

**Intellect Concept Viability Paper
LCE Sustainable Procurement Project:
Sustainable Highways**

FINAL

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Introduction

This paper is intended to provide the London Centre of Excellence (LCE) with a summary of views on its proposals for delivering sustainable highways.

The paper focuses on the most pertinent issues and has been produced following the distribution of a discussion paper for comment, and following a workshop between LCE and invited parties which included product suppliers, consultants and local authority highways teams which took place on 27 April 2007.

Summary

Participants welcomed early involvement in this procurement and the opportunity to provide feedback at an early stage.

Intellect recognises the challenges presented by this programme and recommends that LCE manages the evolving supplier landscape and any forthcoming procurement process on the basis of openness and partnership.

The programme team sought the views of product suppliers and local authority highways teams in the following areas.

Cost

Participants asserted that the following approaches could be adopted in order to encourage an improved understanding of the issues associated with the cost of sustainable solutions:

Early Engagement

Early engagement with the supplier community would enable customers to better understand the drivers behind the different costings provided. Such engagement would also provide clarity around variable factors (such as fluctuations in the cost of raw materials) and therefore allow both parties the opportunity to collectively find ways of reducing expenses.

Whole Life Cost

Too often costs tend to be evaluated exclusively in terms of upfront price, and an approach ignores the importance of cost throughout active life and disposal, including environmental/societal costs. Therefore, in order for sustainable procurement to be successful, a mechanism or methodology needs to be identified which quantifies 'non-cash' costs and which results in the award of contracts to more sustainable solutions. This should be communicated as early as possible to the supplier community and should be further underpinned by an internal educative programme, which provides information on the real costs and savings.

Investment & Innovation

Supplier investment and innovation should also be incentivised with the introduction of contracts lasting more than one year - the recent three-year contract awarded by Croydon is a positive step in the right direction. This should be further reinforced by the reinvestment of monies saved on schemes into additional projects; such a commitment would further encourage suppliers to develop increasingly innovative solutions.

Marketing The Benefits

Although there is little evident public appetite for environmentally-friendly highways, further efforts should be made to communicate the value of sustainable solutions. The promotion of such projects, potentially through a periodic report containing information such as hidden savings and current projects would raise awareness within the public and political arenas of the importance of such initiatives.

Moreover, case studies, which highlight whole life cost savings and best practice, should be developed and disseminated across the London boroughs, LOTAG, suppliers and contractors. Such collaboration would ensure a variety of different perspectives were accounted for, and

would enhance the applicability of the outcomes. The development of these case studies could be co-ordinated by the National Industrial Symbiosis Programme (NISP), which already provides a forum for knowledge-sharing and transfer.

Risk

The development of environmentally-friendly solutions for highways is an emerging area, and one, which has received little public or political recognition. Consequently, there are currently insufficient incentives for companies (particularly smaller companies) to develop truly innovative solutions. Indeed, the position is further compounded by a perception that there is insufficient IPR protection and protection for the differentiator.

Participants stated that they believed this issue could be addressed using the following approaches:

- Establishing a research and development fund for recycling – this could be overseen by an organisation such as WRAP or TfL and could be jointly-run by both Government and industry representatives on a regional basis. The fund would be similar to those previously in place in the utilities sector, and could be run on either a national or local basis.
- Extending the length of contracts to allow incumbents time to continuously develop innovative products and incentivise upfront investment
- Explicitly stating that the weighting of sustainability would be increased during the tender evaluation process, thereby accepting that whole life cost benefits are just as important as price.
- Increasing the level rate of landfill tax allied with the introduction of a KPI for recycled content within the contract. A minimum percentage for certain materials has already been inserted in contracts by some London boroughs.
- Increase the level of intelligent procurement to help develop risk-sharing approaches where sustainability is an additional consideration alongside traditional criteria. Better management on the customer side will enable the reassessment of risk management techniques.

Moreover, the ability to report results is dependent on the collection of accurate data - thus far this has proved difficult to achieve, and consequently this has resulted in an inconsistent approach to availability, appearance and quality as well as a perception that there are too few products on the market. The provision of accurate information - potentially presented in the form of a league table or at the very least, best practice transfer - would ensure a consistency to product delivery by improving the understanding of what customer will receive from established providers and their products. Such information would also assist top-level corporate policy makers in setting strategic targets for engineering departments. This should be further supported by the introduction of an accreditation scheme to further enhance public and political confidence in the standards required to produce recycled materials.

Cultural Change

Participants sought to address the following subjects around cultural change:

What are the barriers to cultural change?

- **Risk:** traditionally, public sector customers are both culturally and financially risk-averse at all stages of the procurement process, especially given that the majority of risk lies solely with an individual council. Therefore, there must a reassessment of risk management techniques, developed in conjunction with the supplier community. For example, guarantees could be given to assuage any fears of litigation.
- **Competitive incentivism:** the current Transport for London model allocates council funding on the basis of competitive bidding, therefore, while councils recognise the need for accountability, the bidding process can be inhibitive to a progressive but high-spending council.
- **Legislative inflexibility:** with many products, inflexible legislation (which takes no account of supplier-tested standards) can prevent the limits of innovation from being expanded, dictating the pace and width of innovation.

- **Lack of communication:** councils do not share best practice or collaborate on common needs, this in turn restricts the flow of information that suppliers require to develop innovative solutions. As previously stated, serious consideration should be given to the establishment of a knowledge-sharing forum.

Who has the power to effect change?

Local authorities must develop a more proactive approach to tackling cultural change, but this would require sufficient communication with suppliers and contractors regarding existing procurements. In addition Central Government and organisations such as the National Audit Office must take the lead by reducing the competitive burden on local authorities for funding, instead positive feedback should be used to create competition between areas.

What steps can be taken to address cultural change?

Participants suggested the following approaches could be adopted:

- **Performative standards:** moving towards more situation-specific standards would increase flexibility and foster innovation. The recent collaboration on a Performance Requirement Design Guide, which establishes a common baseline for products that councils seek to use, is one such example of best practice which should be replicated.
- **Better communication between specification and procurement teams:** delegates identified a gulf between engineer-led sustainability-conscious specification and the local authority buyer-led cost-conscious purchasing; improved communication between these two areas is crucial if innovation is to be encouraged.
- **Improved co-ordination among local authorities:** there is a fundamental need for TfL, who control the majority of the money for highways, to develop a set of policies with regards to how all London Boroughs are to proceed on sustainable procurement on a collaborative, integrated and systemic basis. Dividing up different technologies between specific councils would provide value for money and by reviewing and sharing the results across the London Boroughs, best practices and novel technologies can be identified, discussed and developed across the region in a managed and best value approach.

Conclusions & Next Steps

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