



Pilot circular procurement for IT equipment Province of Utrecht Lessons Learned



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Introduction

Province of Utrecht & REBus

In the period from 2015 to the beginning of 2017, the province of Utrecht conducted a pilot project with the circular procurement of IT equipment for about 1,000 workstations. It is supported in this by the European project REBus (Resource Efficient Business Models), of which Rijkswaterstaat is the administration agency. The hardware for a workstation of the province consists of a laptop (with a choice of three types) or a tablet, a docking station, a monitor, a mouse and a keyboard.

The ambitions were high. The essence of circular procurement is that the purchaser requires the producer (or another processing party) to be able to use the products or materials again (optimally) in a new cycle at the end of the lifespan or the use phase. The goal was to purchase the IT equipment in a circular way. The market is challenged to meet this demand. The province did not know what solution this would lead to. To prepare for this tender, new business models were explored. However, the contract form remains a traditional variant. Among the participating parties, there was not found be enough support for a tender with a contract form in which the market party retains legal ownership and the province only buys the functionality of the IT hardware.

However, the province of Utrecht did try to purchase a package that consists of partly used equipment. The province of Utrecht also set the condition that the party awarded the contract would have to draw up an action plan in cooperation with the province of Utrecht within one year to get the IT hardware supplied back into the supply chain with the highest possible value.

This pilot project reaped a considerable harvest of insights. In a conservative sector, the province went through an educational process in which many lessons were learned that are worth sharing. This document presents the most important lessons for each phase. It was created on the basis of interviews with the contact people at the province, Maarten Rauws and Sandra Koolsbergen, and the experiences of REBus project leader Klaas van der Sterren.

REBus

REBus (Resource Efficient Business Models) has the goal of gaining and sharing knowledge about the potential of resource-efficient business models. Part of REBus is being implemented in Great Britain and part in the Netherlands. In the Netherlands, the administration agency Rijkswaterstaat (Department of Waterways and Public Works) is exploring circular procurement in five sectors: IT, office furnishings, construction, textiles and catering.



Preparation

» First establish the CE ambition within the organisation before the tender starts

Exploring circular procurement is a lot of work, and sometimes works against conventional processes. That is why it is important that the CE ambition is supported within the divisions of the organisation involved and by the board. In this, it needs to be made clear what the circular procurement process means for the organisation, for the mission and vision, but certainly also for the capacity required in terms of time and money. Enough capacity needs to be freed up to realise the circular ambition set. After all, circular procurement demands more time and effort by the purchaser, the departments involved and the market. Ambassadors in the internal organisation who continue to promote the urgency of circularity are therefore essential.

» In principle, a circular procurement process has a longer lead time

This tender took almost twice as long as the previous European tender for IT equipment, in which the award criterion was the lowest price. The main reason for this was that the province did not have any experience with circular procurement of this product. The market also did not seem to be adequately ready for the circular needs of the province. As a result, the price had to be changed several times, especially during the preparation of the tendering process. Some wants and needs were found to be infeasible for all the market parties, too many tenderers were excluded, or they did not fit within the operations of the province. This turned it into a process of trial and error. The lead time of the circular tender will decrease as more experience with this is gained.

» Get the right knowledge on board in good time and establish and share it

If knowledge is lacking, it is recommended to bring in this knowledge in good time. This does not always have to mean hiring people in. There is often also knowledge that can be very valuable within the internal network of contracting authorities, for example.

The province places a lot of value on circular lessons being shared. In this way, contracting authorities also make use of each other's knowledge, for example by sharing draft tendering documents with each other before publication. In this way, government organisations can learn even more from each other and build on a circular economy together. To develop the circular ambitions of the province further in the tender for IT equipment, the province brought in Rijkswaterstaat (REBus) as an external advisor. It is then also important to secure the knowledge obtained in the organisation. In this way the province can use the learning experiences gained in a new tender.

» A Tender Board can help to make decisions and to obtain support at the board level

Sustainable and/or circular procurement sometimes leads to discussion within the organisation, among other things due to (not always unjustified) expectations about higher procedure costs and longer lead times. That is why it is good to discuss the choice of this at a higher level. At the province of Utrecht, this is done in a Tender Board. This is a strategic discussion between the board of directors, Services manager (operations) and team leader for Execution/Purchasing, together with the team leader or department manager who is involved in the tender. The discussion is about coordinating the province's purchasing with the objectives and the substantive course of the organisation. By making the decisions at a higher level, the board also remains involved in developing the administrative objectives of the organisation. At the same time, the circular purchasing process gains support from the board and the lower management involved.

» Translate circular objectives into purchasing objectives and connect them to policy objectives

Mission, ambitions and objectives for circularity had not yet been translated into the purchasing policy for this tender. Circularity has now gained a prominent place in the sustainability section. However, the specific purchasing objectives can vary by tender. The province has found that it is important to have a clear idea of the circular policy objectives to be achieved before every tender.

It also emerged that policy objectives can be contradictory. An example of this is that the number of types of IT devices had to be limited to meet the objectives of circularity and manageability. But the objective of creating a 'great place to work' demanded a high variety of devices. How do you make choices? Who decides? Is a great place to work also a green place to work? Questions like this were handled by the province of Utrecht in the Tender Board.

» Do not exclude options too quickly

When thinking about the question of how circular objectives can be achieved, it is important not to exclude options too quickly. An example of this was the option to use their own equipment for a second life. This was discussed at the beginning of the process and stamped as infeasible. This meant that no questions were asked about this during the market consultation. In hindsight, this option was set aside too quickly. Once all the information has been obtained in a market consultation, it can always still be decided whether or not it is desirable to include a component in the tendering document.



Market consultation

» Get to know the market

The IT market is a difficult market. There are several points in this:

- The province wanted to sit down with producers because they were expected to be able to manage their resource flow better. But producers in the IT market usually only do business with intermediaries. You do not buy from the producer, but from a company that functions as an intermediary between producers and buyers.
- The volume of this contract for the province of Utrecht is very small (about 1,000 devices). Even the Government of the Netherlands as a whole (with about 150,000 devices) is too small a client to challenge the market to design in a more circular way. As a result, the producers have most of the power. And because the sense of urgency seems less present there, less is done. The expectation that the market would still want to jump into this tender to use such a small contract to practice for larger tenders turned out to be naive.
- IT equipment that lasts longer – in part because it is easy to upgrade – is at odds with the current culture within the market, where types of equipment replace each other at a fast pace and the consumer is constantly tempted to buy the newest of the new.
- The recycling of certain resources currently costs more than using new resources, as a result of which producers are not interested in recycling these resources for production.
- There are various parties for managing reuse and recycling. However, they do not usually have a cooperative relationship and/or extensive contacts with the producers, as a result of which circular interests for reuse and recycling are not considered in the production phase.

» Individual interviews were more productive in this market

The motivation among parties to help think about the substance of the circular process, including the assessment methodology, via a formal market consultation was less than expected. First, market meetings were held in the form of workshops in which many smaller parties also contributed ideas. After this, a formal market consultation was started via TenderNed, but only few parties responded. Furthermore, the responses received were often incomplete. For example, a number of parties only wanted to give more insight into their vision on circularity and any possibilities in their actual tender. The parties hardly responded to the question of helping to build a collectively supported circular assessment methodology for this tender at all. This could be due to the low volume of the contract, a lack of knowledge of market players about the circular economy, or the lack of will to let go of more linear business models. Ultimately, the province entered into individual discussions with parties to still obtain a bit more insight into the possibilities. This information was then shared at the start of the European tender via TenderNed to keep the playing field level.

» Not all markets are the same

Although market consultations are very important, they do not necessarily always yield the information the contracting authority is hoping for. This can be determined by the specific market within which the tender is held. The 'mores' within a market, for example in which players do not want to show their hand to competitors too much and therefore do not provide certain information in the consultation phase, or even ask certain questions for the information phase, can put the contracting authority on the wrong foot, and incorrectly give the sense that enough parties can make a competitive offer.

» Consider formulating uniform calls for tenders with multiple (government) parties

One way to become more interesting to the IT market and to help suppliers is to work with multiple (government) parties to formulate comparable and/or uniform calls for bids. This calls for more volume and makes it more workable for suppliers to make a circular tender. As we have said, these initiatives will not be enough to motivate the producers on their own. However, if the demand for circular products and services continues to increase, the producers will also take steps.

» A continuous market dialogue, separate from a specific tender, can contribute to more understanding for each other

The province actually would have wanted to have discussions with the market more often. However, as we have said, parties do not want to share everything in the lead-up to a tender. What can work well is to organise a continuous market dialogue, without a specific tender being underway. The goal of this is to get a better understanding of each other and more insight into the possibilities. Holding more dialogue with the internal contractors can be the first step in this direction. Contracting services do not always use this possibility enough.



The call for tenders

» For the time being, consider separate contracts for the hardware and for circular service provision

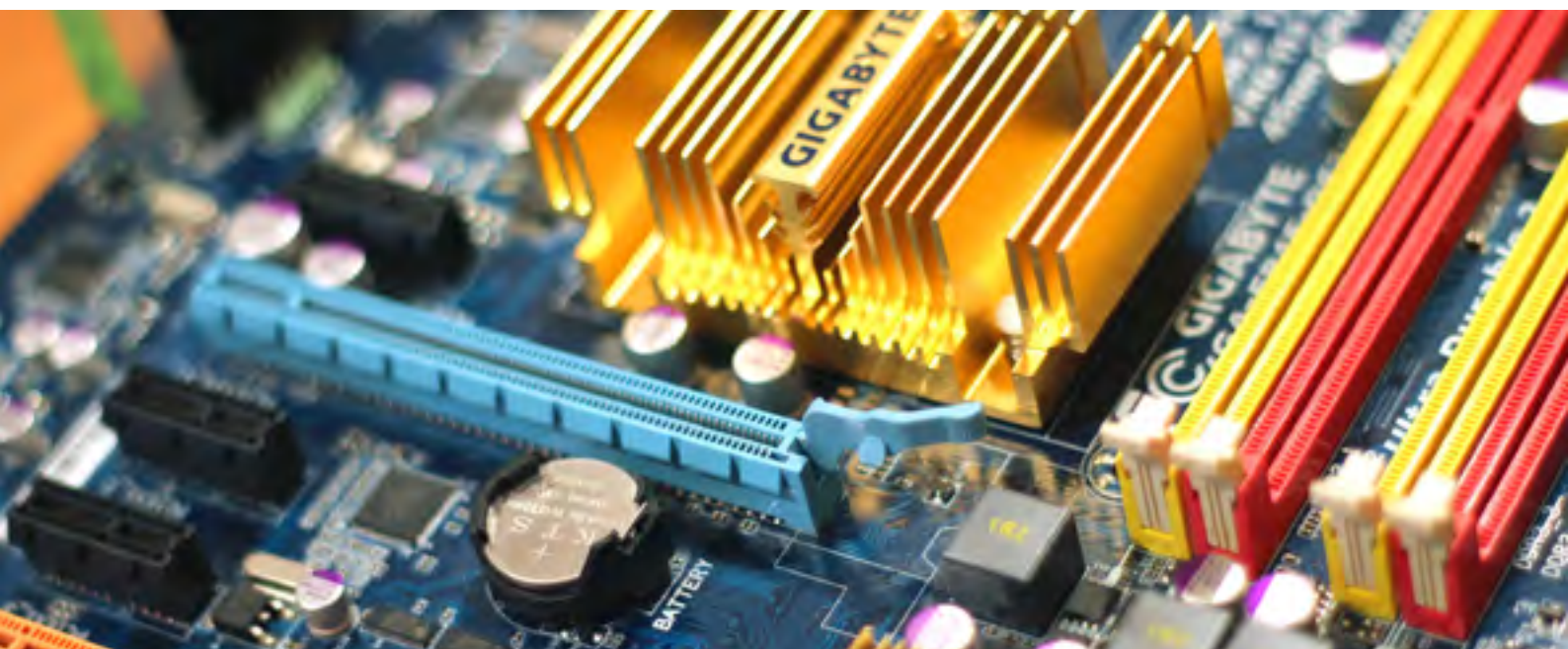
At first, the province wanted a party that would also take on being a circular service provider. But the producers and suppliers in the IT market had not gotten that far yet during this tender. One option was a collective tender by a supplier in combination with a circular service provider or with such a party as a subcontractor. But this was not found to be possible either. However, the province of Utrecht had the impression that the only previously interested circular service provider would only work together with one supplier. The province's approach would therefore entail the risk of only receiving one offer. From the standpoint of competition, this is not desirable.

The circular service provider could have contributed ideas to drawing up the circular wants and needs before delivering of equipment. But time was pressing. That is why the province decided to purchase the IT equipment first and to give the supplier the chance to develop the circular service provision. In the tender, the option was then included that the province would purchase the circular services.

The winning supplier had to draw up an action plan - within the parameters specified by the province in the call for tenders - in cooperation with the province of Utrecht within one year to get the IT hardware supplied back into the supply chain with the highest possible value. The province and supplier would act as equal partners in this. By including this provision in the call for tenders, the province hoped that the supplier would take up the gauntlet of circularity.

» Make a distinction between requirements for new equipment and for existing equipment

A struggle in the circular procurement of IT equipment was the level of specifications. In case of high specifications, the equipment retains its value longer. In case of somewhat lower specifications, there is more room for the supply of used equipment. It is therefore a question of where you want to invest in value retention: at the front end or at the back end? A point of discussion was whether it would be best to choose separate specifications for new and for used equipment. The province ultimately chose not to set the specifications too low or too high, so that used equipment could be delivered and still have good residual value after use by the organisation.



» **It is nice to include the request for used equipment in the call for tenders, but keep it workable**

The province of Utrecht wanted to have a part of the requested package consist of used hardware. A stepped award criterion was used in which tenderers would receive a higher number of points for a higher amount of used equipment. Initially, the market parties indicated that it would be difficult to deliver used equipment with the requested specifications. In the tender it emerged that all tenderers had indicated they could deliver about a third of the maximum requested workstation equipment used. Because all the tenderers were excluded from this tender, the question of whether this number would actually be achieved was not answered.

The wish to have used equipment supplied raises questions. How much used equipment will you ask for? In the framework of a great place to work, employees can choose what device they want. It was therefore not yet clear at the time of the call for tenders whether employees would choose refurbished devices. A voluntary survey on the province's intranet showed that 37% of the employees of the province were open to a used device. However, this does not give any certainty that these people would actually choose a used device when it comes down to it. The supplier will already have to reserve the used device at the time that it is offered in the tender. In retrospect, perhaps the province should not have offered employees the choice of used or not. After all, the specifications of the laptops are the same.

Further, some limits were given to the delivery of used workstation equipment. A device needs a basic installation for use. This is called imaging. For four different types, this requires four different images. In case of used equipment, there is the risk that a variety of types are delivered, as a result of which a lot more time needs to be spent on the imaging of all these different devices.

» **Formulate a sound and measurable definition of 'used equipment'**

There is no generally valid and measured definition of 'used equipment'. Because of this, there can be confusion about explaining the concept. For example, does new old stock qualify as 'used'? Suppliers can also play administrative and logistical tricks to have devices be 'used'. In theory, they can shift boxes between legal entities. Or have their own staff use the equipment for two weeks, to then offer it as used. Award criteria need to be formulated such that all reasonably informed tenderers can interpret these criteria in the same way. That was not the case here; the term 'used workstation equipment' was not transparent enough.

It was also found that the province had not adequately considered the question of how it would be verified whether the equipment was actually used. In evaluation discussions with the excluded tenderers, it was not found to be possible to establish a single verification method that is supported by all tenderers and the province that was both adequate and proportional.

In conclusion

A consistent definition that can then be checked is a requirement for a tender. If one or both conditions are not met, it is better not to use a given term.

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- Maarten Rauws (senior administrative legal advisor), LinkedIn
- Sandra Koolsbergen (purchaser), LinkedIn

Relevant documents and links

Interview March 2016 with Maarten and Sandra on the PIANOo site:

<https://www.pianoo.nl/provincie-utrecht-over-tien-jaar-is-circulair-inkopen-norm>

Province of Utrecht IT equipment factsheet

Section on circularity in purchasing policy

Tender documents

Colophon:

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