



Commissioner for Environmental Sustainability
Victoria

Living well within our environment

Government procurement and environmental sustainability

An overview

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Introduction

The Commissioner for Environmental Sustainability has prepared the following advice on government procurement in relation to environmental sustainability at the request of the Minister for Environment.

In a letter tabled in parliament on 15 November 2005, under Section 8(d) of the *Commissioner for Environmental Sustainability Act (2003)*, the Minister for Environment requested that the Commissioner for Environmental Sustainability prepare a report on government procurement practice and environmental sustainability. The Minister identified the following areas as being of particular interest:

- motor vehicles
- office accommodation
- office goods and services.

The letter indicated that the Minister was keen to ensure that government procurement decisions minimise the life cycle impact of products and services purchased. It also included a request that the Commissioner, in developing recommendations, consider supply chain implications and the minimisation of resource consumption and waste associated with the production, delivery, use and disposal of products and services purchased by the government.

Due to the complexity and diversity of the Victorian Government's procurement it was decided to consider each of the three areas of procurement separately.

In developing this advice, the Commissioner consulted widely through his reference group (comprising experts from business, academia, environmental non-government organisations (NGOs) and local government) and a whole-of-government steering group (comprising senior executives from all departments, Sustainability Victoria and the Environment Protection Authority (EPA)).

Scope of overview

This overview provides the context for the three areas of detailed advice on procurement requested by the Minister. The relationship between environmental sustainability and procurement is described, with particular reference to the role of government procurement. Summarised in this overview are greener procurement activities being undertaken by governments in Australia and internationally, as well as by business and the community. Also included are the broad challenges and opportunities for the Victorian Government in reducing its environmental impacts through purchasing.

Procurement and environmental sustainability

The natural environment underpins our economic and social systems – we need clean air to breathe, water to drink and natural resources to use in our daily lives. Our 'economy cannot function without drawing in natural resources from the environment and using the environmental media to absorb the unwanted bi-products, or externalities, of economic production.'¹ While we need to use natural resources, we must recognise that the environment is not impervious to the impact of our activities and does have limits. We want to create increasing levels of economic value but at the same time reduce our impacts on the environment. This is often called de-coupling environmental degradation and economic growth.

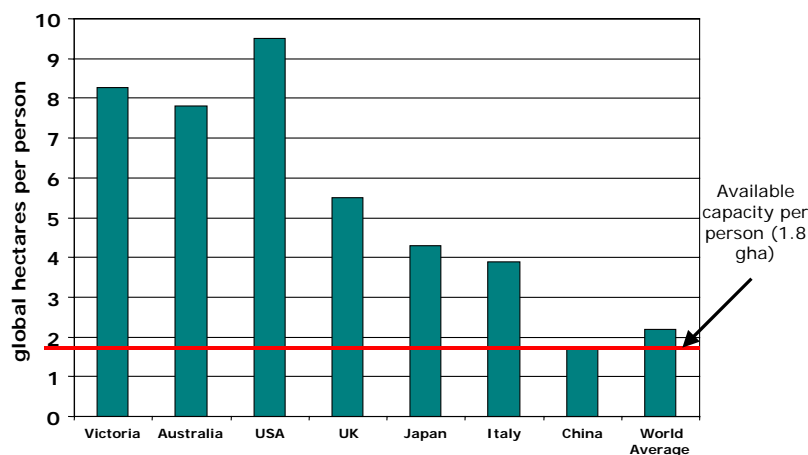
'Healthy economies require healthy societies. Healthy societies need a healthy natural environment.'

VicSuper Chief Executive Bob Welsh.

Source: VicSuper (2004), 'What in the world has sustainability got to do with superannuation?' VicSuper Sustainability Report.

Victorians use significant amounts of natural resources every day. Victoria's ecological footprint is one of the highest in the world, as shown in Figure 1. If everyone lived and consumed like Victorians do, we would need approximately four planets to support ourselves. This means Victorians are living well beyond the limits of the natural environment. EPA Victoria has been working with Mathis Wackernagel one of the creators of the ecological footprint tool (see box below) to calculate Victoria's ecological footprint.

Figure 1: Ecological footprint of nations



Source: EPA Victoria (2005), 'Victoria's Ecological Footprint', Information Bulletin.

Learning to live within the limits of our natural environment while simultaneously achieving our economic and social goals will ensure we meet our own needs without restricting the choices of future generations of Victorians. We need to change the way we do things in order to maintain a high standard of living and protect our natural environment into the future.

The purchasing choices we make are an important driver of environmental degradation. Choosing to purchase environmentally preferable products and services is a practical way that governments, businesses and individuals can reduce their environmental impacts. Where once the options for purchasing environmentally preferable products and services were limited, there has been extensive market growth in greener products and services over the last 10 years. The global market for 'green' products and services is large and growing. It was reported to be worth US \$515 billion in 2002.²

Ecological footprint

The ecological footprint is a widely used communication tool that provides a visual representation of the environmental impacts of human consumption.

The tool shows the amount of biologically productive land and water area (in 'global hectares' (gha)) a given population requires to produce all the resources it consumes, and to absorb its wastes, using prevailing technology.

The ecological footprint tracks how much individuals, organisations, regions, or nations consume, and compares this to the total amount of renewable and non-renewable resources available on earth.

It does not include the resources used to produce goods in that population, over and above the consumption of that population. For example, at the national level, a nation's consumption is calculated by adding imports to and subtracting exports from the goods produced for national consumption.

The footprint of a population is then compared to the 'global hectares' that would be available if the biologically productive land and water were divided equally amongst the world's population – this figure is currently 1.8 gha.

More information about ecological footprint can be found at <http://www.epa.vic.gov.au/eco-footprint/>

¹ Australian Bureau of Statistics (2003), *Australia's Environment: Issues and Trends*.

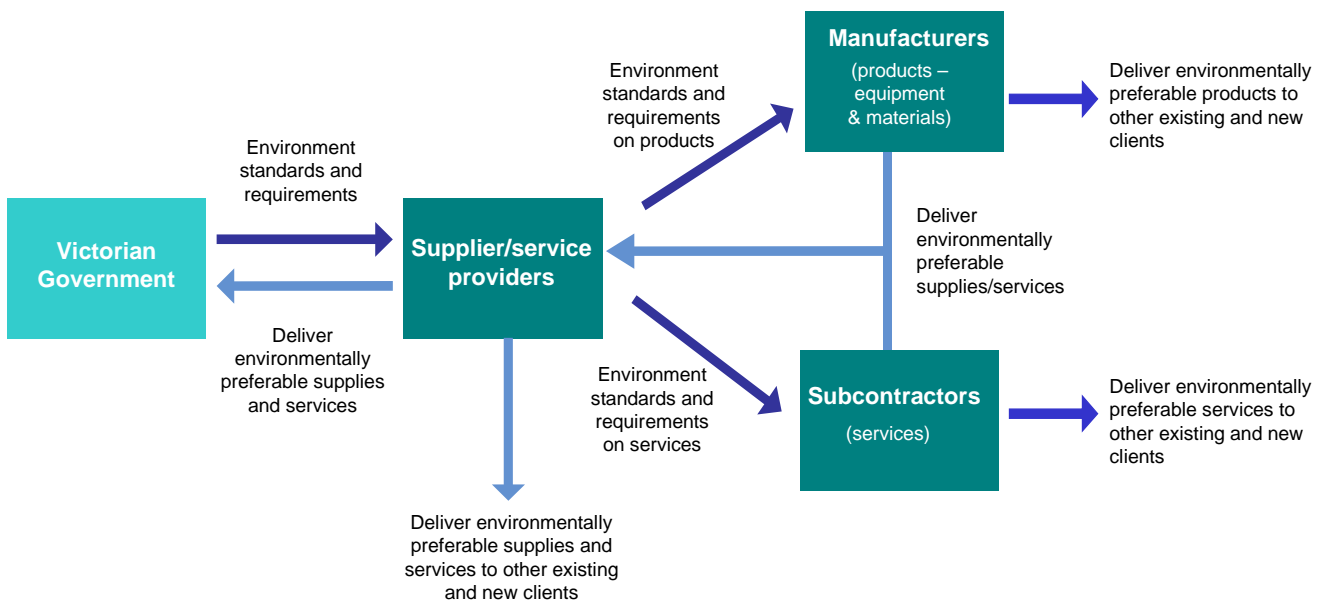
² Beckett, M. (2004), *Speech to the Environmental Industries Commission*, paper presented to Chatham House.

Government procurement

In fulfilling its role of providing services to the community, governments use significant amounts of goods and services. Governments are typically one of the largest purchasers in jurisdictions around the world, with purchases estimated to be 14–20% of a country's gross domestic product (GDP).³ In 2004, the combination of Australian federal, state and local governments' expenditure accounted for 35.5% of Australia's GDP.⁴ Spending by the Victorian Government accounted for approximately 15% of the state's gross state product in 2004–05.⁵

Given the large scale of government spending, greener procurement initiatives can not only reduce government's own environmental impacts, but can also assist in driving resource efficiency and innovation through the supply chain, and support industry development. The potential market impacts of incorporating environmental considerations into government procurement are demonstrated in the figure below.

Figure 2: Influence of government purchasing



Public procurement is frequently identified as one of the main ways in which governments can support the development of new greener technologies and cleaner production initiatives. Governments 'can provide a reliable market and encourage new investment, product development and competition'.⁶ The peak body representing the environment and sustainability industries in Australia, Environment Business Australia, recently released a report entitled *Australia's Choice Building on National Prosperity – Opportunities for Australia by Pursuing a Sustainable Future*. The report states that 'the buying power and major market force of government procurement is particularly needed to support new and innovative environmental products, which in turn will work to reduce higher production costs that are often associated with new market products'.⁷

'Leading by example is one of the most effective ways my government can help create the environment for sustainability in Victoria.'

Victorian Premier Steve Bracks.

Source: Bracks, S. (2005), Official opening address for Business Leaders' Forum on Sustainable Development.

³ OECD (2002), 'The relationship between Regional Trade Agreements and the Multilateral Trading System', *Working Party of the Committee*.

⁴ New Zealand Government, (2005), *Government Spending and Receipts*.

⁵ Victorian Auditor General (2005), *Report on the Finances of the State of Victoria 2004–05*.

⁶ Sustainable Procurement Group (2003), *Report and recommendations of the Sustainable Procurement Group*.

⁷ Environment Business Australia (2005), *Australia's Choice Building on national prosperity – opportunities for Australia by pursuing a sustainable future*.

Procurement practices are being viewed as an indicator of a government's commitment to environmental sustainability. Experience from the British Government indicates that a significant reputation risk exists if a jurisdiction's own procurement does not contribute to sustainable development objectives.⁸ Greener procurement sends a clear message to the community and to manufacturers and service providers that the government is committed to reducing its environmental impacts and will recognise the efforts of companies that aim to reduce their environmental and social impacts.

Significant environmental and financial benefits can be gained by incorporating environmental considerations into purchasing decisions. Two examples are provided below.

Approximately 15% of the Australian Government's tenant light and power is consumed by office equipment, giving rise to about 60 thousand tonnes of CO₂ equivalent greenhouse gas emissions. By purchasing energy-efficient equipment, and using it efficiently, this could cut power consumption by office equipment by up to 80%. Purchasing energy-efficient equipment would produce less heat, thereby reducing the load on air conditioning systems, making the energy savings even greater in real terms.

Source: Department of Environment and Heritage.

Between July 2003 and December 2004, King County USA purchased \$17.7 million worth of environmentally preferable products which saved the county approximately \$950,000 compared to the cost of the products conventionally purchased. Environmentally preferable products that were purchased included products that contained recycled material, reduced waste, saved energy, were less toxic, or were more durable.

Source: King County, Environmental Purchasing Program.

A range of policy tools and incentives is available to government to promote environmental sustainability and drive increases in resource efficiency; government procurement is one instrument. An integrated approach using a range of policy tools and incentives is needed to simultaneously achieve Victoria's social, economic growth and environmental directions and objectives in *Growing Victoria Together* and *Our Environment Our Future*.

International context

Governments around the world have realised that procurement is an important means of reducing their own environmental impacts and, more broadly, helping to facilitate market creation for greener products and services. Greener procurement can also be consistent with driving efficiency and reducing costs. In endeavouring to adopt greener procurement practices, a range of approaches is being undertaken internationally.

Internationally, Organisation for Economic Cooperation and Development (OECD) member countries have agreed to take greater account of environmental considerations in public procurement of products and services.

Source: OECD Environment Programme (2004) Environmentally Sustainable Buildings: Challenges and Policies.

A number of jurisdictions have developed programs designed to aid and educate government in greener procurement. Japan has developed the Green Purchasing Network (GPN) which aims to spread the concept and practices of green procurement. The United States has set up a program called Environmentally Preferable Purchasing (EPP) which encourages and assists agencies and provides environmental information for over 600 products and services. Norway has established GRIP, a foundation for sustainable consumption and production, and the UK has set up a sustainable public procurement task force which is developing an action plan to bring about changes in sustainable public procurement (with the intent to be an EU leader by 2009).

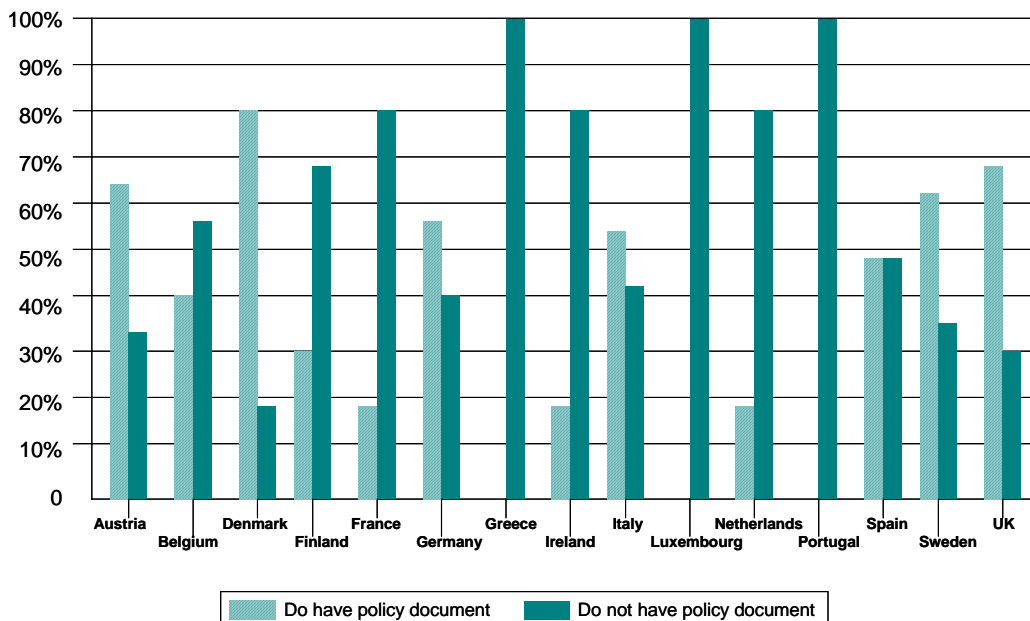
Other countries have developed environmental policies and greener procurement criteria. Germany has developed a policy designed to increase the pressure on industry sectors to voluntarily report their environmental performance, while Sweden and Austria have created a series of criteria that must be taken into account when purchasing products and services. The government of Manitoba, Canada passed a *Sustainable Development Act 1998*, which sets out principles of sustainable development. In conjunction with this, the federal Canadian Government has implemented the *Green Reporting Framework: A Tool for Reporting*, consisting of a number of policy requirements. The European Commission has set up *Green Public Procurement*, a set of guidelines for environmental procurement, as well as a number of other initiatives.

⁸ Office of Government Commerce (2003), UK.

The United Nations Environment Program (UNEP) is also in the process of establishing its *10-Year Framework of Programs on Sustainable Consumption and Production (Marrakech process)*. This framework aims to support regional and national initiatives through a variety of means including international meetings and consultations, as well as cooperation dialogue sessions and task forces.

Figure 3 demonstrates the share of local government equivalent administrations in Europe that have environmental purchasing policies or have made a commitment to greener procurement. A more detailed summary of the greener procurement activities being undertaken in other countries can be found in *Part 3, government procurement of goods and services – a review of current practice and options for greener purchasing*.

Figure 3: Share of EU countries with local government equivalent administrations that have a policy document in their organisation on green purchasing or have signed up to a green procurement commitment



Source: ICLEI (2003), Study contract to survey the state of play of green public procurement in the European Union.

Australian context

The Commissioner’s review of greener procurement by Australian jurisdictions identified a number of positive steps that state and territory governments have taken thus far. These include initiatives aimed at raising awareness across government and developing and updating training resources for greener procurement. There is, however, a lack of accountability and reporting on greener procurement in Australia. The review also highlighted the need for better training resources to assist in the identification of both of environmental and social criteria in the tendering process. A summary of the activities of Australia’s states and territories is provided below.

The federal Auditor General recently published *Cross Portfolio Audit of Green Office Procurement* which assesses and reports on the progress in greener procurement being made by government agencies. The federal Department of Environment and Heritage has also developed an extensive environmental purchasing guide, environmental purchasing checklists and a range of other tools for procurement officers; these are available on the department’s website.

At a state government level, the New South Wales Government requires all government departments and state-owned corporations to introduce a waste reduction and purchasing policy (WRAPP). WRAPP guidelines provide clear, concise reporting methods through a series of checklists. The Department of Education and Training, NSW, ensures all tenderers for capital works have corporate environmental management systems (EMS). In conjunction with this, a trial of Greengoods (a website aiding government employees to incorporate sustainable principles into purchasing decisions) has been developed by NSW.

The Queensland Government has developed the *Better Purchasing Guide to Environmentally Friendly Purchasing*. The guide is supplemented with an extensive procurement training program for purchasing officers throughout the Queensland Government. The Western Australian Government has developed a guide for procurement staff which includes checklists for frequently purchased goods and services. Public authorities are also encouraged to use this guide in developing specification and evaluation criteria in quotation and tender documents. The Northern Territory Government has a procurement strategy that includes five key principles supported by a number of operational strategies.

South Australia has also made a concerted effort in developing the *Greening of Government Operations (GoGO) Framework*, with a priority area outlining the government's objectives towards 'green' procurement. The South Australian Government's passenger fleet also consists of a high percentage of LPG vehicles which have lower greenhouse gas emissions compared with petrol equivalents.

A comprehensive overview of greener procurement activities across Australia is provided in Appendix 2 of *Part 3, government procurement of goods and services – a review of current practice and options for greener purchasing*. A summary of motor vehicle emission reduction initiatives being undertaken by Australian jurisdictions is provided in *Part 1, government of motor vehicles – a review of environmental, safety and cost considerations*.

Greener purchasing in Victoria

Business

Leading businesses have realised the benefits of greener procurement. A greener procurement approach is consistent with risk management, financial, and corporate responsibility. Businesses are adopting greener procurement approaches; for example, Szencorp's office in Melbourne was Australia's first refurbished building to achieve a Green Star rating of six stars. The National Australia Bank, Ricoh, Toyota and NEC have all incorporated environmental criteria into their purchasing practices. More examples of private sector leadership in greener procurement are provided in *Part 2, government procurement of office accommodation – a review of current practice and options for new and existing offices* and *Part 3, government procurement of goods and services – a review of current practice and options for greener purchasing*.

The incorporation of procurement practices geared towards environmental sustainability can produce positive outcomes for businesses and for the environment. Increasing the efficiency with which natural resource-based inputs (such as electricity and water) are used makes good economic sense. Cleaner production 'refers to a mentality of how goods and services are produced with the minimum environmental impact under present technological and economic limits'.⁹ A review of EPA Victoria's cleaner production partnership program found that the average payback period on investment in cleaner production by Victorian businesses was only 1.7 years with the following additional benefits:¹⁰

- improved environmental performance
- reduced occupational health and safety risk
- financial savings
- market advantages
- development of product lines
- enhanced reputation
- better community relationships
- more efficient processes
- reduced liability and insurance premiums
- improved working environment for staff.

After achieving its green purchasing goals for office supplies in March 2002, Toyota focused on using recycled products. Toyota's work uniforms, made from recycled plastic bottles, are shown below.



Source: Toyota Environment and Social Report 03.

⁹ UNEP, *Cleaner Production- Key Elements*.

¹⁰ EPA Victoria, *Business Sustainability*.

Community and non-government organisations

Purchasing choices have long been identified by community groups and environmental non-government organisations (NGOs) as one of the ways that we can all reduce our environmental impacts. For example, the Australian Conservation Foundation promotes five tips for green shopping.¹¹ The Sustainable Living Foundation advocates sustainable shopping and has developed a 'how to' directory for sustainable shopping that lists a range of products. Many environmental NGOs have also demonstrated their commitment to greener purchasing through choosing to lease office space in the 60L Green Building.¹²

'With more than four-in-five Australians (89%), New Zealanders (85%) and Britons (85%) and 75% of Americans agreeing that "If we don't act now we'll never control our environmental problems" our political leaders have a clear mandate to act decisively to address environmental issues.'

Gary Morgan, Executive Chairman Roy Morgan Research.

Source: Roy Morgan Research (2006), Environmental Concern High Around World- Australians Greenest of All.

The Victorian community is purchasing greener products and services at an increasing rate. Over 78,000 Victorian householders now buy Green Power.¹³ Half of Victoria's households have purchased, and now use, compact fluorescent lights and 31% of households use other energy-saving lights.¹⁴ Reusable green bags are being purchased in large numbers despite plastic supermarket bags being provided for free in most shops.

Greener procurement in local government

Some Victorian local governments are leaders in incorporating environmental considerations into procurement decisions. For example, the City of Melbourne is in the process of constructing Council House 2 (CH2) using a range of environmentally preferable building products. CH2 was Australia's first new building to achieve a world leading six-star rating under the Green Star Office Design (Green Building Council of Australia).

Local councils across Victoria are also working towards reducing their environmental impacts through purchasing of goods. Established in 2000, the ECO-Buy program was developed to assist local councils to purchase more environmentally preferable products. The program has over 60 member councils. Expenditure on environmentally preferable products by local government has increased from \$5.9 million in 2001 to \$36.9 million in 2004.¹⁵ ECO-Buy is supported by Sustainability Victoria, the Department of Sustainability and Environment (DSE) and the Municipal Association of Victoria (MAV). It provides councils with tools, training and assistance to incorporate environmental considerations into their purchasing decisions. ECO-Buy is considered Australia's leading green purchasing program across local government.

The ECO-Buy Business program was established in late 2005 as a legacy environment program of the Commonwealth Games. It provides companies with free services including direct hands-on support, a guide to implementing a greener purchasing program, financial incentives for purchasing greener products, a database of greener products, training, expos, networking opportunities and awards. Business has been receptive to the establishment of ECO-Buy Business. Toyota was the foundation member and both the Australian Industry Group and the Victorian Chamber of Commerce and Industry have publicly supported the program.

¹¹ Australian Conservation Foundation, *Make your super choice a Green Choice*.

¹² The 60L Green Building can be found in Leicester Street, Carlton, Victoria. The building was constructed using a large number of environmentally preferable features including a photovoltaic, water storage, water reuse, thermal chimneys and recycled building materials.

¹³ Minister for Environment and Minister for Energy Industries and Resources (2006), *Media Release Victoria Leads the nation on green power sign-up* 13 March.

¹⁴ Australian Bureau of Statistics (2005), *Environmental Issues: People's Views and Practices*.

¹⁵ ECO-Buy (2004), *The Great Report Cavort FY 2003-2004*.

State government procurement – current status and opportunities

In Victoria, the principles of sustainability have been incorporated into *Victoria's Commissioner for Environmental Sustainability Act 2003*. This Act defines ecologically sustainable development as '...development that improves the total quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends'. Greener procurement can help Victoria to achieve its environmental sustainability goals.

'If Government has resolved to conduct its business in a sustainable manner then there can be no choice other than to conduct its procurement in a sustainable manner.'

Source: Sustainable Procurement Group (2003), Report and recommendations of the Sustainable Procurement Group, UK.

The government has realised the scope of opportunities for reducing environmental impacts through purchasing and has signalled its intention to make greener procurement part of its everyday activities in a number of statements including those outlined below.

'The State Government is also helping to drive change by establishing environmental friendly procurement policies for its departments and agencies.'

The Ministerial Statement for Our Environment Our Future Victoria's Environmental Sustainability Framework (2005).

'The Government has identified ten shared goals that will be a focus for Government priority and spending decisions over the next decade.'

Growing Victoria Together A Vision for Victoria to 2010 and Beyond (2005).

'Government will show leadership through utilising government procurement to drive greenhouse outcomes.'

Victorian Greenhouse Strategy Action Plan Update (2005).

'Purchasing policies represent a critical entry point for action to minimise environmental impacts associated with government activities.'

Victorian Government Purchasing Policy Guidelines, version at 02/02/2005.

The challenge is to translate these statements into continued progress - to purchase environmentally preferable products and services. The government must be clear about the need to align its purchasing with its environmental sustainability objectives. There also needs to be a greater focus on continuous improvement and recognition that there is always scope for doing things even better.

The government has introduced a number of greener procurement initiatives, which are discussed in more detail in Parts 1, 2 and 3 of the Commissioner's review of procurement and environmental sustainability. The greatest leadership that the Victorian Government has shown in its procurement activities to date is in relation to the construction and refurbishment of office accommodation. A continued focus on office accommodation procurement activities will be needed if Victoria is to remain a national leader.

Notable initiatives in other areas of procurement include the purchase of 110 Toyota Prius hybrid vehicles, the government's commitment to purchase at least 10% of electricity as Green Power and the incorporation of environmental criteria in some state purchase contracts.

While the government has made some progressive steps towards incorporating environmental considerations in purchasing decisions, there are a number of overarching opportunities for the government in relation to the procurement of environmentally preferable products and services.

Procurement tools and training

With the exception of office accommodation, there are very few tools and guidelines made available to government procurement staff to assist them in considering the environmental impacts of their purchases. Many government procurement staff do not currently have the skills or expertise to adequately incorporate environmental considerations into their purchasing decisions. Easy-to-use tools, as well as training and guidelines are needed in all areas of government procurement. The options for tools, training and guidelines are addressed in the Commissioner's advice relating to office accommodation, motor vehicles and goods and services used in government offices.

Tools are needed within the Victorian Government to support the application of life cycle thinking. Life cycle thinking needs to be built into whole-of-life costing and evaluation of value for money.

Where tools exist, the government should aim to use them rather than duplicating effort. However, some caution is needed when using existing tools, as they need to be consistent with government policies. Tools used by state government should also be based on fitness for purpose. There are a range of tools that the government could adapt to ensure consistency with its objectives while avoiding duplication, saving time and money.

Life cycle thinking

Life cycle thinking is an approach to assessing the environmental impacts of the creation, function, operation, and disposal of a product or service over its lifetime. It stemmed from life cycle analysis (LCA).

Life cycle thinking can be used in environmental management accounting, which also involves full-cost accounting, benefits assessment, and strategic planning for environmental management.

Cost and perceptions of quality

Cost and perceptions of quality are a commonly identified barrier to procurement of greener products and services. Some greener products and services do cost more and some do not. The earlier environmental factors are considered in the procurement process, the better the environmental outcome and, generally, the lower the cost. When whole-of-life costs are calculated, including operational and disposal costs, the cost of greener products and services are often equivalent or less than the alternatives. The timeframe over which a greener product or service would become cost positive needs to be considered as payback periods may be short or may extend beyond financially viable timeframes.

Melbourne company, Szencorp, invested in cutting-edge greener technologies when refurbishing its Melbourne headquarters. The project is anticipated to have a payback period of only five years. After that period, the technologies will produce ongoing savings.

Source: Szencorp.

Purchasing in the Victorian Government is highly decentralised. This reduces the government's potential buying power and its ability to demand greener technologies, products and services at low or no additional cost. The government has proven with the new stationery contract that centralised purchasing does have benefits. For example, recycled content office paper is now available to departments at a lower cost than virgin paper was under the previous contract. There is still, however, a price premium on recycled content paper under the new contract. The current decentralisation of government purchasing also means that government purchasing staff may not have the skills or expertise to adequately incorporate environmental considerations into their purchasing decisions.

There is also some evidence of resistance to environmentally preferable alternatives, even where research supports them. For example, some staff believe that paper with recycled content is inferior to virgin paper and has a shorter lifespan. This is despite the fact that the widely available recycled papers available on the Australian market have a paper life of at least 100 years and most are guaranteed by the manufacturers across a full range of office functions. In many cases, a lack of quantified data about the financial and environmental benefits contributes to the misconception. Training and trials therefore have a vital role in the communication of information about environmental preferable alternatives as does sharing information about their performance *in situ*.

Policy and leadership

International evidence has found that high level commitment and leadership is required in order to influence purchasing patterns. Without support and a strong policy directive it is often difficult for procurement staff to purchase environmentally preferable products and services.

In the Victorian Government, purchasing of office goods and services are governed by Victorian Government Purchasing Board policies. The current review of the VGPB environmental procurement policy provides the government with an opportunity to strengthen it and to provide procurement staff with clear, practical guidance on how to consider environmental considerations in purchasing decisions.

'Government departments and agencies need to be sustainable themselves if we expect business and the broader community to follow our lead'.

Victorian Premier Steve Bracks.

Source: Bracks, S. (2005), Official opening address for Business Leaders' Forum on Sustainable Development.

Other parts of government are responsible for developing policies for office accommodation and fleet. The government has received positive feedback regarding the leadership it showed in developing the *Victorian Government Office Accommodation Guidelines*. Greater coordination within government could provide a more consistent and progressive approach to incorporating environmental considerations into government procurement. There are also opportunities to drive greener procurement beyond the 10 departments and environment agencies. Non departmental government funded agencies represent the greatest proportion of government spending and are responsible for developing their own procurement procedures and policies.

Reporting and targets

The establishment of targets and clear reporting frameworks are needed to significantly improve the government's performance in all three areas of government procurement examined by the Commissioner.

As a signatory to the National Packaging Covenant, the government has committed to report on purchases of recycled and recycled content packaging. Departments and some agencies are also required to report on purchasing activities by government in EMS documentation and under Financial Reporting Directive (FRD) 24. FRD 24 requires disclosure, in departmental annual reports, of information about office-based consumption of natural resources and related greenhouse gas emissions covering energy, waste, paper, water, transport fuel and procurement. For example, FRD 24 requires that departments report on fuel consumption, the number of kilometres travelled by passenger vehicles and the percentage of employees that regularly use public transport, or cycle or walk to and from work. The percentage of Green Power purchased by departments is also reported under FRD 24. While most of the FRD 24 reporting requirements are specific and measurable, there is no similar guidance for reporting on greener procurement under FRD24. The absence of clear, consistent reporting makes objectively identifying and comparing departmental progress difficult.

Perceived impacts on Victorian industry

Victorian manufacturing and service industries have to compete with businesses in jurisdictions around the world. The increasing international focus on environmental factors is creating new economic development opportunities for businesses that have a greener reputation. Environmental issues are also increasingly the subject of international agreements which can place constraints on countries that do not comply with them.

Greater incorporation of environmental sustainability requirements into government specifications could help drive innovation in Victorian industries by providing a market (or greater demand) for more environmentally sustainable products. It is important that the government assists in building the capability of Victorian businesses to create new green product and service opportunities while avoiding any potential negative impacts on regional suppliers of goods and services (often small to medium-sized enterprises). Integrating environmental information into existing industry development structures and ensuring appropriate lead times for altered government specifications would be consistent with the *Victorian Industry Participation Policy* and the education, training and capacity building goals outlined in the government's innovation statement *Victorians. Bright ideas. Brilliant Future*.

Greener procurement – areas of focus

The Commissioner for Environmental Sustainability has investigated government procurement from an environmental sustainability perspective, focusing on three areas of strategic importance. Each section of advice is accompanied by a series of recommendations.

The advice on motor vehicles offers a new approach to the management of the government's fleet and is accompanied by a number of recommendations that aim to improve fleet management. The new approach encompasses environmental, health and safety issues, and proposes opportunities for both inner and outer budget sectors.

The accommodation advice covers new office accommodation, the government's existing office accommodation, refurbishment and leases. The recommendations propose changes to policy and better utilisation of the government procurement activities to drive improvements in the environmental performance of new building projects, existing buildings and refurbishment. This section also examines opportunities for the government to influence the environmental performance of its suppliers.

The third section of advice is focused on the procurement of goods and services used in government offices. It offers a series of financially responsible recommendations aimed at reducing the environmental impacts of goods and services procured for use in government offices. The advice contains a case study of the government's paper and toner purchases and quantifies the environmental and financial benefits of a greener procurement approach.

Together, these three sections identify opportunities and provide recommendations to the Victorian Government that would, if implemented, improve efficiency, reduce costs and significantly reduce the everyday environmental impacts of government purchasing and operations. Adoption of the Commissioner's recommendations would allow Victoria to become a leader in greener procurement.

The recommendations contained in the three sections represent the views of the Commissioner for Environmental Sustainability. The Commissioner was established as an independent voice that advocates, audits and reports on environmental sustainability. The Victorian Government may, therefore, choose to adopt or reject the recommendations included in Parts 1, 2 and 3.

Acronyms

CH2	Council House 2
CO ₂	Carbon Dioxide
EMS	Environment Management Systems
EPA	Environment Protection Authority
EPP	Environmental Preferable Purchasing
EU	European Union
FRD 24	Financial Reporting Directive 24
GDP	Gross Domestic Product
GPN	Green Purchasing Network
LCA	Life Cycle Analysis
NGOs	Non Government Organisation
UNEP	United Nations Environment Program
WRAPP	Waste Reduction and Purchasing Policy

Glossary

Cleaner production

Refers to producing goods and services with minimum environmental impacts using presently available technologies and within current economic constraints.

Ecological footprint

A communication tool that visually represents the amount of biologically productive land and water area (in 'global hectares' (gha)) a given population requires to produce all the resources it consumes, and to absorb the waste it produces, using prevailing technology.

Greener procurement

Refers to preferentially purchasing products and services that have fewer or reduced negative impacts on the natural environment.

Greener products and services

Services and products that have fewer or reduced negative impacts on the natural environment.

Life cycle thinking

An approach to assessing the environmental impacts of the creation, function, operation and disposal of a product or service over its lifetime.

Whole of life costing

An approach that looks at the purchasing of a good or service over its entire life as opposed to the price at purchase.

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