



2004 – THE STATE OF GREEN PROCUREMENT IN AUSTRALIA

THE REQUEST FOR TENDER PROCESS:

- The RFT process should stipulate clearly and in an articulate way the environmental performance requirements of products and services sought.
- The RFT assessment panel should incorporate at least one officer with environmental impact expertise of the to be procured product or service.
- The RFT process must resolve the cost v's environmental load dilemma (hence avoiding temporarily displaced, wider or contingent environment social or procurer costs).
- The RFT process should be aware that it could be challenged legally on its comprehensiveness of assessment of environmental information by manufacturers.

GOVERNMENT AND BUSINESS PURCHASERS:

- Institutions should track material flows and resulting environmental impacts of their operations.
- Institutions should consider the introduction of quotas for frequently used items in order to track the level of consumption and the result of organisational innovation for sustainable consumption.
- Institutions should develop guidance and education courses for workplace and project staff outlining sustainable consumption behaviour and opportunities.
- Institutions should undertake regular maintenance of products to maintain longevity.
- Institutions should consider organisation innovation for sustainable consumption and deliver material flows and environmental impact targets as part of overall corporate planning.

THE END OF LIFE SYSTEM FOR WASTE PRODUCTS

- Individual RFT's should consider responsibilities and requirements at end of life of products and stipulate these in the tender documents.
- Manufacturers should commence strategies for the delivery of end of life solutions for products and services.
- Market mechanisms such as collaborative product stewardship entities need to be established in order to guarantee end of life service for products which incorporates responsibilities of bankrupt or dissolved corporations or overseas manufacturers.
- Channels of material flow must be clearly and deliberately specified in procurement contracts even if such agreements are confirmed with specialist end of life operations independent of the manufacturer.

" Green procurement initiatives can deliver significant market shifts towards sustainable consumption in Australia, allowing a process of continuous reductions in the environmental impact of products and services. Fundamental to this market reality are the commercial ramifications of shifts in demand and supply on the basis of environmental performance of products. These market signals are now finally emerging in the Australian market creating new challenges for marketing managers and corporate boards responsive to market developments. "

Petar Johnson – President AELA.

" Public Procurement is a significant barrier to the adoption of new sustainable technology. Governments are a major portion of the economy but are not using their budgets to lead the adoption of new sustainable technology. It is critical that governments at all levels take a major direct role in using their spending power to cause adoption of new sustainable technology "

Tim Edwards – MD Of Ecoflex Australia

Information about the Australian Environmental Labelling Association Inc is available at www.aela.org.au

The 2004 – The State of Green Procurement in Australia report provides for the first time a comprehensive picture of green procurement activities in Australia's institutions and the consumer environmental preference of everyday Australians. The report is a major work articulating the environmental purchasing trends throughout the diverse markets in Australia by presenting the findings of new research undertaken especially for this report, and through a quantifiable and comprehensive review of existing work.

This report provides a comprehensive overview for companies seeking to position their market activities over the next decade. It also aids government officials seeking to articulate environmental and market policy and green procurement officers to understand the different approaches to green procurement in Australia.

The publication is published by the Australian Environmental Labelling Association Inc for the purpose of broad understanding and growth of the greener markets in Australia. The full report is available at www.greenprocurement.org.au

EXECUTIVE SUMMARY:

2004 – THE STATE OF GREEN PROCUREMENT IN AUSTRALIA

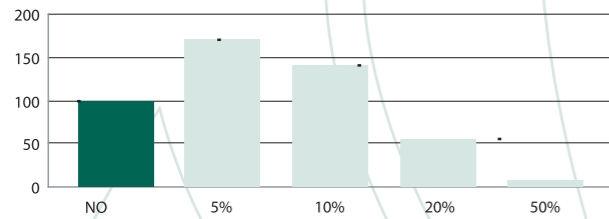
The findings of this report point to a groundswell of government and corporate initiatives that are working hard to establish green procurement measures. All three tiers of government have formally declared a commitment to buy greener products. Leading businesses have integrated green procurement as part of the overall environmental objectives of their business strategy. Many businesses are currently developing their supplier environmental requirements which they will impose on their supply chains. There is now a significant hidden opportunity for greener businesses that to date have had difficulty in translating their environmental innovation into commercial success.



CONSUMERS:

Australians can be said to have one of the strongest and most active environmental convictions among nations throughout the world.

1. Of the estimated 8,862,300 Australians who reported that they were concerned about the environment, 608,900 (6.9%) reported belonging to an environmental group.
2. Collated surveys for consumer environmental preference in NSW (10,000 people) show:
 - 87% of people say they are concerned a great deal or a fair amount about environmental problems.
 - 81% agree that products that cause environmental problems should cost more, with almost three in ten (29%) saying they strongly agree,
 - 64% would agree to give up part of their income,
 - 59% would agree to an increase in taxes but only if they could be certain that the money would be used to fix environmental problems.
3. Rural Research estimates of consumer purchasing from 3000 people surveyed shows demand for environmentally preferable meats and foods as detailed below:
 - price premium of zero..... 22-44% consumer take-up.
 - price premium of 10% per kg.....18-37% consumer take-up.
 - price premium of 25% per kg.... 13-27% consumer take-up.
4. Research in the Australian Capital Territory Shows (500 people):
 - 64% look for environmental information about the product they will purchase.
 - 82% would you like to see more environmental information on products.
 - The below graph shows the % price people are willing to pay more for a product that was clearly environmentally preferable than an alike product.



LOCAL GOVERNMENTS:

During financial year 2002-2003, Australian local government spent \$7 billion on materials and contracts. Many individual councils have now mandated the establishment of green procurement criteria throughout their procurement operations. Most notably councils are increasingly participating in collective schemes such as the Eco-Buy network of the Victorian Local Government Association and the recently established Buy Recycled network of the NSW Local Government Association. In the Eco-Buy network comprising 58 Victorian councils (73%), 16 Regional Waste Management Groups (100%) and 1 Resort Management Board a total of \$33.5 Million was purchased according to these criteria in FY 2003.

The member organisations demonstrate a growing trend both in overall volume but also diversity of products purchased in conformance with existing green procurement frameworks.

Amount spent on green products.

2001*	2002*	2003
\$5.9 mil	\$15.3 mil	\$33.5 mil

* 2001 & 2002 recorded recycled content products only

Collective procurement bodies such as the MAPS group and Co-operative Purchasing services which service local government have also implemented an environmentally preferable line of products to support government green procurement initiatives.

STATE AND COMMONWEALTH GOVERNMENTS:

Every state government has established suitable references in common procurement guidelines to incorporate the preference for environmentally sensitive products, and most have now formally established green procurement programs.

States have typically incorporated green procurement objectives and requirements in the common procurement guidelines under value for money or environmental protection criteria. Many states have also commenced the implementation of Environmental Management Systems (ISO 14 001) throughout their government operations. To date the ACT, NSW, Qld, NT, and Tasmanian governments have issued specific environmental procurement guidelines applicable across their government institutions. The States are only at the preliminary stages of establishing credible green procurement programs however some results are already apparent.

The Commonwealth has established its green procurement framework through existing clauses related to "Value for money" in the Commonwealth Procurement Guidelines & Best Practice Guidance Instructions. The Commonwealth is still at the preliminary stages of establishing green procurement in the purchasing framework. In order to assess the depth of implementation some 15 Request for Tender (RFT) documents issued in May 2004 were reviewed for their inclusion of specific environmental performance criteria with only two containing any apparent environmental requirements.

BUSINESS AND INDUSTRY:

Business and Industry groups are increasingly responding to new market expectations and are now readily utilising recycled and renewable resources in their product mix.

Industry has established a number of forums with specific mandate to promote the procurement of environmentally sensitive products, such as the Buy Recycled Business Alliance (BRBA) and the Barton Group, to promote environmental innovation and greener product delivery in the Australian markets. These groups have facilitated individual company commitment to green procurement.

CONCLUSIONS AND RECOMMENDATIONS

Green procurement markets are maturing and procurement officers are now looking past the marketing confetti to the real environmental impacts between products, services and technologies. The 2004 – State of Green Procurement in Australia report finds that current green procurement initiatives are challenged at this time due to two primary reasons:

1. A Lack of understanding of environmental loads.

A lack of internal understanding of the different environmental factors of a products life cycle restricting the capacity of green procurement programs to ask the right questions and make credible decisions on overall environmental impact.

2. A Lack of credible information by manufacturers.

This challenge is compounded by very limited relevant environmental information being provided by manufacturers and a plethora of misleading and unquantified environmental information entering the markets.

MANUFACTURERS:

- The manufacturer should measure the diverse environmental impacts from cradle to gate in order to declare these environmental loads to potential markets and generate further innovation towards sustainable product development.
- The manufacturer should make this information known in a credible fashion as outlined in the ISO 14 020 series of standards.