



SUMMARY

Lessons from ProRail Facilities Services

REBus Circular Procurement Pilots

Traffic control centre Utrecht



ProRail and REBus

The EU Life+ project REBus (Resource Efficient Business Models) and railway infrastructure management company ProRail have successfully completed a pilot project with circular procurement. The new traffic control centre, officially opened in Utrecht in June 2015, was furnished with 'circular' flooring and furniture. Purchasers and suppliers were encouraged in the call for tenders to think about a business model based on value retention of the raw materials throughout the entire supply chain.

The learning experiences that were gained throughout the whole process were recorded. These experiences are being shared with other market players to generate enthusiasm for them to use circular procurement as well, or to explore the possibilities for this. For example, the knowledge about circular purchasing of office furniture that was gained with this ProRail pilot project will be used in the next pilot that is being prepared with the University Medical Center Utrecht (UMC).

REBus

The ProRail pilot was supported by the EU Life+ project REBus. The objective of this project is to gain and share knowledge about the benefits of implementing resource efficient business models and to find out if these models will deliver the target of a 15% reduction in resource consumption and costs by the end of 2016. REBus is being delivered in the UK and the Netherlands. In the Netherlands, REBus partner Rijkswaterstaat is working with PIANOo, CSR Netherlands and the Netherlands Enterprise Agency to explore business models within five industries: ICT, office furnishings, construction, textiles and catering.

REBus and ProRail are two of over thirty organisations and initiatives in the Green Deal on Circular Procurement. The goal of this Dutch initiative is to get circular procurement onto the agendas of entrepreneurs and governments.

PREPARATION

- Before you start, it is important that the organisation's goal and the vision for circular procurement are clear.
- Organise a market meeting and remember to invite the small, innovative parties. Prepare the programme thoroughly. The formulated vision and ambition must be part of this.
- Think carefully about the tender procedure to choose. In the case of a private procedure: have more than two parties take part and spend enough time on market research and selection of the parties.
- Bring the internal knowledge of the stakeholders' organisations to the required level and include them in the process, for example with presentations, lunch lectures and newsletters.
- Include 'circularity' from the very beginning of the needs assessment.



- It is very important to have an intensive dialogue and to create trust between the contracting authority and suppliers: not only to establish what is being offered, what business models are possible, etc., and also to gain mutual understanding for each other's roles, needs, challenges, risks and vocabulary. Circular procurement is new, unknown territory for both the contracting party and the supplier, which means there is a high chance of confusion or misunderstandings.

THE CALL FOR BIDS

- Calling for bids for a service including maintenance instead of 'ownership' is easier said than done. ProRail still purchased the furniture: in spite of various discussions with the furniture supplier, a use agreement was not reached". ProRail will have to look at how the furniture can be re-used with the highest possible value after using it.
- ProRail did not set circularity requirements for its tender request; it only awarded sub-criteria for circularity. This will be required more firmly in the future. They used a price/quality ratio of 30/70 for awarding the contract. Test this award method thoroughly beforehand to verify whether the outcome is in line with the expectation.
- A difficulty is that no clear or sharp definitions are available with regard to (parts of) the circular economy. What makes one product more 'circular' than another product? What do we mean by toxic substances, critical materials, upcycling and downcycling? Try to define these terms for your own organisation.
- The importance of the different components of a circular offer relative to each other is not (yet) clear. For example, which is better: a long lifespan or a short lifespan but with the possibility of high value re-use?
- Consider requiring a description of measures to extend the lifespan of materials instead of only including this as a 'want'.
- Include a criterion in which you make agreements about mandatory responses to future (technological) developments regarding high value re-use.
- Is Best Value Procurement the best way to do circular procurement? Because you start by looking at whether the party is capable, and only then continue with the request/service to be performed.

RAW MATERIALS

- Criteria/tools are needed to assess the raw materials used in a product, such as the nature of the materials, the degree of recycled content, toxicity, biobased materials, critical materials, etc., for example using a 'product passport'. A passport like this would have to be practical for purchasers and anyone who has to use it.
- Criteria/tools are also needed to assess the degree of modularity and reusability of a product.

SELECTION AND CONTRACT

- Do you have to include renewable energy in production as well (i.e. less use of fossil fuels)?
- How do you make agreements about maintaining the quality of furniture using SMART criteria? You often only know if you have made intelligent arrangements once the contract is being implemented. It is difficult to judge this in the award phase, and this pilot was not able to give a simple answer to this.
- Maintaining quality is very difficult for suppliers in the case of special work provided by third parties. As a supplier, you do not fully know the type of product it is, how long it will last, etc. One possible idea is to make a distinction between (standard) furniture from the supplier itself and special work by third parties in the agreements on how to maintain quality.
- If you make agreements on maintaining a certain quality level, it can also be useful to make agreements about a warranty on manufacturing defects. Note, there is a difference between a warranty on manufacturing defects and on the appearance (e.g. quality level B, spots, scratches, etc.).
- In this pilot, we were not able to make agreements about the use of the furniture in future cycles. We were also unable to adequately shift the supplier's focus from 'deliver everything



new' to first looking at the reusability of existing furniture, whether it belonged to ProRail itself or other organisations.

- During the pilot, the furniture supplier was not very enthusiastic about taking furniture back. How can this enthusiasm be generated? What is the 'trigger' for suppliers to take furniture back (and actually to re-use it).
- The possibilities for contract agreements to modify furniture during the term or to exchange it for other furniture were not communicated well - the parties did not want to give a price.
- A specific contract duration needs a specific business model e.g. longer than seven years: no lease.
- Specific items of furniture require a specific business model (e.g. for agreements about a return premium, it seems to be more attractive to deliver design classics that offer more certainty of a higher residual value).
- Taste and trends are at odds with the circular economy. It is proportionally more difficult to find a new owner for a custom stool in lurid purple. The circular economy seems to benefit the most from modular standard products.

COSTS

- Paying for use including maintenance - with the tenderers being free to provide their own payment model for this (e.g. one-time payment, monthly fee) - turned out well. ProRail did come up against a number of issues about this:
 - ProRail found that the disadvantage of lease is that there is an extra intermediary such as a bank;
 - One-time payment is actually pre-financing in disguise. You lose any leverage if the supplier fails to perform. ProRail chose to pay a large first installment and then progressively smaller amounts to make the degree of pre-financing acceptable for the supplier.
- Circular/C2C products are often somewhat more expensive. This is not a problem as long as this is compensated by lower maintenance costs, longer lifespan and/or higher residual value.
- Given the 'newness', the smaller scale of pilots and the uncertainty of circular models, companies build-in risk margins that drive up the prices. Uncertainty about the quality of products from third parties also drives up the prices because of these products need to be kept at a certain quality level. Uncertainty about how well the customer will handle the goods (to maintain residual value), how the market will look in 10 years, etc. also increases prices

BUSINESS MODELS

The pilot provided many insights about new business models, but also raised questions. It is good to think about this in more detail.

- Are certain business models more desirable than others to stimulate the circular economy? For example, is ownership automatically no longer desirable and is it about procuring performance?
- Should the quality necessarily be guaranteed by the supplier, or can another party (or you) do this?
- Does a product necessarily have to go back to the supplier after use, or are other solutions just as good (for example high value re-use by a third party)?
- Are there possible situations in which it is desirable for the contracting authority to control the future re-use itself (with the result that you don't have to make agreements about this in your tender)?
- Is the transition from the economy to 'performance-based' business models central or is it about maintaining the value of resources and closing circuits, regardless of who does this?
- If the latter is the case, how do you determine which parties (incl. your own organisation) and what business models are best suited to realising this?



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