

REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON SOCIAL ISSUES

**INQUIRY INTO PROCUREMENT PRACTICES OF GOVERNMENT
AGENCIES IN NEW SOUTH WALES AND ITS IMPACT ON THE
SOCIAL DEVELOPMENT OF THE PEOPLE OF NEW SOUTH WALES**

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At Macquarie Room, Parliament House, Sydney on Thursday 4 July 2024

The Committee met at 11:00.

PRESENT

The Hon. Dr Sarah Kaine (Chair)

Ms Abigail Boyd (Deputy Chair)

The Hon. Anthony D'Adam

The Hon. Bob Nanva

The Hon. Emily Suvaal

The Hon. Damien Tudehope

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The CHAIR: Welcome to the sixth hearing of the Committee's inquiry into the procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales. I acknowledge the Gadigal people of the Eora nation, the traditional custodians on the lands on which we are meeting today. I pay my respects to Elders past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us today.

My name is Sarah Kaine, and I am the Chair of the Committee. I ask everyone in the room to please turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be careful of these procedures.

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Ms TARA ANDERSON, Chief Executive Officer, Social Traders, affirmed and examined

The CHAIR: Welcome, Ms Anderson, and thank you for making the time to give evidence and for your submission. Would you like to start by making a short statement?

TARA ANDERSON: Before I begin, I would also like to acknowledge that we're meeting on the traditional lands of the Gadigal people of the Eora nation and pay my respects to Elders past and present. I thank you for the opportunity to contribute to this inquiry. We believe that public spend should contribute to the Government's policy agenda. Social procurement is the mechanism to achieve this.

Social Traders is a social enterprise intermediary that has been building a thriving social enterprise sector since 2008. We're Australia's certifier of social enterprises and lead the country's social enterprise procurement market. We're in our fourth year of working with the New South Wales government. Our focus has been on growing awareness and making it easier for government departments to secure goods and services from certified social enterprises. We see a significant opportunity to unlock additional social procurement across New South Wales and, in doing so, create far greater value for money by considering best value in procurement.

Social enterprises are businesses that exist for good. They create jobs for groups facing higher barriers to employment, including people with disabilities, refugees, young people and people who are long-term unemployed. They reinvest profits into supporting marginalised Australians and developing solutions to social, environmental and cultural challenges. Certified social enterprises invest 31 per cent of their revenue into delivering impact, and 45 per cent of their employees are people who would otherwise be shut out of the labour market.

The potential to support disadvantaged people in New South Wales by allocating more of the Government's procurement spend to social enterprises is enormous. From financial year '18 to financial year '23, \$843 million was spent with certified social enterprises. That spend delivered 4,723 jobs for people otherwise shut out of work, 2,716 pathway outcomes into further study or jobs, over \$68 million in affordable or accessible community goods and services, and a range of other outcomes. The New South Wales Government Aboriginal Procurement Policy, the Victorian Government Social Procurement Framework and the Commonwealth Indigenous Procurement Policy are models for effectively delivering social procurement outcomes.

Social procurement is underpinned by Social Traders' certification, which identifies genuine social enterprises, assesses their capability to supply and facilitates the collection of data that enables reporting on impact outcomes. We would like to draw your attention to four of our recommendations: one, to develop a New South Wales social procurement framework, including explicit support for certified social enterprises; two, to use Social Traders' certification to de-risk social procurement and enable reporting on impact outcomes as well as assessing social enterprise capability to supply; three, implement measurement and monitoring mechanisms to assess economic and social returns; and, four, invest in the growth of social enterprise across New South Wales to effectively manage supply and demand in social procurement.

The CHAIR: Thank you very much. In your submission, you describe social procurement as harnessing money that has already been spent to provide a lever to address key social and economic challenges without adding to budgetary pressures. Can you explain how social enterprises do this? How do they get to those critical issues?

TARA ANDERSON: Social enterprises are set up to deliver on a specific social, cultural or environmental purpose. They do that in three ways. One model is that they create jobs for people otherwise shut out of the workforce—some of those cohorts I just mentioned. The second way they do that is delivering more affordable or accessible community goods and services, so these are filling gaps in the market and providing products and services not otherwise available. The third way they do that is by working either as a subsidiary of a not-for-profit company or in partnership with a charity to provide over 50 per cent of their profit into those charitable causes. Buying from social enterprises means that the Government is getting the same goods and services that it would from any other supplier, but there's additionality built in there, with social impact outcomes that social enterprises create, on top of the business activities that they deliver.

The CHAIR: Something that we've been thinking about and, I guess, that anyone in this space grapples with a bit is that social impact piece, and particularly how to measure it. That, I understand, is a key part of what Social Traders does. Could you explain in simple terms how that happens and how you actually do measure?

TARA ANDERSON: When we certify social enterprises, we collect 200 data points on them to validate that they are operating as a social enterprise. Part of that involves collecting their impact outcomes—things like the employment outcomes they're creating, the value of community goods and services they're delivering, and the additional costs they're bearing in creating impact outcomes. We translate that, then, into a standard set of impacts that we can measure and report on across the social enterprise community in Australia, which includes the jobs

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created for disadvantaged cohorts, broken down by types of beneficiaries; the hours of training delivered for those cohorts; value of community goods and services created; tonnes of waste diverted from landfill; and the value donated to charitable causes. We then break down that impact by procurement spend, and we can provide aggregated or individual reporting for government departments or business members, or across Australia nationally, for what impact outcomes are created as a result of procurement spend. We can track dollars spent through our framework into outcomes delivered.

The CHAIR: Is it possible—and I don't know if it is—for you to give us an example on notice? I just think it's easier to get the head around if you can see what that might look like. If that's possible on notice, that would be great.

TARA ANDERSON: Absolutely.

The CHAIR: You mentioned your certification scheme and the types of data you collect. But I read this week about another social enterprise certification scheme, and so I wondered what's different about Social Traders to that scheme or, in fact, any other scheme that might exist or might pop up.

TARA ANDERSON: There are two schemes in Australia relating to social enterprises, and I assume you're referring to Verification. Verification is a system run by the global body Social Enterprise World Forum. It's a global set of minimum standards for social enterprises that's designed to be an entry-level certification for social enterprise. That system is an identifier. What Social Traders certification does that's different is that it is based on the needs of the Australian market. It has seven years of evidence behind it in terms of making sure that it's appropriately tailored to the unique needs of Australian social enterprises. Importantly for the purposes of social procurement, it collects data on the evidence and the impact outcomes that I just mentioned, which is different to the international verification, which doesn't collect impact data and outcomes.

The CHAIR: You spoke about the development of a social procurement framework, but I note that you've also been working with the New South Wales government for four years. Could you pinpoint the key barriers—or perhaps challenges is a better way to put it—that exist with the current approach? I note that you've been working successfully there, but have there been challenges?

TARA ANDERSON: It's more the untapped opportunities, I think, is probably the best way to describe it, in that what we've been doing with the New South Wales government is a great step. It's been fantastic to have the opportunity to raise awareness of social procurement and social enterprise across the government and start that education process. It's great to see that social enterprise is now considered within New South Wales procurement policy. The opportunity that's untapped is to then implement similar policies that we've seen unlock greater social value in other places, like in Victoria, through the Social Procurement Framework; the Indigenous procurement policies in New South Wales and federally; or in markets overseas. Canada, New Zealand and the UK all have interesting approaches to social procurement.

We're sort of a starting point, I would say, in New South Wales. As the biggest State economy, there's a huge opportunity that we haven't yet tapped into to unlock greater activity. That's through introducing, in particular, three different tools, which we've outlined in our submission. One is relating to weighting in tenders for social enterprises. The second is relating to targets for certified social enterprises. The third one relates to set-asides for certified social enterprises. Each of these tools are in place in other places internationally or within Australia for broader social benefit suppliers or Indigenous suppliers. These are proven tools and proven concepts that are then able to be adapted and used in the New South Wales context.

The CHAIR: The first two, weightings and targets, are fairly common across different aspects of procurement. Can you talk a bit more about set-asides?

TARA ANDERSON: That's a process where a certified social enterprise or an Indigenous business or a social benefit supplier has a chance to demonstrate value for money before a wider approach to the market under a certain threshold spend. The two levels of spend that we see in Australia are under \$200,000 or under \$250,000. For those smaller procurements, where certified social enterprises are often a good match because they tend to be smaller businesses—SMEs—that's an approach where, regardless of panels that are in place in other arrangements, social enterprises are approached first and given the opportunity to show value for money before other suppliers are engaged. They get a first right of refusal, essentially.

The CHAIR: You do mention value for money but you also mention it in your submission, saying that there is no comprehensive or consistent definition. What are your comments on that or suggestions around that?

TARA ANDERSON: I think it would be great to see a broader concept of value for money. The Victorian Government, for example, acknowledges that it needs to be financial and non-financial considerations. Canada, I think, has the most interesting approach to this. They talk about best value in procurement rather than

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value for money. They specifically acknowledge when they're talking about that that it includes socio-economic objectives and wider policy objectives. It's an acknowledgement that the value created through procurement may not be financial; it may be other contributions to government policy and also socio-economic outcomes. We would welcome a change in the broadening of the concept of value for money.

Ms ABIGAIL BOYD: Thank you for your very interesting submission and for your appearance today. I want to go back to the value for money concept. We have so many of our major infrastructure projects, and other projects are done on the basis of cost-benefit analysis. I've often had these arguments with people that a cost-benefit analysis is not something that's done by just inputting a bunch of numbers and then you get a ratio out. It actually involves a lot of discretion and views on assumptions and time frames et cetera. To build in that concept more broadly of value for money being about longer term societal benefits, how would we do that in that cost-benefit analysis framework? Are there other jurisdictions that do that?

TARA ANDERSON: It can be applied differently in different departments as well, I would say, and linking it back to the Government's policy objectives, where those are in place, then being able to encourage suppliers in tender processes to then be able to demonstrate how they are delivering on those other wider policy objectives, in addition to cost-benefit analysis and other tools that are in place. It is more nuanced and it does require a deeper level of work and understanding around what social impact is and how it's created and how social value is created. But I think it's about being able to give some guidance around government policy objectives, which is where Canada and Victoria take a similar approach, and then encouraging suppliers to be able to talk about how they might deliver on those things.

Ms ABIGAIL BOYD: Which I guess is going to be easier for the larger NGOs and the larger players than the smaller players. Does government need to provide additional resources to help those smaller players demonstrate their value?

TARA ANDERSON: Guidance is always helpful, particularly in what the Government is looking for. What can also be used, though, are tools—again, like Social Traders certification where, through that process, we have collected social enterprises impact data. We are able to then provide an impact report for the certified social enterprises that would then would be a piece that they can submit as part of the tender, which would make that process relatively easy for them.

Ms ABIGAIL BOYD: Instead of the onus being on the small business and not being entirely on government either, the certification process helps to bridge that gap.

The Hon. DAMIEN TUDEHOPE: It must have been a good government, the last Government.

TARA ANDERSON: They were great.

The Hon. DAMIEN TUDEHOPE: Must have been a good Minister.

TARA ANDERSON: I do remember.

The Hon. DAMIEN TUDEHOPE: The current procurement policy does say this in relation to value for money: It means looking at the total benefit to the community and measuring and costing it in the most transparent way. It's not just about securing the lowest price or the highest quality. That's what it currently says. That definition by and large adopts a process where—and that's the current policy, identifying government policy objectives. If the Government's policy objective is to engage social enterprises, then that would fit within that definition, would it not?

TARA ANDERSON: It would. And it could be built on to talk about—

The Hon. DAMIEN TUDEHOPE: You could build on the definition if you want to but, effectively, the current procurement framework, in the way that it articulates value for money, isn't just saying it's about best price; it's saying that there are, in fact, social consequences. If the Government's policy is that it wants to engage in social enterprise, then that would be something which it should expand into this definition if it wanted to. I think the answer is yes.

TARA ANDERSON: I was just going to add one thing to that, in that the mandates and the targets help around that.

The Hon. DAMIEN TUDEHOPE: I'm coming to that now. You've suggested that, in fact, social enterprises and the Government's commitment to social enterprises be expanded to now adopt the same sort of policy that the Aboriginal Procurement Policy adopts in having specific targets in individual contract areas. How do you see that working? Have you got the capability of delivering those sorts of percentages?

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TARA ANDERSON: This is where we would need to look at the approach, starting from mapping the social enterprise supply. And there is chicken and egg in here, in that we have seen this in Victoria: When a target is introduced, the supplier base grows and the market demand increases. We would expect to see that happen in New South Wales. There are over 100 certified social enterprises here at the moment and 250 in Victoria. When a target is introduced, we see more social enterprises suppliers get certified so that they can access these procurement opportunities, so that would grow. There's a way to stage the approach, too, which the Commonwealth have taken into account with their targets for Indigenous procurement starting at 1 per cent and moving up to 3 per cent.

The Hon. DAMIEN TUDEHOPE: The New South Wales policy does the same, I think.

TARA ANDERSON: One of the first steps would be mapping the supplier capability, which Social Traders has the data for, and then working to figure out what the right target is. We do feel 1 per cent is a good place to start. However, what we would want to do is sit down with the Government and have a look at the supplier base, the capability across different departments and different contracts, and then figure out what is the most appropriate target.

The Hon. DAMIEN TUDEHOPE: Because 1 per cent of \$40 billion is a substantial commitment, if that's the target. One of the issues in relation to the Aboriginal Procurement Policy that is often complained about is that in seeking to garner government contracts, organisations engage in a process which is colloquially known as black cladding. You would say that the way to approach that is the certification through Social Traders. But even in circumstances where there is some sort of certification procedure for the Aboriginal Procurement Policy, that certification process has not necessarily, in the eyes of the Indigenous community, been able to stop the process of black cladding. How would you address that issue?

TARA ANDERSON: I can't comment on black cladding and Indigenous certification. What I can say about Social Traders' certification for social enterprises is we are very confident in the rigour of that and it is known as best in class globally. We decline approximately 12 per cent of the applications that come through at the moment because they don't meet certification criteria. We have an independent advisory group, we have a risk framework that sits across certification, we do spot checks and audits, and we have a complaints and review process where there has been an identification that a social enterprise isn't operating as it should or as intended. With those frameworks around it, we feel quite confident that the social enterprises we're certifying are genuine in what they're intending to do. If it turns out that they are not, or we receive feedback otherwise, then we go through the process of de-certification if needed.

The Hon. DAMIEN TUDEHOPE: One of the things you identified, though, is that if that sort of target was mandated or it became the Government's policy, you would expect an explosion or certainly an increase in the number of organisations that were seeking that level of certification. Do you have the resources to be able to deal with that?

TARA ANDERSON: We do. We have a national certification team with seven years of experience. We've done this work in Victoria and we're ready to scale up nationally and within New South Wales. We have those resources in place now, and we have a cross-subsidy business model that funds that element of our work. I would say we hope that there would be an increase in those getting certified if targets, mandates or set-asides were in place. That makes certification even more important in that context because it's likely, as we saw in Victoria, that there will be those coming through wanting to claim social enterprise if commercial benefit can be gained through it.

The Hon. DAMIEN TUDEHOPE: Can you give me a snapshot of how the policy actually works? Beehive Industries, for example, who actually works for them? How have they achieved the benefits from the Government's social procurement policy?

TARA ANDERSON: The way the process works for a social enterprise end to end, if I understand the question correctly, is they would come through and be certified by Social Traders. We would take them through our process to assess against the criteria that's in place—collect those 200 data points, run it through, determine if they are a social enterprise or not and collect their impact data in the process. Once they were then certified, they are then recommended by us, essentially, into government procurement processes but also businesses across Australia. They then become part of our marketplace where we run a range of activity that's matching between buyers and suppliers. We're running lists where we curate different suppliers and then recommend them to businesses. We're doing one-to-one matching programs. We're also doing capability building work on the social enterprise side to help them be ready and able to supply into bigger contracts, which is sometimes needed as a step up for them.

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The Hon. DAMIEN TUDEHOPE: In relation to Beehive—or pick anyone you like—tell me about the number of employees that they potentially have and how that has been able to service a particular contract, if you can name a particular contract.

TARA ANDERSON: You mean their ability to supply?

The Hon. DAMIEN TUDEHOPE: A government contract. Have they received the benefit of a government contract?

TARA ANDERSON: Can I take that on notice and give you some examples? I'd love to provide some more detail.

The Hon. DAMIEN TUDEHOPE: Yes. Thank you.

The Hon. ANTHONY D'ADAM: I wanted to ask about the ownership structure of Social Traders. How is it structured? Is it a private company? Is it privately owned? Is it a for-profit? How does it work?

TARA ANDERSON: We're a company limited by guarantee, and we're a not-for-profit registered charity with DGR1 status.

The Hon. ANTHONY D'ADAM: Who are the members of the company? Are there other entities that are owners of the company or is it a joint venture with the for-profit private sector?

TARA ANDERSON: No, it's an independent company. We have a board of directors. The members of the company are the board. It's run as an independent, not-for-profit organisation.

The Hon. ANTHONY D'ADAM: We've heard a range of submissions advocating for types of certification schemes. If the New South Wales Government was to mandate a minimum threshold in terms of social enterprise, there may be a situation where you've got a duplication of certification schemes. One option is that the State does its own certification. I wanted to ask you about the merits of, effectively, a non-government organisation running a certification scheme on behalf of the Government—the various merits or otherwise of that approach.

TARA ANDERSON: I think there's a useful independence in that approach, in a different body running the certification scheme. What I would say about social enterprise certification is that it's incredibly complex. Because social enterprises can be any legal structure, they can operate in any part of the economy and they can be any size from startups through to big business, the depth of knowledge required to assess whether they are operating under a social enterprise model, there's quite an element of rigour involved in that. The benefit of working with an organisation like Social Traders is the seven years of experience we've had in building up the knowledge of how that needs to work and the global connections we then have to the other international certifiers like us that are running similar programs. We're best in class globally, as I mentioned, through those international partnerships. That depth of knowledge that we have over the last seven years built up—it has taken us seven years to build that up. It means it's a system that can be turned on straight away and implemented immediately without any additional resource requirement.

The Hon. AILEEN MacDONALD: How do enterprises that go through the certification process start that process? Is there a cost to the enterprise for doing this? Is it based on the size of the organisation?

TARA ANDERSON: In terms of how they start that process, you can just get in contact with us directly but there's also an online form that they can then go through to indicate that they'd like to be considered as a social enterprise. They then work with our dedicated certification team. Often we do find that social enterprises need some support in that process because we're collecting a lot of information that needs to be checked. They work one to one with one of our team to take them through that process.

The cost varies. It's mostly free in most parts of Australia. It's free in all of regional New South Wales. In metropolitan Sydney, there is a \$500 fee attached; however, that is waived where there are situations of financial hardship or where they're a startup or—there's a range of conditions essentially. Indigenous businesses are able to certify for free as well. We have lots of checks and balances in place to make sure it's accessible to the market. Having said all of that, we hope to make it, shortly, free across Australia for everybody.

The CHAIR: Thank you so much, Ms Anderson, for appearing today and again for the submission. I think you did take a couple of things on notice. The secretariat will be in contact with you about those and any supplementary questions. You have 21 days to respond. We thank you again for your time today.

(The witness withdrew.)

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Mr TONY CHAPPEL, Chief Executive Officer, NSW Environment Protection Authority, sworn and examined

The CHAIR: Welcome, Mr Chappel. Thank you for making the time to give evidence today and for the EPA's submission. Would you like to start by making a short statement?

TONY CHAPPEL: Firstly, let me acknowledge the traditional owners of the land on which we meet, the Gadigal people of the Eora nation, and extend my respect to their elders, past and present. Government procurement has a significant role to play in shaping economic activity in New South Wales. In the 2022-23 financial year, the New South Wales Government spent about \$41.6 billion on goods, services and construction, which is over 5 per cent as a proportion of our gross State product. Government, in many ways, is in an influential position when it comes to procurement and the economic, social and sustainable development that it can enable.

I'd first like to acknowledge the New South Wales Government submission and the detail it covers about environmental authorisation within the devolved procurement model and the legislative, regulatory and policy settings under which government procurement currently operates in New South Wales. The EPA sees procurement as an essential tool to help the State transition to a more circular economy. The focus of the Environment Protection Authority contribution to this inquiry therefore will be on three areas relating to sustainable procurement, being additional sustainable procurement policies and requirements that are not covered in the New South Wales Government submission; some current barriers to sustainable procurement and the work the EPA and partner agencies are involved in to address these; and examples of what other jurisdictions are doing to create frameworks to support sustainable procurement.

Turning to these three areas briefly, firstly, the EPA submission contains additional information on sustainable procurement requirements and initiatives not covered by the New South Wales Government submission, one example being the work the EPA is doing to create the sustainable construction protection of the environment policy, otherwise known as a PEP, which is currently in its draft form. The aim of this PEP is to promote sustainable construction through low-embodied carbon design and construction, and increased use of recycled material in public infrastructure projects. The draft PEP proposes that, from April next year, public authorities will be required to consider requirements for all new public infrastructure projects that meet a threshold, including requirements to quantify and report on the up-front and embodied carbon impacts of projects at multiple stages of their life cycle, and to preference the use of recycled materials on an "if not, why not" basis, as well as report on the use of recycled materials in projects.

This draft PEP has been successfully piloted on three Transport for NSW projects, being the Edmonson Park North multistorey commuter car park, the St Mary's footbridge and the M12 West. In this way, the PEP is an important instrument to drive sustainable procurement in construction and related market development. There are other measures outlined in the submission that aim to build and encourage greater sustainability and circularity in procurement, including the environmentally sustainable procurement guidance that the NSW Department of Climate Change, Energy, the Environment and Water is working on with NSW Procurement to develop, which, once complete, can better guide agencies on how to integrate environmental sustainability into various stages of the procurement process; the NSW Circular Economy Policy Statement, which helps govern New South Wales Government decision-making around the circular economy transition; and the NSW DCCEEW Choose Circular initiatives.

If I may touch briefly on barriers, while setting procurement guidelines and requirements is an important tool to drive sustainability outcomes, agencies face many barriers in implementing sustainable procurement policies, including, at different times, cost, complexity, lack of confidence in sustainable products, limited knowledge or a lack of authorising environments. Some of these barriers need intervention outside the procurement process. For example, despite decades of well-motivated guidelines and policies, sustainability hasn't yet been effectively mainstreamed across government procurement. Tools with binding effect, such as protection of the environment policies, may be useful in helping achieve the Government's underlying intention more effectively.

Secondly, it's worth expanding our view of procurement to properly consider both ends of the supply chain and take into account all stages of the waste hierarchy. When I talk about the waste hierarchy, you might be familiar with the inverted pyramid that talks about refusing a new product and then reusing an existing product, repairing products, then recycling, then recovering some or all of the materials, and then, finally, treatment and disposal. It's a hierarchy that provides some very useful insights when thinking about more circular options. For example, if an agency in an office was looking to procure new furniture, the most circular option actually may be to repair and reuse the furniture that's currently available—of course, with concomitant financial savings as well.

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In a similar vein, embedding circular design principles in procurement is worth considering. In the Netherlands, for example, their infrastructure procurement is required to be circular and modular and reusable so that, when a bridge is no longer necessary or needs to be moved, it isn't demolished in a way that we'd be familiar with. It's rather disassembled into reusable components which are stored in a bridge bank and then redeployed in a future piece of infrastructure to deliver the same effect. Thirdly, we should consider procurement and market development at the end of life of our products and services as well. For example, when an agency has uniforms that might be no longer useable, considering the circularity opportunities there to sort them and make them available at end of life for a variety of uses can further enable development of relevant industries and other economically valuable activity in a circular economy context.

The EPA considers these issues—we're also looking to learn from other jurisdictions nationally and internationally. I've touched on the Netherlands briefly. In that country as well as in Victoria, closer to home, governments are working to develop more robust frameworks in this area that support long-term goals for sustainable procurement. Interestingly, a common feature of these frameworks is integrated reporting mechanisms so that environmental outcomes can be measured.

Finally, to touch on the EPA's activity supporting procurement from Aboriginal-owned businesses, we are focused on increasing participation of Aboriginal businesses across our own procurement processes in line with the New South Wales Government Aboriginal Procurement Policy. We've engaged 15 verified Aboriginal-owned businesses for goods and services in the past financial year, and 20 in the financial year prior. We're completing a number of remediation projects across several discrete Aboriginal communities, particularly in respect of asbestos at Baryulgil and Wallaga Lake. We provide Aboriginal residents in those communities with opportunities to be involved in the remediation work by offering the relevant training, such as safe asbestos removal, and then temporary employment in a number of roles with the various contractors. A number of those temporary employees have now been rolled over, I'm pleased to say, into full-time work.

In conclusion, procurement is certainly an influential tool to support economic, social and sustainable development in New South Wales. The EPA supports the New South Wales Government's procurement work and is prioritising its own initiatives in the sustainable procurement space. We'll continue, of course, to work closely with industry, business and government at all levels—and the community—to try to overcome the barriers to sustainable procurement, while also learning from what other jurisdictions are doing nationally and internationally to create effective sustainable procurement schemes and ensuring Aboriginal people and perspectives are better integrated into our own approach in New South Wales. Sustainable procurement is an essential component of the transition to a circular economy and ensuring we get the best environmental and long-term financial outcomes for our State. Thank you.

The CHAIR: Thank you very much, Mr Chappel. I've got a question that touches on a couple of the things you spoke about in your statement. The first is the PEP, the Protection of the Environment Policy. I understand that's in development and the intention is that will become mandated in construction procurement, in particular. Is that right?

TONY CHAPPEL: Yes, for infrastructure procurement.

The CHAIR: For infrastructure, sorry. But then I also took from what you were saying that one of the barriers to implementing environmental outcomes has been a general intent to do the right thing but a lack of mandate overall. The infrastructure area is an interesting one, and a huge one to think about in terms of that first policy. But are there other things that we should be thinking of including in the procurement process or in contracts that perhaps we haven't got to yet, or that we have as voluntary aspects or encouraged aspects but haven't yet made that step?

TONY CHAPPEL: Chair, I certainly think there are other areas worth considering for government. It's interesting that the Protection of the Environment Policy tool, whilst it's been in legislation for many decades, hasn't previously been deployed. It's something that, of course, other regulatory approaches can also approach. But its unique value in the procurement context is that it binds all decision-makers under State and also local government legislation—because local government is a creation of the State—and so it does, in our view, offer a much more rigorous and robust pathway to actually achieve the intentions of government in sustainable components of procurement. It's almost tailor-made for that approach.

For a long time various agencies have led procurement initiatives and shared good practice in information, but there are many challenges. The public sector traditionally, and often for good reason, is risk averse, but sometimes that leads to perhaps an undue resistance to change and innovation. We don't typically incentivise that in line agencies. They obviously have other specifications to meet, which are the product of lived experience and past experience. Helping to navigate that and bring those examples to bear through trials and then, once they're proven, making it mandatory to at least consider those alternatives would be a real step change across

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procurement. You could imagine a government procurement PEP for consumable products that looked at the input and the constitution of those products and their embodied footprint, be it in carbon or other resource uses. You could consider a procurement PEP more broadly for other dimensions as well. I think those tools would actually be very useful.

Typically, procurement is a critical function, but it's not something led at the head-of-agency level. It's relatively easy in various contexts for agencies to come up with what seem like reasonable rationales for not doing something. What we've done with the infrastructure PEP is require proponents to outline how they're maximising recycled content and minimising embodied carbon and measure and report that, but it doesn't require any particular outcome.¹ It requires them to lay out, if they're not doing that compared to another alternative, why that is. It really surfaces that for the light of day to then be interrogated. It creates the onus, then, to justify, if you're not taking the more sustainable approach, what is the actual underlying rationale.

The CHAIR: I want to ask about that "if not, why not", because that's going to be a part of the PEP. Is that right?

TONY CHAPPEL: That's right.

The CHAIR: If it's the "why not", is that where it ends? Is there a threshold in the "why not"? Because you can have a "why not" that is a good explanation or a "why not" that's not as good. Is there any consequence of not having a very good "why not"?

TONY CHAPPEL: It's a mandatory consideration for the decision-maker, so that might be the planning authority or it might be in local government or in another point in government. But I think it's fair to say this is the first step in preparing a PEP. It's something we've been working closely with our colleagues in Infrastructure NSW and Transport on, as I laid out. I think our view is, in terms of moving to these settings, we want to prove the concept before we bind colleagues to it. The onus, I think, at the initial stage, is really on the EPA and our team to demonstrate with industry and with our colleagues that this is viable, that the same or better safety, longevity and other outcomes can be achieved through using more recycled content in different contexts for infrastructure, in these cases, and then rolling that out more broadly. It may, over time, have additional components or consequences.

The CHAIR: Excuse my ignorance of the legislative levers or tools, but the PEP—that regulation—would sit with the EPA?

TONY CHAPPEL: Yes. It's essentially a tool made by the Minister for the Environment and a bit similar to—in the planning context, you're probably familiar with the SEPP, which is a statutory instrument made by the planning Minister but with legislative force and so is binding on decisions across the State. It has the same conceptual authority.

The CHAIR: The other thing you mentioned, which I had noted down during your introduction, was about risk and perhaps the aversion to it and the role that plays. That's in the procurement process but, of course, that has flow-on effects to product markets, doesn't it? Isn't one of the issues in the reuse/recycle circular economy—and I think our previous speaker spoke to this; it's like a chicken-and-egg situation where, if you don't have a demand, perhaps created by a secure government contract, then you don't necessarily have the business to provide it because there isn't that market. How do we deal with that and how can procurement as a process help with that?

TONY CHAPPEL: I think there are a couple of elements there. The first one is really design requirements and standards, so requiring sustainability by design in the way procurement is progressed. Because, of course, the best solution to any sort of pollution or externality challenge is actually right at the top in the designer's mind. Sending those signals that the subset of materials that's going to be eligible has to meet a certain safety and sustainability set of criteria—design standards, I think, have a critical role. The level of ambition may ramp up over time as you see the economics of various industries progress and develop. You might start with disclosure requirements and reporting requirements, which itself is a powerful signal to business, but signalling also the ambition will escalate over time, and then business knows in the years ahead the hurdle may rise so their offerings have to keep pace with that.

The CHAIR: I had someone speak to me about getting into the nitty-gritty of procurement and environment in more sustainable options, particularly in construction, and talking about barriers such as the

¹ In **correspondence** to the committee dated 30 July 2024, Mr Tony Chappel, Chief Executive Officer, NSW Environment Protection Authority, clarified their evidence.

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existing specs that might have been approved however long ago and not enabling agencies to be a bit more creative in where they might get more sustainable products. Is that something that the EPA has thought about or is it part of this discussion about how we might need to reconsider what we procure?

TONY CHAPPEL: It's very much top of mind in recent years. How would I put it? Engineers whose job is to build a road and build it safely—we've got tried and trusted materials, methods and specs. I think some of the operating environment for how we do these things really puts a bias on "don't deviate from that". So there's a sort of embedded conservatism that makes it harder, then, to innovate. Hence the reason to work so closely with Transport and Infrastructure NSW to demonstrate the value, even if—I mean, I would say I'm not an engineer, but my understanding of all of the literature on some of the work we're doing is that in other contexts it's been well demonstrated, but we are sometimes culturally a bit more conservative on these things in Australia when we're building things. We need to take those experts on the journey as well, because it's a different way of thinking. A lot of them weren't trained to consider things like embodied carbon and recycled alternatives and how they might optimise that within the same performance envelope and so on. It is a different paradigm.

The CHAIR: I really love the bridge example. I think that is a fascinating case, but you did mention that cost is seen as a barrier to agencies in implementing. Something like the bridge example seems like it would be quite costly to do. What's the approach that we should be considering in procurement about addressing the concern about costs and also the realities that there might be different costs associated?

TONY CHAPPEL: I think the first step is—if you think about that waste hierarchy of that inverted triangle I discussed, I don't think there's enough thinking anywhere in government, in procurement terms, on those top two levels, which are what can we avoid purchasing entirely and what can we repair and reuse. I'm aware of other case studies from the Netherlands where departments looked at purchasing furniture and wanted to do it in a circular way. They had in their minds sustainable materials and ability to repair, and when they actually looked at their inventory and did that analysis with rigour, they concluded that, actually, by far the most sustainable thing they could do was reuse their existing furniture and repurpose it for another five years. So they avoided any new purchasing, and that is not a way of thinking that our current approach tends towards. Then, in terms of other cost and innovation, I think it's important to understand the market and take incremental steps. You give the market enough runway to respond and business will respond, and offerings become more cost competitive over time.

Ms ABIGAIL BOYD: Thank you very much for your submission and for coming along today. I wanted to go to this waste issue first. We've been hearing a lot in this inquiry and in previous inquiries about—as the Chair has just been talking about—procurement that results in a lot of waste because it's not required to begin with but also the problems around disposing of waste. I think one of the most shocking examples we got in our consultants inquiry was around the amount of hand sanitiser that had to be disposed of from our hospitals because it had been bought with a certain use-by date. Way too much of it was required, and then we had to pay a huge amount of money in order to dispose of it because it is a hazardous substance, left to its own devices. What is the EPA's role in stopping that from happening in the first place? What tools are at your disposal?

TONY CHAPPEL: Our role is probably more on the policy advisory side to government. Ultimately, these are decisions for government. But if you just think about cost and disposal, there's a lot of work in the health system globally. I think *The Lancet* commission is publishing a comprehensive set of papers in the next few months on what they call a planetary health agenda, which is the idea that the health system today makes people inside it healthy but at the cost of the community surrounding it because of all of the pollution, resource use, climate emissions and so on. How do you flip that and make the whole community more healthy while you treat people inside? We have some live examples. We're working currently with NSW Health and their procurement arm on where the clinical data seems to show that if you give patients a choice to order from a menu and they order freshly made meals their health outcomes improve as well as the waste, because you produce a fraction of the waste, whereas there are tens of thousands of tonnes of plastic-wrapped instant meals going to landfill from the health system because the patient isn't necessarily eating that part of their meal. It has come pre-prepared and it's been microwaved.

I think taking a longer term perspective of cost—and no-one is really better equipped to do this than government, even though it is not easy or necessarily intuitive even for government. But to think about how we design hospitals to have kitchens, crockery and reusable materials built in rather than disposables and to think about that human-centred element of bringing the most healthy, nutritious meal to a patient for them to, hopefully, then consume more of and have less waste—taking an appropriate view of the temporal dimension of cost. And it goes to procurement as well. If we can procure something that costs 5 per cent more but lasts 15 per cent longer, we're actually saving money. It's just perhaps not showing up in this year's accounts; it will show up over time.

When we think about single-use plastic and we think about reducing waste going to landfill and greenhouse emissions, we try to take that systems approach. But it is complicated because, for example, it would

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cost a hospital more in terms of labour cost to have people washing the crockery and preparing the meals rather than just microwaving them and delivering them and then throwing them out. My sister-in-law was dating a cafe owner. He gives you a discount if you get a takeaway cup because he doesn't have to pay for anyone to do the washing up, pick it up, deliver it. But the community pays. It is externalising the cost, onto the community, of that litter and waste. And so finding a way to bring the full consideration of cost into government decision-making and take that appropriate temporal perspective is really, I think, at the heart of it.

Ms ABIGAIL BOYD: Similarly, we've heard another example, that keeps coming up, of hospital curtains. We are purchasing plastic disposable curtains rather than paying for a more permanent option to be laundered. But one of the problems identified there was the decision point. At the moment, the decision is, "This contract's coming up for renewal. It's always been the plastic version, so we're going to tender out for a plastic version," and there is not an ability to change that to make it more environmentally friendly or to consider what the full benefits are. From your experience of the way that procurements work within agencies, where does that decision get made? How do we get in at that point? Is it a policy thing that comes down? What are the mechanisms for making sure that we're looking at that side of things?

TONY CHAPPEL: In my mind, a tool like a protection of the environment policy that binds all government agencies equally is a very useful place to start because—you're absolutely right—nobody doing procurement ever got sanctioned for doing the same thing that they'd previously done that has been working relatively well. And so if we're trying to build a more circular, low-carbon, sophisticated economy—and government has a lot of powerful levers to help the community in that journey—making those things explicit and mandatory, I think, would be a real step change.

Ms ABIGAIL BOYD: The other issue that I love to talk about is coal ash. I will talk about it until the cows come home. At the moment, almost 20 per cent of all waste in Australia is coal ash, and we had, I think, a one-line referral to it in the Waste and Sustainable Materials Strategy. There has been a bunch of recommendations made in relation to how we can recycle and reuse that coal ash, particularly within construction, roads and loads of other things, and yet there has been no movement on that for years. What is the EPA's role in that? Is there a way for the EPA to step in and suggest, "Hey, you might want to pay more attention to growing this industry over there"? Where are the levers for that to happen?

TONY CHAPPEL: Absolutely, there are. There are some levers deployed currently. The carbon abatement fund under the Waste and Sustainable Materials Strategy has three priority streams, one of which is coal ash reuse. Perhaps I'll take it on notice and give you some further detail, but there are two partnerships looking at, essentially, commercialising much greater reuse of coal ash. As you say, it's a very large waste but it's also a very large resource that can help us decarbonise some of these hard-to-abate sectors, like cement manufacturing, road building and so on, and do so in a way that also keeps materials and jobs and economic activity in those regions. So it's very interesting to consider in detail, which is what we're seeking to do through this Carbon Recycling and Abatement Fund partnership. I'll get some further detail and go through that, and any other examples.

Ms ABIGAIL BOYD: This is a bit cheeky to ask, because it's not quite procurement, but it is around it. We heard from the Anti-slavery Commissioner, and one of the things that is on my mind is around the supply chain for solar panels in particular. I know that we are struggling to find an easy source of silica in Australia in order to produce our own solar panels. Coal ash has a huge amount of silica in it. Is that something that has come across your path? Has any work been done within the EPA in relation to that?

TONY CHAPPEL: I'm not familiar with any work on that particular issue. I know the Commonwealth Government—and we are participating in the process—is leading a circular solar policy development for product stewardship, essentially, for solar systems, which will include design for recyclability. I'll take that perhaps on notice and give you a considered answer.

Ms ABIGAIL BOYD: I'm just cheekily putting that on your radar, because I think it's a missing piece. One thing I wanted to touch on was, again, we've had a lot of evidence in previous inquiries around the limited number of environmental consultants available on projects. It's a form of procurement that—when departments are going and getting their EIS done, there has been a lot of talk about conflicts of interest and a limited pool of suppliers available to do that work. Is that something that the EPA has been looking at? Are there any concerns, from your perspective?

TONY CHAPPEL: We're very focused on following the recent legislative reforms, how to best establish a regime for what you might consider upstream environmental auditors or waste accreditation experts, in terms of where a project is doing demolition or there's a site that is producing material that might contain asbestos or other chemicals—having some sort of audit and assurance regime at the top of the pipe there.

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Specifically in terms of the planning system and environmental impact assessment, let me take that on notice because I'm not familiar with work we've done on constraints of the availability of consultants.

The Hon. DAMIEN TUDEHOPE: There is a current procurement policy framework in place, is there not?

TONY CHAPPEL: Yes.

The Hon. DAMIEN TUDEHOPE: And it has, as one of its objectives, the economic development of social outcomes and sustainability as a component of the objectives which the policy—

TONY CHAPPEL: Yes.

The Hon. DAMIEN TUDEHOPE: Have you recently examined what the policy says in relation to those objectives?

TONY CHAPPEL: I haven't myself. I know the EPA has and continues to and work with colleagues on those settings.

The Hon. DAMIEN TUDEHOPE: One of the headings in relation to sustainability, which must be taken into account by procurement officers in relation to their procurement strategy in respect of agency tendering, is resource efficiency and waste reduction. Would you accept that from me?

TONY CHAPPEL: Yes, absolutely. I'm aware that that has been an included component of these types of guidelines for a couple of decades.

The Hon. DAMIEN TUDEHOPE: And the obligation which arises in relation to that is the following:

... **must** comply with the **Government Resource Efficiency Policy (GREP)** by ensuring goods, services and construction projects meet minimum energy, water use and air emissions standards. An exception applies for agencies with fewer than 100 employees, when compliance is voluntary.

That's the obligation which arises. What I want to put to you, at the conclusion of the propositions that I'm about to, is not so much that the policy framework is deficient but potentially the education of procurement officers within agencies is deficient—and then perhaps the follow-up of compliance with their obligations, if you bear with me, as I take you through some of these. The next objective is "Resource efficiency and waste reduction", which we were just dealing with. There are three obligations there:

You **should** purchase construction materials with recycled content; copy, stationery and print publication paper with post-consumer recycled content, and non-recycled paper ... Refer to the **GREP** for information on recognised standards ...

In fact, at that point you'd probably include some of the material relating to the new standards, which you are currently writing, would you not?

TONY CHAPPEL: I think so. I mean, the genesis of that tool was, I think, an observation by the former Government that Australian engineering for projects like metros or major tunnels and things seemed to have a significantly higher carbon footprint and lower recycled content than what you could observe globally. That's perhaps part of the underlying intent—to try to improve these settings. I agree that all of those are great objectives.

The Hon. DAMIEN TUDEHOPE: Yes, and the obligation that flows from the objectives is an obligation which flows to the procurement officers within agencies when they're assessing tender projects.

TONY CHAPPEL: I think that's right in a way, but I think the lived experience shows that much of our procurement doesn't seem to, perhaps, deal with those issues with the level of rigour or the level of discernment that the intent of that document—

The Hon. DAMIEN TUDEHOPE: So the settings might be right, but the actual implementation is probably deficient.

TONY CHAPPEL: I think that that's probably a fair observation.

The Hon. DAMIEN TUDEHOPE: One of the others which we were just considering is that government buyers "should consider the product lifecycle when conducting needs analysis and developing product specifications, including taking account of circular economy principles". They're all things which you're advocating for and of which you've given examples in your submission. It goes on, of course, in relation to construction and demolition waste. Government buyers "must comply with the Protection of the Environment Operations Act". You'd obviously have some role to play in relation to that.

TONY CHAPPEL: Yes.

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The Hon. DAMIEN TUDEHOPE: And if you are disposing of construction and demolition waste, you must comply with the *Standards for Managing Construction Waste in NSW*. Anyway, I won't go on. But there is already a very significant body of work done, which is adopted by the Procurement Board when it sets the New South Wales Procurement Policy Framework. We don't need to actually rewrite the framework; we might add to it but the framework is right. The implementation is the problem, is it not?

TONY CHAPPEL: Yes, I think that's fair.

The Hon. DAMIEN TUDEHOPE: In relation to your submission about the sustainable materials strategy 2041, there's a \$3.6 million Choose Circular fund for New South Wales government agencies. Can you highlight those agencies that are actually using that fund and how they have done it?

TONY CHAPPEL: That's not actually a program the EPA manages, but I'm happy to take it on notice and get some detail from my colleagues in the department, because they actually run that particular program.

The Hon. DAMIEN TUDEHOPE: That's fine, because I think that that's an important demonstration of how the policy framework can actually be implemented. The second thing I wanted to ask you about was that we have recently had some issues relating to the procurement of mulch. You may recall that.

TONY CHAPPEL: I do.

The Hon. DAMIEN TUDEHOPE: I thought you might recall it.

TONY CHAPPEL: It's a little soon, but yes.

The Hon. DAMIEN TUDEHOPE: What lessons do you say we should have learnt in relation to the manner in which that mulch has been procured or the contracts relating to that procurement?

TONY CHAPPEL: It's hard for me to speak specifically on the contract. That's really a matter for Transport and their partners in the joint venture.

The Hon. DAMIEN TUDEHOPE: And Education, I suppose.

TONY CHAPPEL: But it does seem that there were a number of breaches, looking from the outside in, perhaps, at what the contract said. I understand that at one school, instead of using soil, they actually used mulch metres deep, which is what required such extensive effort to do the remediation. That's a contractual issue that I know that the education department is looking at. I think there are lots of learnings from that experience. Some of them are still the subject of a live investigation, so I probably just need to be a bit careful not to comment on that. But some of the points I referenced earlier about the need for, perhaps, more assurance at the top of the chain for this recycled material have been demonstrated there. Obviously, the need for appropriate penalties that are a disincentive to doing the wrong thing is very evident in this case as well, and some of that has now been enacted by the Parliament. Perhaps I'll leave it there, and I'm happy to give you more on notice. I just need to make sure I don't comment on some live legal issues.

The Hon. DAMIEN TUDEHOPE: Perhaps you might take this on notice as well: Would the investigation include the manner in which the respective contracts were led?

TONY CHAPPEL: Yes, let me take that on notice.

The Hon. DAMIEN TUDEHOPE: If there are learnings to be gathered about the chain in which a contract is procured, there might be some learnings in relation to that.

TONY CHAPPEL: Absolutely.

The Hon. DAMIEN TUDEHOPE: We've heard evidence from a local manufacturer of lithium batteries that are said to be 100 per cent recyclable, which is not the case with lots of other batteries, as I understand it. With a push to transition rapidly to renewables, is there a danger that procurement for the massive infrastructure—and Ms Boyd referenced that in respect of solar panels—and the need to actually access that fails to include sufficient focus on sustainability? Is that a danger in terms of the rollout of the renewable infrastructure?

TONY CHAPPEL: Of course it's a danger. You mean in terms of the mining and extraction of the materials?

The Hon. DAMIEN TUDEHOPE: Not only that but in terms of the actual product which is being delivered—the renewable energy zones and the delivery of solar panels. Is there enough emphasis being placed on the sustainable nature of those products as we roll out the renewable energy sector?

TONY CHAPPEL: I think the Government is very focused on that. It certainly was a topic of much discussion when the environment Ministers—nationally—met last week in Sydney. New South Wales is working

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very closely with Victoria and Queensland to lead some work on design standards and stewardship arrangements for batteries to shift the observed pattern of products. Frankly, batteries are proliferating not just in energy but even in pregnancy tests these days. I was surprised to learn the other day that they contain lithium batteries, for example, or children's shoes. There is a whole lot of work to do across the use of batteries to ensure that not only are they safe—which is, of course, critical—but also more readily recycled and recovered. Some of the materials in these devices, I understand, are not currently recyclable, so we need to make sure we have safe pathways for their disposal as well.

The Hon. AILEEN MacDONALD: I will expand on that. How do you plan to address the lack of awareness and knowledge about sustainable procurement amongst government staff? That's probably pretty broad.

TONY CHAPPEL: I think public servants always take our obligation seriously. Anything that elevates the obligation to assess this stuff would get, I think, strong traction. I'm happy to take that one on notice as well because I think there is a significant amount of work underway in terms of education. It would be good to lay that out.

The Hon. AILEEN MacDONALD: With the stronger penalties that you have for the environmental crimes, what impact are you hoping that will achieve?

TONY CHAPPEL: I was very pleased to be at a recent waste and recycling contractors conference where the speaker after me was a prominent lawyer in the space who gave a presentation about how the level of penalties now meant compliance could not just be considered a cost of doing business but had to be a central factor in how businesses are setting up their operation. I think we're already observing some positive effect there. These things are becoming much more explicitly managed and, therefore, we anticipate we'll get much more consistent outcomes as a result.

The CHAIR: Unfortunately, we're at the end of time. I think you did take some questions on notice and I suspect there will be some supplementary questions coming as well. The secretariat will be in touch about those and you have 21 days to respond. We thank you very much for your time, Mr Chappel.

(The witness withdrew.)

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Ms LINA GOODMAN, Chief Executive Officer, Tyre Stewardship Australia, sworn and examined

Ms SANDRA SCALISE, Director, Strategic Marketing Communications, Tyre Stewardship Australia, affirmed and examined

The CHAIR: Good afternoon. Thank you for making the time to give evidence today. Would you like to start by making a short statement?

LINA GOODMAN: Thank you, Chair, for the opportunity to address the Committee today. Firstly, I would like to provide some context for my remarks. Tyre Stewardship Australia—you'll hear me refer to it as TSA—has ACCC authorisation to administer the voluntary product stewardship scheme for the last 10 years. The industry has come a long way, but progress has plateaued. For the last few years, tyres have been on the Federal environment Minister's product stewardship priority list, signalling the need for a stronger approach to tyre stewardship in Australia. Indeed, TSA supports the need for a stronger stewardship approach, and our submission and remarks today highlight the important role of government social procurement in assisting the transition by creating the demand pull needed to sustain onshore used-tyre consumption and jobs.

To the current situation, each year we see the equivalent of 58 million passenger tyres reach end of life in Australia. This is 500,000 tonnes of material each and every year. New South Wales alone accounts for close to one-third of this total volume. That's 150,000 tonnes of used tyres each year, including passenger, truck, bus and mining or off-the-road tyres. The tyres that are collected for processing are largely exported to be used as fuel overseas. The tyres that we do not collect, mostly within the mining sector, are left on land or buried in a pit. What we know is that progressive countries and governments have used both the weight of government procurement and various forms of regulation to successfully amplify manufacturing, create jobs and, most importantly, develop markets using recycled materials that would not thrive without these practical and effective interventions.

I am speaking particularly about the influence of government procurement and product stewardship regulation. The two work in unison to create circular economy jobs that process and re-manufacture products from recycled material, as well as creating end markets and demand to use those products. We only have to look to Canada, in particular British Columbia, Ontario and Quebec, as examples of governments that have effectively used regulation through tyre product stewardship to support initiatives, incentives and innovation in manufacturing used recycled materials. One Quebec-based manufacturer has advised us that the outcome of government intervention in the form of tyre product stewardship regulation meant they moved from a \$20 million business to a \$200 million business, with the resultant increase in jobs that came with a tenfold increase in revenue.

British Columbia's product stewardship scheme advises that they are using all of their tyre waste locally. In fact, they have the need to supplement their supply with imports from other jurisdictions to meet the demand. These provinces enjoy successful manufacturing of innovative products that are sold across North America, creating many skilled jobs and economic activity in these local communities, with the resultant social benefits. New Zealand has now set similar regulation and procurement principles in place. New South Wales is well placed to take the lead and use procurement to contribute to the social development of the people of New South Wales. Social procurement could be part of this win-win solution, benefiting those peri-urban, regional, rural and remote communities that currently bear the brunt of unrecovered tyres and delivering benefits for the wider community.

I have some examples that we'd love to see. The inclusion of tyre-derived material in roads and transport infrastructure, recently demonstrated by SSROC, makes council roads more sustainable, higher performing and longer lasting, reducing capital and operating expenditure. We see the retreading of giant mining tyres in Kurri Kurri being supported by procurement principles. We see the investment in state-of-the-art end-of-life tyre processing plants in Erskine Park creating local jobs and valuable materials to be used in the construction of the local built environment. These initiatives can be well supported to continue to grow if New South Wales can lead with strong government procurement principles that support the use of tyre-derived materials in the construction and road space. Without procurement principles in place, these initiatives cannot and will not grow.

It is actually not a far-fetched future. Let's take a quick look at local government. They manage 85 per cent of our roads. Mandating the use of used tyres in road infrastructure would create a sizeable end market for tyre-derived materials. It would also set the benchmark of being the custodians of our own waste, support manufacturing and create jobs. In 2023 in New South Wales, if practical and strong procurement practices were mandated and a 15 per cent loading of crumb rubber was used in roads, the market would consume 85 per cent of its current used truck tyre market. Currently, New South Wales is using some 6,000 tonnes of crumb rubber in roads. A slight modification and mandate would mean you'd be using 37,000 tonnes of crumb rubber in roads.

It is now time for New South Wales to take the lead. We can no longer accept the valuable resources in tyres being wasted, especially when the opportunity to reuse them for the economic, social and environmental

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benefit of the local community is achievable with government commitment to procurement practices and stewardship. I commend the Committee for exploring this important issue and encourage the Committee to progress a pathway towards strong social procurement practices. Let's not let the perfect be the enemy of the good.

The CHAIR: Thank you very much, Ms Goodman. I will start with some questions. You used some Canadian examples, but you also used some examples of organisations that we have in New South Wales. Those Canadian provinces have, I'm guessing, a similar tyre stewardship program to yours, or to ours here. What, then, is the difference? You cited those examples. We have tyre stewardship here. In the previous session, you would have heard Mr Tudehope quote some of the environmental requirements that already exist in the policy framework. What is the difference between what happens here and what happens there?

LINA GOODMAN: The one significant difference is that the tyre stewardship here in Australia—we are voluntary, and we don't have the same scheme design as in Canada. To give you an example, in Canada they're not voluntary; they're mandatory schemes, which means every tyre manufacturer that sends a tyre to Canada must pay a levy. Our levy is 25¢. In Canada, the levy is something like \$6 or \$6.50. It's considerably higher. That levy is used to help incentivise the end market, which means that those manufacturers in Quebec, in Ontario and in Vancouver have enjoyed subsidising the cost of their product or in creating products, because they have been incentivised by tyre manufactures through the mandatory levy that is in place. We don't have that here.

The CHAIR: Your members are, essentially, tyre importers who have voluntarily decided to join?

LINA GOODMAN: Correct.

The CHAIR: So that means that there are some, by implication, importers of tyres who aren't involved?

LINA GOODMAN: Correct. We have 57 per cent of the market contributing to the scheme voluntarily.

The CHAIR: Okay. That's an interesting difference, isn't it? So in terms of what I understand are different stewardship schemes, this extended producer responsibility in this space is entirely optional.

LINA GOODMAN: A hundred per cent.

The CHAIR: Thank you for that. Please excuse my ignorance of this, but you've started to mention some of the uses for recycled tyres. Could you just be quite explicit about what kinds of uses tyres could be put to as recycled material?

LINA GOODMAN: Sure. If we start with the biggest consumer of tyre-derived material, it's roads. It's not sexy; it has been used in Australia for 50 years. What we do find is if Australia were to consume crumb rubber into roads as per the specifications in each State, as a country we would go a long way to consuming the bulk of our material here. Like I said, in New South Wales that would be some 37,000 tonnes of material. There's a difference between the roads that are managed by main roads authorities and roads managed by local government, and they both need to be on the same page.

The Hon. ANTHONY D'ADAM: Why is there resistance to increasing the amount of crumb rubber in roads?

LINA GOODMAN: It's changing the way we've always done things—has been the largest change. I think today you'll probably hear from SSROC. They've made a significant impact to change the way they've always done things to include crumb rubber in roads. Potentially there has been seen a cost differential in the past where crumb rubber may have been seen as more expensive, but I think that's levelled out now and the long-term impact to those councils would be a cheaper road and less maintenance as a result. I think we just need to change the way we've always done things.

The CHAIR: Speaking of changing the way we do things, are there other jurisdictions in Australia that have different outcomes to New South Wales?

LINA GOODMAN: Yes. Western Australia have gone out and have really pushed the use of crumb rubber much higher than anyone else has across the country. They've taken a very California approach, where the crumb rubber is some 20 per cent and they keep pushing the barrier because they see the benefits and Main Roads WA is leading the impact of crumb rubber in roads. Victoria, through ecologiQ and their Recycled First Policy, have made a conscious effort to ensure crumb rubber is used in infrastructure there as well.

The CHAIR: A question about that, though. So you've got Western Australia that made a decision, Victoria have made a policy—they have their Recycled First and ecologiQ in their transport area—but is there some kind of mandate? Is this just because they think it's a good thing and they've had someone who championed it, or is there some mechanism that makes it—

LINA GOODMAN: There is no mandate, no.

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The CHAIR: So it's if someone champions it and thinks it's a good idea.

LINA GOODMAN: Correct.

The CHAIR: As I said, referencing again the policy, which would encourage the use of recycled material and circularity, apart from "We've done this the way we've always done this", what is it, do you think, in terms of the government procurement process, that is limiting the use?

LINA GOODMAN: I think we're just not mandating it. As a result of it being left at the point of procurement, it potentially comes down to price. There will be times where crumb rubber additive to a road could be seen as more expensive at that point of purchase—rather than mandating it and taking the price out of it altogether.

The CHAIR: We've been looking across different aspects of procurement about impact, social impact, economic impact and environmental impact. Do you have any modelling on the environmental impact and the cost impacts over time of using crumb?

LINA GOODMAN: Absolutely. We can bring that to you. We've done some work with RMIT. We've done some work with ARB and we've had an independent consultant also do some work on that. I can provide those reports to you.

The CHAIR: That would be great. If you could provide them on notice, that would be really helpful.

LINA GOODMAN: Sure.

Ms ABIGAIL BOYD: Thanks very much for your submission and for being here. I'm 100 per cent on board with the idea that we need to recycle our tyres and all of the horrible environmental impacts being caused by tyres being dumped in landfill. My understanding is that there's a sweet spot for the amount of crumb rubber you've got in with other things in order to create materials that are still strong enough. However, there are also competing recycled streams and reuse streams, like coal ash, which plenty of people are lobbying to be included in roads. In an ideal world, we might try to create a composite that has all of that in there. Do you know if there has been any work done on that? How do you see that competition between mandating different amounts?

LINA GOODMAN: Great question. Crumb rubber acts very differently to coal ash, to plastics, to glass. It's very different. It's not—it doesn't compete. Crumb rubber is an elastomer; it competes with oil. It doesn't compete with the other items in the road. There have been trials that we have done that have used both plastics and crumb rubber in roads. Again, they act very differently. They're complementary. I don't see them as competitive by any stretch. Certainly, I can share those reports with you, too—of those demonstrated projects that we've done. I think a composite with plastics and crumb rubber—in crates, in pallets and irrigation pipes—they're projects that we have funded.

Ms ABIGAIL BOYD: I know a few years back there was a company that was taking old tyres and breaking them back down into their component parts—that we had oil and other things being created. I think it was a pilot at that time. Is that technology still being fostered? Is there anything that the Government should be doing to try to increase use of that?

LINA GOODMAN: The technology you're talking about is pyrolysis. We might get that report to you as well. That's very much still in its embryonic stage here in Australia, but, globally, there have been some movements to increase the scope of that technology. My view is that, one day, someone's going to nail it. We haven't nailed it yet. We'll keep supporting that technology until somebody does.

The Hon. DAMIEN TUDEHOPE: Are you aware of any of your members who have tendered for government work, or procurement contracts through local government, and been unsuccessful?

LINA GOODMAN: That's a great question. Yes. If I can elaborate, our concern—you raise a great point that we spoke about earlier: There are so many opportunities, from a procurement perspective, when in relation to tyres. There's fleet. There are many members that are contributing to a scheme that, unfortunately, may lose out on tenders when it comes down to cost because it's replaced with cheaper alternatives that are coming into the country that may be single use. I call upon the bus fleet as a great example. Bus fleets—bus tyres—can be retread. They should be retread and they can be retread here in New South Wales but, unfortunately, many times bus fleet operators will choose a single-use tyre because it's cheaper and, unfortunately, it doesn't last as long. So yes to that question.

The Hon. DAMIEN TUDEHOPE: In respect of their participation in the procurement process, what was the feedback that they got from the supplier, or the agency who was seeking the tender, as to why they were unsuccessful—or, in terms of their engagement in the process, was there any further engagement after they were unsuccessful?

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LINA GOODMAN: It was cost.

The Hon. DAMIEN TUDEHOPE: It was only cost?

LINA GOODMAN: It was cost.

The Hon. DAMIEN TUDEHOPE: The only way you would remedy that would be if the product, the crumb rubber, was mandated?

LINA GOODMAN: In a contract such as fleet, if there were other items in that regulatory consideration—such as reuse, repairability, retread—all contributing to a product stewardship scheme for the better outcome, we'd go a long way toward supporting tyres that have a longer life cycle. In relation to crumb rubber not making it into the mix into roads, it comes down to cost.

The Hon. DAMIEN TUDEHOPE: But the Chair put to you that already a component of the procurement policy was, in fact, environmentally sustainable products as part of the consideration by agencies.

LINA GOODMAN: Yes.

The Hon. DAMIEN TUDEHOPE: Is it that the product which was successful was a sustainable product?

LINA GOODMAN: No, the product that was successful was cheaper.

The Hon. DAMIEN TUDEHOPE: Only?

LINA GOODMAN: Yes.

The Hon. DAMIEN TUDEHOPE: There was nothing else other than—well, are you suggesting, then, that the procurement officers involved weren't in fact applying the objectives of the procurement policy in respect of the manner in which they sought the tender and implemented the tender? If in fact they're obliged to consider sustainability as a component of the objectives of their procurement policy, you're saying that they don't pay any attention, or enough attention, to that objective?

LINA GOODMAN: I think they pay attention to it, but I think sometimes when there's a contract in place, price certainly has a higher weighting than some of the other requirements in a tender process.

The Hon. DAMIEN TUDEHOPE: The Government, if it wanted to, could fix this, in your view, by mandating that as a requirement, as a component of the procurement process?

LINA GOODMAN: Correct.

The Hon. AILEEN MacDONALD: I'll take you in a different direction. Your recommendation 1 is that "All government fleets become TSA accredited". What is TSA doing to ensure retailers are aware of the accreditation process? Is there a cost involved to the retailers to become accredited?

LINA GOODMAN: I'll start with that. No, there isn't a cost to retailers to become accredited. They would need to meet the scheme guidelines, which are set by the ACCC, which require them to use an accredited recycler collector, provide data and allow us to audit them. We're voluntary, so not everyone participates. Those that do are held to a higher account. We do the best we can under the arrangement but, unfortunately, under a voluntary arrangement, we can't compel every retailer to participate.

The Hon. AILEEN MacDONALD: With the accreditation process for government fleets, how would that be managed and monitored?

LINA GOODMAN: Fleet operators—whether it's a vehicle fleet, truck fleet or bus fleet—should, in my view, become accredited fleet organisations with the scheme, which means that they would only buy tyres from companies that contribute to a scheme. They would only utilise recyclers and collectors that have been accredited, and they would only procure the product if they're going to a retailer who is being audited. There is no cost to a fleet operator to be accredited with the scheme.

The Hon. AILEEN MacDONALD: We all know costs seem to shift to local government. How would you plan to support local governments in aligning their procurement practices with those of State policies, as you've outlined in recommendation 6?

LINA GOODMAN: Local government have such a role to play in us shifting the dial here, and we can't seem to navigate forward there. We have committed to date—over 10 years—some \$10 million to projects to advance the use of tyre-derived material. In New South Wales we've had some great examples, such as SSROC, that have demonstrated that the use of tyre-derived material in roads actually makes a good social and economic benefit. We continue to try to support and educate local councils. If we had a crystal ball and I could change it

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today, I would love to see the scheme be regulated so that we could provide incentives to local governments and bridge the gap from a financial one, if there is one. But we just need to continue to support those engineers to consider making change and the small operators to consider using crumb rubber.

The CHAIR: I have an interest in stewardship schemes generally. A newer stewardship scheme, Seamless, which is about textile circularity and recycling, is also Federal. I understand your scheme is Federal Government supported.

LINA GOODMAN: Correct.

The CHAIR: The Federal Minister has indicated that if there isn't enough buy-in of producers and suppliers at the top end of the supply chain in the voluntary scheme, she will consider making that scheme mandatory. Are there any such discussions or considerations going on with your equivalent of that scheme?

LINA GOODMAN: Minister Plibersek has made the same announcement for tyres as well. We have been on the priority list for two years now, with similar conversation that if industry doesn't participate, then there'd be a need to mandate. We really need that to come to fruition.

The CHAIR: We're talking about increasing the role of government procurement, but you spoke about New South Wales businesses, particularly in tyre crumb. Are there examples where it has worked well? You talked about the SSROC. What about the New South Wales Government? Have you worked with Department of Transport? Where have you had good examples that we could point to?

LINA GOODMAN: I think that New South Wales Transport has been strong in understanding that crumb rubber in a spray seal is business as usual, and they've done that and done that well. What we're saying is that there's actually more to be done. Crumb rubber in the actual asphalt is a no-brainer and happens in many parts around the world, including Australia. That's probably the next shift we need to take.

The CHAIR: So overall in Transport for NSW. Is there any other use that could be considered or are we just talking about roads?

LINA GOODMAN: No, there are lots of other opportunities. Rail, for example, is a significant opportunity. Concrete road barriers are another opportunity. In New South Wales, we have got a cement kiln here that could utilise some tyre-derived material as a fuel replacement to coal. We certainly have seen in New South Wales manufacturing of products such as gym flooring, carpet underlay, tiling and so on that can be distributed and supported here as well. There are lots of opportunities. The question about what is the quickest fix for this material—roads is "it" here. We can go a long way in New South Wales by putting the material in roads and having local government on board, but there are a myriad of other ways that we can use that. We can't forget the tyre repair and the tyre retread. New South Wales has got some great organisations already here in the Central Coast and upper Hunter Valley that can do those pieces of work.

The CHAIR: Thank you both very much for appearing today. We appreciate it and your submission. I think you did take a couple of things on notice. If there are any supplementary questions, the secretariat will also get in touch with you about those and you have 21 days to respond.

(The witnesses withdrew.)

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Ms PAMELA HENDERSON, Head of Technical Services, Infrastructure and Place, Transport for NSW, affirmed and examined

Dr JANE INGLIS, Director, Social Procurement and Workforce Development, Infrastructure and Place, Transport for NSW, affirmed and examined

The CHAIR: Good afternoon and welcome. Thank you for making the time to give evidence today. We do appreciate it. Would you like to start with a short statement?

PAMELA HENDERSON: Yes, thank you. I head up a large technical cohort that supports both the project and asset life cycle within Infrastructure and Place in Transport. I'm also joined by Dr Jane Inglis, the director of social procurement and workforce development also within the Infrastructure and Place division. In July 2021 Transport kicked off the Sustainable Procurement in Infrastructure Initiative, which was driven by a substantial industry engagement campaign. We engaged with over 370 participants across 135 organisations. Following this deep engagement with industry, we launched a series of policies and programs last year. First was the Transport Net Zero and Climate Change Policy. That was accompanied by the Transport Sustainable Infrastructure Program, which actually operationalises the elements of the policy. Third was our international partnership with National Highways UK on net zero infrastructure, with the main component being the future of carbon accounting in infrastructure contracts.

Under the Sustainable Infrastructure Program, we have clear direction for the next three years on what we aim to achieve, and it's particularly stepped out in the Decarbonising Infrastructure Delivery road map, which has been developed and is now being delivered in concert and collaboration with Infrastructure NSW. This is the starting point for Transport, and we're committed to working with our industry and government partners to drive understanding, to drive policy outcomes, to lead pilots and initiatives and then implement uplift, driving us towards net zero. Much like the Sustainable Infrastructure Program, Social Procurement and Workforce Development is in its own early stages. It was established in January 2023, and Dr Inglis and her team have begun those first steps at leveraging and then learning from pockets of excellence such as Mindyarra Maintenance Centre and the Princes Highway upgrade program.

The team manages—in Jane's group—the Transport projects' compliance with the highly successful Infrastructure Skills Legacy Program. This includes centralised reporting. Dr Inglis and her team also develop contract requirements that reflect the local socio-economic context and support capability building—for example, targets for long-term unemployment in the construction workforce and also the requirements for head contractors to build the capability of small- and medium-sized enterprises. However, the team recognises that contracts are not in themselves a silver bullet. Enabling initiatives are really imperatives, including specialised project resources and cross-government agencies and industry collaboration, early and often. Examples include the advisory groups in the Hunter region and Dubbo, which support head contractors to engage people and businesses from the local area. We welcome the opportunity to speak with you today about how Transport is driving sustainability and also embedding best practice in our major infrastructure projects and leveraging these projects to deliver positive social outcomes across our communities.

The CHAIR: There is a lot in what you have just said and a lot of work, clearly, that you are undertaking in this space. You mentioned a number of policies, Ms Henderson—the Transport net zero policy. You have spoken about the social procurement and the standing up of that team last year. What we are really interested in is how what you are trying to do gets implemented through the procurement process. What are the mechanisms? How have you been driving what you are trying to do through the different steps of procurement? Obviously, we are looking to see what works and where we might take some lessons from what you have been doing.

PAMELA HENDERSON: I will start with the sustainability perspective and then hand over to Dr Inglis for the social side. I mentioned earlier that we'd engaged with industry for about a year, and we had some clear messaging from industry which has developed our procurement policy and the program. Some of the clear messaging was about setting clear targets, setting challenging targets, backing that up with documentation and backing that up with clarity in our procurement processes. One of the things I also highlighted is that, although it is a procurement challenge, there are elements across the whole procurement life cycle and the asset life cycle that are influential and related to it. We evolved our program to have a number of elements. One was about net zero procurement, and one was about engineering innovation, which is about setting up capability to actually have the engineering and innovation within the procurement programs, and also about decarbonising the development phase and the construction phase.

So, again, how do we set the development phase up and the planning and development of our projects so they are decarbonised throughout that phase and we have the lowest or the best decarbonisation outcome for the project? And then, also during the construction phase, how do we uptake zero-emission plant and equipment and

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also embrace modern methods of construction? The fourth element was about underpinning that with policy and process, consistently, across the organisation. A number of the elements that we have both delivered upon and are delivering upon, particularly in the procurement phase, are around having consistent standards about procuring sustainable infrastructure for our tendering processes—so being consistent in what our baseline requirements are when we actually do procure. A number of other elements during the development phase are about setting those baseline requirements.

We're also setting ourselves up to ensure we have a consistent library of carbon content of materials, and the likes of fleet, and that we will be targeting to deliver by the end of this year for our roads and motorways projects, and then evolving that to include rail projects next year. Along with that, we will also be looking at a carbon and cost framework. We are in the early stages of developing a carbon and cost framework. Effectively, the way we estimate cost, similarly, we estimate carbon, and then we track that through the life cycle. So if you think about how with cost we have a cost budget at the beginning of a project—we have contingency, we have risks—we will similarly set that up for carbon in a mirrored fashion to what we do for cost. We're implementing this through our digital engineering framework. I mentioned before about the carbon library. In this we will also have project carbon budgets, which is about, as I said, the carbon contingency and also targeting the marginal cost of abatement in our programs. I will now hand over to Jane to talk about the social elements we are introducing.

JANE INGLIS: Thank you, Pamela. From a social procurement and industry skills and diversity perspective, we see the best outcomes on projects where we have both leveraging of the procurement process and, in particular, contract requirements, but also enabling initiatives. As per our opening statement, the contract requirements are not in themselves a silver bullet. There is a lot that needs to happen, both from a transport project team perspective as well as with the delivery partners and how they undertake their approach to meeting the targets. That's really important. I will talk first about leveraging the contracts. The Infrastructure Skills Legacy Program, which is administered by the Department of Education, has been highly successful on transport projects. However, we also look beyond the targets in the Infrastructure Skills Legacy Program, and we've done that on a number of projects across the State over the past three to five years.

Examples would include the Princes Highway upgrade program projects, where we have included targets that reflect the local demographic. That is stated in the training management guidelines, which support the Infrastructure Skills Legacy Program—that agencies can look at the local demographic and look at how they can provide opportunities or uplift the workforce, and provide pathways for the workforce and identify, say, training needs. We've got a lot of examples where we've put in other contract requirements, then the ISLP minimum under the Procurement Board direction. Examples include the Mindyarra Maintenance Centre, as part of Regional Rail; Western Harbour Tunnel stage 2; again, the Princes Highway upgrade; a number of other projects; and M12 west and M12 central.

We do leverage contracts, because our experience is that is a really fundamental way of getting outcomes. But it's not the silver bullet, and what we have found and what our team has been looking at in terms of pockets of excellence or best practice, is it is where government collaborates with other government agencies. So Transport collaborates with other government agencies like Training Services NSW, as well as industry organisations and our delivery partners, to achieve those outcomes jointly, because there are a lot of other agencies that have funding or support or advice—like the Service NSW Business Connect program—that can support not just the delivery partners but the subcontractors or potential subcontractors to build capability.

An example of that would be our advisory group model. We have an advisory group in Dubbo, which was set up for the Regional Rail project but is now also advising the new Dubbo Bridge delivery partner. That has cross-agency as well as industry capability network and other stakeholders, and the role of that group is to support success of outcomes in the contract. They will, for example, support understanding of local business capability and also skills shortages and skills gaps—local knowledge that supports pathways for people and potentially businesses from the local area as well. They're just a few examples of enabling initiatives that our team works with to achieve outcomes that our delivery partners would lead, in terms of the contract delivery.

The CHAIR: Could I ask another general question. You've got these policies that you have developed and are working towards, including your net zero. You've got these social outcomes that you're looking for. I note, Ms Henderson, you spoke about a year's worth of consultation with stakeholders. What was the impetus to do that? We're talking about what currently exists in framework, but we've also heard that its implementation and perhaps its enforcement or follow-up is quite variable across government. What was the impetus for changing and developing this new approach? How widespread is what you're talking about across all of the work that you do?

PAMELA HENDERSON: Thank you for the question, Dr Kaine. The impetus for the Sustainable Infrastructure Program and also the sustainability and net zero policy was driven by the overarching commitment of net zero and the number of legislative changes and policy changes that are across the varying levels of

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government that we were well aware were coming in the pipeline to be requirements, to which we must comply. We took the initiative to look across the landscape within Transport to see what we were doing. There was a lot we were doing in the net zero circular economy space but, arguably, it wasn't programmed. We were looking at the pockets of great work that we were doing, looking at getting—we actually developed an initial discussion paper, which we then put to industry. We recognised that we both need to uplift inside the organisation but recognising much of industry are internationals, but they are also local. So we wanted to understand what were both enablers and not-as-great enablers for industry to work with us on the net zero pathway.

The impending legislation obligations of net zero was probably the greatest driver, and then setting ourselves up for success with our own policies and systems and processes to align to that to help us achieve it. As we were on the pathway, we recognised Infrastructure NSW was also on a similar pathway, so we did connect very early, recognising we can engage with industry together and we can leverage both of our forward plans for what we would do. There was also often the implementation and piloting of many of the initiatives of both our policies internally but also potential policies from both Infrastructure NSW and other organisations.

Ms ABIGAIL BOYD: Thank you for coming. Apologies—I was out of the room for a moment while you were talking. I want to pick up on the carbon budgets and marginal cost of abatement point. Is the idea that you are going to develop your own framework, or will it be based off the Treasury's carbon value in cost-benefit analysis?

PAMELA HENDERSON: We do comply with Treasury guidelines. We currently leverage the \$123 per tonne, per the Treasury guideline.

Ms ABIGAIL BOYD: It's 126.

PAMELA HENDERSON: But the policy is overarching. We're implementing and developing tools that will sit underneath that so we have consistent costing across our program of work and during the tendering process with our contractors.

Ms ABIGAIL BOYD: Do you think that the carbon emissions value in that Treasury guidance is high enough?

PAMELA HENDERSON: I don't think I'm placed to answer that. I can take it on notice.

Ms ABIGAIL BOYD: The NSW Electric Vehicle Strategy has a much higher carbon price. That's why I'm asking why the decision was to go with the Treasury's one rather than to adopt something higher.

PAMELA HENDERSON: We have an obligation to comply with Treasury policy, and we comply with Treasury policy. Beyond that, I will take it on notice.

Ms ABIGAIL BOYD: Apologies if this was dealt with while I was out of the room. I'm not sure if you were listening to the previous witness around the use of tyres in roads and construction materials, and I also raised the issue of coal ash being used in construction and other areas. What is the process for bringing the development and fostering of those sorts of reuse industries in order to be able to procure from them more easily? Where in government does it sit to look more broadly and then foster those sorts of industries?

PAMELA HENDERSON: I can answer specifically what we are doing—where in government, I might need to take on notice. I mentioned before that we established a program called the Sustainable Infrastructure Program. Initially, we were focusing on procurement, but we recognised during that program that as well as procurement, it's about the development phase, the delivery phase and the engineering materials. So we are actually doing discrete engineering work inside the organisation and doing discrete levels of research with collaborators to look at the improvement in materials, the reuse of recycled materials and the uplift in percentage content of recycled materials that we allow in our infrastructure. That's research that we do in general, in discrete ways.

We do already allow a significant amount of recycled material in our pavements and in our asphalt. Examples of that are recycled asphalt pavement—which we use quite extensively across our network—recycled concrete, recycled crushed glass, coal wash and coal ash. A great example of that is actually in the project of Albion Park Rail bypass, where we use—I think it's the largest content that we have certainly used, of 1.1 million tonnes of recycled material. That included coal wash, it included tunnel spoil and it included recycled select material zone, which is one of the layers of our road pavement base. It also included the heavily bound base layer, as well as recycled content, and we also included recycled crushed glass. So we use that extensively across many of our projects, but Albion Park Rail bypass is an example of where we have used it a significant amount.

One of the elements of the Sustainable Infrastructure Program was not specifically about specifying percentage content of recycled material but about how we could achieve the best carbon outcome. That's because

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across different programs of work, across different modes of work, and across different sizes of projects and geographies, there may be better net carbon outcomes when you include the transportation, when you include the reprocessing and when you include materials that are available locally. Part of the intent of the program is to focus upon what is the net carbon benefit for the project and the locality, and the challenges that are specific to that project, rather than looking at specific elements of content.

The Hon. DAMIEN TUDEHOPE: I just want to understand what your role is, Ms Henderson. Are you the chief procurement officer?

PAMELA HENDERSON: No.

The Hon. DAMIEN TUDEHOPE: Is there someone who actually—

PAMELA HENDERSON: There is. I'm the head of technical services, so I largely have an engineering and technical cohort. We're about the technical content in projects and managing that through the project life cycle and the asset life cycle.

The Hon. DAMIEN TUDEHOPE: So you would provide advice to the procurement team in relation to the tender process, would you?

PAMELA HENDERSON: I work with the procurement team, and my team works with the procurement leads in projects on the technical elements.

The Hon. DAMIEN TUDEHOPE: So are there tenderers, say, for the Albion Park Rail bypass?

PAMELA HENDERSON: There were tenderers. It's a project that's open—

The Hon. DAMIEN TUDEHOPE: In relation to the use of the sustainable product in that project, did you provide advice in respect of how the successful tenderer would be assessed?

PAMELA HENDERSON: When Albion Park Rail bypass was tendered, it was quite a number of years ago—I would suggest six to seven, but I can confirm. I can't confirm the extent here, so I will take it on notice who was involved from a tendering technical perspective.

The Hon. DAMIEN TUDEHOPE: All the things that you have suggested to us today in terms of developing the policy that Transport uses, they are what you would be passing on to the procurement team for the purposes of assessing successful tenderers?

PAMELA HENDERSON: Can you please restate that question?

The Hon. DAMIEN TUDEHOPE: All the issues relating to sustainable materials in transport projects are policy positions you have developed and you have told us about today.

PAMELA HENDERSON: Yes.

The Hon. DAMIEN TUDEHOPE: Those policy positions are what you then pass on to the procurement team for the purposes of them assessing the successful tenderers, are they not?

PAMELA HENDERSON: What we have developed is a sustainable procurement guideline, which is about specifying a base requirement from a sustainability perspective in tenders.

The Hon. DAMIEN TUDEHOPE: So the procurement officer would use that guideline when he is assessing the tender.

The CHAIR: Or she.

PAMELA HENDERSON: In developing the tender and—

The Hon. DAMIEN TUDEHOPE: In developing the tender—I should have said that—and then assessing who was going to be successful in terms of being the successful tenderer.

PAMELA HENDERSON: Yes. What I would add to that—and then I will have to take the rest on notice—is that a procurement development and a procurement assessment is usually a team approach. You normally have a number of people that are involved in both the development of the tender requirements and then the assessment of the tender requirements. There is quite a governance arrangement around that. It will invariably include technical people as part of that, both development of the tender and the assessment. The actual governance requirement I would have to take on notice.

The Hon. DAMIEN TUDEHOPE: To Ms Boyd's point, the circumstances in which you can structure your tender documents can include various objectives for sustainability, which you have identified as part of your

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program. If you wanted to use crumbed rubber as part of your road-making opportunities and tendering, you could do that, could you not?

PAMELA HENDERSON: What I can say is that we have tested crumbed rubber in our roads. What I would also say is that the intent of the Sustainable Infrastructure Program is to achieve the best carbon outcome. What our intent is going to market, when we tender, is about defining what is the best carbon outcome, which may or may not, depending upon a project, be the use of something like crumbed rubber or the use of recycled crushed glass. It's about defining a base case of the minimum carbon outcome and then how that could be improved upon using different recycled materials and other input materials which will have lower carbon content.

The Hon. DAMIEN TUDEHOPE: To the best of your knowledge, of course, the procurement teams within various agencies follow the current Procurement Policy Framework, do they not?

PAMELA HENDERSON: I can't answer regarding other—

The Hon. DAMIEN TUDEHOPE: There is a Procurement Policy Framework, isn't there?

PAMELA HENDERSON: I work for Transport for NSW. We do have procurement frameworks.

The Hon. DAMIEN TUDEHOPE: But there is a whole-of-government Procurement Policy Framework?

PAMELA HENDERSON: I think I will have to take that on notice.

The Hon. DAMIEN TUDEHOPE: If you are examining the Procurement Policy Framework, there is a component of that which requires agencies to consider sustainability, is there not? Perhaps you could take that on notice if you are not familiar with it. Is there a requirement to consider as an objective of the policy sustainability?

PAMELA HENDERSON: We do comply with our obligations in regard to sustainability in our procurement documentation.

The Hon. DAMIEN TUDEHOPE: To you, Dr Inglis. The same provision exists in the Procurement Policy Framework in relation to social outcomes, does it not?

JANE INGLIS: My understanding is yes—for example, in the training management guidelines where it references that agencies should look at skills and diversity in the evaluation process. The team I lead has been involved in a number of procurement processes and tender evaluations, similar to Pamela's team. Examples of that would include projects like the Regional Rail project. Any other detail about which projects have or haven't, I would have to take on notice.

The Hon. DAMIEN TUDEHOPE: As part of the consideration, do you apply the Aboriginal Procurement Policy?

JANE INGLIS: That is an area my team does not manage. We do have other teams within the organisation that manage the Aboriginal Procurement Policy. However, we work collaboratively with that team. My understanding is that we do have a number of projects where we have included both the skills and training evaluation process in tender evaluation, but I couldn't talk to the Aboriginal Procurement Policy because that's not what my team manages in the organisation.

The Hon. AILEEN MacDONALD: You spoke before about how you have collaborated with other government agencies. Do you also collaborate with local councils and private sector partners? If so, how do you do that?

JANE INGLIS: I will use the example of our key initiative—one of those enabling initiatives I mentioned—which is the advisory group model, which has been proven to be highly successful. For example, in Dubbo, for the Mindyarra Maintenance Centre build, where through a collaborative effort—and, of course the efforts of our delivery partners, the project consortium—there have been nearly 60 Dubbo-based businesses engaged as part of the Mindyarra Maintenance Centre delivery. The advisory group, including in the Hunter region—I would have to confirm the Hunter region membership.

However, with the Dubbo group, we do have local councils. We have Gilgandra, Narromine and Dubbo Regional Council, and we have had them involved since pre-procurement—since the development phase—so that they can provide insights into local industry capability as well as support industry networking events with the then three tenderers. So, by and large, it's the economic development teams that we work with because they have a good knowledge, typically, of their local business environment. In terms of industry groups, industry capability networks, as I mentioned, and also the delivery partners themselves, importantly, are part of those groups.

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The CHAIR: One of the things we are trying to puzzle through is that we have these frameworks—we have policy documents that articulate in general terms what we might want to achieve with regard to environmental or social outcomes—that we all seem to agree with, but they are not necessarily reflected on the ground. The question to you, Ms Henderson, is that you now have an additional policy focus on your carbon reduction. How do you verify that that is happening? You have set the policy. Your technicians have said what they need in terms of the specifications. How are you ensuring that that is happening once it leaves you and gets to procurement and the project stage?

PAMELA HENDERSON: We have a broad governance framework in which we deliver our projects, and that includes various assurance pathways through the project life cycle. I specifically can answer on the technical assurance pathway. During both the development of projects and during the delivery, and also through the tendering phases, we do what we call a technical assurance. That includes both assurance from the contractors and also due diligence from our own technical capability people. That will include elements of auditing. It will include elements of data collection and doing elements of comparison of that data to the requirements in the tender documents. They are usually on an assurance level looking at what we would sometimes call the judgement of significance, looking at the areas of highest risk where we would have a higher level of comparison or assessment of those areas. That's at a high level. To get into a detail basis, I would have to take it on notice.

The CHAIR: That would be helpful. I think Mr Tudehope was asking questions on this. When it gets to the procurement team and then further on, how is it flowing down? You said you'd take it on notice. I accept that.

The Hon. DAMIEN TUDEHOPE: You may need to take this on notice as well. It may be outside your expertise, because you're principally involved in the technical assessment of the tender, but in terms of the unsuccessful tenderers—we heard about the crumb rubber—what's the level of engagement with unsuccessful tenderers about why they were not successful?

PAMELA HENDERSON: Again, to get the detail of that, I'll have to take it on notice.

The CHAIR: I have a further question. To clarify, on the environmental side of things, carbon is obviously a big part of it, but there are some competing elements, if you like—the recycled aspects and that kind of thing. I just want to confirm that the key driver for targeting the carbon aspect was indeed what you saw as mandatory regulations and rules that were going to come in, and you were trying to pre-empt or be prepared for changes to the regulatory environment.

PAMELA HENDERSON: That was overarching, yes. Certainly, it was what industry was telling us as well. Because we understood the impending obligations, we have been actively helping in the development of policy and process in many regards. It does include uplifting what we have learnt from a New South Wales perspective to the national perspective and the areas where we are driving the national policy. A great example of that is the national carbon in procurement and contract guidelines, at a national perspective.

The CHAIR: Thank you very much for coming along today and giving evidence, and for the work that you're doing on behalf of New South Wales. You've taken a few things on notice. There may be supplementary questions as well. The secretariat will be in touch about those. You have 21 days to respond. We thank you again for your time.

(The witnesses withdrew.)

(Luncheon adjournment)

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Mr ADRIAN JONES, Chief Executive Officer, BlockTexx, before the Committee via videoconference, affirmed and examined

The CHAIR: Welcome, Mr Jones, and thank you for making the time to give evidence today. We do appreciate it. Would you like to start by making a short statement?

ADRIAN JONES: I would, if I may. Thank you so much. As a brief introduction to BlockTexx, and to put the context of our discussion for today, it is quite simply that Australia has a textile problem that it's not dealing with. In the consumer space alone, over 300,000 tonnes of garments per year are either landfilled or exported from this country to be landfilled probably somewhere else. Commercial textiles, including government uniforms, are top of these numbers. The economic cost or externalities of this consumption is not priced into the garment and the environment is ultimately the victim. We cannot continue to consume and not deal with the external costs. To change this excessive consumption is a multi-year, multi-industry approach that requires collaboration across the existing and emerging technologies. To date, this collaboration has been very poor, as vested interests simply defend the existing business models rather than embracing more equitable change for all. This change can be both encouraged and even mandated by government.

As a very quick introduction to BlockTexx and to my business, BlockTexx is a world-leading Australian business that has invented technology that converts blended excess textiles into high-value raw materials that can be reused every day in advanced manufacturing here in Australia. We already have a 10,000-tonne capacity plant in Queensland, part of which you can see behind me, and are investigating building one in New South Wales. What do we do? Every day we use this equipment, our technology and our science to take old sheets and old uniforms or clothes and chemically break them down back into their building blocks of raw polyester and raw cellulose. These are used to produce two high-value raw products—polyester pellets, our PolyTexx, and cellulosic clay, our CellTexx—both of which we use and sell onshore. This is saving landfill, saving the planet and generating jobs and incomes here in Australia.

Government has a huge role to play in this space. Good legislation is the role of government and we have seen examples of this in Europe, where textile export bans, taxes on fast fashion and smarter procurement have all helped in changing the consumers' attitudes to their textiles and driving real market change. We would advocate that government plays on both the textile-supply and the demand side within its own sphere of reference and then, based on its success, extends legislation for changes to consumer behaviour.

On the supply side, government provides many of its staff with uniforms. There should be mandated end-of-life recycling for these uniforms onshore by Australian companies. Taxpayers' funds are being used to buy these products, so why should they not be treated as a resource and recycled accordingly at an onshore facility such as BlockTexx? A member of staff would not walk out of a building with a mobile phone, so why should they walk out of a building with their uniforms? If you think of the volumes of sheets, scrubs and towels, even across NSW Health, all of this can be recycled, but we have not been able yet to break into this ecosystem. Interestingly, we have broken into this ecosystem in other States and even federally with our recent campaign to collect all uniforms from Services Australia across over 300 locations of Federal Government.

This allows the Government to then play in to the demand side. Government has procurement budgets that simply dwarf many in the private sector. It can use that power to drive market change, reduce risk and attract private capital into the future circular economy. As an example, the Government is going to buy plastic products—pink road barriers, buckets, pen holders. It is going to use virgin material to purchase these. If the Government mandated that for a period of three to five years it would purchase the same amount of product but that product would have to be made from Australian recycled plastics, it immediately decouples virgin and recycled prices as currently the supply is not there. This drags capital into the market and increases scale, subsequently lowering the prices and allowing more conventional market forces to operate.

It is a classic case of pump priming: the circular economy using government procurement budgets that are going to be spent anyway. It is not new money; it is merely using legislation to focus the spend and drive real sector growth and real change. Government buys, and sadly wastes, textiles every day. This is not a good use of taxpayers' funds. By recycling these textiles using an Australian business, and by purchasing Australian products as opposed to overseas imports, governments can be using the same purchasing power to provide jobs, reduce landfill and decarbonise the economy.

The CHAIR: Thank you very much, Mr Jones. If I could begin, it's obviously pertinent to us running this inquiry from New South Wales that currently your facility is Queensland based, but you did note in your statement that you were considering opening operations in New South Wales. In terms of what we're looking at in this inquiry, and fostering local manufacturing—advanced manufacturing—what are you taking into account as you make that consideration?

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ADRIAN JONES: I think that's a really pertinent point, and I'm glad that has been raised, because we're a technology business; all the stuff you can see behind me is chemistry and mechanical engineering. We have this huge before-the-gate business in which we actually procure products from local businesses. We also therefore need to—technically what's termed "to decommission" those: to take the buttons, the zips et cetera off those garments. To do that, we engage with local industry. We engage with the NDIS sector. We engage with the correctional services sector. We engage with companies such as the Big Issue. We use their workforce and we pay their workforce a living wage to provide labour—to offer labour to highly marginalised groups of people.

By establishing our plant in New South Wales, we know that there are several key factors for us. There's a large population. The amount of textiles is directly proportional to the number of people. There's also a large number of correctional services facilities that are also seeking labour. We also know that there is a large NDIS provider seeking labour. Also, by siting in our facility, we're looking at the area in the Illawarra. It also allows us to site and be on good transport links both from Sydney and also up from our colleagues in the State of Victoria.

The CHAIR: A follow-up question to that is—obviously, that's a huge consideration for any business—what are the government settings or government policies that you're looking at which might influence either setting up here or perhaps setting up elsewhere?

ADRIAN JONES: The reason why we're in Queensland—BlockTexx was born in New South Wales. BlockTexx was born in Manly; both my business partner and I both lived in Manly at that time and it was born on a picnic table in Manly. The reason we're not in New South Wales is because, at that time, the legislation put into place by the EPA—it just made the process kind of Kafkaesque in its complexities to set up any new technology business in New South Wales. We set up in Queensland because the legislation was decidedly simpler for scale-up and startup businesses, particularly for new and emerging technologies.

We're an environmental company; we're not seeking to do any environmental damage. But, if the first question asked is, "Where can you show me where this has happened before?", but we're the only business in the world doing it, it's kind of difficult. So the complexity of legislation in planning in New South Wales was a reason why we're not there. Our current discussions with the EPA in New South Wales indicate that there have been significant changes, and a desire to simplify the process and to attract technology innovators such as BlockTexx back into the State.

The CHAIR: Thank you for that. I think you mentioned you work with other jurisdictions. Maybe I'll get you to start with that, and maybe explain how you work with other governments first.

ADRIAN JONES: We work across all of Australia, both in the public and in the private sector. For example, currently in South Australia, we are working with Green Industries SA where we are setting up a program called "fit for purpose" in which we will be attracting uniforms from all their government agencies to be recycled. Firstly, they'll be decommissioned by a large NDIS provider called Bedford in Adelaide, and then they'll be transported to our plant in Queensland. But that means that all the government agencies—whether that's police, ambos, parks, zoos, health—will be working with us to recycle their uniforms. At a Federal level, we applied for and were successful with a tender with Services Australia to service and to—they wanted to do a uniform change through their existing supplier. They estimated, based on the number of people they employed, the number of uniforms they believed were in circulation. They thought they would have about seven tonnes of uniforms.

Seven tonnes of uniforms sounds a quite lot. With 7,000 kilos of uniforms, that's nearly 30,000 shirts. But what we actually found was it was 40 tonnes. There were 160,000 garments out there because people had been stockpiling them in cupboards for many, many years. This was also of interest for us. There are so many uniforms purchased across all governments that just disappear. Nobody knows where they go. Getting hold of data was incredibly challenging at times. However, we collected all of those 160,000 uniforms across all of Australia, including the Cocos and Keeling islands. We brought them all back and we've recycled them all into PolyTexx and CellTexx. We work completely across public and private sector across all of Australia.

The CHAIR: If I can ask a question about that—and sorry if any of these are silly questions—in terms of the tender, was that a tender that the South Australian Government put out specifically to deal with its textile waste? I'm trying to think about where in the procurement process you would fit, because obviously it's not about procuring the uniform. Was it about them explicitly having a contract about how to manage the waste?

ADRIAN JONES: Well, we play on both sides of the fence. We also offer design services, where we have a great deal of technical knowledge about what makes a good garment and a bad garment from a recycling point of view. We worked with the company providing many of their uniforms to offer insights and guidance around how they could design their uniforms better for the end of life—even simple things like "use a polyester button rather than a nylon button" and "here's a range of suppliers you can purchase these buttons from". But our introduction was that we actually have a brand—it's a tongue-in-cheek name, but it's a direct consumer brand:

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Give a Sheet for the Planet. We collect bed linen, towels and manchester from households. We work with local councils and run events every Saturday, or every second Saturday, across a variety of different councils across all of Australia, particularly on the eastern seaboard.

We were first approached by Adelaide City Council to do a Give a Sheet campaign for them. That was repeated this year, when we actually did eight campaigns on one day and collected over 10 tonnes of bedsheets from the great citizens of Adelaide. This attracted the interest of the State Government. Then, from January of this year, we got into contact about how they can keep their textiles out of landfill and, therefore, how they can help decarbonise their economy further and quicker.

The CHAIR: Do you currently have any work with the New South Wales Government?

ADRIAN JONES: At scale, no, we don't. It's one of life's enigmas to me as to why we do not. We have tried significantly, particularly in the health area. To date we have had no success, which is not what we see in other States. New South Wales government remains a little bit of a mystery to me.

The CHAIR: You're saying it's a mystery, so you don't really know why. I was going to say, could you identify barriers you think are there in terms of procurement or government process?

ADRIAN JONES: I think that one of the reasons we found is there is a great deal of bureaucracy. When we had conversations in other jurisdictions—Tasmania, Queensland, South Australia; Victoria's complex as well. But across those three jurisdictions, we quickly find the source of the Nile. We find that procurement are, rightly so, presented in the room, but there's also a degree of, I suppose, spiritual and environmental leadership as well. It's not just about price and price alone. There's a reason: "Why are we doing this? To decarbonise? Are we doing this to help achieve our 2030 targets? Can we actually demonstrate a bit of fiduciary responsibility while actually not wasting uniforms by demonstrating that there's a better environmental cost?"

For example, I've had conversations with the New South Wales education department. Immediately I just got pushed straight back into procurement, who was told, "This is a price issue. We have a 10-year contract. We can't discuss this." And you're like, "Hmm, well, we can discuss it—but obviously we can't." I do find New South Wales government procurement incredibly—it's a very bureaucratic system.

The CHAIR: What are the alternatives? If the New South Wales Government isn't using your business to recycle uniforms, what's happening to that waste?

ADRIAN JONES: I would guess it's just being wasted, put into the trash, burned. All government departments will have existing contracts with waste collectors. Those waste collectors have two options of what to do with their product: Everything gets put into the same bin and it either goes into landfill or it goes into incineration. There is not a single MRF in the country where I have seen—beyond a trial stage of something on the Central Coast, I have never seen textiles being removed from the household rubbish. Once it's in there, it stays in there. So I would imagine that if people have an old work shirt from all of it, they would return those shirts at the end of their contract or they would take them home. I don't think anybody actually knows what happens to them, Dr Kaine. I think they just disappear.

The CHAIR: I wanted to go back to one of the points you made in our opening. One of the things we're looking at is the impact of procurement on the development of local businesses and local markets, and you talked about procurement being perhaps a mechanism to drag capital into a market. I wondered if you could talk a little bit about that and what that means in the textile circularity space?

ADRIAN JONES: Certainly. I think one of the challenges facing any new industry when it's up against an old industry is always the imbalance of scale and, therefore, the imbalance of scale means that you stay small for a long time unless something happens, particularly when products are involved. It's different if you're selling software where you can just get a number of people onto a marketing database, but as a manufacturing business, I think scale is always a real challenge. It's also a real challenge when there are very entrenched and embedded behavioural mores within the general public.

I do think that if government says—as recently the Federal Government has announced that we have sustainable procurement—that we are going to purchase products that are sustainably produced, that's laudable and to be applauded. But you should then be extending it to say, "We are going to buy products that are sustainably produced, that are recycled and that are also from Australian products." No matter how hard we try, most of our plant is automated, we cannot possibly—rightly so, we have a Fair Work Act and we have minimum wages, so we are always going to have a slightly more expensive product compared to an import product.

So I think to pump-prime the market, we should get a little bit more defensive around growing onshore advanced manufacturing and defend those markets for a short period of time by saying, "We're going to buy their outputs." I'm not asking you to pay me more than the market would pay me. I'm just saying support me, because

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that then gives me scale. If it gives me scale, it means I can attract private capital into the business; I can then grow my business quicker; I can produce more; and as I produce more, I can then compete with existing prices and my prices can come down even further. I think it's just a case of how do you actually provide that catalyst into market, otherwise it will always be cheaper to buy imported products made in a lower cost economy with lower cost of labour.

Ms ABIGAIL BOYD: Thank you, Mr Jones, for attending today. It's certainly very interesting to hear about your business. It's great to think that we have, if not the full solution for the vast mountains of textiles being manufactured, at least a solution for some of those textiles to find a home after. I just wanted to ask one question. You talked about subcontracting out for decommissioning the uniforms to NDIS and correctional services, and you mentioned paying a living wage. Is that minimum wage?

ADRIAN JONES: Absolutely. There is no interest in us in providing services that have done harm somewhere else. When we work with our providers—and we have a variety of NDIS providers and we work closely with Queensland correctional services. They have a rate card, for example, within the correctional services—or we know what you have to pay per hour, or the NDIS have a rate card per hour—and we always ensure that what we pay to that client can meet that rate card. It's not in our interests at all to ensure that we're making a successful business off the back of somebody else being underpaid.

Ms ABIGAIL BOYD: Yes. But some of those NDIS providers don't pay a minimum wage in the same way that we would necessarily want them to. So when you said NDIS providers—

ADRIAN JONES: Yes, it's a good question, and we do a lot of vetting of our NDIS providers. We ensure that the ones we work with are large, are reputable and have had their own external audits to make sure that their pay and conditions structure satisfies whatever legislation they have to phase into. When we first started this business we were approached by many providers who, I think, had quite sharp labour practices that I wasn't comfortable with as an employer of people myself. For example, we have a very positive relationship with Help Enterprises in Queensland, and their legislation and what they pay is in accordance with the contracts they have to pay within their NDIS structure. That's been audited externally by others, and we take that as a seal of approval that if we are working with them, we are paying correctly and dealing with the correct salary structure.

Ms ABIGAIL BOYD: That is understood, but presumably that labour is still cheaper than if you were using somebody who wasn't an NDIS provider or a correctional service.

ADRIAN JONES: That's not right. We also work with organisations like *The Big Issue* in New South Wales and in Victoria—particularly in Victoria—and we understand what rate we have to pay per hour to get to a minimum wage, and that's what we pay them.

The Hon. DAMIEN TUDEHOPE: Mr Jones, how many people do you employ directly?

ADRIAN JONES: We employ 20 people directly in our plant.

The Hon. DAMIEN TUDEHOPE: How do you make your money?

ADRIAN JONES: We make our money at the back end when we sell our products into market.

The Hon. DAMIEN TUDEHOPE: The products you are selling into the market are what?

ADRIAN JONES: The PolyTexx pellets and the CellTexx clay.

The Hon. DAMIEN TUDEHOPE: Repeat that for me again.

ADRIAN JONES: We produce two products. We produce a polyester pellet. We break the blended garments down into their raw material, which is polyester and the cotton, which becomes its cellulosic building block. We produce two products from that: PolyTexx, which is a polyester, and CellTexx, which is the cellulose. We sell those into different markets, but that's how we make our money—when we sell those into market.

The Hon. DAMIEN TUDEHOPE: What is the market for those? Who is buying those products?

ADRIAN JONES: In terms of the PolyTexx, I'm not going to reveal exactly who we are selling to. But the PolyTexx has two routes. Onshore, it is sold directly into the plastics industry in areas such as injection moulding. The other area that we sell it into is the textiles industry, but there is no textiles industry directly in Australia. The CellTexx product is sold onshore into other agricultural and industrial sectors.

The Hon. DAMIEN TUDEHOPE: Are you able to tell us how profitable your company was last year?

ADRIAN JONES: I'm not prepared to reveal that information. We are a scale-up business. Our unit economics are our concern, but we are a profitable business.

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The Hon. DAMIEN TUDEHOPE: Is it not publicly available information?

ADRIAN JONES: We are a private business.

The Hon. DAMIEN TUDEHOPE: How did you come to get the contract you have with Queensland Corrective Services?

ADRIAN JONES: Corrective Services put out tenders looking for various labour contracts. They are looking for work for the prisoners to engage in, whether that's metal shop, whether that's textile decommissioning, whether that's—they do certain reconstruction and deconstruction of hampers. They put out a tender and we applied for that.

The Hon. DAMIEN TUDEHOPE: Can I ask you about that tender process? How were the tender documents expressed?

ADRIAN JONES: Could you be clearer on the question, please?

The Hon. DAMIEN TUDEHOPE: When they sought expressions of interest or were tendering for labour for Corrective Services, how did you come across the application to tender?

ADRIAN JONES: The application to tender—we were introduced to them by our contacts in the Queensland Government. They knew that we have a close relationship with the Department of Education and science, and there was a conversation that happened, I think, at the director-general or ministerial level. We were then introduced back into the correctional services sector, and they were very interested in how they could use their decommissioning services to provide labour. Then the Corrective Services provided the tender documents to us.

The Hon. DAMIEN TUDEHOPE: Who was your contact in the Queensland Government?

ADRIAN JONES: As I say, we had conversations. We have conversations all through the Queensland Government—

The Hon. DAMIEN TUDEHOPE: But you had a contact inside the Queensland Government, did you, who alerted you to this tender?

ADRIAN JONES: When we were introduced to correctional services via, yes, our business contacts, they were saying that Queensland correctional services are interested in providing new and alternative sources of labour for their prisoners and "Would you be interested in applying for the contract?" So, we did.

The Hon. DAMIEN TUDEHOPE: Were there any other people competing for that tender?

ADRIAN JONES: There are always people competing for tenders. Actually, whether there was anybody competing for the decommissioning of old uniforms at that point in time, I don't know. The contract was about providing labour into the prison services.

The Hon. DAMIEN TUDEHOPE: When you completed the tender documentation, what was the process that you had to go through for the acceptance of that tender?

ADRIAN JONES: It was around can we provide quantities of material, can we provide materials of a certain quality, can we make sure that those materials have been securely transported between A and B. It was those kinds of questions, and we could answer those questions appropriately.

The Hon. DAMIEN TUDEHOPE: Was anyone else tendering along the same lines?

ADRIAN JONES: I wasn't party to that. That's a question you'll have to ask of the Queensland Government. I wasn't party to that.

The Hon. DAMIEN TUDEHOPE: Were there any specific requirements in relation to that tender for the purposes of examination of your workplace, for example?

ADRIAN JONES: Well, our workplace is not pertinent to what happens, because what happens in the prison happens prior to the material arriving here. So our workplace is not pertinent to what happens within the prison service; that's a before-the-gate service.

The Hon. DAMIEN TUDEHOPE: Did you have to certify that you have no convictions under the Work Health and Safety Act?

ADRIAN JONES: Absolutely. We had to comply with that and we also had to make sure that anybody who—

The Hon. DAMIEN TUDEHOPE: Was that part of the tender process?

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ADRIAN JONES: Absolutely, it was, and also, as we were asked to visit the prison, we all had to go through our Federal Police checks. Even our drivers who deliver stuff to and from the prison had to go through their own police checks and prove that they were fit and proper people.

The Hon. DAMIEN TUDEHOPE: Has there been any follow-up, since that time, in relation to you winning that tender to ensure that your workplace continues to comply with the requirements of the tendering process?

ADRIAN JONES: Absolutely. We have recently been asked to provide further information too, because there is another prison that they want to engage our services, and we have been asked to resubmit that information.

The Hon. DAMIEN TUDEHOPE: Have they audited your company for the purposes of ensuring compliance with any conditions contained in the tender process?

ADRIAN JONES: We answered the questions that we were asked by Queensland correctional services, and that satisfied them.

The Hon. DAMIEN TUDEHOPE: You were asked questions about the wages which you pay to Corrective Services inmates to carry out this work on your behalf. You've said that's a living wage. Is that correct?

ADRIAN JONES: Well, if my wording is incorrect, it's the rate card that was set by Queensland correctional services. They set the rate card; we did not. They asked us can we meet this rate card, and we said yes. On our inquiry as to why this rate, that was the rate they have agreed for other labour services within their prison.

The Hon. DAMIEN TUDEHOPE: So Ms Boyd was right to put to you that the rate is, in fact, a lot less than potentially what a living wage would be?

ADRIAN JONES: If my choice of the words "living wage"—that's how I would describe it. We've paid the rate card we were asked to pay, and that's the rate card that Queensland correctional services have. I don't believe Queensland correctional services are going to engage in nefarious practices, so we paid the rate card that they asked us to pay.

The Hon. DAMIEN TUDEHOPE: I put to you that using NDIS providers and Corrective Services allows you to increase your profit margin, does it not?

ADRIAN JONES: No, I refute that.

The Hon. DAMIEN TUDEHOPE: You refute that?

ADRIAN JONES: I do.

The Hon. AILEEN MacDONALD: We've got, in New South Wales, a Return and Earn for plastics. With regard to textiles being put into waste, with innovation, would there be scope for some sort of scheme for textiles?

ADRIAN JONES: I think there's always the scope. The joy with the container deposit scheme is that the price of the refund is known, and that's already been reflected by the drinks manufacturers et cetera in the prices that they charge. It essentially goes into one pocket and comes back out the other one. I don't think we have that situation in place yet within textiles. The recent launch of Seamless as a voluntary scheme—as an EPR scheme, a producer responsibility scheme—looks to say there is an external price of the garment at the end of its life and, by having this four-cent levy within that, that is trying to recognise that pricing and pass that pricing back into reuse and recycling. At a principled level, do I think that there is—as you've seen, there has been certain legislation in Europe where they are charging taxes on fast fashion. Yes, I think there is a recognition that we can't keep consuming and not have some sort of levy that then deals with the recycling or reuse or repurposing of those garments at their end of life. At a principled level, yes, I think there should be.

The Hon. AILEEN MacDONALD: That would be innovation. You also mentioned why you set up in Queensland—because of the bureaucracy in New South Wales.

ADRIAN JONES: At that time, yes.

The Hon. AILEEN MacDONALD: What specific regulatory or policy changes would assist companies, such as yourself, to scale operations and maximise their impact?

ADRIAN JONES: I think one of the areas where we found legislation in Queensland particularly useful was that it allowed us to scale into our licence, in the sense that what we do is groundbreaking and it's innovative, and you're not going to set out to say, "We are going to build a 50,000-tonne plant", because you actually just don't know what's going to happen. So you've been through all your laboratory and do your pilot testing, and you

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have demonstrated that it's fundamentally safe. But then you are going, "I kind of want to build a 2,000-tonne plant to see how that goes, or maybe scale into a 4,000-tonne plant and see how that goes."

We found that the licensing regime in Queensland was decidedly easier at the outset in the sense that we could acquire a site with a 2,000-tonne permit, and then make sure that we hadn't done anything wrong within that and then move to a four. The process, therefore, was simpler and less onerous. What we found in New South Wales at that time was that the process was a case of we assume everything is a medium-scaled business and, therefore, the steps you had to go through just put so much pressure on a scaling business that we couldn't actually—it was just far too complex.

The CHAIR: Thank you, Mr Jones. You mentioned the contracts that you have in South Australia and the work you've done in Queensland. They seem to me to be serendipitous rather than necessarily as a result of a planned procurement scheme around this. You also said there were some European examples about procurement. I wondered if you could confirm, first, that the work you are doing has been as a result of opportunities that have emerged rather than some kind of overall procurement push or directive. Also, what were those examples you were referring to in Europe with regard to procurement systems?

ADRIAN JONES: I don't think we have built the business we have through six years just through sheer good luck.

The CHAIR: Sure. No, I didn't mean to imply that.

ADRIAN JONES: I think we have actually applied some effort, and also you play in the sandpit where you are welcomed by other children. So the attitudes and the simplicity, at times, of dealing in other jurisdictions has meant that those business processes—when they may have appeared serendipitous, it is because the relationships that get you there have actually just been less adversarial at the outset.

The CHAIR: Sorry, I guess my question was more—I didn't mean to imply that it was simply good fortune and not hard work, but that it doesn't seem that anyone said, "This Government will undertake to procure this." It was more along the lines you were talking about in terms of developing relationships.

ADRIAN JONES: I'll take that point on. If that's the point you want to have, that's fine. The European Union is a very interesting environment, and it has a great interest in the green agenda. That's across a variety of products, whether that's textiles, whether that's plastics or whether that's food packaging. I think there's been significant coordination across the European Union and also within countries on doing their own thing. If you look at countries such as France, which has led the way in a lot of legislation around textiles, for example, it has said that it wishes to impose a €10 tax on imported fast fashion.

That strikes me as quite a significant financial burden on an item that probably didn't even cost €10 to start with, but I think it's the thrust that they're actually saying, "The consumption is happening within our own country; the imports are coming into our country. When it comes to dealing with the textile waste, we're left holding the screaming child. Therefore, we're going to impose a levy which allows us to build the reuse or recycling infrastructure that allows us to then recycle these textiles here on shore." I think that's a very interesting policy.

I also think the European Union as a whole is saying that we need to start—I think the legislation is now by '28, with a phasing in by 2030, and I forget what dates on that. But the export of unwearable textiles would be banned. If a garment is deemed to be unwearable in Europe, it is not going to be exported. Therefore, it is encouraging the recycling of those garments within the European Union, and therefore the growth of recycling businesses within Europe.

I also think there are some perverse outcomes, as well, in which governments have encouraged the collection of textiles directly from households by private companies, which is good because it means they don't end up in the red bin or going into landfill, but they've awarded the contract for the collection and for the sortation without thinking about the recycling. And so when the collectors, who want to make their margins—the idea of just collecting for collecting's sake is an interesting hobby but serves no environmental purpose, and so they then come to sell their sorted materials to onshore recyclers within Europe.

The prices that they charge are incredibly high—much higher than it costs for those recyclers to import material from Bangladesh. I think that's a very perverse outcome of the policy—that you're trying to deal with the waste that you've collected but, because you haven't joined up collection, sortation, reuse and recycling as one infrastructure, you then develop two camps which have competing economics, and so you haven't achieved the outcome that I think the policy of household collection was intending to achieve. I hope those are some examples that help bring this to light.

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The CHAIR: Thank you, Mr Jones. That brings to an end the session here today. I very much appreciate you making the time to appear today. The secretariat will be in touch with you in regard to any questions you took on notice or if there are any supplementary questions, and you have 21 days to respond to those.

(The witness withdrew.)

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Mr PATRICK HASTINGS, Acting Chief Executive Officer, Infrastructure Sustainability Council, affirmed and examined

The CHAIR: Good afternoon. Thank you for making the time to come and give evidence. Would you like to start by making a short statement?

PATRICK HASTINGS: I would, if that's okay. Bear with me; this is probably little bit of a winding piece, but I promise it's leading somewhere. For a long time, infrastructure was only about the amazing engineering and technical competency exhibited in the asset. What we celebrated was the asset itself, but then that started to change. We started to understand that the asset needed to do more than just be, and by providing services we could meet the needs of communities. A further twist was when we realised that the capital projects and operation of the asset could be a vehicle for broader outcomes and wider benefit right across the life cycle of the asset. How we respond as an industry shapes the way investors evaluate projects, how staff assess and select employers and indeed how our sector and our individuals choose to spend their money.

There is a paradigm shift happening in society that is also playing out in the infrastructure sector. It represents both a risk and an opportunity. Climate change and an increased focus on social licence creates a need for us to consider the asset's impact and resilience. This is changing the thinking in terms of finance, risk and regulatory reporting. We are also seeing changes in human expectation and social licence. Customers are increasingly not just passive recipients of goods and services; they are more discerning consumers, with expectations of not just the goods and services they buy but also the organisations associated with them.

Society has started to develop a consciousness about what they pay for and invest in. In infrastructure, this is manifested in a need for us to think about what the asset does or enables. It is now about what impact the asset delivers, bringing us the need to consider the environmental, social and governance considerations. Under this revised thinking, we need to think about the time in terms of whole-of-life cost. Cost becomes an economic ROI rather than just the capital consideration. Quality considers the quality of the service and experience provided to the community rather than just the quality of the asset, delivering on sustainable, social, acceptable and viable outcomes and the need for us to focus less on the what but rather the how, who and where. This results in the asset owner receiving not just an asset but also meeting the needs of their stakeholders, customers, ratepayers, shareholders or staff.

To achieve that in procurement, we need to start considering and engaging earlier. We need to start considering the way in which we think about assets in the context of environmental, social and governance performance. Right now, our consideration starts at the tender box. At the business case, we very lightly touch on the broader outcomes. There is an absolute need for us to start shifting our thinking further back in the life cycle of the asset to drive better performance and better outcomes for New South Wales.

The CHAIR: I wondered if you could talk a little bit about the Infrastructure Sustainability Council and the work that you do. I'm particularly interested in the infrastructure sustainability rating system. One of the things that we've been thinking of throughout this inquiry is, if we are attempting to promote particular outcomes in an environmental or any other area, how do we measure whether that's happening? How can we actually show that that's happening and justify why we're doing it? Could you speak a bit to that as well?

PATRICK HASTINGS: Sure, no problem. The Infrastructure Sustainability Council is a member-based for-purpose business. We are made up of about 240-odd members from across government, industry and fellow not-for-profits or fellow for-purpose businesses. We were founded in 2008 and became the owner and custodian of the IS Rating Scheme in around about 2012. The IS Rating Scheme, which is the core asset of ours, drives and measures the performance of infrastructure assets across the quadruple bottom line. When you think about an infrastructure asset—and predominantly we've been working in the design and constructive assets—it sets a series of benchmarks. It says, "In order to demonstrate environmental performance and drive environmental performance, you need to achieve this. In order to demonstrate social performance, these are the things we expect to see."

The way we are structured is that compliance or legislation is ground zero, so we don't award or recognise performance that just meets legislative requirements. We require assets and we require organisations to be engaging in the community and consider the broader environmental footprint they're engaging in to drive better outcomes. Fundamentally, in New South Wales we have been used across predominantly Transport for NSW projects, historically. Their position has been that they must consider the use of an IS rating for projects over \$100 million. That has been, I would suggest, a loose policy position over time, and that has been under review. The value threshold for the use of the IS Rating Scheme is being shifted up. Sydney Water has started to use us quite consistently. We do have what we call a mandating practice: a policy position within the Department of

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Planning for transport-critical State infrastructure which will be recognised in SEARs. In SEARs, you'll see the use of an IS Rating Scheme.

More recently, our rating tool has evolved. Whilst we still work with design and as-built across Australia and New Zealand—so about \$400 billion worth of assets currently will use the IS Rating Scheme—we are evolving into the planning stage. In September last year we released IS Planning, which is a global first—that is, how do you consider sustainability during the detailed planning phase? How do you procure outcomes rather than procure thoughts? So it is really pushing some of the onus and consideration of what this asset needs to be and why it needs to be back into the planning phase so that we're making more tangible decisions and we'd understand what it is we're procuring. Quite regularly, we hear about the cost blowouts in infrastructure or the cost blowouts in construction generally. Regularly, that is because we haven't taken enough time in the planning phase to consider exactly what we're trying to achieve. It also creates a high level of conflict across the infrastructure sector during construction because what we procure and what we need are two different things.

We have also released a strategic planning rating, which is in pilot at the moment. It is going all the way back to the problem statement—"What is it we're actually trying to solve?"—and driving a behaviour across the sector that says, "Should we actually be building something? Is that necessarily the best outcome? Or can we look at behaviour change or other mechanisms within government or within the sector that we can leverage to drive exactly the same outcome?" We also have a tool in operations—looking at the operation of the asset. That's really sort of saying, "Okay, at the final point of the asset or during its life cycle, there is still opportunity to be had to drive the performance of the asset and make sure that the customer is getting the best possible outcome from the performance of that asset at all times."

Around all of this and the philosophy of the ISC—this has been a much longer answer than anticipated; bear with me. The philosophy around the ISC at the core is infrastructure sustainability. How do we support organisations and assets to become more sustainable? We then build around the capability and capacity ring. If you think about the centre of the bullseye being infrastructure sustainability, we then support the organisations to build their capability. And then, in the outside ring, we create a connected ecosystem that allows the sector, no matter where you sit in the sector or where you sit in the value chain, to be having meaningful conversations about how you collaboratively and collectively drive towards greater impact.

The CHAIR: I have a couple of follow-up questions. I looked at your impact statement from last year. You've got a lot of buy-in from different governments and different jurisdictions. Then you're talking about particular agencies and projects. What is the impetus that drives involvement in the scheme? Also, in terms of the rating system, I'm still not clear—is that something that is done in advance? "This is what the plan is." Or is this something that, at the end, you can say, "This is what the impact of this has been", across what you call the quadruple bottom line?

PATRICK HASTINGS: Yes, a little bit of both. I'll respond to the second question first, and then I'll come back to the first. Ultimately, we work with the asset to set—I'll go back to the rating scheme. With the quadruple bottom line, there are 16 categories underneath that and then 38 credits. We use a thing called a materiality assessment—or for those who are more mathematically inclined, a weightings assessment—to basically gamify the rating tool so that it contextualises the policy settings and the context the asset is sitting in to drive behaviour towards particular areas of sustainability. There is a diminishing return on investment if you try to tackle everything all at once. Rather, what is the biggest bang for buck? What are the best outcomes you're going to be able to drive?

With the tool itself, we start with the asset, ideally at strategic planning, and then work all the way through. Most commonly, it's embedded into the procurement process from the asset owner and says, "Please achieve an IS rating and please achieve either this many points or these outcomes." I'll get to that procurement practice in a minute. From there, they use the benchmarks, and the benchmarks are written in a way that they're not just about measuring at the end; they're about changing the practice and process during the delivery of the asset—the idea being that you start to break the systems that aren't working effectively and rebuild them with something that will actually work effectively. We create the benchmarks in a way that says we want to see this, but how you get there, there's plenty of room for innovation in how you want to break or change your systems to achieve that benchmark.

We then work alongside the asset all the way through. At the end of design, we bring third-party verifiers in to review the performance of the asset and we certify the performance of the design. We then also certify the performance at the end of the process, or at the end of as-built or practical completion. One of the verification practices we use is what we call progressive verification—so where we support and verify certain parts of the project as they work through the construction process or as they work through the design process, de-risking some of the solutions they're coming up with and also giving a level of certainty to the project.

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Coming back to the "why", sustainability is a wicked problem. No matter how you write sustainability practices into policy, you will always have an adverse and a positive impact. At its heart, sustainability is as much about how you trade off and why you trade off different outcomes as it is the ideal or perfect asset or perfect outcome. The reason why we're used is twofold. The first one is to provide a level of assurance over the practice and to make sure that the policy is being achieved. The second part is that it's very difficult to write policies to cover off on all of these areas, and it's very difficult to legislate to cover off on all of these areas. One of the easier ways is to drive the practice through rating tools or similar schemes. That's why we're predominantly used.

The CHAIR: Part of that answer speaks to different areas that we've heard about with regards to certifying practice or certifying that what's been attested to is actually occurring. Once again, we have an example here of a non-government certifying scheme being used in this way. Is there not capacity for that certification to be done by the agency or organisation that's building the thing?

PATRICK HASTINGS: It's a great question. The answer is yes and no. If you were to build it in as an audit-style approach, there's absolutely capacity to say, "This is what we delivered." I did circulate some slides that will probably come around to everyone in the next day or two. In our experience, we ask organisations to self-assess when they start the process—where do you think you're going to perform? The delta between where they perform and what the verified outcome is is quite significant. There is that first barrier that if you're asking the agency or the organisation to assess itself, there's always going to be a delta of flexibility.

The second reason is this concept of social licence that I spoke to in the opening piece. If a government says, "Trust us; we're doing it well," or an asset owner says, "Don't worry. There's nothing to see here. We're doing it well," there's a level of trust or belief that starts to creep in. It only takes one or two issues to arise for the questions to start being asked quite heavily of government. Using third-party assurance schemes provides a level of risk mitigation but also provides a level of public trust that what is actually being done and what is actually being achieved is the case.

The other piece is that we are globally considered best practice. We are recognised as the most rigorous and comprehensive assessment scheme globally for infrastructure. Keeping up with the rate of change in sustainability and keeping up with the way in which sustainability is evolving in Europe, America and here is not something that is necessarily the core business or the core function of a lot of these departments or asset owners, so outsourcing that expertise and skill set to an independent body is quite an easy way of managing that, ongoing.

The other piece is that our rating scheme is built and developed by all of the stakeholders, so we're a multi-stakeholder development. We don't go out and sit down with a room full of experts and say, "This is what we think the benchmark is." The last iteration of our rating tool—I think it was 1,600 stakeholders that contributed into the development of that tool. We purposely work with not just the membership but the broader sector to make sure that it's meeting industry roughly where it is now, and then we stretch them so that we're creating this drive and performance, but the industry 100 per cent feels that it's achievable and they can go on the journey with us.

The CHAIR: A couple of other things that you mentioned which I had been thinking about, given the evidence we've received from other witnesses, is this idea of procurement of outcomes as opposed to procurement of products or services. From what we've heard—I know we're talking specifically here about infrastructure—that's not how it rolls in procurement. That's something that your organisation works on with clients. How widespread is that? Is that something that happens a lot?

PATRICK HASTINGS: No, absolutely not. Most of the time the way in which they procure sustainability outcomes is to achieve an IS rating. Some of the more progressive—the Department of Planning, for example—will achieve an IS rating and say, "We want to see outcomes in these areas but we're not specific with what outcomes we're actually trying to achieve as a government or as an individual department", but could become more specific. But I think it goes one step further than that, in my head at least. That is that if we're doing the work up-front in terms of planning and thinking about planning, then what we're actually doing is saying, "For this asset and for this community, the best outcome is this." We are then very explicit in the procurement of that asset—that these are the things we want to see, these are the things we need and here's all the background work. We've taken a level of risk out for the designer and constructor. We've managed to reduce cost because there's less room for conflict and, finally, we've responded by bringing the community needs and the community consultation piece in much earlier. Not only have we brought the community on the journey but we're going to reflect the needs of the community in the asset itself.

Ms ABIGAIL BOYD: Thank you for coming along today and giving us the benefit of your expertise. When you talked about the process for developing those ratings and you talked about the 1,600 stakeholders, are they all industry? Any there any government stakeholders involved in that?

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PATRICK HASTINGS: No, it's government, industry and not-for-profits as well as experts. Not dissimilar to this, we would bring together a panel for each particular subject area but then we would go out and consult. As that panel framed up the first set of questions, we would go out and consult with industry and then bring that back in, so it's an iterative cycle. It takes about three to four years to develop up a full rating tool and then around about two to three years to then iterate it as industry's performance improves over time. If you think about a bell curve, we like to keep industry on the left-hand side of the bell curve and make them stretch to the right-hand side. So each time they catch it, we move.

Ms ABIGAIL BOYD: The Infrastructure Sustainability Council is funded by those members, is it? How is it funded?

PATRICK HASTINGS: The business model—we have several revenue streams. But, from a ratings perspective, the organisation that procures the rating—at times that's government. At times that's the delivery body, whomever that may be—the designer or constructor. They pay a registration fee, which is an investment into the maintenance of the tool over the long term. They pay an annual support fee where we attach a sustainability expert and an expert in the rating tool to provide that ongoing support to the project, and then they pay an assurance fee at the end. Those fees scale according to the size of the asset.

Ms ABIGAIL BOYD: What are we talking about?

PATRICK HASTINGS: I'll take it on notice, but I'm pretty sure the percentage is 0.001 per cent of the capex value. So if we're talking about a \$100 million asset, we're talking about \$60,000 up-front, and then an ongoing support fee of about \$11,000 for the length of the project, and then a verification cost of about \$30,000-odd.

Ms ABIGAIL BOYD: Given that symbiotic relationship between those wanting the rating and the people giving the rating—and I say this in relation to all long-critiqued rating agencies and financial services in the same way—is there pressure, then, for the council not to stretch industry too far because there would be backlash? You'd do yourself out of a service because people wouldn't then be coming to you for ratings and paying the money.

PATRICK HASTINGS: Not when you think about our purpose. Our purpose is ensuring all infrastructure maximises social, cultural, environmental and economic benefit. If you're a member of our organisation or you're using our rating, you understand that that's our purpose. We're not there, necessarily, to serve members. We're there to support members and help members grow into that purpose and support them on that journey. It is not like a normal membership organisation where our job is to serve the member. Our end beneficiary, if you like, is community, society and the environment. That's very clear in the relationship we have with our members. The other thing we do is use third-party assurers. We as an organisation don't do the assurance. We have a series of what we call verifiers that we bring in to do the assurance to make sure that level of pressure—even if it did exist—can't influence the outcome.

Ms ABIGAIL BOYD: I think the general concept of having that sort of industry body to direct that work towards a better place is certainly a good one. I guess my questions are coming from the perspective of how much can government, in the procurement process, rely on that rating in terms of getting it self-satisfied in terms of all of those different principles. As you said, things move pretty quickly in all of those fields, but there's also all these different judgements being made around what is societally beneficial at the time, what is environmentally—if you're a government with particular objectives, they're not necessarily going to be the same as your sort of process of coming up with the ratings.

PATRICK HASTINGS: Yes and no. The benchmarks are broad. I think I included in the pack an example of one of the benchmarks. At the top of the credit, we have an intent: What are we actually trying to drive towards? Underneath that, a series of outcomes that we expect to see to demonstrate that you've met the intent. Those intents are purposefully very high level in terms of sustainability outcomes, but then we use the materiality assessment. The materiality assessment, the initial weightings of the initial points allocated to each part of the rating tool, was done off a broad-based survey—so reflective of societal value of those areas. The questionnaire the project then completes is a multi-stakeholder questionnaire. You should have, in order to meet our requirements, representatives of the different parts of the asset: the asset owner, the deliverers of the asset, but you should also have community in there responding to those questions. That tailors the rating tool. If the policy objectives of the government of the day are clear to both the asset owner and to the designer and constructor, the way in which they respond to that will be to prioritise or respond in certain ways to those questions, thereby shifting the points of those areas to respond to the government of the day.

But there are some aspects of sustainability that stretch far beyond whatever the policy of the day is. If we think about the asset life cycle, an infrastructure asset is 50 to 100 years. We'll go through multiple policies of

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the day or multiple policy objectives of the day of different governments. Creating a level of standardisation or consideration of the asset over its whole of life is also very important. There are certain areas, procurement being one, where we set very clear procurement guidelines and procurement requirements on a project—what we expect to see and how they procure their materials and goods and services—that go well beyond the thinking around what are the objectives of the day but, rather, what does a net zero asset look like? Are you considering the societal benefit of how you're using the waste products? It is making sure that you're actually considering the full length of the asset rather than necessarily just the policy of the day. But that's not to say the policy of the day doesn't affect where the measurement sits.

Ms ABIGAIL BOYD: This is a bit different to the other certification schemes we've been looking at, then. For example, something like the textile certification scheme is looking very much at the ethical use of labour. It's something that we can look at and tick off as being—that, I guess, could meet a particular requirement in the procurement process. But what I think you're saying is that, in the case of large infrastructure projects, you're necessarily going to sit down at some point with all of the major people involved, including government, in order to work out what's sustainable in that context. Is that basically it?

PATRICK HASTINGS: Kind of, yes. Basically what we're saying is, there are 38 areas that make a sustainable asset. What's important in that asset really rests on the policy of the day, the environment that asset's going into and the community that asset is going into. I'll use ecology as one of the great examples here. The ecological value or the ecological considerations of updating a road in the middle of Sydney are going to be vastly different to the ecological considerations of doing a road in regional New South Wales on a greenfield site. The way we go about that is we use a questionnaire that says, "Where is the asset? What's the context of the asset?" Then that changes the parameters of what credits we would expect you to be using in the context.

We would say, "In the context of the local road here, you shouldn't be spending a huge amount of time on ecology. It's not going to be the biggest return for that asset." But on a greenfields site in regional New South Wales, 100 per cent you should be very focused on the ecological impact of that asset. But here we'd be saying, from a stakeholder engagement perspective, it's going to be fundamental that local business is engaged and considered as you go through the development or redevelopment of that road. It moves and shifts with the context of the asset rather than the key policy objectives. But because it's a multi-stakeholder response to the materiality, it gives the opportunity for the government agency or the Government itself to be a part of that consultation process to shape the response or shape the areas of focus.

Ms ABIGAIL BOYD: Thank you. That's helpful.

PATRICK HASTINGS: I hope that helps.

Ms ABIGAIL BOYD: It does.

The Hon. DAMIEN TUDEHOPE: Thanks, Mr Hastings. It's an interesting discussion. Has your organisation been involved with procurement agencies from the various New South Wales government departments?

PATRICK HASTINGS: When you say "procurement agencies"—

The Hon. DAMIEN TUDEHOPE: There are procurement contracts that are being let. Are you involved in the—

PATRICK HASTINGS: We don't participate in the tender process. We tend to be used in the context of—through the procurement process we'll be referred to. We will also provide advice prior to the tender phase on how you might ask for a rating—

The Hon. DAMIEN TUDEHOPE: You might help design the tender?

PATRICK HASTINGS: Yes.

The Hon. DAMIEN TUDEHOPE: So if there were outcomes which the Government wanted, you would help provide advice in relation to—

PATRICK HASTINGS: We can provide advice on how you would use the tool to drive that outcome.

The Hon. DAMIEN TUDEHOPE: How many times have you been consulted in relation to that?

PATRICK HASTINGS: Not many. I would have to come back to you with the exact number.

The Hon. DAMIEN TUDEHOPE: Which agencies, can you recall, have sought your advice in relation to that?

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PATRICK HASTINGS: Transport for NSW has on a couple of occasions. But, again, I would need to come back to you with the exact numbers.

The Hon. DAMIEN TUDEHOPE: Have you done any work in relation to energy transition?

PATRICK HASTINGS: We are working with energy transition but we've not provided advice on any of the tender processes.

The Hon. DAMIEN TUDEHOPE: Have you done any work in relation to the assessment of renewable energy zones, for example, and the delivery of the new renewable energy sector, whether it's solar panels or windfarms? Have you done anything in relation to that?

PATRICK HASTINGS: In terms of REZs, no, we haven't and I would love to. But, no, we haven't. In terms of our involvement with the energy transition so far, in New South Wales we are supporting EnergyConnect. EnergyConnect is using our rating tool, as will the HumeLink projects. Central-West Orana transmission lines are also using IS ratings. I would need to come back to you with the other transmission lines. We have done, in years gone by, some work with windfarms. Energy is a space we are trying to support more effectively, but we are very much at the start of our journey.

The Hon. DAMIEN TUDEHOPE: Does anyone provide the sustainability advice in relation to the energy sector that you're aware of?

PATRICK HASTINGS: In terms of the sort of things we do?

The Hon. DAMIEN TUDEHOPE: In the space that you're operating in.

PATRICK HASTINGS: In terms of what we do, no. We are the only organisation in Australia that does that. In terms of consultants or consultancies that can provide sustainability advice, yes. There are a plethora of them. I wouldn't know which ones are currently involved.

The Hon. DAMIEN TUDEHOPE: One of the things that we have been talking about is the tender documentation itself and the adequacy of the tender documentation. Have you had cause to examine New South Wales tender documentation? It would vary according to the agency with which you're dealing, and I think you've probably identified Transport as the principal agency you've had some dealing with.

PATRICK HASTINGS: Yes.

The Hon. DAMIEN TUDEHOPE: Have you any observations to make in relation to the complexity or otherwise of that documentation?

PATRICK HASTINGS: Yes and no. In terms of the general documentation, I wouldn't have a view. In terms of the way sustainability is procured—and I've probably alluded to it but not really hit home on it—is the need for that to evolve to be much clearer in terms of what sustainability outcomes actually look like or what the outcomes are that are desired. I think there has been over the course of the last 12 months a much clearer position in the few documents I have seen around net zero, or at least decarbonisation. But in terms of the broader sustainability pieces, I would say that we are still a far way from where I would like us to be.

The Hon. DAMIEN TUDEHOPE: I may have misheard you in relation to this but, principally, you were looking at contracts over \$100 million?

PATRICK HASTINGS: With Transport for NSW, principally, yes. We work with them over \$100 million.

The Hon. DAMIEN TUDEHOPE: For contracts smaller than that, do you see a role for your organisation to have some input in relation to—and the point that I will get to, or I'd like you to also address, is there a point of complexity of the process which may start to exclude small to medium enterprise businesses from being involved because "this looks too hard for us"?

PATRICK HASTINGS: It's a great question. The answer is yes, under \$100 million, we are actively supporting and have actively supported. The smallest project we've worked on is \$2 million. We have, as of about two weeks ago, brought out of pilot our small projects tool. We have the official launch for that in two more weeks. The small projects tool, though, is designed for projects from \$5 million to \$100 million. We've also designed a process that allows, say, a local government, as an example, to bundle up a whole lot of projects and consider it as a bundled offering, whether that be a portfolio or a network or a program approach to considering sustainability for exactly the point you're making. There has been—over the last three years, we've been running pilot projects and looking at how we support smaller projects more effectively to reduce the complexity or challenge that did come with smaller projects and recognise the reduced risk that comes with small projects as well. So the short answer is yes, we are able to.

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The Hon. DAMIEN TUDEHOPE: The second part of my question is about making sure that it is a level playing field for small- to medium-enterprise businesses. Generally, large businesses can deal with this sort of issue fairly readily. They have teams of people who are doing it. A small to medium enterprise—of course, depending on the level of complexity involved in the tools—may take one look at the tender documentation and say, "This is too hard."

PATRICK HASTINGS: Yes. Even in the small projects, that's why part of the way in which the tool gets implemented is that we provide support to the organisation both through training but also through physical support to build capacity. For-purpose organisations should always be focused on their eventual demise and their eventual exit from the market because they've achieved the purpose they were out to achieve. From my perspective, the capacity building and capability building of small and medium enterprises so that what looks complex in the first instance is actually very achievable is very fundamental to what we do. We do have training programs. We also provide a physical support to the organisations to build, and then we also connect them with the broader ecosystem. We create communities where people can share information and build their understanding across the broader network so it's not just reliant on us to exist for that acceleration to occur.

The Hon. DAMIEN TUDEHOPE: Having had an involvement in the development, potentially, of the tender documentation, is there a point in the delivery process where there is oversight in relation to the actual delivery of the project and meeting the goals which you have identified or the tool identifies as the goals which the infrastructure should be meeting? What's the follow-up audit?

PATRICK HASTINGS: Not oversight. That's for the organisation to build. From our perspective, what we do is provide a sustainability ratings professional who can respond to their queries and questions and can show them examples of where it's been done elsewhere that they might want to adopt. We can provide advice on the approach they're taking in terms of saying, "Look, that may not get to the outcome", or actually, "That's amazing. Can we do a case study on it?" But we do leave it to the organisation to use that guidance as they need and as they see fit.

The Hon. AILEEN MacDONALD: Just to help with my understanding, how does Infrastructure Sustainability Council measure the return on investment for projects that have adopted the IS Rating Scheme?

PATRICK HASTINGS: In 2020 we undertook an economic modelling piece with RPS that looked at projects that are completed on an IS rating, and what we found was that for every project undertaking an IS rating, for every dollar spent on that project, there was between \$1.40 and \$2.60 ROI, whole of life, above and beyond your normal economic multipliers. Everyone's favourite game is to drive a bus through the economic assumptions, so we kept it really tight. We excluded any externalities or any broader benefits. Benefits of open space were excluded from it. Health outcomes were excluded from it. Human capital development was excluded from it. Anything we didn't feel had a strong, monetisable position and that we had the data to say that this fits with the strong, monetisable position, we excluded.

Ultimately, when you look at that, the vast majority is carbon avoidance in the economic study, as well as some other benefits. We're about to undertake another round of that, and we have had a number of our larger projects across Australia do different pieces of work around economic modelling so it will allow us to bring more of that broader benefit. I anticipate that the \$1.40 to \$2.60 is a starting point and that it is actually quite significantly higher. But, without having undertaken the study, that's an acknowledgement but not a statement.

The Hon. AILEEN MacDONALD: Do you get the feedback from the projects that have participated, when you are compiling that data?

PATRICK HASTINGS: Yes. All of the data gets submitted to us. Ultimately, for every credit that they undertake they need to respond to not just a benchmark but what we call "must statements", which are, basically, evidence requirements that you can demonstrate that you've actually implemented what you said you were going to do and the outcome was actually achieved.

We then bring two verifiers in to review all of that evidence and then they provide the score from there. That data remains with us. Under the rating contract, we have the ability to use that data to either then consider whether the benchmarks are right, but also then to start building the story and the picture around how infrastructure is actually performing at an aggregated level. We don't work off the concept that every project needs a stick. We work off recognising what they've done well, having conversations about how they continue to improve, but then also paint the picture of exactly what's occurring in industry more broadly and how we are performing as a sector.

The Hon. AILEEN MacDONALD: From your perspective, then, what are the long-term benefits of sustainable infrastructure practices for those that participate in the rating?

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PATRICK HASTINGS: The long-term benefits are extraordinary. What benefits you derive really depend on what credits you use. There are a whole lot of case studies that have been circulated, but if I think about one of our most recent projects, the initial commitment under the Government policy was to spend \$50 million in local content. By the time they'd finished using our tool, that had accelerated to \$400 million in local content spend. From an environmental perspective, the reduction in materials, if you look at our impact report results, that's a certified—let me just get the numbers, sorry. It would be good if I could talk about these things off the top of my head again. If you think about some of the environmental benefits, in the 2023-24 financial year we saw a 30 per cent life cycle material emission avoided; 59 per cent of operating energy emissions avoided; and 54 per cent of life cycle energy emissions avoided—so quite significant reductions. And when we talk about a journey towards decarbonisation, these assets are long-term performers that are going to have a massive impact over time on our decarbonisation journey.

If you think about some of the other areas, 10.7 million tonnes were diverted from landfill; 96 per cent of waste was diverted from landfill; an 11 per cent reduction in asphalt from base case, so a reduction in materials used in roads, as another example; 38 per cent of operating water use was avoided—so quite significant, long-term benefits for the organisation. But one of my favourites is that 95 per cent of projects completed were rewarded for their stakeholder engagement—so really making sure that these assets and those projects are engaging with the communities they're affecting and serving. I think the serving part is the piece that regularly gets missed in the conversation. Sorry, that's my rant and rave.

The CHAIR: I understand your engagement with Transport and other areas of government. I asked about the impetus for involvement, and you said part of it was social licence. Social licence is a driver for behaviour. It has its place, but it certainly doesn't create as much behavioural change as perhaps we would like. What are organisations using the rating for? Where are they putting the badge, if you like, when they're given a rating? What are they using it for? And in terms of government procurement, is it that they are asking you just to match the things that are set out as being mandated in policy? Is that what they're going for?

PATRICK HASTINGS: No.

The CHAIR: Could you explain a bit more?

PATRICK HASTINGS: The impetus from the private sector is twofold. Some of the private sector are using this voluntarily, not because the asset owner asked them but because they see the benefit in it. And the reasons why the tool is being used: the badge gets represented mainly from an organisational perspective. They'll talk about where they've delivered great sustainability outcomes. The data and the information and the assurance of that information is where the private sector sees significant value. It does two things. One, it makes them continuously improve their performance but, two, all of that data is aligned with all of the international reporting protocols. So all of the carbon reporting that's starting to come into Australia, this is your asset-based assured data that you can plug and play into your carbon reporting. A lot of the private sector also have exposure to the EU legislation, both sustainability legislation as well as carbon legislation. Our tool responds to all of those requirements directly.

The CHAIR: So there's some mandate, or some legal or regulatory requirement, that pushes people into it?

PATRICK HASTINGS: Yes and no. The other piece is that legislation—if we think about when we didn't have carbon legislation, part of the reason why this tool existed was to actually allow industry and government to collectively drive towards outcomes without the need for legislation, or in the absence of legislation. We've started to address some of the carbon space—not all of it, but we're getting there. NSW is doing some great work; the Federal Government's legislation is fantastic. That's one small element of the overall piece of the asset.

The tool allows us to continue to respond to the broader sustainability requirements without the need for constant legislation and policy intervention. It also allows us to start harmonising the practice across all jurisdictions. We are used in every State and Territory and in New Zealand. What that means is the private sector can start responding to all of the requirements and all of the needs of infrastructure and the need for infrastructure assets to deliver more in a more economic manner, because the way it's being measured and the way it's being supported is through a harmonised position across the country. There is an efficiency gain both for the New South Wales Government but also society in making sure that the tools that are being used are recognised by organisations that are working well outside of just your jurisdiction.

The CHAIR: Thank you very much, Mr Hastings, for coming along today. That was very interesting. We may have asked you to take some things on notice, and we may also have some supplementary questions for you. The secretariat will be in touch, and you have 21 days to respond.

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PATRICK HASTINGS: No problems at all. Thank you very much for the time, and thank you for taking the time out to listen to me.

(The witness withdrew.)

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Ms HELEN SLOAN, Chief Executive Officer, Southern Sydney Regional Organisation of Councils Inc., affirmed and examined

Miss ANNIE WALKER, Senior Coordinator, Circular Economy, Southern Sydney Regional Organisation of Councils Inc., affirmed and examined

The CHAIR: I welcome our next witnesses and thank them for joining us today and for being prepared to give evidence. Would you like to start by making a short statement?

HELEN SLOAN: SSROC is a small incorporated association, owned by 12 councils covering the area south of Sydney Harbour to Sutherland, the eastern suburbs and west of Bankstown. We cover a population of 1.8 million, which is roughly a third of metropolitan Sydney. One of our major functions for our councils is procurement. Millions of dollars are spent on the more than 50 contracts managed by SSROC. That presents us with a huge opportunity to promote and practise sustainable procurement.

The sustainable procurement field requires a different way of thinking about procurement, and it's not easy. It goes beyond getting the lowest price into achieving the best value for money, and value has to be defined. At the start of the procurement process, before specifications and requests for tender are written, it's necessary to consider what good value represents for this particular procurement. For SSROC, good value is environmentally positive, socially beneficial and economically contributing as well as fit for purpose. All these considerations have to be balanced against the cost.

As an example, I'm probably most proud of SSROC's electricity procurement on behalf of a group of 25 councils. Buying electricity had previously been treated as buying a commodity: Get a large group of councils together and seek the best priced offer for an attractively large electricity load. But in 2017 we began to change. Many of our member councils had commitments to achieving net zero emissions and, at the same time, the price of electricity was escalating. We had to rethink.

With the help of energy market experts, it seemed possible that we might be able to secure an agreement with a retailer to supply electricity from renewable sources and potentially at lower prices, or at least at a competitive price. It worked, and we secured a proportion of councils' electricity load from New South Wales solar farms at a competitive price for 10 years. A subsequent procurement secured 100 per cent renewable electricity from New South Wales solar farms for all the councils in the group that wanted it. For 11 of our member councils, it means that all their large sites, small sites and street lighting are powered by renewable electricity. Other examples of sustainable procurement include recovery of resources from mattresses. That's delivered 20 jobs for people who can't easily get work and over 75 per cent resource recovery. Our Paving the Way contract, using recycled crushed glass instead of virgin sand, reduces carbon emissions and established a market for low-quality recycled glass.

The way that we do this sort of thing is with leadership from the top. With the best will in the world, most people generally do what's easiest and repeat what's been done before. Leaders have to insist on innovation and have to be seen to be innovative themselves. Require electricity to be from renewable sources. Get regular reports on the environmental, social, economic and financial results of all purchasing. Embed targets and KPIs, as what gets measured is what gets done. Change the thinking—every procurement must be reviewed at the beginning of the process to ensure that the right characteristics are looked for. Do we really need concrete pipes made from heavily polluting materials for our infrastructure? What would happen if we asked for pipes that could perform to a specification rather than specifying what they're made from? For some products, like IT fleet and office furniture, it might be better to lease those items rather than purchase them.

Thirdly, build the right characteristics into the evaluation criteria and follow them. Preference the products with recycled content over virgin material, with lower carbon emissions, and which can be reused and repaired easily, or at least recycled. Don't consider price until after all those other considerations. Then you have to communicate, a lot. Embed these requirements in policy and position descriptions. Provide ongoing training to staff on sustainable procurement. We have a short online training module, guidelines and case studies to support staff and our own council, and that's available on our website. Make sure that suppliers know what's expected of them. Include clauses in contracts that allow suppliers to introduce more sustainable products in their product ranges without contract variation.

Follow through. Monitor and evaluate the results, and make sure that they are what was expected. Work with suppliers to sort out failings and build relationships. Encourage innovation for better outcomes. Above all, it's about culture change, from the Minister and the department head to everyone in the organisation. Although procurement is obviously a key function, it should be everyone's responsibility to suggest improvements. The

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lowest officer must be able to suggest that pens should be recyclable and only recycled paper should be used. Thank you for this opportunity to promote sustainable procurement.

The CHAIR: Thank you very much for joining us and for that statement. That list of steps seems like a very sensible place for us to start as well. Your organisation convenes those 12 councils, and I understand that you were talking about an even greater pool of councils in that electricity contract. Within those 12 councils, I'm guessing there must have been different views, approaches and attitudes to procurement, to what value is and to what you should be looking for in terms of tenders. Can you explain to me how you've managed to corral that into what seem like the quite coherent—but also quite progressive, in terms of sustainability—achievements you were looking for?

HELEN SLOAN: I think we're quite lucky in a sense that local councils are very interested in achieving sustainability outcomes. Most of our member councils have net zero emission commitments, for example. They are committed to making those sorts of changes. Yes, there is usually disagreement, I think it's fair to say. We don't always get all 12 councils in our procurements for a variety of different reasons. But I think the biggest factor is that we have Annie and people like Annie to work through all those issues and come to an agreed baseline of what is actually required. We also sometimes make deviations and so have a core set of requirements that then say, "These councils will also need this and those councils something else." It's very much a process of communication and collaboration.

The CHAIR: Ms Walker, I might go to you because we have had quite a few witnesses looking at textiles and procurement and particularly uniforms—possibly because it's a key interest of mine. I know that you've had a project of uniform recycling. I wonder if you could speak to that, obviously thinking about what lessons we might take to a State Government level.

ANNIE WALKER: Absolutely. We did a uniform recycling trial for eight Sydney councils. Some of those were SSROC councils but some of them were from other parts of Sydney. Really, that was about starting with a joint procurement to get a collection and processing service in place and really seeing what some of the costs were, what the volumes of uniforms were, what the logistics of having a service like this in a council are and what some of the challenges around processing are. The trial really wanted to try to provide a low-risk environment for those councils to try out this new service and to capture those learnings in a case study.

We've almost finished the trial and it has been really successful. All of the councils want to continue with uniform collection and recycling. I'd probably just highlight some of the key learnings. Like any new service for an organisation, there is a bit of trial and error and making sure you've got collection systems that are in the right place and that staff are really engaged and know what they're meant to do. We did a lot of communications around how uniforms could be very well worn but they needed to be clean for the processing part. We had quite a few new uniforms in some councils put in there when it's really only for used uniforms. We had quite a lot of staff champions in each council that helped to sort through and pick out anything that was new with tags that could have been reused. There was quite a high level of buy-in and quite a positive sentiment from a lot of the staff involved that they could see that their council was taking responsibility for a product that they were purchasing.

For many of the councils, they were also happy to see a secure process in place for uniforms because they have got a logo on them and there is a security risk if they are not dealt with properly. Having a recycling system in place enabled that. Most of the challenges were really just around getting people used to what they could put in the bin and making sure that, when it was collected, it was at a time that councils were open and so forth. It has been relatively straightforward and it is quite a low-cost service depending on the volumes of uniforms that you have got.

We have put together a case study, which we are just doing a little bit of an update on now that we are at the end of the trial, and then we plan to share that with any interested New South Wales government agencies because it is actually quite a simple process to set up. It's a little bit like something like toner cartridges—most offices have those in place now. We need to see take-back collections in place for a lot of the products where you have got a market and you have got options to process them so that we can take responsibility for what government agencies buy.

The CHAIR: Would you be prepared to provide on notice that case study?

ANNIE WALKER: Absolutely, yes.

The CHAIR: That would be great, thank you. Ms Sloan, I think you mentioned—or it could have been in my googling—that you have a sustainable procurement checklist that you provide to councils. Can you talk about what that is and how it is used?

HELEN SLOAN: Annie, you know more about it than me.

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ANNIE WALKER: Helen talked in the opening statement about how important communication is. There are so many things to consider when you start a procurement, and staff can get quite overwhelmed by all the different criteria and things that you need to think about. So, as part of that, we did a lot of training on sustainable procurement. Some of that was face-to-face and some of that was online during COVID, but from that we developed a suite of resources that other agencies could use. You just might need to update them a little bit to have more relevant case studies and examples for the type of government sector that you are working in.

It's a simple seven-step checklist, which we can provide, starting with prioritising sustainability risks and opportunities for each of your procurement categories. In local government, there are so many different types of products that are procured. It can be quite overwhelming to look at sustainability risks for all of them, so you might look at some of the bigger volume or higher spend areas that have greater sustainability risk. Examples of that might be IT, fleet, waste, facilities management—some of the ones that come immediately to mind. Construction is obviously a huge one as well. That's about really trying to look at what some of the risks are to inform then the planning stage of the procurement.

Identifying what the need for the goods and services is—do you definitely need it? Could you avoid it? Could you possibly rent or lease or look at some other option rather than actually purchasing something? If you do need to purchase it, what are some of the sustainability risks? It might even be things like modern slavery considerations that you need to think about. Often, if there is time, for some of our procurements we have done a market-sounding or some engagement with suppliers to really understand—to talk about some of our sustainability goals, but to understand what's possible in the market at the time as well to inform the procurement.

Then you get to your fourth step, which is specifying sustainability requirements and performance indicators and then linking them to your evaluation. In Helen's opening statement we talked a lot about defining what value for money is. It may not be the cheapest price. Certainly for our uniform recycling trial, before we even considered the actual price, we had quite high weightings for sustainability because we wanted uniforms to be shredded and processed onshore. If we went for the cheapest price, it would have looked at different suppliers and types of markets.

The fifth step is evaluation and due diligence: looking at verifying and evaluating claims, certifications and any standards. Again, this depends on the product category. And then the sixth stage, which is often not talked about as much, is all the contract and performance monitoring. This is where you can plan and have the best intentions, but they can come unravelling if you don't get data from suppliers—if you are not able to really monitor that contract. There is a huge amount of time in that contract management phase and then reviewing and learning, because each big procurement that we have done, there are always some learnings to apply to the next one.

The CHAIR: We have been grappling with the fact that we have some good policies written, but the follow-through is not necessarily there, and so hearing from you about the importance of that verification—that what you thought you were getting is actually what you were getting—is really interesting and important. I want to ask Ms Sloan about—again, it has become a bit of a theme of thinking about the outcome of what your procurement process is, rather than a particular object. Could you speak about that? You used the example of pipes. Could you speak about what standard practice was, and how you have tried to move towards a more outcomes-based approach?

HELEN SLOAN: I also mentioned the electricity one. Obviously, that was a switch from cost to much broader considerations. What's another one? The Paving the Way project is another great example. There's been two phases of that so far, both of which have challenged our council engineers to trial new products. They're great people and they really know their stuff, but they were inclined to favour their favourite materials. They know which ones work well for what applications. So a lot of work went on very early on to get that group focused and understanding why it mattered to overcome these silos within councils so that the engineering side of things was talking with the sustainability and the waste side of things to understand their differing priorities in the same area.

We had to work with a standards organisation, AUS-SPEC, to develop up the standard. We partnered with Transport for NSW on it as well so that we were getting the State buy-in to the use of the contract, because the engineers are inclined to prefer whatever the State, Transport for NSW, is using. The outcome that we were aiming to achieve was that the remainder of the glass that comes out of your kerbside recycling that can't be used for recovery into new glass materials—it was finding a use for that material and going the next step and establishing a market for that material.

By getting that whole group of Transport for NSW and a bunch of councils together, we signalled to the market that we want to buy this material: "Please establish the plants that can manufacture it for us." That is indeed what happened. The remainder of the glass in the bin is now being used in roads and materials there. But we've also solved council's problem with recovery from the recycling waste stream. That's achieving some broader sustainability outcomes as well. Carbon emissions are lowered because you're not transporting virgin sand from

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somewhere in broader New South Wales into Sydney. You've only got to move it from the processing plant, say, in Rosehill, to where it's needed. It can be a very complex equation, especially the first time you do it, like that one.

Paving the Way is now looking at rubber, and that process is proving a great deal easier because we have been through the previous phase. Everyone involved, all of the stakeholders, are now beginning to understand each other's perspectives. The waste team understands that you can't just use any asphalt for a road; it has to be the right mix of asphalt for that particular purpose. Similarly, the engineers are understanding that recycled rubber is a great way to solve the problem of tyre waste. It's looking at the very big picture, at the outcome, at the start of the procurement process. It's not just about buying the asphalt; it's about what you can do to make that asphalt more sustainable. It also lasts longer, so you're extending the asset life. Your asset managers are getting an outcome as well.

Ms ABIGAIL BOYD: Thank you to the two of you for coming along and giving your insights. I don't have any questions other than to say that this is an incredibly useful thing for us to hear. I want to employ you to come and do our procurement.

The CHAIR: There's a bit of that, yes.

Ms ABIGAIL BOYD: Thank you very much. I don't have any questions.

The Hon. AILEEN MacDONALD: I have some generic questions. I love your website, where you talk about sustainable procurement. You've got your checklist there, but you've also got e-learning modules. Are they for other councils to participate or to do?

HELEN SLOAN: Yes. They're available to anyone who wants to use them.

The Hon. AILEEN MacDONALD: With the projects that you've done, are you able to say how many jobs would've been created through those projects and initiatives?

HELEN SLOAN: Not always. For the mattress one, we know, because that was established for us. So we know that one. I don't know if we know for any others.

ANNIE WALKER: That was 20 jobs to people that traditionally face barriers to employment, and that's through a social enterprise soft landing. That's a key performance indicator for them, as well as in our procurement. No, I don't think we know it for others.

HELEN SLOAN: We know for our residual waste disposal contract that jobs were created but, again, that's related with new facilities being established. That created—I'd have to take on notice the actual numbers—a few jobs, maybe in the order of 10 or 20 jobs in Banksmeadow and the same sort of order of magnitude down at Goulburn and Woodlawn.

The Hon. AILEEN MacDONALD: We usually like to measure things from an economic point of view. What have been the economic impact of projects on the local community, and what other impacts have you noticed as a result of your procurement practices on the local community? Start with economics and, if there's others, go from there.

HELEN SLOAN: Depending on what the procurement is and what the councils want, we sometimes will preference a local supplier, so I guess that is an immediate benefit to the local community. What else? Well, I know we get a lot of good feedback on some of our projects, so I guess people like them.

The Hon. AILEEN MacDONALD: Yes, that's what I mean.

HELEN SLOAN: Sometimes we get questions from the community as well, which is quite encouraging because that indicates that people are actually aware of what's going on and want to know more about it. Beyond that, out of the procurement space, I can't really think of anything else that we would raise there.

ANNIE WALKER: I'd probably add, Helen, that quite often with the electricity contract and with some of our other contracts, there are significant financial savings for councils that can then be reinvested into other things. So it might not be a direct, visible benefit, sometimes, to a community but there will still be a benefit in those financial savings.

HELEN SLOAN: That's very true.

The Hon. AILEEN MacDONALD: How do you measure the success of the projects? Is it feedback from the community? From the councils? What measures are you using?

HELEN SLOAN: Primarily it's feedback from the councils. We also measure, obviously, financial savings to the councils, and where we can measure other outcomes as well—like CO2 emissions and reductions,

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for example—we will endeavour to report on that. Some of them are really challenging to report on because we're struggling to get the information out of people. But wherever we can, we report on as many of those criteria as we possibly can: environmental, social, financial, economic, governance, all of those sorts of measures.

ANNIE WALKER: Innovation as well. It depends a little bit on the key performance indicators for each procurement. Paving the Way was how many millions of bottles of crushed recycled glass have we been able to reuse; how many carbon emissions have we been able to save; how much virgin sand was avoided being mined; and how much transport emissions have we been able to reduce. They're some of the examples of the environmental ones.

The Hon. AILEEN MacDONALD: When you collaborate with government agencies and private sector, how do you do that to achieve your objectives? You mentioned the electricity as an example. Maybe you can expand on that?

HELEN SLOAN: Yes. That was a contract with ZEN Energy—Zero Emissions Now Energy—which we actually had a meeting with yesterday. Embedded in as many contracts as we can, we have the requirement, or the opportunity, for innovation. We try to encourage innovation and improvement. So within that relationship, we had that condition in there that we would look to accommodate improvements and innovations. Through that, I think I'm allowed to say, we are going to be getting some community batteries installed in eight of our council areas that have suitable sites, so I guess that's a supplier relationship example.

In the procurement space, we're actually working with the EPA with their joint procurement team to help develop up how that might look. I don't think our take-up has been terribly good of that particular grant funding opportunity. We've been trying to help them out with why we are so keen on joint procurements and yet other groups of councils aren't really taking the opportunity to do joint procurements. We're happy to share what expertise and experience we have if that's going to be beneficial. On the private commercial operator side of things, it's very much about building the supplier relationships and encouraging innovation and improvements.

The Hon. AILEEN MacDONALD: I had another question about transparency and accountability but you've kind of answered that in that. It's all about your communication.

HELEN SLOAN: Yes, we try to be as open and transparent as we possibly can.

ANNIE WALKER: I think some of those partnerships are also quite reliant on executive-level endorsement. Sometimes you can be trying to, say, partner with a State agency but, if you don't have the right person that you're in contact with, you sometimes need someone—a senior person—to speak to another senior person to get that initial audience to talk about your shared goals, and the values and benefits for them in supporting each other in a procurement or project planning phase, so that you can grow those kind of partnerships.

HELEN SLOAN: If I can follow on from that, we rely quite a lot on our council CEOs and general managers as well to drive some of these projects. I have a monthly meeting with them all to make sure that we are reflecting their priorities and we're doing the work that they require us to do. And, as part of that relationship, they will then go to their council and encourage the council to participate in our work. But also, on occasion, one of them has contacted, for example, the head of an agency in New South Wales and said it would be really great if we could work together on this and, because it's coming from the top, it facilitates that relationship.

The CHAIR: This kind of iteration seems quite sophisticated. How long have you been doing this?

HELEN SLOAN: It's been evolving. I started at SSROC in 2008 and it's been evolving ever since then. It's taken quite a long time to get to where we are now.

The CHAIR: That's a time frame that I'm a bit impatient about. It might be difficult, because that is quite a long time frame to think about, but what were the key barriers and/or key breakthroughs in that time?

HELEN SLOAN: I think the biggest barrier was what I talked about at the start—is about attitudes and switching from "We've always done it this way. This is what we know. This is what works, therefore we will do it again" to "We could be doing something different. We need to think about these other issues as well." So it's been about the attitudes. But those attitudes have been influenced by the major external factors like the climate change emergency—the waste levy has been quite a factor in changing waste practices. I suppose it sounds terribly rude, but we've had a shift in generation at the senior levels in that time as well so, I guess, just a bit of fresh air coming through the different councils.

ANNIE WALKER: Market conditions?

HELEN SLOAN: Yes, market conditions. In that time, all the councils have sort of evolved a sustainability function as well. That's raised the profile of broader sustainability issues. There have been a lot of external factors that have helped us to make the changes that we needed to make—all sorts of drivers.

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ANNIE WALKER: You have to build trust, and that takes time. Once we had success with some of the joint procurements, we could then demonstrate to our council stakeholders all the benefits of the joint procurement. We can discuss with them some of the challenges and how to overcome them. Building up that trust and expertise has been pretty critical.

HELEN SLOAN: I might make a plug for continued funding, please, for our two positions as regional coordinators, because they are a linchpin in the waste space.

The CHAIR: I think you've done an amazing job. A concern that I have about external factors or cultural change is that they're kind of hard to direct, and contingent on, perhaps, a champion being somewhere. I'm wondering if you had any thoughts? As a government body, we have a whole range of levers that can drive—not leave things so much to, "Hopefully everyone comes on board." I just wondered if you had any thoughts about the types of levers that you've found could be useful for a State government to not just encourage that change but give the push to change that we might need?

HELEN SLOAN: I think that is about the leadership element. The senior positions need not only that attitude change but also to have those things embedded in their performance indicators in their contracts. As I said at the start, what gets measured is what gets done. If a CEO has a target of a certain amount of carbon emissions, say, they will work to achieve that.

ANNIE WALKER: I think that it might be different for State government, but for our individual councils, sometimes one of the biggest levers is the benefit of aggregating your purchasing volumes for a service or a product. On their own, they might only have a small tonnage of, say, recycling, or they might only want to buy a small amount of a particular product. But when they aggregate with other councils, they've suddenly got much more purchasing power. Therefore, they've got more negotiating power as well when they are actually in that contract negotiation phase.

The CHAIR: And as you note in your recycling of the glass, it also has the power to create a market for something with that kind of purchasing power.

HELEN SLOAN: Yes.

ANNIE WALKER: Yes.

The CHAIR: There being no further questions, I thank you very much for coming along today and sharing with us your experiences. There might be some questions we asked you to take on notice or supplementary questions. The secretariat will get in touch in relation to those and you will have 21 days to respond. Thank you very much for the work you do, and for appearing today.

(The witnesses withdrew.)

The Committee adjourned at 16:25.