

## **Inquiry into Sustainable Procurement by the NSW Government**

### **Overview**

The Link Asea team believes that the Sustainable Procurement Inquiry provides an excellent opportunity for the NSW Parliament to show environmental leadership through innovative approaches to its procurement policy and practice. Specifically we are confident this Inquiry has the potential to showcase NSW environmental excellence within Australia and within the Asia Pacific region by developing a cost effective way to modify corporate and contractor behaviour for the benefit of the environment, community and the private sector itself. Instead of punitive measures or specific incentives. It is suggested that natural competitive forces will prove to be a powerful motivator, provided they are properly harnessed through the procurement process.

The current tender documents are very clear in terms of listing government regulations that must be met by the contractor. The weakness that stems from this approach however is that it can lead to the bidders doing only what is necessary to meet tender specifications. It does not provide incentives for bidders to be innovative and strive to exceed minimum standards.

Extracts from two recent tenders illustrate this point.

- Tender a) - under Mandatory Selection Criteria: "The Applicant must provide details of their environmental management system, and outline how this system will be used for managing their staff and subcontractors in the field"
- Tender b) - under Weighted Evaluation criteria: "Ability to manage environmental, quality and safety risk"

In each case the tenderer is required to pay heed to environmental concerns in delivering its services. However, there is no incentive for innovation that may lead to environmental advantages within the actual solution proposed. It is assumed that the design process leading to tender specifications has already taken this into account. While this may indeed be the case, it could be argued that there is a considerable body of knowledge in the private sector, academic institutions and community groups which, if effectively harnessed, could lead to highly advantageous innovation at many levels. Given the government and communities' concern about the environment and the likely ambitious green house carbon emission reduction targets that will be set by the Federal government this is an important time to expand knowledge about best practice and get on the front foot in terms of addressing environmental issues through innovation. We suggest that this could be achieved cost-effectively and quickly, through the application of modern knowledge management techniques combined with relatively small adjustments to the procurement approach.

### **Approach**

We advocate the following approach:

Tender specifications should encourage innovative responses by providing a judicious degree of flexibility that would leave room for innovation and by indicating that tenders which demonstrate the ability to exceed minimum environmental standards cost-effectively will receive additional points in tender scoring.

- This approach will lead to improved environmental outcomes without risking over-specification in the tender documentation.

As a consequence of this approach new practices will be developed which are based on existing knowledge resources, which will be enhanced by facilitating the liberation of the

knowledge and ingenuity that exists within the private sector and more broadly within the community and government.

- Government procurement teams should be equipped with current knowledge of policies and standards, best practice and new developments in this regard, including the innovations produced by local industry, in their respective sectors.
- This will require that they have access not only to relevant existing legislation and regulations but also to information and knowledge on what constitutes best current practice and where opportunities exist within contracts, for innovation.
- Similarly, contractors should be equipped with enhanced knowledge of environmental issues, and standards as well as innovative products and services that respond to those requirements cost-effectively.
- They will use the latest knowledge and products in their bids and in a competitive environment will aim to increase the positive environmental impact on their work by building on the knowledge that all tenderers can access.
- A carefully balanced set of incentives, processes and platforms to share this knowledge between government agencies, academics, community groups and contractors should be established.

This will increase the knowledge that is publicly available to all interested parties, facilitate more people and groups contributing to the knowledge base and will allow the community to better appreciate the effort being taken within the parliament and government to positively address environmental issues.

## **Recommendations**

It is recommended that :

1. An Environmental Knowledge Management Initiative (EKMI) be implemented consisting of:
  - A Knowledge Bank, accessible via the web.
  - A set of processes designed to ensure currency of the Knowledge Bank.
  - A set of incentives designed to apply appropriately to the various groups of stakeholders.
2. The two main sources of input for the EKMI be:
  - The best practices both from a contractor perspective and from a procurement perspective, that is available in recent and future government tenders.
    - It is important to note that the success of a knowledge resource often depends on how easily it is updated and accessed in the course of the regular activities of its users. The content of winning tenders (subject to commercial confidentiality) is a ready and convenient source of information that could form the base of this particular resource.
  - Sharing of knowledge through appropriate platforms that create useful dialogue between contractors, the government, academics and community groups.
    - The success of Knowledge Management depends strongly on facilitating the sharing and development of knowledge in a variety of formats that are convenient and intuitive. Less formal exchanges as in conferences and discussions are invaluable.

Platforms and processes that promote knowledge sharing through dialogue, whether directly interactive as in discussions of various types, or off-line as in certain web-based forums, have proven highly effective due to ease (and therefore breadth) of participation, informality and ease of recording outcomes, including in multi-media, searchable formats.

- Effective knowledge management systems would also facilitate access to knowledge through close interaction with the participant community, during the course of a specific activity rather than through extensive study of formal materials beforehand. Subject to legal and commercial constraints, it may for example, allow procurement teams to engage in discussions with peers during the design stage of a procurement, or tenderers to obtain the most up to date knowledge on a particular aspect during tender preparation, or to identify potential partners for their bid.

3. Given the ambitious nature of the initiative a three step approach be taken to its introduction

- Set up (3 months)
- Proof of concept, possibly based on one or two categories of procurement, and review (12 months)
- Scale up including domestic and international publicity campaign

## **Implementation**

### ***Set up***

- Form a small (2 person) EKMI team within a government department. Provide a modest budget to cover costs for establishing: the web site; web accessible knowledge bank; and for industry and community liaison.
- Meet with lead industry groups and major contractors to seek their input into the initiative (including for the selection of two categories for the Proof of Concept phase)
- Meet with NGOs, community groups and academia to inform of the initiative and invite input into the knowledge bank
- Establish the website and develop the knowledge bank (EKMI unit provides initial input to Knowledge Bank based on current policies and recent tender information)
- Publicize EKMI and specifically its web site and knowledge bank and invite industry, community, academia and NGO groups to add to knowledge (EKMI Unit to moderate site)

### ***Proof of Concept***

- Flag tenders that are part of initiative.
- Provide detailed briefing information on tender notification about the initiative including: links to the Knowledge Bank; advice that additional tender evaluation points allocated for bids that exceed minimum standards in a cost effective manner; that non commercial in confidence information contained in the winning bid will be added to the knowledge bank.
- Provide training and support to tender panels evaluating EKMI related bids

- Undertake joint review of EKMI with government and government nominated staff (senior government official to have final approval of team members)
- Publicly publish review and hold stakeholder meetings if required.

***Scale Up and Publicity***

- Based on government consideration of Concept Phase Review Report identify additional categories for inclusion in the initiative.
- Ask Federal Government departments including Foreign Affairs, AusAID, AUSTRADE, and those working on environment issues to publicize the initiative within Australia and internationally.
- Ask NSW councils to publicize the initiative to their communities.

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