



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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TO: Vancouver City Council
FROM: Corporate Management Team
SUBJECT: Ethical and Sustainable Purchasing Policy

RECOMMENDATIONS

- A. THAT Council amend the Ethical Purchasing Policy as outlined in Appendix A to allow departments to differentiate application of the policy for products for resale.
- B. THAT Council reinstate the full time contracting specialist position to the end of 2008, in the Materials Management department to develop and implement a comprehensive Sustainable and Ethical Purchasing Policy that incorporates broader environmental and social objectives as Phase II, and to provide support to all City departments and boards in administering the Ethical Purchasing Policy. The incremental cost is \$30,000; funding for 2006 to be provided from unspent funds in a previously approved budget for EPP (\$20,000) and budget reallocations in the 2006 Operating Budget (\$10,000); and funding for 2007 and 2008 to be added to the 2007 Operating Budget without offset.

CITY MANAGER'S COMMENTS

The City Manager recommends approval of A and B.

Council adopted the Ethical Purchasing Policy (EPP) and Supplier Code of Conduct (SCC) on February 17, 2005, and provided funding for incremental costs for fair trade certified (FT) agricultural products and a full time contracting specialist position. On March 21, 2006, staff reported to Council on the status of the implementation of the EPP and indicated that the

incremental costs were significantly lower than originally estimated. As part of the 2006 budget balancing process staff recommended that the \$284,500 funding for incremental costs associated with the EPP could be reduced to \$101,000. On April 6, 2006, Council eliminated the funding for the incremental cost of FT agricultural products and the contracting specialist position and directed staff to report back on the impact of the budget decision.

Amending the EPP provides departments the flexibility to make decisions based on best value in areas where the products are for resale to the public. This is particularly important for operations such as the Carnegie Centre and Gathering Place, where the cost of food products are already subsidized and resold to customers, most of whom are residents of the Downtown Eastside. If the policy is not amended, the financial impact of the incremental costs will have to be addressed in the 2007 Operating Budget process. Given the City's challenge with budget pressures, it is recommended that the EPP policy be amended for products for resale which will provide customers with choice on FT agricultural products. Under the amended policy, departments will continue to purchase FT agricultural products where they are not for resale.

The elimination of the contracting specialist position will impact on the implementation of Phase II - development of a Sustainable and Ethical Purchasing Policy (SEPP). The position is required to undertake the research and analysis needed to understand what changes in purchasing might arise as a result of implementing a comprehensive and ethical purchasing policy. The scope of work for Phase II affects all departments and would require a review and evaluation of purchasing practices across the entire range of products and services purchased by the City. Without the position, the previously approved work plan would have to be set aside (a SEPP will not be developed) and departments will be directed to implement sustainable practices on a best efforts basis by abiding by the Principles of Sustainability. It is recommended that Council reinstate the contracting specialist position for a term of 2 years (to end of 2008) to complete a revised work plan to develop a SEPP.

COUNCIL POLICY

Policy AF-014-01 Ethical Purchasing Policy and Supplier Code of Conduct

Council policies indirectly related to the issue of sustainable and ethical procurement include:

- Corporate Climate Change Action Plan
- Council adoption of the Energy Efficient Purchasing Policy of November 2, 2004
- Contracts Goods and Services Policy - Environmentally Sound Purchasing

The goal of the Ethical Purchasing Policy (EPP) is to ensure that all suppliers to the City meet, at a minimum, the performance standards outlined in the Supplier Code of Conduct (SCC).

PURPOSE

This report outlines the impacts of the April 2006 budget decisions to eliminate funding for incremental costs associated with the EPP and one contracting specialist position dedicated to the implementation the EPP and development of a broader sustainable purchasing policy.

BACKGROUND

On February 17, 2005, Council adopted the EPP and SCC and provided funding for incremental costs of FT agricultural products (\$246,000 for Park Board and \$284,500 for all other City departments) and a full time contract specialist position. The position was to provide implementation and administrative support of the EPP (Phase I) and to develop a comprehensive Sustainable and Ethical Purchasing Policy to deal with broader social, economic and environmental issues (Phase II). Council also approved the work plans for both these phases.

On March 21, 2006, staff reported on the progress made on the work plan to date. The report concluded that the incremental costs associated with the implementation of the EPP were significantly lower than originally anticipated:

- FT agricultural products (sugar, coffee and hot chocolate powder) for the City, had incremental costs of approximately \$16,000.
- Uniform contracts experienced savings of \$14,000 due to strategic sourcing (the City obtained better volume pricing due to consolidation of requirements and standardization of clothing items).

The contracting specialist had also initiated work on sustainable purchasing activities, including identifying short-term opportunities to integrate sustainability considerations into upcoming product purchases, and reviewing product end-of-life processes and options.

As part of the 2006 Budget process, staff recommended reducing the funding for incremental costs associated with the implementation of the EPP. On April 6, 2006, to balance the 2006 Operating Budget, Council eliminated funding for:

- Incremental costs associated with the EPP (FT agricultural products and apparel) and
- The contracting specialist position.

Council directed staff to report back on the impact of this budget decision.

DISCUSSION

On June 12, 2006 the Park Board approved an amended EPP giving the Board the ability to use the criteria of best value in awarding contracts for products purchased for resale to the public.

The following outlines the impact on City departments other than the Park Board.

1. Impact of eliminating the funding of incremental costs associated with EPP

With the recognition that the EPP is still in effect and that the original funding of \$284,500 was significantly more than required, most City departments will continue to purchase the FT agricultural products (sugar, coffee and hot chocolate powder) where the impact of costs are nominal and can be absorbed into current approved budgets. However, Community Services Group (CSG), which is responsible for operation of the Gathering Place and Carnegie Centre, would not be able to absorb the incremental

cost or be able to pass the incremental cost onto customers, most of whom are residents of the Downtown Eastside.

The SCC will continue to be applied for the procurement of uniforms and apparel. Materials Management has been successful in strategic sourcing by consolidating specifications and will continue to work with departments (Vancouver Police, Vancouver Civic Theatres, etc.) and suppliers to obtain value and volume pricing, therefore no incremental costs are anticipated.

2. Impact of elimination of contracting specialist position

The contracting specialist was approved by Council on February 17, 2005 “to provide support to all City departments and boards to implement and for ongoing administrative support of the EPP” (Phase I) and “to develop and implement a comprehensive SEPP” (Phase II). Progress on both these phases was reported to Council on March 21, 2006.

The absence of this position would have the following impacts on each phase of the work plan:

a. Phase I work plan

Although the initial steps to implement the EPP have been taken, the following tasks which require ongoing focus, would be curtailed:

- i. Collaboration with other organizations to share knowledge and identify opportunities for improved cost and performance;
- ii. Coordinating with other City initiatives;
- iii. Performing remedial action when complaints are received; and
- iv. Building internal capacity among and providing support to staff from all City departments.

b. Phase II work plan

This involved working with the Sustainability Group to develop a SEPP that would address broader social, economic and environmental issues. Significant effort and resources are required to review the myriad of products and services purchased throughout the City. Without the position the following will be impacted:

- i. the original work plan for research and development, which includes:
 - Analysis of existing sustainable purchasing policies and practices being used in other cities and organizations;
 - Determine market readiness on selected products;
 - Stakeholder consultation;
 - Develop evaluation criteria/legal review; and
 - Draft policy and implementation framework.
- ii. Departments would be required to develop the expertise and knowledge on their own, which would be extremely challenging without guidance and leadership from a corporate position.
- iii. There would be no resources to support an advisory group and/or a consultative process.

Proposals

Phase I

To continue the commitment to the principles of ethical purchasing and provide consumers with choices, it is recommended that the EPP be amended as per Appendix A. (Changes in section 2.1 are highlighted). The change provides flexibility in the application of the EPP where products are for resale to the public. This approach would provide departments the ability to evaluate both FT and non-FT agricultural products in situations where the products are for resale to the public. If the costs of the FT product are significantly higher, the department would have the option of procuring the lower priced, non-FT product. This would provide Carnegie Centre and Gathering Place the ability to provide customers with choices. Departments would continue to purchase FT products when they are not for resale.

Phase II

To be able to develop the SEPP, it is critical that the contracting specialist position be reinstated. If the position were to be reinstated, the contracting specialist would:

- Develop sustainable purchasing principles [Outcome: clear, concise principles to guide all purchasing activities.]
- Develop criteria for inclusion in bid documents and service contracts [Outcome: improved systems for ongoing implementation.]
- Build internal capacity throughout City departments [Outcome: Staff better able to make consistent purchasing decisions, based on sustainability.]
- Prioritize target products/services applying sustainability criteria [Outcome: focus on high-priority, high-impact purchasing efforts.]
- Report back to Council (annual basis). [Outcome: enhanced understanding of sustainable purchasing considerations throughout the organization and enhanced accountability.]

This approach would enable staff to implement sustainable purchasing in a systematic fashion, with a focus on reporting on the outcomes and benefits of improved purchasing activities. A detailed work plan is attached in Appendix B.

Staff have already begun to advance our understanding of the many sustainability considerations related to purchases of office furniture and clothing. This work is ongoing in anticipation of the creation of a procurement strategy that officially incorporates sustainability considerations. Through this process we can gather information from suppliers and get a better understanding of market readiness and other considerations that must be addressed in successful policy development.

If the contracting specialist position was not reinstated, departments will be asked to implement sustainable practices on a best efforts basis by abiding by the Principles of Sustainability. However, without a central resource, efforts by the departments will not be coordinated and knowledge and skills may not be consistent throughout the City.

FINANCIAL IMPLICATIONS

Phase I

Amending the EPP policy will give departments the ability to evaluate both FT and non FT agricultural products for resale on a best value basis giving consideration to their budgets.

If the policy is not amended, the cost implications of purchasing FT agricultural products will be addressed in the 2007 Operating Budget process. As more products become certified, the incremental costs will likely increase.

Phase II

The contracting specialist position was funded at \$68,000 per year. The April 6, 2006 budget decision eliminated the position and \$30,000 from the 2006 Operating Budget. To reinstate the contracting specialist position for the remainder of the year, \$20,000 can be provided from unspent funds previously approved for the EPP and \$10,000 from budget reallocations. Funding will be incorporated in the 2007 and 2008 Operating Budget without offset.

PERSONNEL IMPLICATIONS

The contracting specialist position is a full time temporary position to the end of 2008. As part of the annual reporting to Council on the work plan, assessments will be made on the internal capacity built throughout the City departments to determine if the position is required beyond 2008.

CONCLUSION

With the implementation of the EPP, the incremental costs of FT agricultural products and apparel were estimated to be approximately \$284,500 per year. Apparel costs have not been as high as anticipated and coupled with strategic sourcing initiatives, City staff have been successful in achieving cost savings. However, there are usually price premiums for FT agricultural products and as more FT agricultural products come onto the market, incremental costs may increase. In April 2006, the funding of \$284,500 was eliminated. For City departments to continue the commitment to ethical purchasing principles it is recommended that the EPP be amended to provide flexibility to departments to make decisions based on best value for products for resale.

To develop and implement a comprehensive SEPP significant effort and resources are required to coordinate the diverse purchasing activities of the City. It is recommended that the contracting specialist position be reinstated to the end of 2008 to complete a revised work plan.

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SUBJECT: Ethical Purchasing Policy	
	POLICY NUMBER: Number

PURPOSE

The goal of the City of Vancouver's Ethical Purchasing Policy (EPP) is to ensure that all suppliers to the City meet, at a minimum, the performance standards outlined in the Supplier Code of Conduct which includes core labour conventions of the International Labour Organization (ILO). It demonstrates a commitment to sustainability by seeking to ensure safe and healthy workplaces for the people who make products for the City of Vancouver, where human and civil rights are respected. The EPP also ensures that purchasing activities are aligned with the City's Mission Statement and Values.

The policy establishes an avenue whereby complaints of abuses in workplaces that are involved in the manufacture of apparel and agricultural products purchased by the City can be made to the City. The City will determine the level and the degree necessary to investigate and act upon complaints.

The policy is not intended to interfere with the City's collective agreements.

SCOPE

All City staff. The EPP applies to the City's procurement of apparel items and fair trade agricultural products, including coffee.

DEFINITIONS

Purchasing refers to the process of procuring products from manufacturers or vendors.

Suppliers are companies that have a direct business relationship to the City of Vancouver. These companies may have factories or production facilities of their own or they sub-contract parts or their entire production.

Sub-contractors are companies that have been sub-contracted by our suppliers. They do not have a direct business relationship with the City of Vancouver.

Factories or Production Facilities are used to describe factories producing products for the City of Vancouver, whether it is a supplier's factory or subcontractor's facility.

Fair Trade certification is a system that seeks to improve the lives of agricultural product producers in origin countries by ensuring that the owners of farms receive a guaranteed fair price for their harvest. Transfair is the recognized certification body in Canada.

Fair Trade Agricultural Products are products that are agricultural in origin that can be Fair Trade Certified by Transfair Canada, or if unavailable, another National Initiative (NI) of the Fair Trade Labeling Organization (FLO) International. Examples of commodities currently include, coffee, green and black tea, cocoa products, sugar, and bananas and other tropical fruit.

Fair Trade Labeling Organization (FLO) International is the global Fair Trade standard setting and certification organization for products bearing Fair Trade certification labels. FLO certifies producer organizations, and audits trade between certified producer organizations and registered traders in consuming countries, including all steps of processing and industrial manufacturing.

National Initiative (NI) is a FLO member organization based in a consuming country that monitors Fair Trade Certified product supply chains from the point of importation, and is responsible for monitoring and setting standards for usage of the Fair Trade Certified logo.

Certified Organic is a certification system that requires agricultural production without the use of synthetic pesticides, herbicides, or chemical fertilizers, and that contributes to a healthy environment including clean groundwater.

International Labour Organization (ILO) is the UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights. The ILO formulates international labour standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights.

Supplier Code of Conduct (SCC) sets the minimum performance standards for the City of Vancouver's Ethical Purchasing Policy. The goal of the SCC is to ensure safe and healthy workplaces for the people who make products for the City of Vancouver; where human and civil rights are upheld in accordance with the conventions of the ILO.

ILO Core Labour Conventions means the minimum labour standards set out in the Supplier Code of Conduct.

POLICY STATEMENTS

1 Guiding Principles

1.1 The City of Vancouver will:

- ensure that its Ethical Purchasing Policy (EPP) and accompanying Supplier Code of Conduct (SCC) are reviewed regularly and require compliance with ILO core labour conventions.
- share information with current and future suppliers so they are aware of the City's expectations in terms of product certification and workplace practices.
- rely on a combination of approved external independent certifications, supplier disclosures and certifications, and public disclosure of information factory and production facilities, to ensure that suppliers comply with the EPP.
- evaluate and accept on a case-by-case basis any instances where it is reasonably determined City or supplier practices may differ from policy so long as the purpose and spirit of the policy is always upheld.
- work with suppliers who do not fully comply with the policy to assist them to improve their workplace practices.

- reserve the right to discontinue business with suppliers who are not responsive to requests to address concerns around workplace practices and instances of non-compliance with the EPP.
- where opportunities exist (or are emerging) work collaboratively with other organizations on monitoring and verification processes (e.g. municipalities).
- adhere to all applicable legal requirements and trade agreements.
- require that suppliers ensure subcontractors comply with the SCC.

1.2 The City recognizes that to be successful and meet its stated objectives that its EPP must also be based on:

- *Collaboration*: Working with suppliers and other key stakeholders to continuously improve purchasing activities and workplace practices.
- *Credible verification*: Working with recognized agencies to ensure compliance with the SCC (E.g. Fair Labour Association, Verite, Worker's Rights Consortium).
- *Fiscal responsibility*: Ensuring that implementation and management of the EPP is aligned with approved resource allocations.
- *Fairness and Transparency*: The decision making process must be open, transparent and respect the rights of all key stakeholders to a fair and just process.

2 Implementation, Compliance and Monitoring

2.1 The City will incorporate criteria in the overall evaluation process of suppliers related to corporate social responsibility, workplace practices and fair trade certification in the award of contracts. The SCC will be one of the criteria in the overall evaluation process. The City will differentiate application of the EPP for products based on whether or not they are for resale to the public.

2.1.1 For products not for resale to the public, the City will not knowingly award contracts to any supplier who is not in substantial compliance with the performance standards contained in the SCC.

2.1.2 For products that are for resale to the public, the City will accept bids from both fair trade certified products and non-certified products. In determining the award of such contracts, where all factors are generally equivalent, the awards of the contract will be for fair trade certified products. However, in cases where the costs for fair trade certified products are higher than non certified products, the City will award the contract based on best value taking into consideration availability, customer choice and economic (budget) impact.

- 2.2 The City expects all its suppliers to respect its SCC and to actively do their utmost to achieve the City's standards. The City believes in cooperation and is willing to work with its suppliers to improve performance where necessary.
- 2.3 The City expects that new or potential suppliers commit to respect the attached SCC within a reasonable period of time as mutually agreed to by the City and supplier at the time of contract. In choosing new or potential suppliers, the City will give preference to suppliers who are already in compliance with SCC standards over those who are not.
- 2.4 The City will require that suppliers uphold the SCC through specific language in supplier contracts, including agreement to independent facility inspections if so desired by the City.
- 2.5 The City will require that suppliers provide details on factory and production facility locations of suppliers and subcontractors and will make this information publicly available (i.e. Annual reports, web site postings, etc).
- 2.6 The Manager of Materials Management will respond and investigate credible complaints with respect to violations of the SCC that are brought to his/her attention using a combination of research and dialogue with suppliers.
- 2.7 If the Manager of Materials Management believes that workplace conditions do not meet the standards outlined in the City's SCC, he/she will notify the supplier and request that corrective action be taken.
- 2.8 The City reserves the right to ask for proof of compliance with all applicable labour, health, safety, and environmental laws, and may inspect working conditions, at any time (or request independent verification of compliance). Suppliers must maintain current and sufficiently detailed records to substantiate their compliance with the SCC and the City may ask that they are independently verified at the supplier's expense.
- 2.9 Compliance with the SCC will become part of the City's supplier evaluation process (along with other factors including service and performance).

3 Reporting and Evaluation

Application of the City's EPP will be monitored by the Manager of Materials Management who will annually report to Council on implementation progress, financial implications, supplier compliance, complaints and remediation activities, supplier feedback, and other stakeholder input. Where the City has knowingly entered into, or maintained, contracts with suppliers and their subcontractors who do not fully comply with the EPP, these exceptions will be reported to Council along with a rationale for maintaining the ongoing relationship.

4 Review

The Manager of Materials Management will be responsible for reviewing the EPP and SCC annually and reporting findings to Council annually. Through consultations with key stakeholders (suppliers, subject experts, city staff, etc.) the Manager of Materials Management will identify and recommend revisions to the EPP and SCC.

Such review will include a review of new items for potential inclusion within the scope of the EPP (e.g. new fair trade certified agricultural products).

REFERENCE

Supplier Code of Conduct

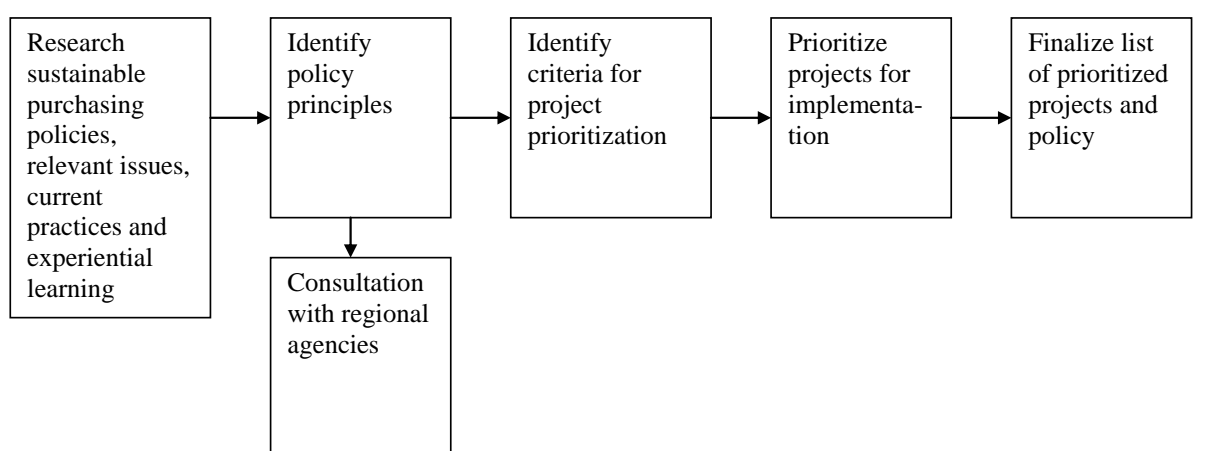
APPROVAL HISTORY

ISSUED BY:	APPROVED BY:	DATE: yyyy/mm/dd
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Sustainable and Ethical Purchasing Work Plan

- A. An analysis of the successes and pitfalls of the existing practices will provide valuable information about how to proceed. Understanding how the City of Vancouver's current, albeit informal, consideration of sustainability objectives in procurement decisions has affected service, performance and economics would provide important information about the form of the policy and shed light on appropriate implementation strategies.

The following chart outlines the anticipated sequence of policy development and implementation of the sustainable purchasing policy.



- B. Build sustainability considerations into the City's competitive bidding process to ensure that the competitive bidding process can withstand legal scrutiny and challenge. Evaluation criteria will include an assessment of the sustainability factors that are subject to the nature of the goods being acquired and their relation to the sustainability principles adopted in the policy.
- C. Develop a monitoring and compliance system. Staff will place a high priority on being able to accurately assess the impacts, not only on direct City operations and expenditures, but also on the broader impacts associated with making purchasing decisions that advance sustainability.
- D. Building internal capacity will be critical to the implementation of the policy. Orientation and training sessions will be coordinated to ensure awareness of the policy requirements, principles, and procedures. Policy requirements will be identified and communicated to appropriate Department Heads.
- E. Review the policy and the implementation process annually to ensure that barriers to the policy's success are addressed as needed. Report to Council.