



How Government should purchase goods and services

**A national survey of 3,300 New Zealanders
on sustainable procurement policy
May 12 - 25, 2009**



ShapeNZ survey methodology

This survey was undertaken using the national ShapeNZ online research panel. Results are for 3,300 respondents between April 12 and 25, 2009.

Results are weighted by age, gender, personal income, employment status, ethnicity and party vote 2008. Maximum margin of error on the national sample +/- 1.7%)

A report prepared by Tasman Research and Consultation Limited on how the ShapeNZ online research panel is recruited and its methodology, is available at: <http://www.nzbcsc.org.nz/story.asp?id=874>



EXECUTIVE SUMMARY

Each year New Zealand Government agencies spend about \$25 billion on goods and services.

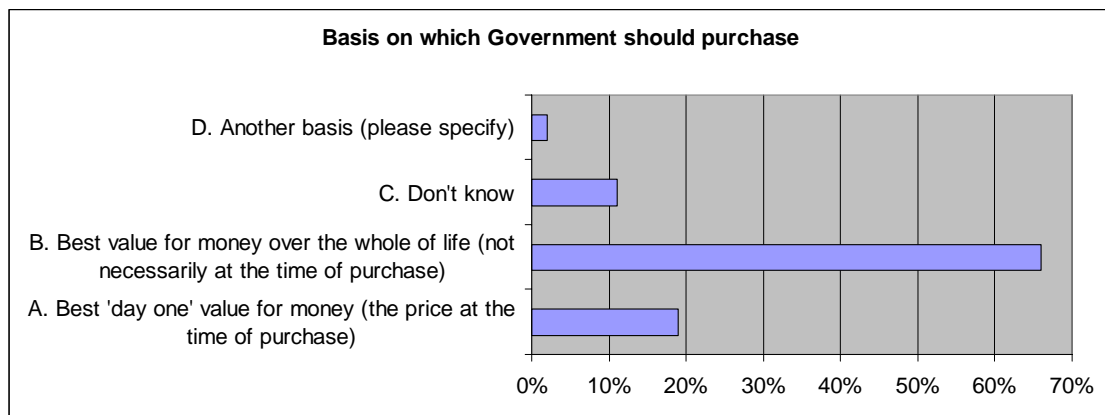
Sustainable procurement policies are being increasingly used here, and businesses and other Governments are finding savings of between 8 and 30% when whole-of-life costs are considered, not just day one price (which might be lower).

This ShapeNZ survey was commissioned by the New Zealand Business Council for Sustainable Development to determine New Zealanders' views on sustainable procurement. Analysis also covers the views of sectors, occupational groups and those with authority to purchase on behalf of their organisations. It also measures what type of purchasing is being most practised within respondents' organisations. Current policy background is provided later in this report.

Principal findings are:

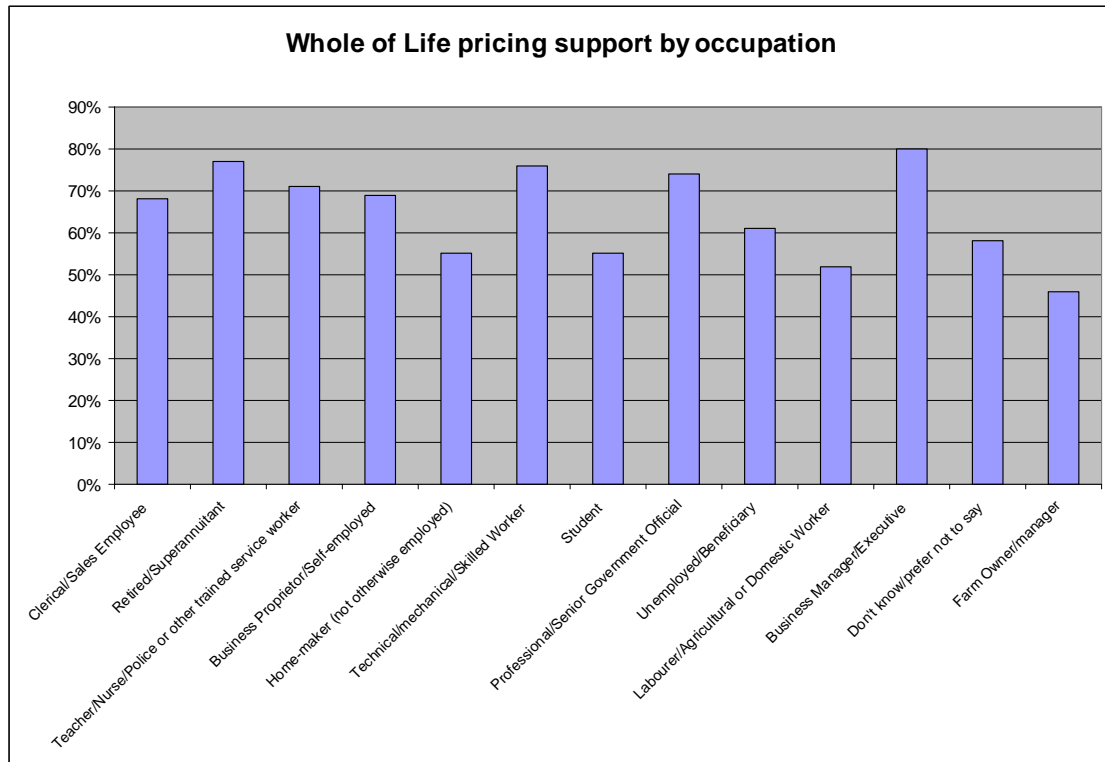
Whole of life value overwhelmingly preferred:

- 67% of New Zealanders believe Government agencies should buy goods and services based on best value for money over the whole of life, while 19% say they should buy on best day one value for money (price at the time of purchase)



- Whole of life value buying has strongest support among those who have the highest spending power on behalf of their organisations: 80% of those with authority to spend \$100,000 or more; 76% of those with authority to spend between \$50,000 and \$100,000 and 75% of those with authority to spend between \$20,000 and \$50,000
- The top three sectors supporting whole of life value buying are Government Administration of Defence (87%), Cultural and Recreational Services (83%) and Construction (83%)

- The top three occupational groups supporting whole of life value buying are Business Managers and Executives (80%), Technical, Mechanical and Skilled Workers and Retired people (each 77%), followed by Professionals and senior Government Officials (74%). Those least preferring it are Home Makers (55% support, 27% prefer day one price)



- 71% of National and Act voters support whole of life value buying, along with 69% of Labour voters, and 85% of Green voters.

Extending sustainable procurement in local government

- 75% of New Zealanders believe whole of life value buying should be extended to regional and local government (8% oppose, 16% don't know)
- 88% of Act voters support this extension, along with 79% each of National and Labour voters and 89% of Green voters
- 85% of Business Managers and Executives support the extension, along with 76% of Business Proprietors and Self Employed and Professionals and Senior Government Officials
- Those with the highest purchasing power on behalf of their organisations most support the extension: 87% of those with purchasing authority of \$50,000 to \$100,000, 79% of those with authority \$100,000+



- The strongest supporting sectors for an extension are Government Administration of Defence (86%), Transport or Storage (82%) and Manufacturing and Communications services (each 81%).

Sustainable procurement in practice: price still paramount

While support is strong for whole of life value buying, day-one lowest price purchasing is practised by 33% of organisations and whole-of-life cost purchasing by 21%.

- **Whole of life 21%:** Whole of life cost buying only is reported within 6% of organisations and mostly whole-of-life procurement by a further 15% (21%)
- **Day one price 33%:** Day-one price buying only is reported within 14% of organisations and mostly day-one price buying within 19% (total 33%)
- Some 16% say their organisation has other criteria affecting purchasing decisions, while 18% don't know
- The manufacturing sector (22%) is most likely to buy on day one price only
- The transport or storage sector has the greatest number (15%) buying solely on a whole-of-life cost basis only
- Among those buying mostly on a whole-of-life cost basis, Business Managers and Executives predominate (30%), followed by Business Proprietors and Self Employed (24%) and professionals and Senior Government Officials (21%).



SUSTAINABLE PROCUREMENT SURVEY RESULTS

How the Government buys products and services

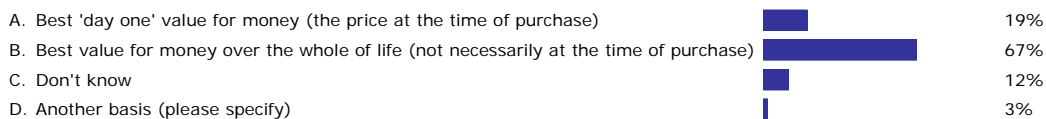
We'd like your views on how Government agencies should buy goods and services. By way of some brief background for you:

Each year New Zealand Government agencies spend about \$25 billion on goods and services. This includes things like technology, paper, buildings, food, energy, office equipment, paper and printing, air travel and vehicle fleets, cleaning contracts, clothing and uniforms.

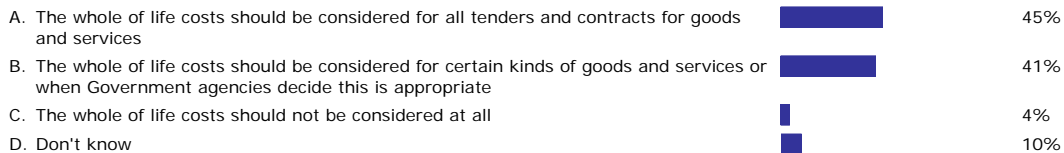
Lowest Day One Price in the past has been the single most important factor in public sector procurement, i.e. the tender was often awarded to the product or service with the lowest initial purchase price. Now social and environmental factors, which look at the lowest cost over a product or service's Whole Life, are also being used in awarding contracts.

Some businesses and Governments which have introduced sustainable procurement report between 8% and 30% efficiency improvements. If this happened in New Zealand it is said the Government could save more than \$1.6 billion a year. However, buying on whole-of-life costs may increase the cost on Day One.

On what basis do you think Government agencies should buy goods and services?



To what extent should Government agencies specify the 'whole of life' cost to be considered in their tenders and contracts for goods and services?



Should sustainable procurement, under which goods and services are bought based on their whole-of-life price and environmental and other costs, be extended to local and regional government in New Zealand?









Which of the following best describes your employment status?

A. I am in full-time paid work		40%
B. I am in part-time paid work		18%
C. I am a business owner or self employed		13%
D. I am not in paid work		21%
E. Other		7%

To those in work:

Which of the following best describes the way in which the organisation you own or work for procures goods and services?

A. Procures solely on day-one price (the lowest price at the time of purchase)		14%
B. Procures solely on a whole of life cost basis (not necessarily at the time of purchase)		6%
C. Procures mostly on day-one price basis (the lowest price at the time of purchase)		19%
D. Procures mostly on a whole of life cost basis (not necessarily price at the time of purchase)		15%
E. Has other criteria which affect purchasing decisions		16%
F. Don't know		28%
G. Other (please specify)		2%

**May 2009
Survey Results Table (Weighted)**

Q1. On what basis do you think Government agencies should buy goods and services?

Multichoice - Single Answer Only

- A. Best 'day one' value for money (the price at the time of purchase)
- B. Best value for money over the whole of life (not necessarily at the time of purchase)
- C. Don't know
- D. Another basis (please specify)

	A	B	C	D
ALL	3289	19%	66%	11% 2%
OCCUPATION				
Clerical/Sales Employee	13%	19%	68%	11% 2%
Retired/Superannuitant	10%	18%	77%	3% 2%
Teacher/Nurse/Police or other trained service worker	8%	23%	71%	6% 1%
Business Proprietor/Self-employed	8%	17%	69%	8% 6%
Home-maker (not otherwise employed)	7%	27%	55%	16% 2%
Technical/mechanical/Skilled Worker	7%	14%	76%	5% 5%
Student	7%	16%	55%	26% 1%
Professional/Senior Government Official	6%	7%	74%	15% 4%
Unemployed/Beneficiary	6%	17%	61%	18% 4%
Labourer/Agricultural or Domestic Worker	5%	22%	52%	27%
Business Manager/Executive	5%	16%	80%	1% 4%
Don't know/prefer not to say	4%	14%	58%	27% 0%
Farm Owner/manager	1%	46%	46%	7% 1%
MAIN BUSINESS ACTIVITY				
Not applicable / not in paid employment	21%	18%	68%	12% 2%
Education	9%	18%	67%	13% 2%
Health and Community Services	9%	27%	65%	8% 1%
Retail Trade	7%	15%	66%	16% 3%
Don't know/ prefer not to say	6%	26%	50%	23% 1%
Communication Services	4%	11%	75%	14% 1%
Manufacturing	4%	29%	68%	1% 1%
Transport or Storage	4%	11%	62%	22% 5%
Property or Business Services	3%	14%	72%	5% 9%
Personal and Other Services	3%	22%	46%	30% 1%
Agriculture, Forestry or Fishing	3%	30%	64%	4% 2%
Government Administration or Defence	3%	5%	87%	3% 8%

Q1. On what basis do you think Government agencies should buy goods and services?

Multichoice - Single Answer Only

- A. Best 'day one' value for money (the price at the time of purchase)
- B. Best value for money over the whole of life (not necessarily at the time of purchase)
- C. Don't know
- D. Another basis (please specify)

	A	B	C	D
Construction	3%	15%	78%	4%
Finance or Insurance	3%	22%	75%	1%
Wholesale Trade	2%	22%	34%	39%
Accommodation, Cafe or Restaurant	2%	26%	68%	6%
Cultural and Recreational Services	1%	8%	83%	3%
PURCHASE GOODS LEVEL				
Do not participate in purchase decisions	34%	18%	66%	14%
Not applicable / not in paid employment	28%	20%	65%	13%
\$2,000 to \$10,000	17%	20%	67%	10%
Prefer not to say	6%	28%	57%	15%
\$100,001 or more	5%	8%	80%	6%
\$10,001 to \$20,000	3%	20%	69%	8%
\$20,001 to \$50,000	3%	21%	75%	1%
\$50,001 to \$100,000	2%	19%	76%	1%
PARTY VOTE 2008				
National Party	32%	19%	71%	8%
Labour Party	25%	19%	69%	10%
Chose not to vote	18%	21%	51%	28%
Don't know or can't remember	9%	18%	70%	8%
Green Party	5%	8%	75%	9%
New Zealand First Party	3%	23%	68%	5%
ACT New Zealand	3%	23%	71%	0%
Other party	2%	13%	65%	9%
Maori Party	2%	33%	56%	7%
Jim Anderton's Progressive Party	1%	13%	84%	3%
Don't know or can't remember	0%		100%	
Other (please specify)	0%		5%	95%
United Future	0%	65%	35%	
United Future New Zealand	0%		100%	

Q2. To what extent should Government agencies specify the 'whole of life' cost to be considered in their tenders and contracts for goods and services?					
Multichoice - Single Answer Only					
A. The whole of life costs should be considered for all tenders and contracts for goods and services B. The whole of life costs should be considered for certain kinds of goods and services or when Government agencies decide this is appropriate C. The whole of life costs should not be considered at all D. Don't know					
	A	B	C	D	
ALL	3291	44%	41%	4%	9%
OCCUPATION					
Clerical/Sales Employee	13%	45%	39%	4%	12%
Retired/Superannuitant	10%	48%	45%	5%	2%
Teacher/Nurse/Police or other trained service worker	8%	45%	46%	5%	4%
Business Proprietor/Self-employed	8%	43%	46%	6%	5%
Home-maker (not otherwise employed)	7%	41%	44%	5%	10%
Technical/mechanical/Skilled Worker	7%	36%	53%	3%	8%
Student	7%	44%	32%	1%	22%
Professional/Senior Government Official	6%	42%	41%	2%	15%
Unemployed/Beneficiary	6%	55%	27%	5%	13%
Labourer/Agricultural or Domestic Worker	5%	59%	34%	1%	6%
Business Manager/Executive	5%	50%	45%	3%	4%
Don't know/prefer not to say	4%	48%	23%	1%	27%
Farm Owner/manager	1%	19%	40%	30%	11%
MAIN BUSINESS ACTIVITY					
Not applicable / not in paid employment	21%	43%	43%	6%	8%
Education	9%	45%	42%	4%	9%
Health and Community Services	9%	40%	50%	5%	5%
Retail Trade	7%	51%	35%	4%	9%
Don't know/ prefer not to say	6%	48%	29%	1%	22%
Communication Services	4%	35%	52%	2%	12%
Manufacturing	4%	50%	44%	4%	1%
Transport or Storage	4%	59%	23%	2%	16%
Personal and Other Services	3%	35%	34%	1%	30%
Property or Business Services	3%	47%	39%	12%	2%
Agriculture, Forestry or Fishing	3%	35%	45%	11%	10%
Government Administration or Defence	3%	49%	45%		9%
Construction	3%	42%	46%	4%	8%
Finance or Insurance	3%	35%	55%	3%	8%
Wholesale Trade	2%	57%	30%	4%	9%
Accommodation, Cafe or Restaurant	2%	40%	44%	5%	11%
Cultural and Recreational Services	1%	63%	28%	5%	4%
PURCHASE GOODS LEVEL					
Do not participate in purchase decisions	34%	46%	42%	3%	10%
Not applicable / not in paid employment	28%	43%	41%	6%	10%
\$2,000 to \$10,000	17%	45%	43%	3%	9%
Prefer not to say	6%	31%	43%	8%	19%
\$100,001 or more	5%	53%	39%	3%	5%
\$10,001 to \$20,000	3%	56%	37%	4%	3%
\$20,001 to \$50,000	3%	57%	37%	1%	6%
\$50,001 to \$100,000	2%	37%	53%	7%	2%

Q2. To what extent should Government agencies specify the 'whole of life' cost to be considered in their tenders and contracts for goods and services?					
Multichoice - Single Answer Only					
<p>A. The whole of life costs should be considered for all tenders and contracts for goods and services</p> <p>B. The whole of life costs should be considered for certain kinds of goods and services or when Government agencies decide this is appropriate</p> <p>C. The whole of life costs should not be considered at all</p> <p>D. Don't know</p>					
		A	B	C	D
National Party		32%	46%	43%	4% 6%
Labour Party		25%	44%	44%	3% 9%
Chose not to vote		18%	40%	37%	2% 21%
Don't know or can't remember		9%	48%	35%	11% 7%
Green Party		5%	58%	32%	1% 9%
New Zealand First Party		3%	45%	44%	8% 3%
ACT New Zealand		3%	39%	53%	5% 3%
Other party		2%	41%	49%	4% 6%
Maori Party		2%	48%	39%	7% 6%
Jim Anderton's Progressive Party		1%	65%	29%	1% 4%
Don't know or can't remember		0%		100%	
Other (please specify)		0%		5%	95%
United Future		0%	12%	88%	
United Future New Zealand		0%		100%	

Q3. Should sustainable procurement, under which goods and services are bought based on their whole-of-life price and environmental and other costs, be extended to local and regional government in New Zealand?				
Multichoice - Single Answer Only				
A. Yes, they should be extended B. No, they should not be extended C. Don't know				
		A	B	C
ALL	3281	75%	8%	16%
OCCUPATION				
Clerical/Sales Employee	13%	69%	9%	23%
Retired/Superannuitant	10%	85%	10%	6%
Teacher/Nurse/Police or other trained service worker	8%	78%	13%	9%
Business Proprietor/Self-employed	8%	76%	11%	13%
Technical/mechanical/Skilled Worker	7%	80%	7%	13%
Home-maker (not otherwise employed)	7%	70%	7%	24%
Student	7%	64%	2%	34%
Professional/Senior Government Official	6%	76%	6%	19%
Unemployed/Beneficiary	6%	71%	8%	22%
Labourer/Agricultural or Domestic Worker	5%	80%	5%	16%
Business Manager/Executive	5%	85%	8%	8%
Don't know/prefer not to say	4%	70%	2%	29%
Farm Owner/manager	1%	58%	32%	10%
MAIN BUSINESS ACTIVITY				
Not applicable / not in paid employment	21%	75%	9%	16%
Education	9%	79%	3%	18%
Health and Community Services	9%	75%	14%	11%
Retail Trade	7%	66%	7%	26%
Don't know/ prefer not to say	6%	70%	4%	26%
Communication Services	4%	81%	2%	18%
Manufacturing	4%	81%	9%	10%
Transport or Storage	3%	82%	2%	16%
Personal and Other Services	3%	55%	3%	42%
Property or Business Services	3%	67%	25%	8%
Agriculture, Forestry or Fishing	3%	74%	16%	11%
Government Administration or Defence	3%	86%	10%	7%
Construction	3%	83%	7%	9%
Finance or Insurance	3%	80%	5%	15%
Wholesale Trade	2%	77%	10%	13%
Accommodation, Cafe or Restaurant	2%	67%	6%	27%
Cultural and Recreational Services	1%	81%	5%	14%

Q3. Should sustainable procurement, under which goods and services are bought based on their whole-of-life price and environmental and other costs, be extended to local and regional government in New Zealand?				
Multichoice - Single Answer Only				
A. Yes, they should be extended B. No, they should not be extended C. Don't know				
	A	B	C	
Do not participate in purchase decisions	34%	75%	6%	18%
Not applicable / not in paid employment	27%	76%	9%	16%
\$2,000 to \$10,000	17%	76%	7%	17%
Prefer not to say	6%	65%	15%	21%
\$100,001 or more	5%	79%	9%	12%
\$10,001 to \$20,000	3%	83%	5%	12%
\$20,001 to \$50,000	3%	67%	11%	23%
\$50,001 to \$100,000	2%	87%	8%	5%
PARTY VOTE 2008				
National Party	32%	78%	8%	14%
Labour Party	25%	78%	5%	16%
Chose not to vote	18%	66%	8%	26%
Don't know or can't remember	9%	68%	12%	20%
Green Party	5%	89%	3%	7%
New Zealand First Party	3%	69%	11%	20%
ACT New Zealand	3%	75%	12%	13%
Other party	2%	62%	24%	14%
Maori Party	2%	75%	17%	8%
Jim Anderton's Progressive Party	1%	88%	2%	9%
Don't know or can't remember	0%	100%		
Other (please specify)	0%	5%		95%
United Future	0%	84%		16%
United Future New Zealand	0%	100%		

Q5. Which of the following best describes the way in which the organisation you own or work for procures goods and services?								
Multichoice - Single Answer Only								
<p>A. Procures solely on day-one price (the lowest price at the time of purchase)</p> <p>B. Procures solely on a whole of life cost basis (not necessarily at the time of purchase)</p> <p>C. Procures mostly on day-one price basis (the lowest price at the time of purchase)</p> <p>D. Procures mostly on a whole of life cost basis (not necessarily price at the time of purchase)</p> <p>E. Has other criteria which affect purchasing decisions</p> <p>F. Don't know</p> <p>G. Other (please specify)</p>								
	A	B	C	D	E	F	G	
ALL	2395	14%	6%	18%	15%	15%	28%	1%
OCCUPATION								
Clerical/Sales Employee	17%	16%	11%	22%	9%	13%	29%	0%
Teacher/Nurse/Police or other trained service worker	11%	14%	5%	15%	14%	21%	31%	1%
Business Proprietor/Self-employed	10%	17%	5%	18%	24%	22%	8%	5%
Technical/mechanical/Skilled Worker	10%	16%	3%	23%	11%	27%	20%	
Professional/Senior Government Official	8%	12%	7%	15%	21%	9%	34%	2%
Business Manager/Executive	7%	10%	10%	23%	30%	17%	8%	4%
Labourer/Agricultural or Domestic Worker	7%	13%	3%	11%	23%	8%	41%	2%
Student	4%	16%	6%	15%	9%	3%	48%	
Don't know/prefer not to say	3%	3%	7%	7%	4%	12%	67%	1%
Home-maker (not otherwise employed)	3%	42%	7%	10%	3%	13%	23%	3%
Unemployed/Beneficiary	2%	15%	3%	23%	3%	5%	50%	
Retired/Superannuitant	2%	4%	7%	36%	12%	11%	28%	2%
Farm Owner/manager	1%	13%	1%	56%	9%	13%	8%	
MAIN BUSINESS ACTIVITY								
Health and Community Services	12%	9%	3%	12%	20%	26%	29%	0%
Education	10%	15%	6%	24%	14%	14%	26%	1%
Retail Trade	9%	16%	4%	17%	7%	15%	35%	5%
Not applicable / not in paid employment	6%	12%	3%	23%	10%	8%	41%	2%
Communication Services	6%	6%	6%	29%	17%	21%	22%	1%
Don't know/ prefer not to say	5%	22%	5%	18%	7%	6%	42%	0%
Manufacturing	5%	26%	12%	17%	20%	9%	14%	2%
Transport or Storage	5%	15%	15%	10%	24%	14%	22%	
Property or Business Services	4%	13%	6%	25%	26%	16%	14%	0%
Government Administration or Defence	4%	10%	9%	14%	17%	15%	36%	2%
Agriculture, Forestry or Fishing	4%	18%	2%	36%	12%	12%	19%	1%
Construction	4%	13%	13%	15%	22%	23%	14%	
Finance or Insurance	3%	14%	1%	18%	12%	17%	36%	0%
Personal and Other Services	3%	12%	3%	9%	12%	14%	51%	
Wholesale Trade	3%	9%	12%	11%	13%	9%	44%	2%
Accommodation, Cafe or Restaurant	2%	19%	1%	23%	7%	23%	22%	5%
Cultural and Recreational Services	2%	9%	10%	9%	23%	16%	25%	9%
PURCHASE GOODS LEVEL								
Do not participate in purchase decisions	42%	12%	5%	16%	15%	11%	40%	1%
\$2,000 to \$10,000	22%	17%	6%	25%	14%	21%	16%	1%
Not applicable / not in paid employment	11%	13%	2%	24%	7%	10%	40%	2%
Prefer not to say	7%	16%	17%	7%	13%	24%	22%	2%
\$100,001 or more	6%	9%	5%	17%	28%	21%	16%	4%
\$10,001 to \$20,000	4%	22%	12%	17%	19%	21%	6%	2%
\$20,001 to \$50,000	3%	22%	6%	25%	22%	15%	6%	4%
\$50,001 to \$100,000	3%	19%	5%	20%	28%	16%	9%	3%

Q5. Which of the following best describes the way in which the organisation you own or work for procures goods and services?									
Multichoice - Single Answer Only									
<p>A. Procures solely on day-one price (the lowest price at the time of purchase)</p> <p>B. Procures solely on a whole of life cost basis (not necessarily at the time of purchase)</p> <p>C. Procures mostly on day-one price basis (the lowest price at the time of purchase)</p> <p>D. Procures mostly on a whole of life cost basis (not necessarily price at the time of purchase)</p> <p>E. Has other criteria which affect purchasing decisions</p> <p>F. Don't know</p> <p>G. Other (please specify)</p>									
		A	B	C	D	E	F	G	
National Party		34%	13%	6%	22%	18%	15%	25%	1%
Labour Party		24%	16%	9%	19%	12%	16%	27%	1%
Chose not to vote		19%	19%	4%	17%	10%	16%	32%	2%
Don't know or can't remember		9%	7%		13%	22%	12%	41%	5%
Green Party		5%	8%	9%	19%	18%	14%	29%	2%
ACT New Zealand		3%	21%	16%	19%	25%	8%	9%	3%
New Zealand First Party		2%	21%	4%	23%	9%	19%	23%	1%
Other party		2%	8%	4%	9%	20%	32%	27%	
Maori Party		2%	16%	5%	12%	8%	29%	24%	5%
Jim Anderton's Progressive Party		1%	31%	10%	17%	9%	9%	23%	1%
Don't know or can't remember		0%						100%	
Other (please specify)		0%					5%	95%	
United Future		0%	13%				5%	82%	
United Future New Zealand		0%			100%				

POLICY BACKGROUND

The New Zealand Government has also agreed a framework for sustainable Government procurement with Australia, through its Australian Procurement and Construction Council. The aim is a transtasman approach to integrating sustainable development considerations in public procurement decisions.

Lowest Day One Price in the past has been the single most important factor in public sector procurement: the tender was often awarded to the product or service with the lowest initial purchase price.

The principles behind Joint Australia/ New Zealand framework for Procurement provide for Government agencies to:

- Adopt strategies to avoid unnecessary consumption and manage demand
- Select products and services which have lower environmental impacts across their life cycle compared with competing products and services
- Foster a viable Australia/New Zealand market by supporting businesses that demonstrate innovation in sustainability, and
- Support suppliers to Government who are socially responsible and adopt ethical practices.

Implementation in New Zealand

As part of the process there has been a category review of key sectors. The first included paper, paper products, light fittings and travel.



Categories have been prioritised according to market size, ease of market introduction and environmental impact of the products and services. The next categories intended for evaluation are:

- ICT
- office equipment
- hygiene products
- textiles and uniforms
- timber and wood products.

The Ministries for Economic Development and the Environment have been jointly developing criteria for these categories as well as a generic procurement policy and toolkit which can be used across all goods and services.

This will help agencies comply with the Government's overarching legal framework and policies and international trade agreements.

Some businesses and Governments which have introduced sustainable procurement report between 8% and 30% efficiency improvements. If this happened in New Zealand it is said the Government could save more than \$1.6 billion a year. However, buying on whole-of-life costs may increase the cost on Day One.

In this survey New Zealanders were asked for their views on what basis Government and local government should purchase goods and services. Those in employment were also asked how the organisation they work for buys its goods and services.

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