we have a situation now in all the regions, all the schools, where waste pick up is around about $53 a service and that recycled paper is $48 a service. That is $48 we do not need to pay because there is room in the waste bins. We could just dump the paper into the bins and not pay $48. It is very difficult for us to say to schools "you must" when it is their budget to manage the operation of their schools. We say "you must" when we know it is the right thing and you can save money but when it actually costs more and it is more a judgement call in a situation, we provide options to school principals.

Mr ANTHONY ROBERTS: Correct me if I misunderstood you there. There is certainly a significant program within the Department of Education with respect to teaching young people the importance of environment and recycling. You are saying that in fact we are following a process whereby we are sending recyclables to waste rather than recycling, because of the current climate?

Mr HOPKINS: No, I am saying that that is the cost we are paying for recycling. Schools are choosing to still recycle.

CHAIR: If they want to?

Mr HOPKINS: If they want to, and they are continuing to do it because they are choosing to do it. But they are coming to procurement saying, "Can you get me a better price? This is costing me an arm and a leg", and we cannot. So the option is yes you can save the money. We are investigating with local councils to see if we can ride off the back of some of their decisions and get something more cost efficient for the schools, but it is a process we have to engage in. But at the moment most schools are prepared to pay that money for the very reasons you said. It is called SEMP in our schools—the Student Environmental Management Plan. It is never phrased this way but I will phrase it this way to you: it is really trying to get behavioural change; trying to create new ways of thinking in school students, and of course the best way to teach people is to do it yourself.

CHAIR: Do you know what proportion of paper audited in the Department of Education And Training is recycled, for example?

Mr HOPKINS: I do not know that information. It probably would be available to us in a series of reports from many suppliers but my guess would be it would be up around 25 to 30 per cent. It depends on

schools and their circumstance. Some smaller schools will buy it because they do not have a lot of demand for paper and so the incremental cost to them may be around $20 or $30. But for a very large school that is printing a lot of stuff it could be $1,000 a month and they will choose not to do it.

CHAIR: So when you said there are things you do mandate where there is no cost—things like printers are defaulted to double-sided—

Mr HOPKINS: That was my example. You took it off me. It is a good example.

CHAIR: Any others?

Mr HOPKINS: Also, we tune colour copiers into black and white as default too. Now that they are networked products—obviously print emails and faxes go there as well—they do not need to be in colour, so we default into black and white, we default them to duplexing. This is what in procurement you refer to as consumption management rather than demand management. The requirement for printing is unchanged but we are managing the consumption of paper by duplexing it or reducing use of colour. Demand management might be where we instead of printing it we say "Don't print your email" or "Don't print the newsletter, read it on screen". So we change the demand pattern for printing, and we try to use both of those when we can. We use a lot of environmental products in janitorial because there is much more clearer support for that because there is not so much chemical being sprayed around the school where there are young children and young people. Although that can sometimes be a little dearer it is closer to cost neutrality and the value that we get is worth the extra cost we pay.

CHAIR: How do you go and get that? Is it a judgement call?

Mr HOPKINS: That is a good question. I think on that particular one you would make a judgement call. You could validate it by how many people do not get sick but that is not a very good statistic to have running around.

CHAIR: How do you collect it? You could do absences, I suppose.

Mr HOPKINS: Absolutely you could, but probably there are a lot of intervening factors: you do not know whether it is a contribution by the cleaning product. But there are a lot of things like productivity improvements, and where there are productivity improvements you will quantify them probably in man-hours and dollar costs. Although we know they are efficiency gains, they are not to the bottom line—you cannot deploy that money somewhere but we will try and quantify the value in dollar terms. What that might mean if it is a productivity gain is that you might be able to say you have saved 1,000 man-hours so that should mean 1,000 man-hours extra given to other activities so you do not need to get temporary staff or you do not need a new person because you have just saved so many hours. It is a justification for us to help manage the resource profile.

CHAIR: Which you then do not take from the school?

Mr HOPKINS: If we can.

Mr ANTHONY ROBERTS: Do you promote the end of the process? Does the department collect figures relating to the amount of waste and the recycling that occurs?

Mr TROY: At the moment there is not a coordinated approach to picking it up and some schools are doing their own thing. From January 2010 we are putting together a new curriculum that will be around environmental education, and that will be launched. Many items will be covered in that—issues to do with utilities and methods to save on the environment. As part of what Paul has been talking about today, a number of contracts are in place for the recycling of computers, imaging devices and other things that form a part of those contracts. From 2010 there will be a whole syllabus—and I am not absolutely certain of this—from primary school year 1 up to high school year 10. Quite an extensive program has been be written across all that, and the fundamentals of that are on sustainable teachings for children—teaching them life skills that they can take with them after their school life.

Mr ANTHONY ROBERTS: The key point I am making is that it is not just a question of walking the walk and talking the talk; it is important to have some level of measurement at the other end. You three

gentlemen could be out there saying, "These are our goals and this is what we will do. Is it not fantastic?" But it might not be coming out at the other end of the pipeline.

Mr TROY: From July 2010 there is to be reporting by the department. That will go through the Department of Environment and Climate Change and then up to the Federal Government and there will be a reporting of recycling of waste and of all those types of activities. We are moving contracts towards being able to gather that information. An example of how we are doing it is that as part of the National Solar Schools Program we have taken a unique position that no other State or independent school has taken—that is, we are getting all the information sent back to a central data warehouse in relation to the solar power being generated, the green power going back into the grid, as well as the consumption coming out of the grid owners.

The grid owners are participating in a program of sending that data direct to our data warehouse and that information will be loaded up. That will save schools manually having to report what they have been saving through this process. We will have that information at 8 o'clock each morning, the day after it happens, for 365 days a year for the next 20 years, as that is how long the program is supposed to last. Within 12 months we will be looking at putting on a number of schools for the capture of all their water information. As we roll out rainwater tanks and other water-efficient products we will be able to monitor the benefits that that has brought to a school community by getting it live from the site and not asking the schools to trace it.

The schools will have a web-based page on which they will have web graphs from which they will be able to monitor what has happened with consumption in their schools. As part of the new syllabus that will be out next year they will be able to do example programs and test the water to bring improvements to their schools through those types of programs. On top of that waste contracts will be able to gather up the weight of the waste that is coming out. Part of my role, which is a new role, is to do some strategic things. We will look at things holistically and look for long-term change rather than a quick fix, better price contract in the short term.

Mr PETER DRAPER: Are you aware whether other agencies are doing the same sort of thing? Do they have those tools? Are there things you are doing particularly well that others should also be doing?

Mr TROY: Each major agency such as Health, our department, and a few of the other larger agencies are working closely with the Department of Environment and Climate Change on a reporting regime for waste. They are putting together some recommendations on reporting format so that we can all report in a similar sort of way. Those sorts of steps have been taken mainly over the past six to eight months. We have not yet finalised them but we know that the date for starting to report up through the streams is coming soon. We fought hard to get this method for the National Solar Schools Program because it will immediately save time at a school level through the school administration managers. It is also leading to us getting instant information. We are just starting to roll out the program. Over the next five years, hopefully, 1,700 or more schools should end up with solar panels on their roofs and this information will be reported directly to the department on a day-to-day basis.

Mr PETER DRAPER: Can individual schools access that information?

Mr TROY: Absolutely.

Mr PETER DRAPER: I gather that the director for the area would be able to look at the whole area as a unit?

Mr TROY: They will be given a wide range and asset management groups will need it for other issues. At the moment the big thing in schools is water leakage. This sort of information will come to us quickly and trends will be shown on graphs, both for the school and for the department. We will have access to all this information directly ourselves. The sorts of steps that we are taking involve looking at the future rather than at a short-term opportunity. We have been pretty quiet about getting this resolved for schools because we wanted to make it work for our schools and not necessarily give everybody across Australia an opportunity to follow suit.

CHAIR: Will students also receive this information?

Mr HOPKINS: That is pivotal to the solution. Those web graphs and that information will be incorporated into the curriculum. The results of their activity will be manifest in reduced consumption. We want to take that learning back to their community. As they grow up those citizens will act responsibly in their management of energy.

CHAIR: Do you suspect that once they see the amount of paper they are using that will affect supply? When they see how much non-recycled paper there is they might demand that the school change its policies.

Mr HOPKINS: I think you are right. One of the important issues raised earlier by Mr Roberts was the need for and the importance of information. Information is powerful as a communication tool. We are looking to get more and more of that information. That is one of the reasons why we are trying to centralise supplies to fewer suppliers. First, we can leverage our purchasing power and get better pricing and, second, we can coordinate information. I refer, for argument's sake, to stationery. When we carried out a deep analysis we found that we had 399 suppliers of stationery. There is no way that you can coordinate information about what you are spending and about what you are not spending.

CHAIR: Or pay your bills on time.

Mr GRANT McBRIDE: One of the schools in my electorate has done the water waste measurement and at the moment it has a display as part of its science class. When you go to solar panels and those sorts of things will that procurement take place through your organisation?

Mr HOPKINS: We mange it but it is also worked through asset management, or the regional asset management areas. They manage the building asset and they need to determine the right product and whether the structure is capable of holding the new asset. They also need to advise about where a rainwater tank should be put for best effect and so forth. We coordinate the program but site decisions are the responsibility of asset management.

Mr NINOS KHOSHABA: How involved were you with the supply of laptops for high schools?

Mr HOPKINS: We ran the tender to the marketplace. To be fair, the strategy was designed by IT and, in particular, the CIO. Is there an aspect about it?

Mr NINOS KHOSHABA: We are talking about a tendering process. The laptops would be a good example of a number of things you would need to consider—battery life, electricity and the size of the laptops.

Mr HOPKINS: Absolutely.

Mr NINOS KHOSHABA: You would also need to consider end of life, whole of life and all the rest of it. I know that it was a Federal initiative but I am assuming that each State was responsible for implementing it?

Mr HOPKINS: That is right. It is a good question and you made a few good points in it. It is worth explaining to you the value of this strategy. Earlier Peter said that the Department of Environment and Climate Change took a lead role in the way in which the National Solar Schools Program went forward. It played a brave role in the solar panel and rainwater program. That is a Commonwealth sustainability program. The Federal Government's digital education revolution program provided funding for student computers. Our CIO and his IT team came up with a strategy relating to laptops, or netbooks as they have been referred to. Netbooks are smaller to carry around and they are not as heavy. They can be put in a bag and they are cheaper to buy, so that is a good and sound strategy.

The idea was to carry school past school hours so that people could continue to work on whatever they wanted to work wherever and whenever they wanted to do so. The idea also was to create improved social networking opportunities for some students who have fewer social skills. So there was a lot of value in what we were doing. Obviously that is the future we are facing right now. However, we needed to get that to work. We had to cost the exercise. If it went to desktop computers we would have had to ensure that the buildings were more secure because of the assets in them. I have had one school that lost 56 Apple computers. Four weeks later we had to replace them because they were stolen again. It is a big issue.

Now we will no longer have this issue because each student will be the security guard of his or her product and he or she will be taking it home. The second issue was the extra drain on electricity resources if there were hundreds of thousands of computers. In the first rollout for year one there were 220,000 computers. If there were hundreds of thousands products the electricity drain would be enormous and we would have to create new infrastructure inside the schools and new infrastructure inside the grid. So we pushed that back to the consumer.

Mr PETER DRAPER: It involves cost shifting back to the parents.

Mr HOPKINS: It does to recharge it back in the environment, as students will use these computers at home. That is what we did. We had to create a battery that would last for a school day and we came up with a brand new battery. The great thing about it is that you recharge it less, so you use less electricity as it is well designed, and you have fewer batteries in landfill because they last longer. There were some ancillary sustainability benefits driven by the demand to cut costs.

Mr JAMES: I wish to add to the comments relating to the environmental and recycling issues. The company that has the contract to roll out the netbooks is using Sims E-Recycling. It claims a 95 per cent to 98 per cent recovery of all materials and commodities from all e-way streams. That is a pretty high recovery rate when you consider that that is new technology for the batteries. We have required the contractor to warrant the batteries for four years, which is from year 9 through to year 12. After that we will have a recycle program in place with Sims E-Recycling.

Mr HOPKINS: There is another good initiative. It was decided to give the students the laptops when they left school. We put ownership on the products so that they would look after them. As soon as somebody thinks it is a Department of Environment and Climate Change product they may damage it in the hope of getting a new and better one. But that is not their view when the product is theirs.

CHAIR: Work cars do not need oil. Thank you very much. We really appreciate your advice. It has been extremely knowledgeable.

Mr HOPKINS: I have brought this book and I understand that I need to leave one here. It contains a lot of information that pertains to sustainability that we access through government.

CHAIR: Thank you very much; it is much appreciated. Mr Hopkins has tabled a folder entitled "Public Accounts Committee Inquiry into Sustainability Procurement."

(The witnesses withdrew)

DAVID ALAN GATES, Chief Procurement Officer, Department of Health, 73 Miller Street, North Sydney, and

GERALD DUNCAN KOHN, Deputy Director General, Strategic Procurement, Department of Health, 73 Miller Street, North Sydney, affirmed and examined:

CHAIR: I welcome the representatives of the Department of Health and thank them for appearing today to provide evidence on the Public Accounts Committee Inquiry into Sustainable Procurement. I draw to your attention that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I point out also that any deliberate misleading of the Committee may constitute contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. I invite you to make a brief introductory statement.

Mr GATES: I note that sustainable services generally are a key objective for New South Wales Health, and we come at it from both financial and environmental perspectives. It is driven in large part by the State Plan, which, in effect, says that we will take account of those factors and that those factors will drive demand on health services into the future. The environmental impact of our services is fundamentally important to the planning of health. A key factor about New South Wales Health is that we are very large: it is a very large health system. We have approximately 400 sites across New South Wales, from large hospitals through to community health centres. That means two things: first, that a change to elevate environmental sustainability in Health means that it is culture change agenda as well as a physical change agenda, because it is winning the hearts and minds of a lot of people who operate in the health system.

We are the largest New South Wales government consumer of building-based energy: about 50 per cent of building-based energy is by New South Wales Health, with equal statistics in water. We expend more than $78 million per annum on utilities, so we are a large user. We also have a large fleet of 7,428 vehicles. So, again, we are a big user of vehicle services.

Over the years we have been a major user of the Government Energy and Water Efficiency Investment Program [GEEIP]. We have had approximately $28.9 million worth of loans driving change within Health. A typical example would be an environmental strategy for Westmead Hospital, which would be reconfiguring lighting, access points, and the way we use energy right across the hospital. In 2006 we started to develop strategies. Firstly, we developed an energy and water savings action plan and followed that up in conjunction with the Department of the Environment and Climate Change to do an environmental sustainability strategy. That was completed in 2008. It has targets of reducing greenhouse gas emissions to reduce water consumption and to change our fleet structure and composition. It has nine priority action streams, one of which is sustainable procurement.

We have been working on that, and the majority of work to date has been done through the Sustainability Advantage Program. We have used that program because it goes back to the issue of culture changes, the question of engaging the health system, not just the Department of Health. The advantage of that program is that it has given us the mechanism to, in effect, engage a whole variety of administrators across the system. One of the key issues in Health is that procurement strategies, in particular, need to be compatible with the issue of patient safety. We are significantly constrained by the Therapeutic Goods Administration provisions. Those issues sit beside sustainability as the drivers of what we do.

We have been quite successful, particularly in areas of building. For us, building works are probably the easy side because our design guidelines can specify the requirements about environmental procurement. So all of our new hospitals are achieving four-star ratings in their design. Probably that is enough of an opening statement. The use of whole-of-life-cycle costing methodologies is probably the key to both large-scale procurement of facilities and also of our goods and services procurement increasingly these days. In our answers to your questions we will cover a couple of large procurement projects that focus on that whole-of-life-cycle management, and that gives us the ability to build in environmental strategies.

Mr JOHN TURNER: You just said that you would give some examples. Would you like to lead into that now?

Mr GATES: In terms of facilities, both the Liverpool Hospital and the Royal North Shore Hospital will be four-star projects. That was written into the specifications for those projects as it is written into our building guidelines.

CHAIR: Mr Gates, is that the National Australian Built Environment Rating System?

Mr GATES: Yes, that is part of it.

CHAIR: Is that for all new products, all new buildings?

Mr GATES: It is a guide, so it is for the people who design buildings. The trouble with that standard is that it is fairly unproven in Health facilities. It works well in office blocks, but it is unproven in health facilities and how well it can be scored.

CHAIR: You use the methodologies, but you do not necessarily get the comparative efficiencies?

Mr GATES: Yes. The difficulty really is the additional cost of putting in environmental strategies. That is a problem for us. For instance, the GEEIP was very useful to us in having a method of injecting funds upfront to achieve an outcome. With our new large-scale project essentially you often have to go back to Treasury and say that additional funding is needed on a whole-of-life-cycle basis that works. Treasury will listen to those arguments, but we had to mount those arguments

CHAIR: Do you have an example of the additional costs of complying with the new building regulations standards? What will be the increase in costs?

Mr GATES: I should take that question on notice. From memory, on the Royal North Shore Hospital there was an additional cost of about $60 million to achieve the life-cycle benefits that we wanted to achieve. That was putting in grey water, additional energy efficient measures, and other measures.

CHAIR: You suspect it would have recovered that $60 million over the life of the product?

Mr GATES: Yes.

CHAIR: How long is the life of a modern hospital?

Mr GATES: The design life of a hospital is 40 years. With a public-private partnership [PPP], which that one is, the concession period is 25 or 28 years in that case, but the difference is that a private component will operate that facility for 28 years and, therefore, it can recover its up-front cost.

CHAIR: So why did it need supplementary funds from Treasury?

Mr GATES: Because of the way that PPPs work: you have to have the money within the Health capital program before you can invest it. So, in effect, you are converting funds that are available to Health to a rental stream. It is a different story, but because it is social infrastructure you have to have the money within the Government before you can do those things.

CHAIR: I understand that you have to make the financial decisions, either in relation to traditional financing or more contemporary financing, after you bank the money.

Mr GATES: That is right.

CHAIR: I am glad to see that you are complying with State Government policies.

Mr ANTHONY ROBERTS: We understand the complexities, particularly with the medical profession when it comes to the procurement of goods and services, but how has Sustainability Advantage actually helped you when it comes to procurement practices? How do you work that through?

Mr GATES: I would have to start by saying that we are in the early phases with sustainable advantage. We have been going now for about eight months, I suppose.

Mr KOHN: Yes, about that.

Mr GATES: We started off with a diagnostic workshop whereby we pulled together at two levels a number of executives across the Health system. They were chief executives from Area Health Services and the Department of Health—so all the Health system. That was the first step. Coming out of that we identified a number of key areas of work, and the first was Vision, Commitment and Planning; in other words, how we build sustainability into our overall vision, commitment and planning. It also included stakeholder engagement, which is how we turn the minds of 100,000 staff in a big Health system; Supply Chain Management, which is essentially the procurement stream; and Resource Efficiency, which is around measuring and monitoring. What we then did was form working groups in each of those, again being led by the sustainable advantage team. Those working groups are now working through the issues. If you wish, I can cover the preliminary outcomes in procurement, but at this stage they are preliminary outcomes.

Mr ANTHONY ROBERTS: Effectively, what you are saying is that you are building the plane, but you have not yet taken off?

Mr GATES: We took off in 2008, I think, by having a sustainable strategy for the next five years. In effect, that went to our executive and it was spread out to the Health system. But in terms of definite action, yes, we are building the plane and have not taken off.

CHAIR: Be careful of mixed metaphors from Mr Roberts or you will be landing and going around trees and all sorts of things.

Mr GATES: We are not going anywhere near Kokoda.

Mr ANTHONY ROBERTS: With respect to building the structure and this procurement plan, what are you doing about seeking and measuring outcomes from that? There is a constant thread that seems to have come through over the past two days that while there is leadership at the chief procurement officer level and the deputy director level and whatnot, there seems to be little in the way of measuring the outcome to see how successful the implementation is. Taking into account that we have not taken off, when we do take off, do we know when we are going to land and how long it will take?

CHAIR: Save that for your memoirs, or the STA will get roundabouts!

Mr GATES: I am sure that you will find across government that data and good information, which can enable decision making, is a common problem. Health is no different to that. We are a system that traditionally has provided services rather than costed the services on a fee-for-service type of basis. The resource efficiency stream is really looking at that whole issue of metering and measurement. We have been doing that for some years, but it really is still patchy across the Health system.

CHAIR: So what are you measuring?

Mr GATES: Energy and water usage.

Mr KOHN: There are several other areas in which we are progressing as well. We are developing a series of key performance indicators particularly around goods and services procurement at the moment to understand exactly what we are purchasing. I should also say that through the introduction of a transformation program in procurement—which is linked in that we are going down the path of shared services—for the first time we are getting information about our goods and services used on a system-wide basis. At the least we can understand what we are using and we can now start to develop environmental key performance indicators to measure our environmental and sustainability performance around that, which is part of the next steps that we are starting to work through with Sustainability Advantage.

Mr GATES: In effect, the shared corporate services program started in 2006. We now have got to the point where we have two transaction centres that service all area health services. Those transaction centres run finance, payroll and procurement at the moment. By the end of next year they will be right across the Health system, so we now have an item master file. In effect, that means that all our goods and services are recorded on an item master file. Because we have two transaction centres rather than 17, or more recently eight area health service financial systems, we can match across the Health system. It is a significant advantage for us in terms of procurement intelligence.

CHAIR: Once you start to measure those and do your analyses, if you find a product that you are currently purchasing, and purchasing in reasonable numbers, and it is not efficient or has unsustainable indicators, will you then remove it from the procurement, or do you just promote alternative products?

Mr GATES: The way we would do that—say, remove it from procurement—is really through a contract base. In the past we have worked through the Commerce contract system whereas Health-specific contracts now have been transferred as at 1 July to Health. We will be reletting our own contracts going forward. All of those contracts have built into them environmentally friendly and supply chain considerations, as I am sure Education might have mentioned. The supply chain is very important in Health. It is very important to how we optimise that supply chain. That is the other significant consideration that we would be taking into account.

Mr KOHN: I add that, in general, we have very clear systems whereby we can identify which products are going where. We need that for safety reasons, if there is a need to work with medical products or something like that. We do have reasonable control through the two transaction centres and a contracts structure over what is available out there and what people can buy. Particularly given the constraints that the Therapeutic Goods Association [TGA] places on the sorts of products that can be made available as well as packaging and the like that they are in, we find there is a very strong link between driving efficient financial outcomes and efficient sustainability outcomes. Certainly if we are in a situation where we find that there is a product that has extremely high environmental costs, we would normally expect that that will also be reflected in the high-cost of production and an associated high financial cost. That would tend to force or encourage us to use alternative products in any case.

Mr GRANT McBRIDE: From your earlier comments I get the impression that the software was not linked across the whole of the network in terms of wages or anything else at all. Is that what you were saying?

Mr GATES: The history of Health in New South Wales is that you have a Department of Health, which we still have. That has a policy regulation and resource distribution function. You also have Area Health Services that were separate corporations. Those separate corporations had their own financial systems. While they were the same financial system, Oracle Financials, they were different implementations in different data centres. The big change in Health is about now having a common financial system right across the Health system and a body that can drive reform behind that.

Mr GRANT McBRIDE: Does that apply to the medical side of things as well? Do they have software related to their own institution rather than software that is related to other areas? By that I mean that they could not plug into each other.

Mr GATES: It varies. The history of IT in Health is essentially strategic products being implemented, but strategic products being implemented by each Area Health Service. The current approach—and there has been a major commitment by this Government to IT over the next four years—is very much more streamlined using the shared corporate service business to drive it.

Mr GRANT McBRIDE: As the system rolls out, you can actually achieve those outcomes in terms of sustainability, et cetera, but until that is completed, you really do not have total control of the system.

Mr GATES: It goes back to the intelligence information base. We now can accurately tell who our suppliers are. Three years ago we had great difficulty doing that.

CHAIR: I imagine that a lot of it is cultural as well. In other agencies so you may have a focus on financial outcomes and less on environment, although the whole community is shifting, whereas in Health I imagine that you also have other drivers in terms of safety and medical outcomes. Financial is probably a distant second and environmental possibly may be over the horizon. I imagine there is a bit of cultural training. You set the standard centrally and enable people to respond. Is that what happens?

Mr GATES: The advantage of Sustainability Advantage really has been that we have been able to engage a lot of people in the planning change. That is its real help in relation to what we are doing. The two are not incompatible. Those three different objectives are not incompatible, but getting people to turn their mind to it and commit to it in an industry that is under significant demand is the real issue.

Mr GRANT McBRIDE: For how long has your unit been in existence?

CHAIR: Procurement?

Mr GRANT McBRIDE: Yes. For how long have you been the Chief Procurement Officer?

Mr GATES: I have been that for two years, I guess, but I had "procurement" in my title probably for another two years before that. We made that change as part of an across-government change. In effect, we were trying to champion that concept of procurement as an important stream of decision making. Gerald's strategic procurement function really has been around the issue of how we plan strategy around procurement. That is basically by five-year plans, three-year plans and a one-year plan plus the whole change to—

CHAIR: Better services and value?

Mr GATES: And a move away from a Commerce-driven system to Health-specific contracts.

CHAIR: That is very interesting. The Committee wishes you all the best in your challenges ahead. Thank you for providing evidence to the Committee today. It is very much appreciated.

Mr GATES: Thank you very much.

(The witnesses withdrew)

DAVID ALLAN GOSLING, Environmental Manager, State Transit Authority, 219-241 Cleveland Street, Strawberry Hills,

PETER GREGORY ROWLEY, Chief Executive Officer, State Transit Authority, 219-241 Cleveland Street, Strawberry Hills, and

DONALD JAMES NOLAN, Contracts and Procurement Manager, State Transit Authority, 219-241 Cleveland Street, Strawberry Hills, sworn and examined:

CHAIR: Thank you all for appearing before the Committee today. I draw your attention to the fact that your evidence is given under parliamentary privilege and you are protected from legal or administrative action that might otherwise result in relation to the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. Would you like to make a brief introductory statement?

Mr ROWLEY: The State Transit Authority is the biggest bus company in Australia. We have over 4,500 employees and we operate over 2,000 buses in and around the Sydney region. There are four contract regions within that operating area bounded by La Perouse in the south-east, Palm Beach in the north-east, over to Epping in the north-west, down through Parramatta and over to Hurstville and then over to Botany Bay. We operate 89 million kilometres every year. We carry 600,000 passengers every day. Our fleet is a mixture of both diesel and natural gas buses. Of our fleet 65 per cent is air-conditioned, 54 per cent is low floor wheelchair accessible, 27 per cent is powered by compressed natural gas and 8 per cent are the new Euro 5s—they are diesel buses I might add. We operate bus services under contract, the metropolitan bus service to the Ministry of Transport [MOT], now the New South Wales Transport Infrastructure. We operate our services from 11 depots in Sydney and two depots in Newcastle. We also have two ferries in Newcastle. By the very nature of our industry we are here to help the environment by getting people out of cars and into buses.

CHAIR: I presume you purchase things as well?

Mr ROWLEY: Certainly do.

CHAIR: This inquiry is looking at ecologically sustainable development in procurement. In very general terms the Committee can see that the Government has some pretty honourable and noble policies around sustainable procurement but we wish to get some evidence as to whether or not that is enacted and whether or not those policies hit the ground—I will try and avoid any analogies—and if those policies are implemented.

Mr ANTHONY ROBERTS: Your submission states that you use whole-of-life costing methods where appropriate to determine the full cost of a product. Would you please elaborate on those models with respect to life-cycle costing and include how you incorporate, particularly in your line of business, safety and quality when procuring those vehicles?

Mr NOLAN: If I can respond to that question? The most comprehensive whole-of-life cost model that we use is obviously for bus procurement, which is a significant procurement issue for us. The model that we use was developed specifically for that type of procurement, taking into account all those factors that lead to trying to assess the total financial cost of running a vehicle over its design life of 20 years, or running it to 25 years. The significant issues that go into that cost model include the purchase price, fuel type, fuel price, fuel consumption and the resources being used in keeping the bus on the road over its life.

The models do not necessarily capture all the non-price criteria in themselves but we do use that to combine with the other criteria such as safety, quality and some of the environmental criteria that we score to reach a total assessed outcome for each product. To answer your question directly, the whole-of-life cost model does not include all the variables that you have referred to in your question but the evaluation process combines them with that cost model to reach an outcome.

Mr ANTHONY ROBERTS: Would you have some sort of matrix so when you go out to purchase a vehicle, or it goes out to tender for example, would cost make up 50 per cent, sustainability 10 per cent, fuel efficiency five percent? Do you have a matrix that you go by and do you include that as part of the tender in how they will be judged?

Mr NOLAN: We do provide criteria in the tender document to the tendering organisations. We would not necessarily provide a detailed breakdown of that weighting. Yes, we do have those criteria identified as things we will be assessing and companies are fully aware of that when they respond.

Mr ANTHONY ROBERTS: Following on from that—and this is something that has come out over the past two days—it is a sort of given that the Government would provide leadership on areas particularly with respect to sustainability. I find it interesting in a leadership role that as a large service provider and a large procurer why would you not go to the marketplace and say: Look sustainability is part of the State Plan. It is very important. There are a number of goals we want to meet. As part of the criteria in selecting your bus over someone else's bus, for example, we are going to place 15 per cent of the criteria on the level of sustainability of that vehicle?

Mr NOLAN: I think that is something that all agencies struggle with as to how much they are going to divulge in terms of the importance of all the various criteria that are used to assess the buses. We not only use a scoring matrix but we also use minimum criteria such as the emission levels that buses must reach. So we are communicating to the market that we are actually looking for something ahead of the legislative requirement. For instance, the Euro 4 emissions requirement is what is required and we specify emission levels that far exceed that as our minimum benchmark. We are setting not only a benchmark but also some additional criteria to assist in getting there.

Mr ROWLEY: Just to explain that. At the moment Euro 4 is only required when purchasing buses. We now purchase Euro 5 and it is accepted in the industry that we insist on Euro 5 as a minimum. Therefore we are actually over and above what is required at the moment.

CHAIR: The Euro 5 is a generation of a diesel engine?

Mr ROWLEY: That is right.

Mr ANTHONY ROBERTS: You should be commended on that leadership role but can I return to the point. If two different organisations come to you with two buses and one bus costs, let us say, $10,000—you wish—which you could argue has a high level of sustainability or whatever, and the other bus while meeting the Euro 5 target is less sustainable but it comes in at $9,000, what is the balance? Is it cost?

Mr ROWLEY: In our evaluation process we have a weighting system; it is just that we do not give that weighting to the actual industry. They are asked for their best options. I think I can give an example. In the most recent contract, the 505 contract, the tenderers all gave different or varying models with different fuel types. Then we were able to select the best out of both natural gas vehicles and diesel vehicles to suit our industry and to suit our risk matrix. I think if you specify a weighting in the actual tender document you could restrict the proponent from giving you the best deal. As long as they are aware that the environmental sustainability is going to be evaluated in the tender process I think that is enough.

Mr ANTHONY ROBERTS: In drilling down on that, and following that logic or train of thought, did the most sustainable vehicle get chosen?

Mr ROWLEY: We actually chose both sustainable options. Our risk matrix was that we had an opportunity to purchase both natural gas and Euro 5, which was at that time, a number of years ago, well in advance of what was to be expected in the diesel area, so we chose to purchase 255 natural gas gases and 250 Euro 5 buses. So we more or less got the best of both worlds.

Mr ANTHONY ROBERTS: Just to clarify it in my head—I am no expert so I will leave the running of the buses to you good gentleman, thanks be to God—effectively the two you went with were the most sustainable out of all offered?

Mr ROWLEY: That is right.

Mr GOSLING: May I add to that? We commissioned a study from the Snowy Mountains Engineering Corporation to look at the life-cycle analysis of compressed natural gas [CNG] versus diesel and out of that we got some results that told us about the benefits of CNG having less health gas particular type emissions versus the benefits of diesel, which were less greenhouse emissions. So that assisted in our decision-making or procurement process.

Mr ANTHONY ROBERTS: How many options were there?

Mr GOSLING: We were considering the CNG bus and the diesel bus, Euro 5.

Mr ANTHONY ROBERTS: So there were two options?

Mr GOSLING: Two options.

Mr ANTHONY ROBERTS: And you chose two?

Mr NOLAN: Can I just clarify that? In total there were 33 different vehicles offered as part of that process with different combinations of chassis body providers, engine technology and a whole range of other different operating characteristics. The best value for money options out of that, which included the whole-of-life costing and assessment of environmental benefits both in terms of the vehicles themselves and the companies that were providing the vehicles to us, went into the value for money determination on what were the preferred options.

Mr ANTHONY ROBERTS: I will finish up here. I just want to clarify this. It came down to this: the two that we chose happened to be the most sustainable and the cheapest?

Mr NOLAN: Not the cheapest, the best value.

CHAIR: For example, how many bus depots have compressed natural gas infrastructure?

Mr ROWLEY: Five. Some depots will not be able to get gas.

Mr GRANT McBRIDE: You have the two buses and then you do the evaluation of environmental characteristics of the two, and there are a number of those such as gas emissions. That is the environmental component and the sustainability component. Was that critical in terms of the final decision? In other words, did someone have a lower price but another had a better environmental sustainability, or was it so close it did not matter?

Mr ROWLEY: I cannot answer that because I was not CEO at the time of the purchase.

Mr NOLAN: I can answer that question directly. The engine technologies being offered right across the board were very similar. There were, however, other advantages from certain companies in terms of their environmental management processes, their commitment to recycling and their commitment to managing the downstream suppliers.

Mr GRANT McBRIDE: Was that aspect pivotal in the final decision even though it is included anyway?

Mr NOLAN: It is included. There are a very large number of criteria.

Mr GRANT McBRIDE: All those aspects were included—the gas emissions et cetera?

Mr ROWLEY: Yes, certainly.

Mr PETER DRAPER: You mentioned whole of life. How long do you keep a bus now?

Mr ROWLEY: Under contract, 20 years. Their cost is written off over 15 years, but as I said recently in the media if a bus is well maintained it can last 25 to 28 years.

Mr PETER DRAPER: What is the oldest bus in the fleet now?

Mr ROWLEY: Twenty-eight years, however it will be mothballed within the next month or so.

Mr GRANT McBRIDE: When you mothball them do you sell them to South Australia and places like that?

Mr ROWLEY: No, unfortunately the market for 28-year-old buses is not real flash at the moment, so we are actually struggling to offload them.

Mr GRANT McBRIDE: How many kilometres would that bus have done?

Mr ROWLEY: Many, many millions. I think one of the articles said you could go to the moon and back two or three times in one.

CHAIR: What do you do with them—scrap them?

Mr ROWLEY: The most recent ones probably will be scrapped.

Mr PETER DRAPER: What percentage of the fleet would be sold once they reach their use-by date and what percentage would you have to scrap?

Mr ROWLEY: It is a bit of an unknown at the moment. Usually we have been able to sell our vehicles rather than scrap them. In fact, we have not yet had to scrap a vehicle. We are contracted to maintain an average vehicle fleet age of 12 years, which roughly works out at a maximum age of 24 or 25 years as the newer buses come in, to maintain a 12-year-old average. Unfortunately at the moment we are in uncharted waters because we have to look at the scrapping option. Normally you can sell a bus to somewhere in Australia.

Mr PETER DRAPER: Going back to your submission, it suggests you have a culture that values sustainability. Are the staff comfortable with and recognised for purchasing products that have a high initial price but a lower whole-of-life component?

Mr NOLAN: State Transit has for a number of years been looking at total value over initial price in its procurement activities. Certainly, as we talked about earlier, for major procurements where whole-of-life modelling is done there is a level of confidence in the results of that value for money argument. Those models have been refined over time and when the criteria for assessment are being developed looking at the whole value argument we try to get quite a good cross-section of the organisation involved in the process. Their input and lessons from current experience are always put into the evaluation process to ensure the outcome will support the best value. To answer your question, I think there is a reasonable level of confidence in the organisation now in accepting the best value outcomes through an evaluation process as opposed to the lowest price.

Mr PETER DRAPER: Has there been appropriate support from Government in developing these sustainable practices?

Mr GOSLING: I would say yes. We have been a member of the Greenhouse Challenge Plus Program for the last couple of years until its recent cessation and that has helped us develop strategies towards sustainable procurement, reducing our emissions and generally monitoring our environmental emissions footprint. There is also the Waste Reduction and Purchasing Policy program, which you may be familiar with, under which we have to report biannually on our waste reduction. There is the Cleaner New South Wales Government Fleet program for our smaller fleet. Finally, there are the more recent New South Wales Government sustainability policy and sustainability targets, which have all helped towards focusing us on sustainable procurement and environmental issues.

CHAIR: Would you like to make a statement in conclusion? If not, thank you very much. We appreciate your time and expertise, particularly in such a unique area of government. It will assist the Committee in its deliberations.

(The witnesses withdrew)

SUZANNE GAI LITTLE, board member of Good Environmental Choice Australia, on previous oath:

CHAIR: Ms Little, who gave evidence earlier today, will make a supplementary submission.

Ms LITTLE: This morning I spoke to you in my capacity as a member of the Metropolitan Catchment Management Authority board. One of the things that I have noticed you have grappled with today, and which we have all grappled with, is the difference between "environment" and "sustainability". Those two words have been used interchangeably all throughout the day. If we were to go carefully through the *Hansard* we would probably find they have been used incorrectly, if you were going to be strict about it, and that people have just used those words to mean whatever they meant in their head, but the words were not always exactly in the correct context.

The reason that sustainability is a difficult concept is because it is only one-third environment. The other third is society and the final third is economics. Because that is not well understood in Australia where people tend to think it is just about environment and society, so you will hear things like—I have heard it today—a 15 per cent weighting for the sustainability criteria. That is actually incorrect. I know it is a stepping-stone towards understanding it and that you will see it in documents, but it is not strictly correct. Sustainability is a balanced decision of all three—environment, benefits for society, and economics. When we talk about sustainable procurement the price is one-third, the environmental criteria are another third and the benefits to society are the final third.

When it is viewed in that way you realise it is not a case of weighting—one-third each or anything like that—it is in fact a final subjective decision. That is why it is very difficult for these decisions to be made and why I have put a lot of my efforts into training the procurement profession because you need the Wisdom of Solomon to make that decision between those three dimensions and to do it correctly in the context in which each person finds themselves.

Another matter I would like to bring to your attention is that in the document that you would have received as an attachment to the submission—it is a sustainable procurement master class that I teach—there is a diagram on page 24 which explains in diagrammatic terms what I have just said about the three dimensions of sustainability. The thing that comes out of that is that people who measure the price in dollars have a tendency to then try to measure water in litres and convert it to dollars or the energy in megajoules and convert that to dollars. It is not necessary to do that. All things can be measured in the units that are most appropriate. We have a tendency to think that things have to be converted back into dollars in order to make the judgement. That is not necessary. It is possible for a well-trained person, particularly a procurement professional, to make that decision. They will say the price is in dollars, the water is in megalitres, the energy is in megajoules and the waste is in tonnes, and whatever other considerations, and they make their decision based on matters that are in different units. It is not an easy task but you do not have to convert it all back into dollars. You can pretend, if it helps, but it is not necessary. It still remains the Wisdom of Solomon to make that decision.

Another matter I would like to draw your attention to is on page 75 of the same manual. Good Environmental Choice Australia has written 45 product category standards for things that people buy all the time such as glues, paints, computers, carpets and cleaning products. It goes on for several pages and includes multifunctional devices, you name it. In the book it simply gives you the name and a one-paragraph description of the standard, but each of those standards is about a 25 to 30-page document and each one took about six months to draft. Each of them is based on the best international research that our staff could find to write those documents. Those standards are pass or fail standards; they have a very high benchmark. If an applicant wants to get a product, their carpet for example, eco-labelled according to the carpet standard, they have to reach a benchmark that is in the top 20 providers of carpet in the Australian marketplace. It is a very high benchmark; it is not a low standard.

Inside that standard are all the known environmental impacts from the scientific research that has been done to date and also some research in the marketplace that is relevant to Australia. So all those environmental criteria are inside each product category standard. While the information is useful for the purposes of us sending out how auditors to give an eco-label to a product, or to fail the product, the other use that the standards can be put to is for the procurement profession to read a particular standard that might be relevant. If they are making a decision about paints they can read the standard on paints. Because these are publicly available documents and we do not charge for their publication they are available on the website for those procurement officers—the early adopters who are able to do this. They can take out clauses that are appropriate to what they want to buy

and they can pick and choose the ones they think will be suitable to their circumstances or their organisation and write those clauses into their request for tenders. They include some pretty stiff limits and thresholds and quantitative numbers. So our standards are used both for sellers who want an eco-label and for buyers who can choose the text and clauses to put into their request for tender documents.

CHAIR: Thank you, Ms Little. We very much appreciate your additional knowledge. You have been able to bookend us with both the opening and closing submissions. Thank you for your time. Before we finish I would like to put on the record that it came to my mind during evidence from the State Transit Authority that one of its providers is a company called Volgren, which produces a line of buses, and in the past Volgren has donated to my political campaign, which is obviously recorded. Likewise, HP has supported my political campaigns as well.

(The witness withdrew)

(The Committee adjourned at 4.30 p.m.)