



SUSTAINABLE GOVERNMENT PROCUREMENT

AN ASSESSMENT OF CURRENT POLICIES, PRACTICES AND
OPPORTUNITIES FOR IMPROVEMENT.



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Government procurement policies and practices have a vital role to play in promoting sustainability. Government procurement markets are estimated to account for between 10% and 15% of GDP in OECD countries. Total non-defence procurement across all levels of government (Commonwealth, State, Territory and Local) in Australia is in excess of \$50 billion. The Commonwealth Government's non-defence procurement comprises approximately \$16 billion or 40% of this figure making it one of the larger single purchasers of goods and services in South East Asia.

By practising sustainable procurement governments can significantly reduce their environmental impact and encourage the development of more sustainable products and services.

There has been progress on development of sustainable procurement policies by Australian governments, most recently through the Australian and New Zealand Government Framework for Sustainable Procurement. Despite this progress current policies are flawed in key respects and there are considerable opportunities (and necessity) to improve sustainable procurement policies.

A common feature of government procurement

policies is a requirement to consider whole of life costs and non-price factors in assessment of value for money. There is, however, a lack of guidance on making procurement decisions where products and services with superior sustainability performance are not the lowest cost item. The traditional dominance of price considerations continues to present a barrier to the selection of products with superior environmental and/or social credentials.

Development of rigorous monitoring and reporting criteria is crucial in improving the sustainability of Commonwealth, State and Territory procurement. While several jurisdictions have developed monitoring and reporting approaches there is a lack of consistency across agencies and jurisdictions. This risks hampering benchmarking of performance and identification of best practice.

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Government procurement policies and practices have a vital role to play in promoting sustainability. Government procurement markets are estimated to account for between 10% and 15% of GDP in OECD countries (APCC, 2007).

Total non-defence procurement across all levels of government (Commonwealth, State, Territory and Local) in Australia has been estimated to be in excess of \$50 billion (ACCI, 2003). The Commonwealth Government's non-defence procurement comprises approximately \$16 billion or 40% of this figure (Good Environmental Choice – Australia, 2004).

The size of the government procurement market has clear implications for fostering sustainability. The purchasing power of governments has the potential to act as a major driving force for the development of more sustainable products and services.

Governments are also major purchasers of goods and services with substantial environmental impacts such as motor vehicles and IT equipment.

Motor vehicles are major contributors of greenhouse gases and air pollutants. In Australia in 2002, cars contributed 43 million tonnes of carbon dioxide or equivalent greenhouse gases, which is 8% of total national emissions. Trucks and light commercial vehicles contributed 24 million tonnes. These emissions represent 13% of Australia's total emissions and since 1990 this figure has increased by 28% (www.greenvehicleguide.gov.au). Considerable differences exist in performance between models however and choice of vehicles is a major determinant of the overall ecological footprint of Australian governments.

Office IT equipment can impact on the environment at all life cycle stages – raw material acquisition, inputs during the manufacturing process, distribution, energy consumption, consumables during use, and disposal at end of life. Office equipment typically accounts for about 20% of office energy use – offering considerable opportunities to reduce energy bills and greenhouse gas emissions by choosing energy efficient models. Energy efficient equipment also produces less heat, reducing the load on air conditioning (www.lgsa-plus.net.au/sustainablechoice).

These examples point to the important role that purchasing decisions of governments can make in reducing environmental impact and driving improvements in products.

Sustainable procurement has been defined as taking into account value for money, environmental aspects, the entire life cycle of products and social aspects in procurement decisions (www.sustainableprocurement.net).

Environmental or green procurement is a fundamental component of environmental sustainability. Environmental or 'green' procurement is defined as the purchase of products and services which have less impact on the environment and human health compared with competing products or services that serve the same purpose (www.qgm.qld.gov.au).

A 2004 report on the state of green procurement in Australia (Good Environmental Choice – Australia, 2004) identified significant challenges facing the development of green procurement initiatives by Australian governments. Lack of understanding of

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the different environmental factors of a product's life cycle and limited information provided by manufacturers were identified as key barriers. It was also noted that while the Commonwealth, State and Territory governments had committed to a process of institutionalizing green procurement objectives there was considerable variation in the degree of progress and in the policy frameworks employed.

This paper assesses current procurement policies and strategies of the Commonwealth, State and Territory governments and the extent of progress towards implementing green procurement in recent years. Current barriers to sustainable procurement are identified and a range of options for improving the quality of procurement decisions are advocated.

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Current Government procurement polices

Australian and New Zealand Government Framework for Sustainable Procurement

The Australian and New Zealand Government Framework for Sustainable Procurement was released on September 2007 and provides a set principles to guide the Australian Commonwealth, State and Territory Governments and the New Zealand Governments in the integration of sustainability principles into procurement decisions (APCC, 2007). It is the first procurement agreement between two countries to include economic, social and environmental aspects (Grob, 2007).

The four key principles of the framework are:

- Adopt strategies to avoid unnecessary consumption and manage demand;
- In the context of whole of life value for money, select products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- Foster a viable Australian and New Zealand market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation and sustainability;
- Support suppliers to government who are socially responsible and adopt ethical practices.

(APCC, 2007)

Each of these principles is supported by implementation activities which provide guidance on incorporating the principles into procurement practices.

The framework does not provide standards to be set nor establish a methodology to be followed in making procurement decisions. Rather it establishes a set of principles for jurisdictions to adapt to their

particular circumstances though polices, guidance material training and purchasing tools (APCC, 2007). Incorporation of the framework into procurement practices is thus a matter for each jurisdiction. The extent to which these principles are implemented will therefore depend on the legislative and regulatory frameworks and procurement policies in place in each jurisdiction.

A key weakness of the framework is that it does not provide any guidance to overcome the current dominance of price. In this respect it may not be sufficient to overcome the barrier that products with superior environmental and/or social credentials traditionally lose out to products with a lower price.

The framework also provides no guidance on development of monitoring and reporting processes. It is simply recommended that monitoring and reporting systems be developed and that sustainable procurement reporting be considered in annual reports. Monitoring and reporting of the sustainability of procurement decisions is a crucial element of ensuring that procurement decisions reflect the principle of sustainability.

Commonwealth Government procurement polices

Commonwealth Government non-defence procurement is guided by the *Commonwealth Procurement Guidelines – January 2005*.

The guidelines set out the Government's expectations for all agencies subject to the *Financial Management and Accountability Act 1997* (FMA) and their officials when performing procurement duties (DOFA, 2004).

The guidelines lack clearly defined sustainability criteria. It is noted that cost is not the only factor in assessing value for money and that whole of life

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assessment should include consideration of a range of non-price factors. Included among those non-price factors to be considered are all relevant direct and indirect benefits and costs over the whole procurement cycle.

The guidelines and FMA regulations also require that officials ensure that procurement complies with other Government policies. While in theory this should require that procurement decisions reflect Government policies in relation to sustainability the link is weak.

A further weakness is that the guidelines do not necessarily apply to bodies subject to the *Commonwealth Authorities and Companies Act 1997* which are legally and financially separate from the Commonwealth (DOFA, 2004).

It appears that the green procurement aspects of the January 2005 Commonwealth procurement guidelines are little changed from those that applied in 2004 when Good Environmental Choice reported on the state of green procurement in Australia (Good Environmental Choice – Australia, 2004). This report noted that the stated position of the Commonwealth on green procurement was to buy goods and services that seek to minimise environmental impact, work with industry to encourage continuous reduction in environmental impact of goods and services and assess the environmental impact of goods and services against informed and internationally recognised standards and methods.

The Australian Government Energy Efficiency Policy was noted in this 2004 assessment as the most developed initiative. It was also found that the Commonwealth had not given mandated guidance on environmental procurement of products and services outside of the energy policy requirements. A number of voluntary guidance checklists have been provided by the Department of Environment and Heritage for agencies to use in procurement activities (Good Environmental Choice – Australia, 2004).

While the current guidelines provide some scope for consideration of environmental and social factors in procurement it does not provide clear criteria for sustainability assessment. In particular it does not provide any guidance on deciding between competing products and services where products with superior environmental and/or social credentials may not be the lowest price option.

A further weakness is the lack of any monitoring and reporting criteria on the sustainability of procurement by government agencies.

It is clear that considerable scope exists for the Commonwealth Government to improve the sustainability of its procurement by revising the guidelines to more closely reflect the principles of the Australian and New Zealand Government Framework for Sustainable Procurement. Commonwealth procurement guidelines also need to provide clear criteria for assessing the sustainability credentials of competing products and services and to ensure that non-price criteria are given greater weighting in procurement decisions.

Queensland Government procurement policies

Queensland Government expenditure on goods and services exceeds \$6 billion per year (Good Environmental Choice – Australia, 2004). Procurement policy is the responsibility of the Department of Public Works. Agencies are given flexibility in their own procurement activities within the requirements of the policy.

The State Procurement Policy 2008 came into effect on 1 January 2008 and is a development of the State Purchasing Policy introduced in 2000 (DPW, 2007a).

The three objectives of the policy are to:

- advance government priorities;
- achieve value for money and;
- ensure probity and accountability for outcomes.

Government priorities are defined in the policy as including the protection of environmental and heritage assets, promoting sustainable development, encouraging the development of environmentally sustainable industries and protection of Queensland's plants and animals (DPW, 2007a).

Consideration of sustainability falls largely under the objectives of advancing government priorities and achieving value for money. Value for money includes non-cost factors such as sustainability and whole of life costs, including disposal. Whole of life costs are defined as initial purchase costs plus costs arising from holding, using, maintaining and disposing of the goods and services (DPW, 2007a). This definition of whole of life costs does not specifically include externalities such as environmental, health and social impacts. This represents a significant shortcoming of the current

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policy which should be addressed in order to improve the sustainability of Queensland Government procurement.

Guidance on sustainable procurement is defined in the policy as an “Operational Concept” where it is stated that “Queensland Government agency procurement decisions should encompass the consideration of goods and services than competing goods and services from suppliers, and which are ethically and socially responsible in value for money considerations” (DPW, 2007a). While this is important in that it specifically requires consideration of sustainability issues in making procurement decisions, it does not provide any guidance on deciding between competing products and services where products with superior environmental and/or social credentials may not be the lowest price option. In the absence such guidance price is likely to remain the dominant criteria.

General guidance on environmentally sustainable procurement is also provided in the Better Purchasing Guide – Environmentally Friendly Purchasing (DPW, 2000). While this guide provides important information to use in assessing the environmental credentials of products it does not set criteria or standards to be met.

A key requirement of the policy is that budget sector agencies should progressively increase the proportion of their procurement expenditure on sustainable goods and services from year to year. These agencies must set, measure and report annually on sustainable procurement targets. Budget sector agencies must also incorporate sustainable procurement strategies in their Corporate Procurement Plans (DPW, 2007a) and comply with product based targets set by the Queensland Government Chief Procurement Officer (DPW, 2007b).

Budget sector agencies must select at least three targets from a list of five categories. The targets may be selected from one category or more than one category and are to be reviewed and progressively improved at least annually. These categories are:

- a specific proportion of the agency's expenditure on goods and services;
- product based targets e.g. purchasing a proportion of a particular type of product group;
- demand management targets;
- other quantitative targets e.g. proportion of

suppliers which supply sustainable goods and services or have certified Environmental Management Systems in place and;

- Qualitative targets e.g. endorsement of sustainable procurement policy, incorporation of sustainable procurement principles into agency procurement procedures or development of an action plan.

These reporting requirements represent an important improvement on the 2000 State Purchasing Policy which contained no specific requirement for agencies to report their progress on implementing sustainable purchasing (Good Environmental Choice – Australia, 2004). However, not applying these same requirements to non-budget sector agencies diminishes the effectiveness of the procurement strategy.

A further problem is that there is no defined process by which targets are selected that would ensure genuine progress toward sustainability. This creates a situation where agencies are likely to select modest, easily achieved targets rather than targets which would genuinely drive progress toward sustainable purchasing.

While the 2008 policy represents a step forward in terms of setting sustainable procurement targets and reporting requirements it does not provide clear criteria for sustainability assessment. The lack of rigour in the selection of sustainable procurement targets is a serious weakness which should be addressed. The lack of any clear guidance allowing products and services with greater cost but superior sustainability should also be addressed through revisions to the policy.

New South Wales Government procurement policies

NSW Government expenditure on goods and services is in the order of \$10.5 billion per year, making it one of the larger single purchasers of goods and services in South East Asia (Good Environmental Choice - Australia, 2004).

NSW Treasury is the agency with responsibility for determining procurement policy in NSW. There are four key principles that underpin current NSW Government Procurement policy:

- value for money, including whole of life costs;
- efficiency and effectiveness;
- probity and equity;
- effective competition.

(NSW Treasury, 2004)

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Environmental and other sustainability considerations are included in the value for money criteria. In addition to price, evaluation criteria include whole of life costs (including disposal), tenderer's environmental management practices and performance and economic, social and environmental development aspects (NSW Treasury, 2004).

As noted in the 2004 Good Environmental Choice report (Good Environmental Choice – Australia, 2004) the 1999 NSW Government Procurement Policy Statement (DPWS, 1999) required all agencies to assess products equally and impartially in terms of cost, performance and environmental impacts using expert scientific opinion where available. The policy statement also sets out key actions for agencies to follow to improve the environmental performance of procurement activities. Ability to enhance government objectives, including ecologically sustainable development was also to be considered (Good Environmental Choice – Australia, 2004).

The policy statement was “simplified” into the current policy in 2004. The current policy does not include references to using expert scientific opinion as the basis for assessment or that service providers be required demonstrate their environmental performance capabilities. The key actions for agencies to follow have also been deleted. In this respect environmental guidance in the current NSW procurement policy is weaker and less specific than its predecessor.

The NSW Government Procurement Policy is complemented by the NSW Government Procurement Guidelines to Environmental Management (NSW Department of Commerce, 2006). These are similar to earlier guidelines published in 2000. The guidelines state that the following environmental factors should be considered in procurement:

- highest possible recycled material content;
- waste avoidance;
- elimination of virgin material requirements;
- product re-usability;
- recyclability;
- energy efficiency;
- amount of energy used in manufacture as well as operation;

- nature and amount of emissions to air and water, and solid waste to landfill;
- low maintenance;
- use environmentally preferred product, and;
- ultimate disposal.

The policy also includes guidelines for implementation and an environmental procurement checklist. The guidelines follow the broad principles of the NSW Government Waste Reduction and Purchasing Policy (WRAPP) and Government Energy Management Plan (GEMP) and NSW Greenhouse Plan (NSW Department of Commerce, 2006).

While these guidelines provide useful guidance and information on improving the environmental performance of procurement activities they are not binding on NSW Government agencies. The guidelines simply state that they should be incorporated within an agency's procurement practices as appropriate and that the extent to which they are applied should be determined on a case by case basis (NSW Department of Commerce, 2006).

The value of the guidelines is further weakened by requirements that environmental considerations within the value for money requirement should be based on cost neutrality. That is “substituting the use of products with lower environmental impact costs where the overall effect on the agency's business is cost neutral or favourable” (NSW Department of Commerce, 2006). In cases where a product with lesser environmental impact is more expensive it is necessary to demonstrate that it will result in savings over time which offset the greater costs (such as lower energy consumption). These can be offset by savings elsewhere within the business or where intangible benefits, such as public perception are identified as having value equivalent to the extra cost (NSW Department of Commerce, 2006).

In reality the effect of these requirements is that the dominance of price in making procurement decisions is retained and reinforced. The decision to purchase a more expensive product with lesser environmental impact must be justified on economic grounds rather than superior environmental performance.

Another major weakness of NSW procurement policies is a lack of reporting requirements on the sustainability of NSW government procurement. This

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reduces the impetus for agencies to improve procurement practices and makes judging current performance extremely difficult.

There appears to have been no real progress in improving the sustainability of NSW Government procurement since the 2004 Good Environmental Choice report (Good Environmental Choice – Australia, 2004). In fact the current procurement policy is less rigorous than the policy that was in place until late 2004.

To address the shortcomings of NSW Government procurement the current policy should be revised to better incorporate the principles of the Australian and New Zealand Government Framework for Sustainable Procurement. Discretion on use of the environmental management guidelines by agencies should be removed and the current bias toward lowest price eliminated. Clear monitoring and reporting requirements should also be put in place to drive improvement and allow the sustainability of procurement practices to be readily assessed.

Australian Capital Territory Government procurement policies

ACT Government procurement is worth approximately \$800 million per year (Good Environmental Choice – Australia, 2004). Procurement activities are governed by the *Government Procurement Act 2001* (Australian Capital Territory, 2007a) and the *Government Procurement Regulation 2007* (Australian Capital Territory, 2007b).

The Act creates the ACT Government Procurement Board. The functions of the board include providing procurement advice to ACT Government entities on procurement issues and reviewing procurement proposals of territory entities.

The Act requires ACT entities to pursue value for money in undertaking any procurement activity. In doing so the entity must have regard to whole of life costs; however there is no specific reference to sustainability considerations.

Guidance on sustainability considerations is provided by a circular issued by ACT Procurement Solutions and endorsed by the Procurement Board (ACT Procurement Solutions, 2007). Factors to be considered in procurement include:

- existing government policies;
- whole of life costs;
- design for the environment;

- environmental labels;
- environmental performance; and
- demand management opportunities.

Current ACT Government policies which procurement activities must be consistent with include planning, water management, sustainable transport and climate change strategies.

Whole of life costing includes use of lifecycle assessment in assessing competing products and services while design for the environment refers to reducing environmental impacts through better product design (ACT Procurement Solutions, 2007).

Environmental labels and ratings to be considered in procurement include the 'Energy Star' program, Building Code of Australia Minimum Energy Performance Requirements, Australian Greenhouse Rating scheme and the Australian Environmental Labelling Association program (ACT Procurement Solutions, 2007).

Agencies are also required to seek information regarding the environmental performance of suppliers in assessing claims made by firms and assessment of lifecycle costs. Demand management requirements include determining whether a particular procurement activity is really necessary (ACT Procurement Solutions, 2007).

These requirements provide valuable guidance in assessing the sustainability credentials of goods and services. There is, however, no specific requirement to select goods and services on the basis of triple bottom line impacts. In the absence of such requirements or guidance it is likely that price will remain a dominant factor.

Lack of reporting requirements for the sustainability of procurement activities is a weakness of current procurement policies. This should be addressed by requiring agencies to report on the compliance with sustainable procurement requirements.

Victorian Government procurement policies

The Victorian Government Procurement Board (VGPB) is responsible for setting procurement policies and standards to be followed by Victorian Government departments and some agencies.

Compliance with VGPB policies is mandatory for departments, Victoria Police, the Victorian Auditor General's Office, the Office of Public Prosecutions, the Office of the Chief Commissioner of Police, the Office of the Ombudsman, the Office of Public Employment, Essential Services Commission, the

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Office of Legal Ombudsman, Victorian Electoral Commission, Office of the Privacy Commissioner, Office of the Commissioner for Environmental Sustainability and Ministerial Offices (www.vgpb.vic.gov.au).

VGPB purchasing policies require that departmental purchasing activities be based on the principles of:

- value for money;
- open and fair competition;
- accountability;
- risk management;
- probity and transparency;

(VGPB, 2007)

Of these requirements “value for money” is the most relevant for consideration of sustainability in procurement decisions. Assessment of value for money includes whole of life costs and understanding of triple bottom line impacts (VGPB, 2007).

Specific environmental factors to be considered in procurement are provided in the Environmental Procurement Policy (VGPB, 2007). The Policy sets out eight principles (with accompanying guidelines) to be followed by departments in procurement activities. These principles are discussed below;

Environmental Procurement is a Consideration

Departments are required to purchase goods and services that have reduced impacts on the environment compared with competing products and services that achieve the same function and value for money outcomes. As noted above value for money considerations include whole of life costs and triple bottom line impacts.

While this principle is important in allowing non-price factors to be considered in procurement decisions there is no specific guidance that permits products and services with better sustainability performance to be preferred over lower cost items. In the absence of such guidance the dominance of price in procurement decisions is likely to remain intact.

Department Responsibilities

Under this principle departments are responsible for developing their own approaches to environmental procurement and reporting on implementation.

Requiring departments to develop approaches to environmental procurement is important as is reporting on progress. The lack of standard

requirements and reporting standards risks creating an ad hoc approach and difficulty in comparing and benchmarking performance.

Assessing Risk and Influence in defining Environmental Procurement Priorities

According to this principle environmental procurement priorities should be based on an assessment of the level of environmental impact of goods and services and a department’s capacity to influence environmental outcomes.

The importance of this principle is that it seeks to ensure the maximum benefit from environmental procurement activities and encourages departments to assess the impact of their purchasing decisions.

Value for Money

As noted above, assessment of value for money includes whole of life costs and assessment of triple bottom line impacts. Assessment of triple bottom line impacts is crucial in assessing the sustainability of competing products and services, however, as also noted above there is no specific guidance that permits products and services with better sustainability performance to be preferred over lower cost items.

Environmental Specifications

Under this principle it is stated that departments should consider, where appropriate, the inclusion of minimum environmental requirements in specifications. This allows the inclusion of environmental requirements in a request for tender or quotation. These can be mandatory criteria if the department is confident the market is able to meet the requirements. Alternatively they may be used as desirable criteria.

While the ability to include environmental specifications is important the wording of this aspect of the policy is weak. In particular there is a danger that criteria may be chosen that are easily satisfied rather than being aimed at driving genuine change and ensuring that genuinely sustainable products are given an advantage in the selection process.

Environmental Evaluation Criteria

This is similar to the environmental specifications principle and states that departments should consider the inclusion of environmental criteria in the selection of suppliers where appropriate. These may relate to performance standards, environmental impact of the good or service or the supplier’s environmental management practices. In setting

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these criteria the ability of the market to respond needs to be considered. As with the environmental specifications criteria, this carries the risk that specifications will be chosen that are easily achieved, rather than those which will genuinely drive progress towards sustainability.

Continuous Improvement

It is stated that relationships with suppliers and multi-year contracts should include the principle of continuous environmental improvement. While the principle of continuous improvement is important, no guidance is provided on how this should be achieved.

Training and Education

According to this principle “staff with purchasing authority are to be offered training in environmental procurement”. Given the importance of ensuring procurement staff are familiar with environmental procurement principles and sustainability this should be strengthened to require training for all procurement staff.

While these principles provide important guidance on matters to be considered in procurement decisions they require strengthening as indicated above in order to genuinely drive progress toward sustainable procurement. As with other Australian jurisdictions, Victorian Government procurement policies do not provide sufficient guidance on deciding between competing products and services where products with superior environmental and/or social credentials may not be the lowest price option. In the absence of such guidance price is likely to remain the dominant factor in procurement decisions.

Tasmanian Government procurement policies

The Department of Treasury and Finance is responsible for Tasmanian Government procurement policy with individual agencies responsible for implementing the policies and conducting their own procurement activities (Good Environmental Choice – Australia, 2004). The policies apply to inner-budget agencies as well as any consultants and contractors who have been contracted to undertake purchasing activities on behalf of those agencies. The policies do not, however, apply to State Owned Corporations or Government Business Enterprises.

Four purchasing principles are set out in Treasurer’s Instructions 1101 and 1102 on procurement of goods and services (www.purchasing.tas.gov.au):

- value for money;
- open and effective competition;
- purchasing ethics and code of conduct; and
- enhancing opportunities for local business.

As with other jurisdictions the value for money principle is most relevant to consideration of sustainability in procurement decisions. Value for money considerations include environmental factors, energy conservation and contribution to the achievement of other government policy objectives.

Specific requirements are included in Treasurer’s Instruction 1121 which sets out environmental policies in relation to procurement of goods and services (www.purchasing.tas.gov.au). This instruction requires that agencies must not purchase goods known to involve the use of ozone depleting substances unless no practical alternatives are available. Agencies are also required to give preference to recycled and recyclable goods if they are available at the same or lower price than similar quality non-recycled/recyclable goods. Recycled/recyclable goods may be selected where the price is higher than non-recycled/recyclable goods if the benefits of doing so can be justified within value for money considerations.

Agencies must also give preference to energy efficient goods if they are available at the same or lower price than less efficient goods. Energy efficient goods may also be preferred even if more expensive than less efficient ones if doing so can be justified within value for money considerations.

While these directions are important in specifically allowing recycled/recyclable and energy efficient goods to be given preference even if more expensive than less sustainable alternatives, their value is limited by only applying to energy efficiency and recycling considerations.

A further limitation is that these energy efficiency and recycling requirements only apply to goods and are not extended to services. Equally while purchasing principles apply to contractors and consultants purchasing on behalf of government there is provision allowing preference to be given to service providers with strong environmental credentials or good environmental management systems (Good Environmental Choice – Australia, 2004).

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Current Tasmanian Government procurement policies and principles do not include reporting requirements for agencies making it difficult to assess the effect of current policies or agency compliance with them. In this respect there has been no change since the 2004 Good Environmental Choice Australia report.

Northern Territory Government Procurement Policies.

The Department of Corporate and Information Services is the agency responsible for Northern Territory Government procurement. The Department's Procurement Policy Unit is responsible for establishing and maintaining procurement policy and auditing compliance. The Procurement Review Board is responsible for review of agency adherence to the requirements of the Northern Territory Procurement Policy, associated legal framework and Guidelines (www.nt.gov.au/dcis).

The Northern Territory Procurement Framework consists of the *Procurement Act 1995*, Procurement Regulations, Procurement Directions, the Northern Territory Procurement Code and Procurement Circulars (DCIS, 2006a).

Procurement Direction F2 (DCIS, 2006b) lists five principles of government procurement which Accountable Officers and employees of agencies are required to comply with under the *Procurement Act 1995*. These are:

- value for money;
- open and effective competition;
- enhancing the capabilities of local business and industry;
- environmental protection; and
- ethical behaviour and fair dealing.

Of these five principles, value for money and environmental protection are most relevant to sustainable procurement.

Value for money is defined as achieving the best return on Government expenditure, not necessarily the lowest price (DCIS, 2006b). Value for money considerations include whole of life costs (DCIS, 2007). While this could be interpreted to include externalities and triple bottom line considerations this is not specifically stated.

Environmental protection criteria require procurement policies and practices to protect the environment and minimise environmental harm.

Specific requirements include minimising the risk of adverse impacts on the environment and wildlife; consuming disproportionate amounts of energy, water, fuel and non-renewable resources; creating unnecessary waste and using materials derived from threatened species or environments (DCIS, 2006b).

Procurement policies and practices are also required to maximise resource recovery by considering products with higher reused, recycled or renewable content and higher reusability and recyclability; foster the development of products and services with low environmental impact and provide leadership by promoting the use of environmentally sensitive supplies (DCIS, 2006b).

These environmental protection criteria are a useful means of assessing the environmental impact of goods and services. As with other jurisdictions, however, there is insufficient emphasis on sustainability in value for money considerations to overcome the dominance of price. This could be alleviated by specifically requiring assessment of triple bottom line impacts of goods and services.

Lack of public reporting requirements is a major weakness of current Northern Territory procurement policies. Clear monitoring and reporting requirements should also be put in place to drive improvement and allow the sustainability of procurement practices to be readily assessed.

South Australian Government Procurement Policies

The State Procurement Board is responsible for procurement matters in South Australia. The Board has developed a procurement framework which includes policies and guidelines to be followed by South Australian Government agencies.

The *State Procurement Act 2004* establishes three key objectives to be followed in procurement activities. These are:

- value for money;
- ethical and fair treatment of all participants; and
- probity, accountability and transparency (State Procurement Board, 2008).

Of these key objectives value for money is the most relevant for sustainable procurement. Elements to be considered in value for money assessment include whole of life cost, sustainability and intangible costs/benefits.

Procurement Board policies also require Chief

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Executives to ensure that their agencies:

- not purchase, unless no practical alternative is available, goods known to involve the use of ozone depleting substances;
- ensure procurement officers seek information from suppliers on whether products involve the use of controlled substances;
- give preference to recycled/recyclable goods if they are available at the same or better value for money as similar quality goods made of virgin materials, unless there are valid technical reasons for not doing so;
- give preference to equipment which can use consumables made from recycled/recyclable materials where these provide equal or better value for money as similar goods that are not supported by recycled/recyclable consumables;
- give preference to energy efficient goods where these provide equal or better value for money as similar goods, unless there are valid technical reasons for not doing so; and
- promote the energy efficient use of goods and appliances in the workplace where it is practicable to do so.

(State Supply Board, 1999)

In common with other jurisdictions there are a number of areas in which South Australian Procurement policies could be improved.

The policy to provide preference to recycled/recyclable or energy efficient goods if they provide equal or better value for money is a superior approach to simply providing preference if price is equal or better as is the case in some jurisdictions. Value for money considerations allow consideration of non price factors including sustainability. There is, however, a lack of guidance on how to assess sustainability in value for money considerations. In the absence of this guidance price is likely to remain a dominant factor.

A deficiency of the above policy is that it does not refer to services. Assessment of environmental impact should be extended to services procured by government.

Sustainability considerations should also be broader than provided by Procurement Board policies on environmental impact. Assessment of triple bottom line impacts should be a feature of procurement decisions.

Procurement staff should be provided with sufficient training to allow them to make assessments of the sustainability of competing products and services and to assess the quality of information provided by suppliers.

Current procurement reporting policies require chief executives of South Australian Government agencies to report on a range of issues including:

- the public authority's procurement spend and contracting activity;
- governance activities and initiatives including arrangements for the management of devolved purchasing accountabilities;
- whole-of-agency contract initiatives identified or better buying strategies implemented;
- progress in the development and implementation of the agency Procurement Development Strategy in such areas as competency development, take-up of e-procurement and supplier communication and feedback processes; and
- identification of savings and benefits.

(State Procurement Board, 2007)

There are no specific requirements to report on the sustainability of procurement activities or performance against environmental impact policies. This is an area that should be addressed in order to provide a comprehensive picture of the sustainability of procurement activities and to drive improvement.

Western Australian Government Procurement

Western Australian government agencies expend over \$5 billion annually on goods, services and construction (Government of Western Australia, 2004). The State Supply Commission is responsible for setting procurement policy and regulating the procurement activities of public authorities. Operational procurement activities are devolved to public authorities (www.ssc.wa.gov.au).

State Supply Commission policies governing procurement cover the following areas:

- value for money;
- probity and accountability;
- open and effective competition;
- common use arrangements;
- procurement planning and contract management;
- sustainable procurement;

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- private sector procuring for public authorities; and
- disposal of goods.

(www.ssc.wa.gov.au)

Of these, value for money, sustainable procurement and disposal of goods policies are most relevant to sustainable procurement.

Value for money considerations include sustainability, ongoing costs and disposal of goods and services.

The sustainable procurement policy requires public authorities to consider procurements that will deliver best value for money through reduced greenhouse emissions, reduced energy use and support for the use of recycled and recyclable materials.

Environmental impacts are also to be considered during the procurement process including:

- preparing procurement plans;
- preparing Request design, including selection criteria;
- preparing request specifications that reflect environmental standards, codes or legislation;
- determining methods of verification of a preferred bidder's claims made regarding sustainability;
- writing evaluation reports; and
- as a measure of a supplier's contract performance against agreed commitments.

(Department of Treasury and Finance, 2008)

While these requirements provide important

guidance on factors to be considered in assessing the sustainability of competing goods and services, there is little detail on how these assessments should be undertaken. Nor is there any specific guidance on value for money assessment that would allow goods with a higher price but superior sustainability to be given preference.

These shortcomings should be addressed by requiring assessment of triple bottom line factors to form the basis of value for money assessment and mandating sustainability appropriate training for all officers with procurement responsibilities. While the sustainability code of practice for government agencies (Government of Western Australia, 2004) provides detailed information on sustainability and triple bottom line considerations there is no specific advice on how to integrate this with procurement activities.

A further shortcoming is a lack of requirements for public authorities to report on the sustainability of procurement activities. This should be addressed by requiring agencies to report on their performance against the requirements of the sustainable procurement policy.

04

Examination of government procurement policies throughout Australia reveals common themes and opportunities for improvement.

While current procurement policies seek to include assessment of sustainability and other non-price factors in the assessment of value for money there is little clear guidance on how sustainability is to be assessed. In the absence of clear sustainability criteria to assess competing products and services it is unlikely that decisions to favour more expensive products with superior sustainability credentials could be easily justified. Thus price will remain dominant over sustainability considerations.

Current value for money calculations also fail to consider the long term benefits and foregone costs (such as future environmental repair) associated with choosing more sustainable products and services that may be initially more expensive than less sustainable alternatives.

This shortcoming should be addressed by the development of clear sustainability criteria for assessing products and services and requiring the use of triple bottom line assessment in procurement.

There is considerable inconsistency in monitoring and reporting requirements for the sustainability of government procurement between the jurisdictions. Monitoring and reporting of sustainable procurement performance is a key factor in driving improvement in government procurement activities. Procurement policies should be amended to require agencies to report on the sustainability of their procurement activities. Performance in this regard should also be subject to audit by the Auditor General in each jurisdiction.

A major factor in determining the sustainability of procurement for government agencies is the level of training and expertise in sustainability of staff with responsibility for procurement. Procurement policies should clearly require all staff with procurement authority to be given detailed sustainability training.

A further area requiring attention is the exemption of non-budget agencies from sustainable procurement requirements in many jurisdictions. This effectively weakens the contribution of governments to advancing sustainability and reduces the potential market for sustainable goods and services. Non-budget agencies should be subject to the same requirements as budget sector agencies in relation to sustainable procurement.

05

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